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 2016

CHINA OVERSEAS
GRAND OCEANS GROUP LTD.

CONTENTS

FOUNDATION

The continuous expansion demonstrates the strong commitment of the Group to be a high-growth star property developer of the highest potential in the residential property market in China. Fully embraced the government's urbanization and long-term housing policy, the Group will continue to focus on the emerging cities with best investment value and growth potentials, and stick to the position of offering middle to high-end product ranges.

Shantou - La Cite

Yangzhou - The Grand Canal

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

Edmond Chong

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 2016)

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

2016 annual results announcement	21 March 2017
Book closure period for annual general meeting	18-23 May 2017 (both days inclusive)
Annual general meeting	23 May 2017
Book closure period for final dividend	29 May 2017
Payment of final dividend	on or about 5 July 2017
Financial year end	31 December 2017

BOARD OF DIRECTORS AND COMMITTEES

CHAIRMAN AND NON-EXECUTIVE DIRECTOR

Xiao Xiao	(appointed on 15 November 2016)
Hao Jian Min	(resigned on 15 November 2016)

EXECUTIVE DIRECTORS

Zhang Guiqing	*Chief Executive Officer*
Xiang Hong	(resigned on 10 January 2017)
Wang Man Kwan, Paul	
Liu Jun	(resigned on 30 September 2016)
Yang Lin	(appointed on 21 March 2017)

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

Xiao Xiao	(appointed on 15 November 2016)
Hao Jian Min	(resigned on 15 November 2016)
Zhang Guiqing	
Xiang Hong	(resigned on 10 January 2017) *(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*
Yung Kwok Kee, Billy
Chung Shui Ming, Timpson
Lo Yiu Ching, Dantes
Zhang Guiqing

NOMINATION COMMITTEE

Lo Yiu Ching, Dantes*
Chung Shui Ming, Timpson
Lam Kin Fung, Jeffrey
Zhang Guiqing

* *Committee Chairman*

FINANCIAL HIGHLIGHTS

For the year ended 31 December	2016	2015	Change
Key Consolidated Profit and Loss Items *(HK$ Million)*			
Revenue	**17,093.5**	16,613.9	2.9%
Gross profit	**2,935.0**	2,599.6	12.9%
Gross margin[1]	**17.2%**	15.6%	1.6%^
Profit attributable to owners of the Company	**900.2**	851.2	5.8%
Net margin[2]	**5.3%**	5.1%	0.2%^
Contracted property sales	**24,003.9**	22,007.0	9.1%
As at 31 December	**2016**	**2015**	**Change**
Key Consolidated Statement of Financial Position Items *(HK$ Million)*			
Inventories of properties	**49,011.8**	34,475.5	42.2%
Sales deposits received	**19,740.3**	13,934.0	41.7%
Cash reserves[3]	**20,820.5**	13,026.6	59.8%
Total borrowings[4]	**23,122.1**	18,690.7	23.7%
Net debts[5]	**2,301.6**	5,664.1	-59.4%
Equity attributable to owners of the Company	**10,421.9**	11,172.8	-6.7%
Net gearing[6]	**22.1%**	50.7%	-28.6%^
Land Bank *(Thousand sq.m.)*			
Development land reserves	**17,741.2**	10,930.9	62.3%
Financial Year	**2016**	**2015**	**Change**
Return to Shareholders			
Return on equity[7]	**8.3%**	7.3%	1.0%^
Earnings per share *(HK cents)*	**39.4**	37.3	5.6%
Dividends per share *(HK cents)*	**2**	–	N/A

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 + Guaranteed notes payable

(5) Net debts: Total borrowings – Cash reserves

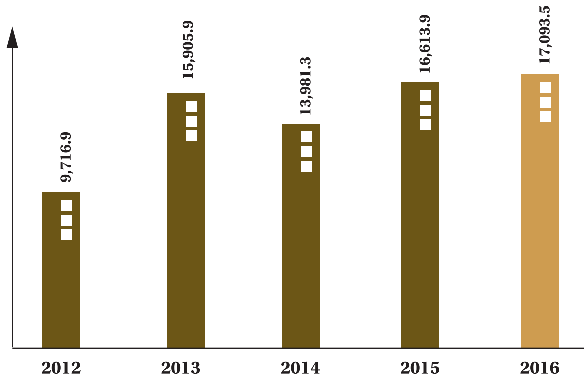
(6) Net gearing $= \dfrac{\text{Net debts}}{\text{Equity attributable to owners of the Company}}$

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

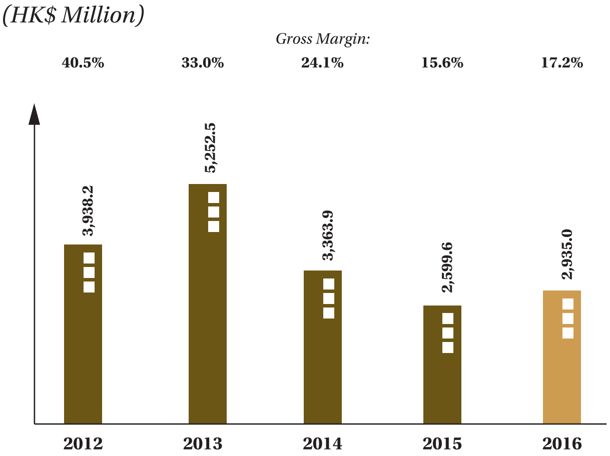
Note: ^ Change in percentage points

FINANCIAL HIGHLIGHTS *(CONTINUED)*

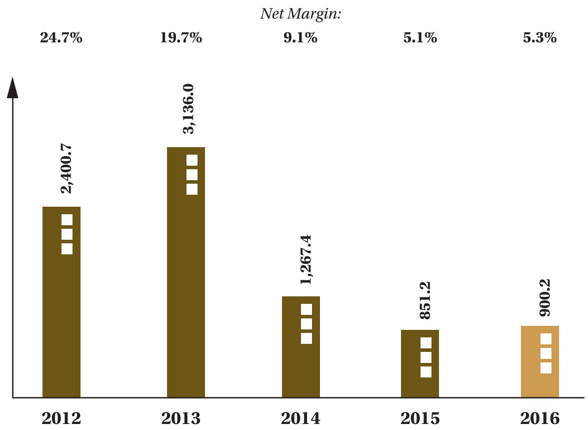
Revenue
(HK$ Million)



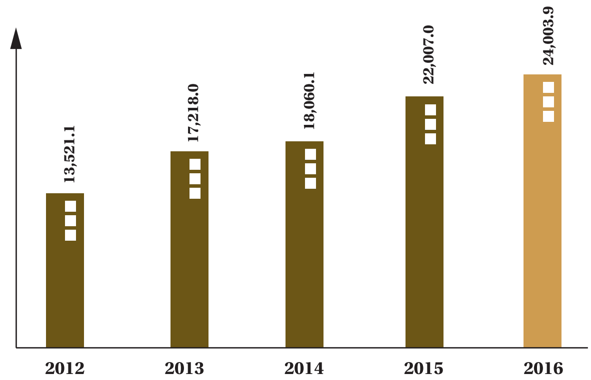
Gross Profit
(HK$ Million)



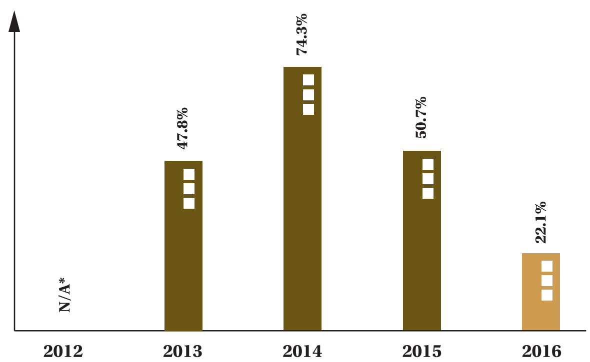
Profit Attributable to Owners of the Company
(HK$ Million)



Contracted Property Sales
(HK$ Million)

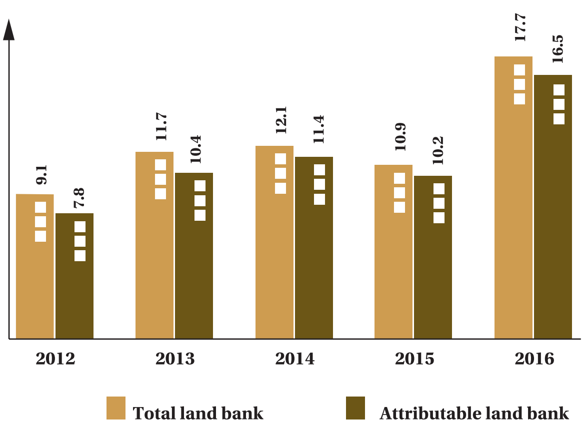


Net Gearing



* Net cash

Land Bank
(Million sq.m.)



EXPANDING

The Group proactively took up opportunities to expand its operating scale and extend its footprint to cities with high growth potential. The property portfolio acquired from COLI and the eight new parcels of land purchased during the year brought in quality land parcels. The Group maintained a land bank in 19 cities with 44 projects under development.

Nantong - The Grove

Jilin - International Community

CHAIRMAN'S STATEMENT

The Group kept on working tirelessly to improve the quality of its projects to meet the customers' needs and enhance the inventory turnover in the year.

For the year ended 31 December 2016, the Group's revenue increased to HK$17.1 billion while profit attributable to owners of the Company was about HK$900 million.

The Group continued to speed up properties sales that the contracted property sales for the year further increased to HK$24.0 billion, which corresponded to an aggregated sold area of approximately 2.7 million square meter.

MR. XIAO XIAO
Chairman and Non-executive Director

INTRODUCTION

I am pleased to present the annual results of the Group for the year ended 31 December 2016.

For the year ended 31 December 2016, the Group's revenue increased by 2.9% to HK$17,093.5 million comparing with last year, while profit attributable to owners of the Company was HK$900.2 million, 5.8% higher than last year. Basic earnings per share were HK39.4 cents (2015: HK37.3 cents).

The market environment in 2016 remained complicated and fast-changing. On one hand, the unanticipated geopolitical events abroad and the depreciation of the value of Renminbi ("RMB") have brought uncertainties to the operating environment. On the other hand, the supply-side structural reform and economic transformation in China has delivered initial results and started to provide new impetus for economic growth.

The property market in China has rejuvenated with property sales increased notably in the year. Though the recovery of the sector has been uneven from city to city, the overall market sentiment and operating environment have improved.

During the year, the Group proactively took up opportunities to expand its operating scale and extend its footprint to cities with high growth potential in order to align its corporate strategies for continuous development and lay the foundation for persisted growth. On 29 December 2016, the Group successfully completed the acquisition of a wholly-owned subsidiary of its controlling shareholder, China Overseas Land & Investment Limited ("COLI") (the "Acquisition") for its underlying property portfolio. The property portfolio mainly comprised residential property development projects at various development stages and located in the cities where the Group has been operating well such as Yangzhou and Shantou as well as new cities including Huizhou, Huangshan, Weifang, Zibo and Jiujiang. The Acquisition allowed the Group to deepen its presence in existing cities and expand into new emerging cities. Considering the keen competition in land acquisition or land auction that drove up prices, the Acquisition enabled the Group to increase and replenish its land reserve with high quality land assets in one single transaction.

On top of the Acquisition above, during the year, the Group entered into a new city, Xuzhou, a city in Jiangsu province with high growth potential. Together with other new land banks, the Group purchased a total of eight parcels of land in Lanzhou, Shantou, Yancheng, Ganzhou, Nantong and Xuzhou with total development area of 1,352,722 square meter (sq.m.) (attributable to the Group: 1,168,047 sq.m.). With the expansion and the Acquisition above, the Group significantly enlarged its land bank to 17,741,200 sq.m. (attributable to the Group: 16,527,500 sq.m.) as at 31 December 2016, compared to 10,930,900 sq.m. (attributable to the Group: 10,238,100 sq.m.) as at 31 December 2015. The Group's land bank was distributed over 19 cities with 44 projects under property development as at 31 December 2016.

Apart from expansion, the Group still kept on working tirelessly to improve the quality of its projects to meet the customers' needs and enhance the inventory turnover in the year. Riding on the strong sales momentum in 2015, the Group continued to speed up properties sales in the year. With the application of flexible marketing strategies and sales tactics and introduction of more promotional campaigns, the contracted property sales of the Group for the year increased to HK$24,003.9 million (2015: HK$22,007.0 million), representing an increase of 9.1% against last year, which corresponded to an aggregated sold area of 2,673,800 sq.m. (2015: 2,406,600 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$1,503.3 million for an aggregated area of 140,400 sq.m..

DIVIDEND

No interim dividend had been paid for the six months ended 30 June 2016 (the corresponding period in 2015: Nil).

After reviewing the result performance for the year and working capital requirements for the Group's future expansion of its business, the Board of the Company recommended the payment of a final dividend of HK2 cents per share (2015: Nil) for the year ended 31 December 2016.

The proposed final dividend is subject to the approval by the shareholders of the Company at the forthcoming annual general meeting 2017.

PROSPECTS

THE ECONOMY

As a consequence of the unexpected outcomes of Britain's vote to leave the European Union and the election results in the United States, the global economy in 2017 would be filled with uncertainties. The general elections in Germany and France will be taken place in 2017 and negotiations of the Brexit process between Britain and European Union will commence soon. Further shocks on global economy may be on the horizon. For the United States, the Federal Reserve Board has continued the normalization of interest rate amid recovery of the economy. However, in view of the shift in policy mix after the new government on board, the growth of United States' economy as well as the pace of interest rate hike have become unclear. While uncertainty and instability in the world economy are on the rise, currency exchange rates, interest rates and asset prices would be more volatile inevitably.

In China, the transformation and upgrade of the economic and industrial structure advanced continuously. The supply-side structural reform promoted a new development dynamic and boosted the quality of development. In the first year of the 13th Five Year Plan period, GDP of China for the year 2016 increased by 6.7% year-on-year as led by the growth in tertiary industry. The economy has kept on shifting from an investment and industry driven model to a consumption and service oriented model.

In the Central Economic Work Conference held in December 2016, the Central Government assured to push forward the supply-side structural reform in 2017, aiming for tangible results in key reform tasks. At the same time, the main theme "seeking progress while maintaining stability" has been set as the guiding principle in governance and economic work. Proactive fiscal and prudent monetary policies will be implemented continuously to ensure stable liquidity to support the economic development. The stable policy environment, including a stable currency, will provide a foundation for stable growth. Moreover, the further promotion of development philosophy of innovation, coordination, green growth, opening up and sharing will drive sustainable and healthy economic development which will improve the living quality of people in the long run.

REAL ESTATE DEVELOPMENT

The housing market in China has been progressing well in general in 2016 but the pace of recovery varied among cities, with property prices surged significantly in some economically strong areas. Differentiated property policies costumed to specific local conditions of respective cities have been implemented to address the issue of market divergence. For instance, tighten measures and property purchase restrictions have been unveiled in cities where the markets are overheat to contain speculative purchases whereas de-stocking efforts have been continuing in some smaller cities.

The Central Economic Work Conference has set the tone for the real estate market in 2017 as stable and healthy development. In addition to launching measures to guide expectation on the property market, the Central Government also has stepped up efforts to establish a market-oriented long-term mechanism and will employ multifaceted policies involving land, investment, lawmaking, fiscal policy and financing with the target to stabilize the market sentiment and minimize wild volatility of property prices.

PROSPECTS (CONTINUED)

REAL ESTATE DEVELOPMENT (Continued)

To deal with the diverging situation of the housing market in the long run, the launch of measures to create more job opportunities, raise living standards as well as improve urbanization and transportation infrastructure construction in the smaller cities would attract more residents to stay and develop in these cities, which would lead to a core demand in property. The successful execution of the policy would, thus, effectively treat the fundamental and root causes of the imbalanced demographic housing demands and would facilitate the establishment of a stable and healthy property market with sustainable growth.

GROUP STRATEGY

The continuous expansion and the Acquisition demonstrate the strong commitment of the Group to be a high-growth star property developer of the highest potential in the residential property market in China. Fully embraced the government's urbanization and long-term housing policy, the Group will continue to focus on the emerging cities with best investment value and growth potentials, and stick to the position of offering middle to high-end product ranges.

After years of expansion and the recent Acquisition, the Group has successfully well placed itself to benefit from the ongoing infrastructure investment and the rapid 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.

While firmly adhere to its prudent investment strategy, the Group would closely monitor the development of property market and is dedicated to enlarge its operating scale and speed up the pace of development in an orderly manner. As a leading property developer in the market, the Group believes that it is of paramount importance 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 seek for business opportunities with investment value and good returns.

Leveraged with the increased understanding on the operating environment and market dynamics, the Group would continue to enhance its operating processes, reinforce its internal controls and tighten cost controls. The newly acquired operations would be fully integrated with the standardized management systems of the Group's existing operations to attain the greatest synergy and operational efficiency.

In response to the increasing expectations of the customers and market competition, the management would strive to perfect the customer services, broaden the range of property products, optimize the project development cycle and enhance the quality of the properties. To cope with the ever-changing market environment, the Group is devoted to 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 secure its advanced 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 political and economic environment, volatility of exchange rate of RMB and national policy changes to the business operations.

The Group regards talent capital amongst the essences to success and continuous development of its business. The Group is committed to offer comprehensive training and career progression opportunities for staff motivation and retention.

APPRECIATION

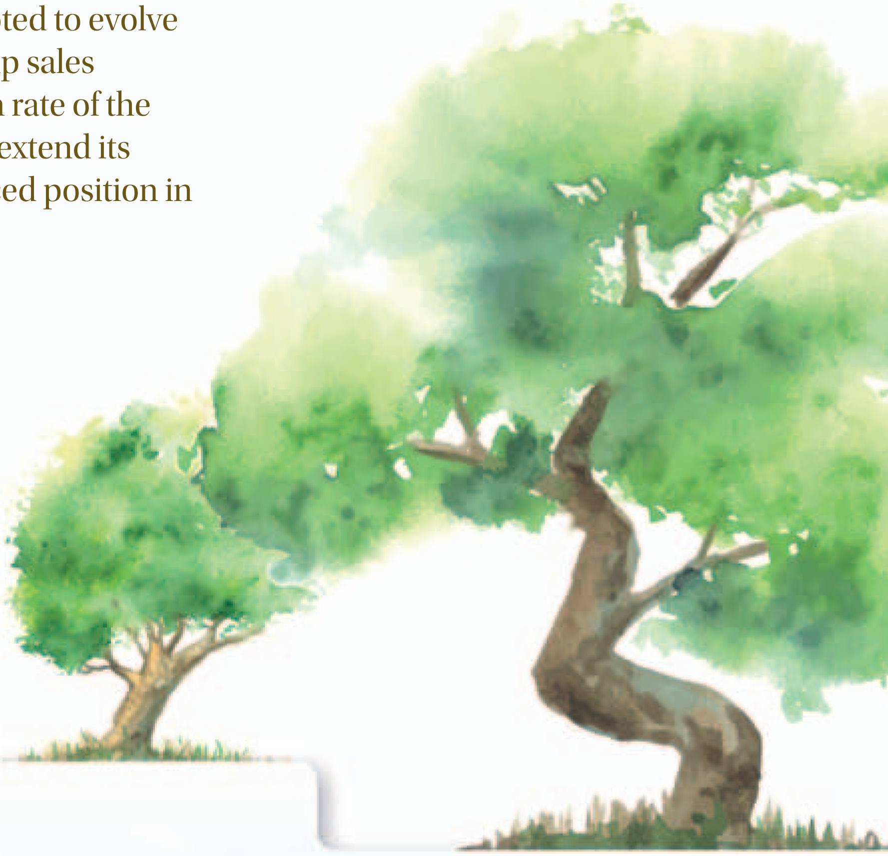
I would like to take this opportunity to express my heartfelt thanks to my fellow directors and our committed staff for their dedication, hard work and contributions to the Group for the year, and our shareholders and business partners for their continued confidence and support.

Xiao Xiao
Chairman and Non-executive Director

Changzhou - Dragon Bay

PLANNING

The Group would closely monitor the development of property market and is dedicated to enlarge its operating scale and speed up the pace of development in an orderly manner. To cope with the ever-changing market environment, the Group is devoted to 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 secure its advanced position in the market.



Nanning - International Community

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

REVENUE AND OPERATING RESULTS

The property market in China has rejuvenated in 2016 that the overall market sentiment and operating environment have improved. Following the sales strategies of 2015, the Group continued to accelerate the property sales and enhance the sell-through rate of the inventory turnover in the year. For the year ended 31 December 2016, the Group recorded revenue of HK$17,093.5 million, 2.9% increase comparing with last year. Gross profit for the year was HK$2,935.0 million, HK$335.4 million higher than last year. Gross margin for the year increased by 1.6% against last year to 17.2%, as driven by the handover of a project in Beijing with higher profit margin. The profit margins would be at the similar level as the last year if the contribution from the Beijing's project was excluded.

On 24 March 2016, the Group and China State Construction International Holdings Limited ("CSC"), entered into a framework agreement that the Group appointed the CSC group to provide the construction supervision service for the property development projects of the Group in China. The service further ensures the smooth running on the property development projects with no significant impact on costing as a whole.

On the other hand, the reform program to replace business tax with a value-added tax for the real estate development industry has been imposed from 1 May 2016. Since majority of the profit recognized in the year related to projects not affected by the new tax rules, the revenue and gross margin for the year did not fully reflect the impact of the reform. Nevertheless, under the existing operation situation of the Group, the new value-added tax rule is expected to have a positive impact on the gross margin of the property sales.

For better presentation, staff costs of HK$110.7 million of last year was reclassified from administrative expenses to distribution and selling expenses. Continued the extended promotion and marketing activities in the year, the distribution and selling expenses increased mildly by HK$8.9 million against the adjusted expenses last year. However, the ratio of distribution and selling expenses to the contracted property sales for the year reduced slightly by 0.2% against last year, from 2.5% (after adjustment) to 2.3%. The ratio of the administrative expenses, including the professional fees of HK$13.0 million incurred for the Acquisition, to revenue for the year was 2.4%, in line with 2.5% (after adjustment) of last year. The Group still maintained stringent controls over the expenses while speeding up sales and continuous development.

Nanning - Royal Lakefront

BUSINESS REVIEW (CONTINUED)

REVENUE AND OPERATING RESULTS (Continued)

With the support of its shareholders, the Group successfully completed the Acquisition on 29 December 2016. The cash consideration of the Acquisition was RMB3,518.6 million (equivalent to approximately HK$3,927.7 million) and the Group recorded a gain on bargain purchase of approximately HK$30,000. After the completion of the Acquisition, the contribution of the company acquired from COLI will be reflected in the financial statements of the Group.

Same as last year, no fair value gain was recognized by the Group in respect of the investment properties in the year. Sales of the China Overseas Building located in Jilin, in form of sub-units, continued and about 70% of the gross floor area was handover to the buyers during the year. As such, the Group recognized a profit before taxation of HK$21.0 million from the disposal.

Driven by rise in gross profit and cost discipline, operating profit for the year amounted to HK$2,133.0 million, representing an increase of 22.3% against last year.

Total interest expense reduced from HK$899.2 million of last year to HK$655.8 million this year, mainly due to decrease in average bank borrowing interest rate and drop in average borrowings (excluding balances from the company acquired from COLI) by approximately HK$2.4 billion as compared to last year. Finance costs decreased from HK$27.3 million of last year to HK$18.5 million this year, after capitalization of HK$637.3 million to the on-going development projects.

Income tax expense comprised enterprise income tax ("EIT") and land appreciation tax ("LAT"). The increase in income tax expense by HK$381.1 million in the year was mainly driven by the profit recognition of a project with a higher profit margin in Beijing during the year which resulted in higher EIT and LAT.

In total, for the year ended 31 December 2016, profit attributable to owners of the Company increased by 5.8% against last year to HK$900.2 million (2015: HK$851.2 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. As mentioned above, the Group successfully completed the acquisition of property portfolio from COLI during the year. The property portfolio mainly comprised residential property development projects at various development stages and located in the cities where the Group has been operating well such as Yangzhou and Shantou as well as new cities including Huizhou, Huangshan, Weifang, Zibo and Jiujiang. As at the completion date of the Acquisition, total gross floor area of the property portfolio was approximately 9.5 million square meter ("sq.m.") and its fair value was around HK$23.65 billion.

On top of the Acquisition above, during the year, the Group entered into a new city, Xuzhou, a city in Jiangsu province with high growth potential. Together with other new land banks, the Group purchased a total of eight parcels of land in Lanzhou, Shantou, Yancheng, Ganzhou, Nantong and Xuzhou with total development area of 1,352,722 sq.m. (attributable to the Group: 1,168,047 sq.m.) for a total consideration of approximately RMB4,750.4 million. Based on the existing plan, the new land piece in Shantou with gross floor area of 221,037 sq.m. (attributable to the Group: 112,729 sq.m.) will be developed with a joint venture partner and the Group holds 51% equity interests in the project.

After the expansion and the Acquisition above, the Group significantly enlarged its land bank to 17,741,200 sq.m. (attributable to the Group: 16,527,500 sq.m.) as at 31 December 2016, compared to 10,930,900 sq.m. (attributable to the Group: 10,238,100 sq.m.) as at 31 December 2015. The Group maintained a land bank in 19 cities with 44 projects under development as at 31 December 2016.

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.

Total Land Bank:

17.7 million sq.m.

Attributable Land Bank:

16.5 million sq.m.

		Total GFA (Thousand sq.m.)	%	Attributable GFA (Thousand sq.m.)	Attributable %
1	Jilin	1,016.0	5.7	881.2	5.3
2	Hohhot	113.9	0.6	113.9	0.7
3	Yinchuan	2,209.4	12.5	1,878.0	11.4
4	Hefei	325.4	1.8	246.7	1.5
5	Nanning	1,206.6	6.8	1,206.6	7.3
6	Lanzhou	848.1	4.8	848.1	5.1
7	Ganzhou	865.2	4.9	805.5	4.9
8	Yancheng	681.4	3.8	605.1	3.7
9	Yangzhou	937.4	5.3	878.0	5.3
10	Nantong	593.2	3.3	593.2	3.6
11	Changzhou	336.0	1.9	336.0	2.0
12	Shaoxing	188.8	1.1	188.8	1.1
13	Shantou	2,976.8	16.8	2,628.4	15.9
14	Huizhou	1,329.9	7.5	1,329.9	8.0
15	Jiujiang	804.5	4.5	804.5	4.9
16	Huangshan	277.8	1.6	152.8	0.9
17	Weifang	1,945.0	11.0	1,945.0	11.8
18	Zibo	1,000.3	5.6	1,000.3	6.1
19	Xuzhou	85.5	0.5	85.5	0.5
Total		**17,741.2**	**100**	**16,527.5**	**100**

SEGMENT INFORMATION

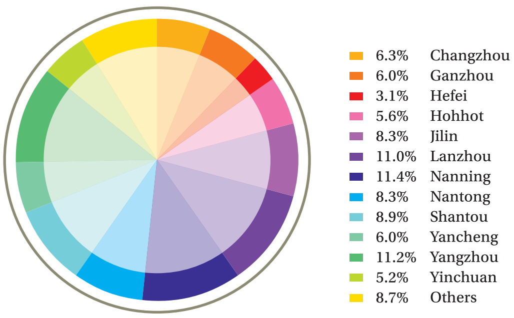
PROPERTY SALES AND DEVELOPMENT

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.

Contracted property sales for the year ended 31 December 2016 increased by 9.1% against last year to HK$24,003.9 million (2015: HK$22,007.0 million), corresponding to a saleable gross floor area of 2,673,800 sq.m. (2015: 2,406,600 sq.m.). At year end, the balance of preliminary sales pending the completion of sales and purchase agreements was HK$1,503.3 million for an aggregated area of 140,400 sq.m..

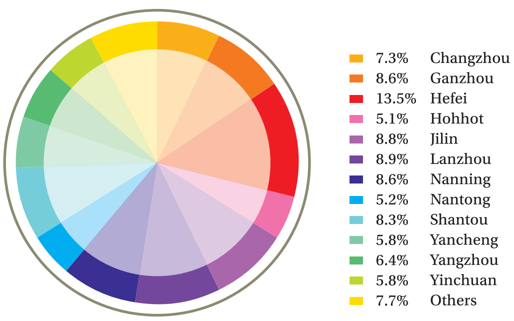
Proportion of Contracted Property Sales by Cities Total Property Sales:

2016



HK$24.0 billion

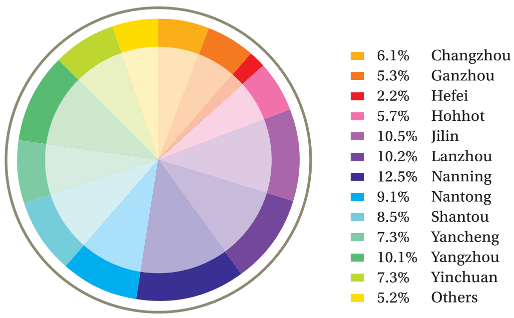
2015



HK$22.0 billion

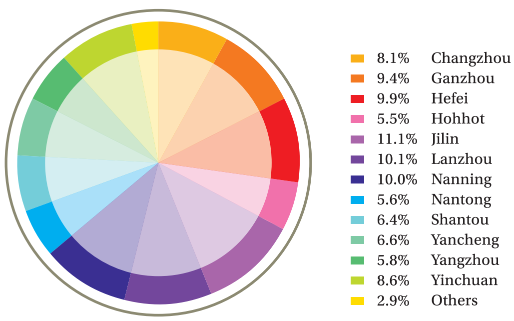
Proportion of Saleable GFA Sold by Cities Total Saleable GFA Sold:

2016



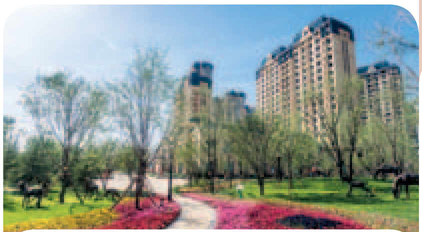
2,673,800 sq.m.

2015



2,406,600 sq.m.

MANAGEMENT DISCUSSION AND ANALYSIS *(CONTINUED)*



Lanzhou - Glorioushire

Yangzhou - Imperial No. 9

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)
Nanning		**327,907**	**2,700.0**
	International Community	248,524	2,095.8
	Royal Lakefront	79,383	604.2
Lanzhou		**273,185**	**2,640.3**
	Glorioushire	146,037	1,342.3
	China Overseas Plaza	127,148	1,298.0
Yangzhou		**213,214**	**2,106.9**
	The Grand Canal	143,046	1,302.7
	Imperial No. 9	70,168	804.2
Nantong		**242,277**	**1,993.3**
	The Aqua	217,430	1,625.5
	The Grove	24,847	367.8
Shantou		**217,274**	**1,973.3**
	La Cite	182,135	1,646.4
	Binjiang Xian Garden	35,139	326.9
Jilin	International Community	**274,303**	**1,927.5**
Changzhou		**162,799**	**1,499.2**
	The Phoenix	92,257	749.6
	Dragon Bay	37,535	375.4
	The Imperial	33,007	374.2
Yancheng		**194,643**	**1,450.2**
	The Arch	105,765	824.3
	The Century	88,878	625.9
Ganzhou	International Community	**141,817**	**1,434.4**
Yinchuan	International Community	**196,069**	**1,237.7**
Hohhot		**142,716**	**1,203.3**
	The Azure	115,014	904.9
	Dragon Cove	27,702	298.4

SEGMENT INFORMATION (CONTINUED)

PROPERTY SALES AND DEVELOPMENT (Continued)

Progress for all development projects was satisfactory and largely in line with the construction programs. During the year, excluding the property portfolio acquired from COLI, nearly 1,822,700 sq.m. (2015: 2,521,500 sq.m.) of construction sites were completed for occupation and of which, about 90% was sold out by year end. The Group continuously accelerated the property sales and also seized opportunities, after cautious assessment, to acquire quality land pieces with high investment potential at reasonable prices to safeguard its healthy financial position and achieve sustainable development scale. For the year ended 31 December 2016, recognized revenue increased by 3.3% against last year to HK$16,900.1 million (2015: HK$16,354.7 million) while segment result increased by 23.4% to HK$2,047.4 million (2015: HK$1,658.8 million).

Recognized revenue from major projects during the year:

City	Name of project	Saleable GFA (sq.m.)	Amount (HK$ Million)
Hefei	The Lagoon	**233,324**	**2,101.9**
Beijing	Maple Palace	**25,150**	**1,845.3**
Nanning		**244,763**	**1,789.4**
	International Community	172,178	1,293.5
	Royal Lakefront	72,585	495.9
Yinchuan	International Community	**314,499**	**1,694.8**
Ganzhou	International Community	**203,147**	**1,500.5**
Changzhou		**159,045**	**1,429.6**
	Dragon Bay	56,314	547.6
	The Phoenix	63,694	457.0
	The Imperial	39,037	425.0
Lanzhou	Glorioushire	**169,215**	**1,216.8**
Yangzhou		**132,628**	**1,181.6**
	The Grand Canal	74,427	552.5
	Imperial No. 9	29,123	341.2
	Jade Garden	29,078	287.9
Shantou	East Coast	**109,149**	**1,016.2**
Jilin	International Community	**124,593**	**819.2**
Yancheng		**125,515**	**799.3**
	The Century	114,990	724.5
	The Arch	10,525	74.8

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

City	Name of project	Construction commenced
Hefei	Central Mansion (previously named as "Baohe District Project")	October 2016

Further details of the respective projects are shown in the Particulars of Major Properties & Property Interests on page 177 to page 190 in the annual report.

MANAGEMENT DISCUSSION AND ANALYSIS *(CONTINUED)*

SEGMENT INFORMATION (CONTINUED)

PROPERTY SALES AND DEVELOPMENT (Continued)

At year end date, including the property portfolio acquired from COLI, properties under construction and stock of completed properties amounted to 6,668,200 sq.m. and 1,552,200 sq.m. respectively, totaling 8,220,400 sq.m.. Properties of 2,441,900 sq.m. had been contracted for sales and were pending for handover upon completion.

PROPERTY LEASING

As described above, in response to the change in local market conditions, the leasing business development plan in relation to China Overseas Building located in Jilin has changed to sales, in the form of sub-unit. About 70% of the gross floor area of the building was handover during the year. Therefore, for the year ended 31 December 2016, rental income slightly decreased by HK$16.0 million year-on-year to HK$193.4 million (2015: HK$209.4 million) while the segment profit, after factoring in the gain on disposal of investment properties of HK$21.0 million, increased by HK$15.9 million year-on-year to HK$165.8 million (2015: HK$149.9 million). The contribution from the joint venture increased to HK$4.7 million (2015: HK$4.1 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 91% (2015: 88%) and 97% (2015: 97%) respectively. The Group wholly owns the Beijing properties while it holds 65% of the Shanghai project.

FINANCIAL RESOURCES AND LIQUIDITY

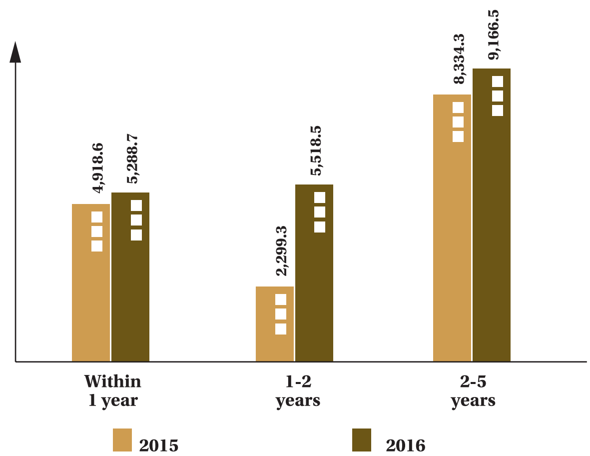
The Group has consistently adopted prudent financial management approach and its financial condition remained healthy. Having worked hard over the past few years, the Company and its subsidiaries have gained multiple accesses to funds from both investors and financial institutions in China and international market to meet its requirements in working capital, refinancing and project development. As at 31 December 2016, net working capital amounted to HK$28,304.7 million (31 December 2015: HK$23,725.4 million), with a quick ratio of 0.6 (31 December 2015: 0.6).

Yancheng - The Century

FINANCIAL RESOURCES AND LIQUIDITY (CONTINUED)

The drawdowns and repayments of bank and other borrowings during the year were HK$8,234.2 million and HK$7,768.4 million respectively. Furthermore, after taking into account of the decrease of HK$139.8 million due to translation of RMB loan and the consolidation of bank and other borrowings of HK$4,095.3 million from the company acquired from COLI and the acquired company's subsidiaries, total bank and other borrowings increased from the last year end amount of HK$15,552.3 million to HK$19,973.6 million. Of which, RMB loan amounted to RMB5,136.7 million (equivalent to HK$5,742.4 million) while the Hong Kong Dollar loan and US Dollar loan amounted to HK$11,635.0 million and HK$2,596.2 million respectively. As at year end, interests of borrowings amounted to HK$1,163.4 million were charged at fixed rate from 3.8% to 7.2% while the remaining borrowings of HK$18,810.2 million were charged at floating rates with a weighted average of 3.56% per annum. About 26.5% of bank and other borrowings is repayable within one year.

Debt# Maturity Profile
(HK$ Million)



excluding the guaranteed notes payable

In respect of the Group's US$400 million 5.125% guaranteed notes due 2019, the amortized cost payable amounted to HK$3,148.5 million as at 31 December 2016.

For the Acquisition mentioned above, the final consideration was RMB3,518.6 million (equivalent to approximately HK$3,927.7 million) and both parties agreed to settle the amount in US Dollars by two installments. After the payment of US$260.0 million (equivalent to approximately HK$2,015.0 million) as at the completion date of the Acquisition in December 2016, the remaining consideration was settled through a bank loan arrangement in January 2017. In addition, after the completion of the Acquisition, the Group assumed the payables to COLI and its subsidiaries recorded by the acquired company and its subsidiaries which amounted to HK$8,641.0 million as at the year end date 31 December 2016. Interests on part of the balances would be charged at Hong Kong Interbank Offered Rate in respect of the balance denominated in Hong Kong Dollar or the People's Bank of China prevailing lending rate in respect of the balance denominated in RMB. The balances and the interests should be repaid in full within one year after the completion of the Acquisition.

Ganzhou - International Community

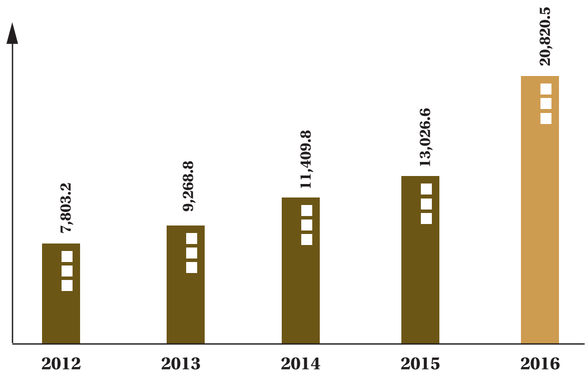
MANAGEMENT DISCUSSION AND ANALYSIS *(CONTINUED)*

FINANCIAL RESOURCES AND LIQUIDITY (CONTINUED)

With the incremental property sales achieved during the year and a satisfactory cash collection, cash and bank balances plus restricted cash and deposits were HK$20,820.5 million in total, 59.8% higher as compared with the last financial year end (HK$13,026.6 million). Of which, 98.1% is denominated in RMB while the remaining is mainly in Hong Kong Dollar.

Cash Reserves

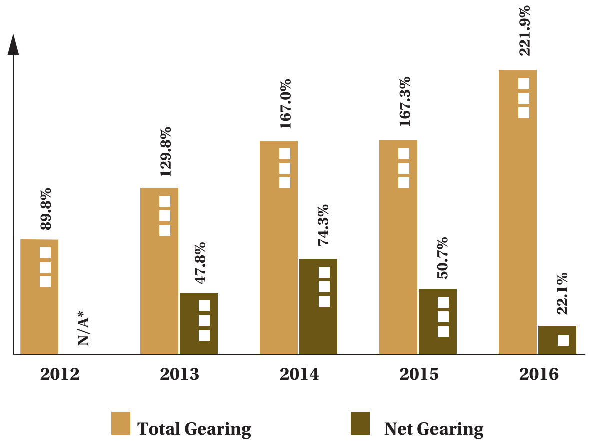
(HK$ Million)



The Group has unutilized bank credit facilities of HK$3,923.3 million as at 31 December 2016

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 22.1% as at 31 December 2016, significantly reduced by 28.6% from 50.7% as at last year end. The management strives to maintain the net gearing ratio in an acceptable and manageable range for sustainable business development.

Gearing Ratio



* net cash

Nantong - The Aqua

Hohhot - The Azure

FINANCIAL RESOURCES AND LIQUIDITY (CONTINUED)

Taking into consideration of the unutilized bank credit facilities available to the Group of HK$3,923.3 million, the Group's total available funds (including restricted cash and deposits of HK$5,662.3 million) reached HK$24,743.8 million as at 31 December 2016.

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 strengthen 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 2016, about 24.8% and 75.2% 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 6.3% in the year and accordingly, the net asset value of the Group decreased by HK$1,689.9 million.

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 view 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 Phoenix

Changzhou - The Imperial

MANAGEMENT DISCUSSION AND ANALYSIS *(CONTINUED)*

COMMITMENTS AND GUARANTEE

As at 31 December 2016, the Group had commitments totaling HK$9,109.1 million which related mainly to land costs, property development and construction works. In addition, the Group issued guarantees to banks totaling HK$27,313.1 million (equivalent to RMB24,432.5 million) for facilitating end-user mortgages in connection with its property sales in China as a usual commercial practice and credit facilities granted to an associate.

CAPITAL EXPENDITURE AND CHARGES ON ASSETS

The Group had capital expenditures totaling HK$1.8 million approximately during the year, mainly referred to additions in motor vehicles, furniture, fixtures and office equipment.

On the other hand, as at 31 December 2016, certain property assets in China with aggregate carrying value of HK$2,516.0 million were pledged to obtain HK$833.4 million (equivalent to RMB745.5 million) of secured borrowings from certain banks in China for the projects. All the secured borrowings were taken up from the company acquired from COLI during the year.

EMPLOYEES

As at 31 December 2016, the Group has 1,622 employees (31 December 2015: 1,343). The increase in the number of employees was mainly due to new staff joined the Group as a result of the Acquisition 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 2016 was approximately HK$420.7 million (2015: HK$360.1 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.

Yinchuan - International Community

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 following contents list out the key risks and uncertainties identified by the Group:

INVESTMENT RISK

The property market in China diverges with uneven growth among different districts. It is critical for the Group to replenish and acquire suitable land bank at reasonable price for healthy and continuous growth.

The Group sticks firmly to its prudent investment approach and expands its operating scale in an organized manner. The Group would perform comprehensive due diligence review on new business opportunities and selected cautiously the appropriate projects for investment.

DEBT REPAYMENT RISK

Cash flow management is one of the major business risks of property development business, which is capital intensive in nature. The risk is mainly arising from lower than expected cash collection from sales and failure to refinance debt upon maturity.

To preserve sufficient cash flow and safeguard financial health, the Group would continue to expedite property sales and cash collection, remain discreet in land bank replenishment, harmonize the development pace with market conditions and strengthen stock management. The Group would maintain the satisfactory relationships with financial institutions and ensure continual fulfillment of the financial covenants.

FOREIGN EXCHANGE RISK

The exchange rate of RMB to US Dollar and Hong Kong Dollar further dropped in 2016. As aforesaid, under the existing debt financing structure, the Group is subject to foreign exchange risk from the volatility of RMB exchange rate.

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.

Hohhot - Dragon Cove

Lanzhou - China Overseas Plaza

MANAGEMENT DISCUSSION AND ANALYSIS *(CONTINUED)*

KEY RISKS FACTORS AND UNCERTAINTIES (CONTINUED)

MARKET RISK

China's real estate market is susceptible to different factors such as government policies and regulations, economic growth, social environment, customer demands, etc.

The Group is kept abreast with the changes in business environment and timely assesses the impacts on the operations in order to formulate the best strategy for persisted growth. Benefited from the national brand for excellence product, the Group would develop different types of properties tailored for different 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.

PRODUCT QUALITY RISK

Property developer has to manage the risk of work quality of major contractors. Goodwill of the developer would be affected by sub-standard housing products arising from improper work procedures and poor site management.

With extensive experience in the property development business, the Group has established a well-defined quality assessment system and would strictly regulate the construction work process. In addition, the Group has appointed the CSC Group to provide construction supervision services for its projects in China in order to further ensure smooth running on the property development projects.

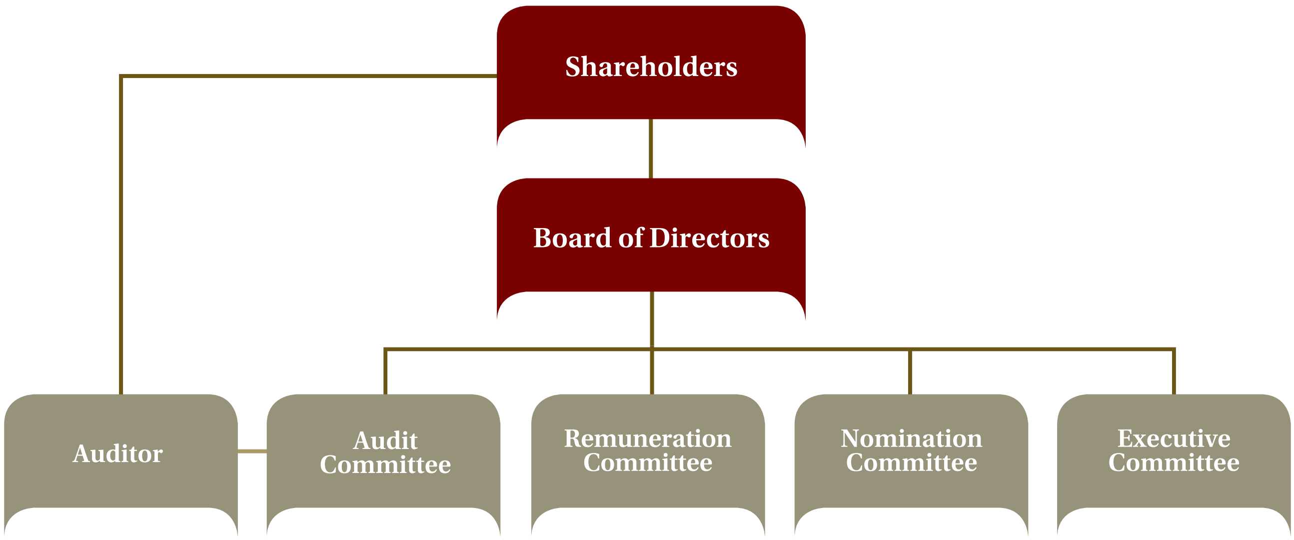
CORPORATE GOVERNANCE REPORT

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.

BOARD OF DIRECTORS (CONTINUED)

BOARD COMPOSITION

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

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

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

During the year, the Company has complied with Rules 3.10 and 3.10(A) of the Listing Rules regarding the appointment of at least three independent non-executive directors including at least one independent non-executive director with appropriate professional qualifications or accounting or related 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. Xiao Xiao was appointed as the Chairman of the Board with effect from 15 November 2016 to lead and manage the Board. He is also 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. The Chairman 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 2016.

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. Xiao Xiao (appointed in November 2016)	C
Mr. Hao Jian Min (resigned in November 2016)	A, C
Mr. Yung Kwok Kee, Billy	A, C
Mr. Zhang Guiqing	A, B, C
Mr. Xiang Hong (resigned in January 2017)	A, B, C
Mr. Wang Man Kwan, Paul	A, B, C
Mr. Liu Jun (resigned in September 2016)	A, C
Dr. Chung Shui Ming, Timpson	A, C
Mr. Lam Kin Fung, Jeffrey	A, B, 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

BOARD OF DIRECTORS (CONTINUED)

DIRECTORS' TRAINING (Continued)

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 PRC 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 2016 are set out in the "Management Discussion and Analysis" section of this annual report.

ACCOUNTABILITY AND AUDIT

FINANCIAL REPORTING

The Board acknowledges its 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.

RISK MANAGEMENT AND INTERNAL CONTROLS

The Board has implemented effective systems of risk management and 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 significant investment and business risks affecting the Group are identified and properly managed. Furthermore, these systems help the Group comply with applicable laws and regulations, and also internal policies with respect to the conduct of businesses of the Group. However, they are designed to manage rather than eliminate the downside risk to achieve business objectives, and can only provide reasonable but not absolute assurance against material misstatement or loss.

The Company has established the Intendance and Audit Department (the "Department") so as to enhance a good internal control environment. The Department provides risk management and internal control assessment reports to the management on a regular or ad hoc basis and establish the following principal operating standards to improve internal control systems:

- "Organisational Structure Design Management System"
- "Property Development Operations Management System"
- "Marketing Management System"
- "Project Cost Management System"
- "Project Progress Management System"
- "Project Quality Management System"
- "Design Process Management System"
- "Financial Management System"
- "Human Resources Management System"
- "Administration Management System"
- "Supervision and Audit Management System"

ACCOUNTABILITY AND AUDIT (CONTINUED)

RISK MANAGEMENT AND INTERNAL CONTROLS (Continued)

According to the annual audit schedule, the Department has completed on-site audit in respect of the auditing of economic responsibilities of the outgoing executives for Changzhou Company, Shaoxing Company and Nantong Company and the auditing of the overall operating conditions of Nanning company. The Department prepared the respective audit reports and the subject companies have rectified any system weakness in a timely manner in accordance with the opinion set out in the audit reports.

In addition to carrying out the routine audit, the Department has carried out a special audit on the design business operations. The Department selected four regional companies in Eastern China by sampling to conduct on-site inspections on their design management departments. The Department then produced the design operation inspection reports according to the findings and analysis of the sampling results.

The Department also regularly reviews and reports to the Audit Committee and the Board on risk management and internal control affairs on half-yearly basis. In the report, the Department will discuss the principal business risk faced by the Company and confirm whether the risk management and internal control systems are effective. The Audit Committee will review and evaluate the business risk and the measures to manage such risk. The Audit Committee will also review the Department's findings concerning business and operation control systems and action plans to address any control system weakness. In addition, the external auditors also discuss regularly with the Committee concerning any control issues identified in the course of their audit. After reviewing the effectiveness of the internal control systems, the Committee then report to the Board any weakness in the system and recommendations to manage the business risk and rectify any control weakness.

The Board is responsible for and has reviewed the efficiency of risk management and internal control systems of the Company and its subsidiaries in aspects such as financial reporting, operation and regulatory compliance throughout 2016 and the Board considers that these systems are effective and efficient. No significant system weaknesses have been identified in the reviews during the year and appropriate actions are also taken to rectify any control deficiencies, if any. The Directors believe that these systems are efficient and effectively control the risks that may have impacts on the Company in achieving its goals.

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

With respect to the procedures and internal controls for the handling and dissemination of inside information, the Company regularly reminds the directors, senior management and employees about due compliance with all policies regarding the inside information and keep them appraised of the latest regulatory updates. Employees who are privy or have access to inside information have also been notified on observing the restrictions from time to time pursuant to the relevant requirements.

DELEGATION BY THE BOARD

BOARD PROCEEDINGS

The Board held five meetings during the year and meetings were also held as and when necessary to discuss significant transactions, including material acquisitions, 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.

DELEGATION BY THE BOARD (CONTINUED)

BOARD PROCEEDINGS (Continued)

After meetings, draft and final versions of all minutes for Board meetings and committee meetings will be sent to all Directors for their review. The approved minutes are kept by the Company Secretary, and the Board and committee members may inspect the documents 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. Where necessary, the Directors can seek separate independent professional advice at the Company's expenses so as to discharge their duties to the Company.

To safeguard their independence, Directors are required to declare their interest, if any, in any business proposals to be considered by the Board and, where appropriate, they are required to abstain from voting. In 2016, Mr. Hao Jian Min abstained from voting in two meetings due to a potential conflict of interest. In addition, physical broad meetings will be held to consider all material connected transactions or any transactions in which a substantial shareholder or a Director has material 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

Major responsibilities and functions of the Executive Committee 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 58 meetings to (amongst other matters):

- review and approve various bank loans and facilities;
- 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 principal duties of the Audit Committee 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.

DELEGATION BY THE BOARD (CONTINUED)

AUDIT COMMITTEE (Continued)

The Audit Committee held four meetings during 2016 and has reviewed:

(i) the Group's financial reports for the year ended 31 December 2015, interim and quarterly results;

(ii) the audit plans from the external auditor;

(iii) the internal and independent audit results;

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

(v) risk management, internal control and financial reporting systems; and

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

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 principal duties of the Remuneration Committee 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 the following members, the majority of whom are independent non-executive Directors:

- Mr. Lam Kin Fung, Jeffrey (Chairman)
- Mr. Hao Jian Min (ceased to be a member effective from 17 March 2016)
- Mr. Yung Kwok Kee, Billy
- Dr. Chung Shui Ming, Timpson
- Mr. Lo Yiu Ching, Dantes
- Mr. Zhang Guiqing (appointed as member on 17 March 2016)

The Remuneration Committee held one meeting during 2016 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.

DELEGATION BY THE BOARD (CONTINUED)

NOMINATION COMMITTEE

The following are major responsibilities and duties of the Nomination Committee:

- 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 eight Directors and three of them are independent non-executive Directors, thereby promoting critical review and control of the management process.

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 the following members, the majority of whom are independent non-executive Directors:

- Mr. Lo Yiu Ching, Dantes (appointed as Chairman effective from 17 March 2016)
- Mr. Hao Jian Min (ceased to be the Chairman and member effective from 17 March 2016)
- Dr. Chung Shui Ming, Timpson
- Mr. Lam Kin Fung, Jeffrey
- Mr. Zhang Guiqing (appointed as member on 17 March 2016)

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

COMPANY SECRETARY

Mr. Edmond Chong 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.

COMMUNICATION WITH SHAREHOLDERS (CONTINUED)

During the year, the Company has not complied with CG Codes A.6.7 and E.1.2 which require the independent non-executive Directors and the chairman of the independent board committee to attend the general meetings. Due to overseas engagements, Dr. Timpson Chung Shui Ming, one of the independent non-executive Directors and the chairman of the independent board committee established to review the acquisition of property portfolio from COLI, was unable to attend the annual general meeting and extraordinary general meeting of the Company held on 23 May 2016 and 21 November 2016 respectively. 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 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 2016.

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.

PROCEDURES FOR SHAREHOLDERS TO PUT FORWARD PROPOSALS AT GENERAL MEETINGS

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

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

SHAREHOLDERS' RIGHTS (CONTINUED)

ENQUIRIES TO THE BOARD

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

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

ATTENDANCE RECORDS

Details of Directors' attendance at the Board meetings, meetings of Board committees and general meetings held in 2016 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	Extraordinary General Meeting
Mr. Xiao Xiao (appointed in November 2016)	N/A	N/A	N/A	N/A	N/A	1/1
Mr. Hao Jian Min (resigned in November 2016)	5/5	N/A	1/1	1/1	1/1	N/A
Mr. Yung Kwok Kee, Billy	5/5	N/A	1/1	N/A	1/1	1/1
Mr. Zhang Guiqing	5/5	N/A	N/A	N/A	1/1	1/1
Mr. Xiang Hong (resigned in January 2017)	5/5	N/A	N/A	N/A	1/1	1/1
Mr. Wang Man Kwan, Paul	5/5	N/A	N/A	N/A	1/1	1/1
Mr. Liu Jun (resigned in September 2016)	3/3	N/A	N/A	N/A	1/1	N/A
Dr. Chung Shui Ming, Timpson	5/5	4/4	1/1	1/1	0/1	0/1
Mr. Lam Kin Fung, Jeffrey	5/5	4/4	1/1	1/1	1/1	1/1
Mr. Lo Yiu Ching, Dantes	5/5	4/4	1/1	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 2016, fees for audit services and non-audit services payable to the auditor of the Company amounted to approximately HK$2,380,000 and HK$1,240,000 respectively. The non-audit services payable included professional services rendered in connection with the Group's continuing connected transactions and the acquisition of property portfolio from COLI.

CONSTITUTIONAL DOCUMENTS

There was no change in the Company's constitutional documents during the year ended 31 December 2016.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ABOUT THIS REPORT

REPORT GUIDELINE

The objective of this report is to enhance the stakeholders' understanding of the environmental, social performance and sustainable development strategy of the Company. This report was prepared in compliance with the "comply or explain" provisions set out in Appendix 27 "Environmental, Social and Governance Reporting Guide" to the Main Board Listing Rules of the Stock Exchange and in accordance with the practical circumstances of the Company.

SCOPE OF REPORT

This report makes disclosure on the environmental and social performance of the Group during the year from 1 January to 31 December 2016. This report, however, does not disclose the environmental and social performance of Best Beauty Investments Limited and its subsidiaries acquired by the Company on 29 December 2016. All data in this report are sourced from the relevant departments of the Company and information provided by the relevant stakeholders. For disclosure of various indicators in this report, please refer to the index of contents at the end of this report.

FEEDBACK OF OPINIONS

We will continue to improve and enhance the contents and format of the Environmental, Social and Governance Report. We welcome stakeholders' feedback on this report and suggestions can be sent to us via email at esg81@cohl.com.

MANAGEMENT APPROACH FOR SUSTAINABLE DEVELOPMENT

With the enterprising spirit, scientific and rigorous management, the Group has been committed to developing its businesses through specialization and economy of scale. In future, our scope of business will continue to focus on the PRC emerging cities with the best investment value and growth potential, and targeting the middle to high-end product ranges. In cities with a high investment value, a wide range of targeted high quality properties will be developed, including premium flats of different layouts, sizes and orientations, to suit specific needs of different local markets and customers.

As there has been mounting concern on environmental protection nationwide in recent years, to be in line with market changes, the Group has progressively launched green buildings and energy-saving buildings since a few years ago and continued to promote the development of green properties in order to achieve the objectives of energy saving and consumption reduction through launching green buildings. In future, we will continue to develop green buildings and follow a green sustainable growth path.

Talents are the cornerstones for the sustained development of the Group and we adhere to a people-oriented development strategy and continuously improve our human resources management practices. The Group has organized various types of training to address the specific needs of different employees. Abundant supporting resources are provided to enhance career development and provide a broader development platform for employees, such as organizing induction training for fresh graduates, seasonal management skill enhancement programs, providing on-the-job education and the knowledge sharing platform "E-learning Academy of China Overseas Property (COP)", etc.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT *(CONTINUED)*

MANAGEMENT APPROACH FOR SUSTAINABLE DEVELOPMENT (CONTINUED)

The Group implements the most stringent safety management policies to safeguard the safety of employees. To this end, the Group has formulated the "Construction Safety Management System". Meanwhile, stringent supervision and management on contractors and sub-contractors are implemented so that our suppliers are required to reach the relevant standards to ensure safe and civilized construction of our projects. Furthermore, safe and civilized construction trainings and case studies are also held regularly.

As a responsible corporate citizen, we actively participate in various types of charitable activities and proactively encourage employees to serve the society. In 2016, the Group invited its property owners and customers to join a China Overseas marathon event, as part of a community initiative that integrated health and charity, which was positively received.

GREEN PROPERTIES

As a responsible corporate citizen, the Company has been promoting and practicing green construction and has achieved the objective of energy saving and consumption reduction through launching green construction.

The Group's business principally comprises various segments of the real estate business, such as property investment, planning and design, marketing planning and after sales service. The Group has been insisting on promoting green, low-carbon and energy-saving construction, and a number of energy saving and emission reduction initiatives have been launched internally to contribute to a green community. The Group has been striving to carry out its corporate citizen responsibilities, strongly advocates environmental protection concepts within the Group and raise environmental protection awareness among employees through various means.

In 2016, the Group persisted in complying with various environmental protection laws and regulations. We have obtained the certificates of compliance for all work drawings and design documents and no incident of non-compliance with environmental protection requirements was reported during the year. All new projects of the Group underwent environmental impact assessment based on local government requirements, and obtained approvals from local environmental protection authorities prior to work commencement. Each project also went through environmental protection acceptance and inspection upon project completion in accordance with the relevant requirements, to ensure that they meet the requirements of local environmental protection laws during and after construction. During the year, we obtained environmental protection acceptance and inspection approvals for a total of 14 projects in seven cities, namely Hefei, Huizhou, Yancheng, Hohhot, Weifang, Changzhou and Yinchuan, and completed and submitted the environmental impact assessment reports for a total of 8 projects, namely Jilin, Lanzhou, Shantou, Weifang and Yinchuan for review and approval by local environmental protection authorities.

GREEN PROPERTIES (CONTINUED)

GREEN CONSTRUCTION

The Group goes beyond satisfying only the requirements of environmental laws, it also strives to promote green construction with modern technologies, and has gradually begun to pursue development projects with green buildings and energy-saving buildings with the objective to further reduce the environmental impact of projects throughout the process from construction to operation. In 2015, the Group carried out design and construction in full accordance with the Green Building Standard (One Star and above) in Jiangsu Province. In 2016, the Group obtained four Certificates of Green Building Design Label (One Star) awarded by national authorities for a total gross floor area of 702,200 sq.m., of which 623,900 sq.m. were residential buildings and 78,300 sq.m. were public buildings. Through optimizing the building layout designs, adopting efficient air-conditioning systems and lighting systems, the energy saving rate achieved by all green building certification projects was over 50%. The Group also adopted a rainwater recovery system to reduce more than 4% of the utilization of traditional water sources for public facilities in the properties. Meanwhile, through reasonable screening of construction materials for the projects, over 5% of construction materials were recycled.

Project Sharing: A total of 22 residential buildings in Hefei-The Lagoon received Certificates of Green Building Design Label (One Star) during the year. In this project, we used the ventilation simulation analysis to design the buildings in such a way that they were able to avoid the winter monsoon, but have easy access to sunshine during winter and natural wind ventilation during summer. Suitable materials were selected for the roof, external walls and other walls for better heat retention and double glazed glass windows were used for external windows to improve heat retention and sound proof functions. Apart from the above designs, our projects also utilized energy-saving products, including the utilization of T5 small tube three-band fluorescent lamps and compact fluorescent lamps for the lighting systems in public areas and the installation of smart lighting control systems. Meanwhile, to further reduce energy consumption, both low rise and high rise residential units were installed with solar energy water heating systems which were capable of providing hot water to approximately 35% of the residential units. As a result of the overall energy saving measures mentioned above, the energy saving rate of the project reached 51.63%, which significantly reduced energy consumption during the lifetime of the building.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT *(CONTINUED)*

GREEN PROPERTIES (CONTINUED)

GREEN OPERATION

In addition to dedicating efforts to promote green construction in our investment projects, the Group also paid much attention to the consumption of resources and environmental impact caused by its own operations. We have reviewed the major environmental impacts of our operations by monitoring our own environmental footprints and seeking out suitable environmental improvement solutions. As at 31 December 2016, the Group's headquarters and its 12 regional companies consumed a total of 3,095,607 units of electricity, 207,494 m^3 of fuel gas, 182,906 litres of petrol and 157,814 tonnes of water from municipal utilities. The Group is principally engaged in office operations, and hence there is no significant discharge of wastewater and exhaust gas.

Type of resources	2016	
Electricity	3,095,607	Unit/kWh
Fuel Gas	207,494	m^3
Petrol	182,906	litre
Water from municipal utilities	157,814	tonne

In order to create a good office environment and reduce the environmental impact from our operations, the Group introduced the "5S" professional office practice standards to educate and regulate employees to conserve office resources. Employees gradually developed the office practice to use paper double-sided and recycle used paper. The temperature requirements for air-conditioners in all departmental areas were set at not less than 26 degrees celsius in summer and not higher than 24 degrees celsius in winter, in order to achieve reduction in materials and energy consumption, thereby reducing greenhouse gas emissions due to the Company's business operations. Despite our office operations produce very few hazardous wastes, we have appointed a qualified collector to collect and dispose of office waste regularly.

The Group calculated the emissions of greenhouse gas for the year according to the "Corporate Accounting and Reporting Standards" of the Greenhouse Gas Protocol. As at 31 December 2016, total emission of greenhouse gas in Scope 1 and Scope 2 was 3,129 tonnes of CO_2 equivalent, of which Scope 1 accounted for 807 tonnes of CO_2 equivalent and Scope 2 accounted for 2,322 tonnes of CO_2 equivalent. Moreover, we had obtained statistics for Scope 3 indirect carbon emissions arising from employees travelling by airplanes and the emission volume was 477 tonnes of CO_2 equivalent.

Scope of emission[1]	2016	
Scope 1	807	tonne/CO_2 equivalent
Scope 2	2,322	tonne/CO_2 equivalent
Scope 3	477	tonne/CO_2 equivalent

1 Scope 1: Direct greenhouse gas emissions (e.g. boiler, cooking stove and self-owned vehicles, etc.) and removals (e.g. planted trees)

Scope 2: Energy indirect greenhouse gas emissions (including electricity and gas consumption, etc.)

Scope 3: Other indirect greenhouse gas emissions (e.g. consumption of paper, drinking water, etc.)

CARING FOR STAFF

The Company insists on the strategic position of human resources management by incorporating personal development into the overall corporate development to achieve mutual improvement and integration.

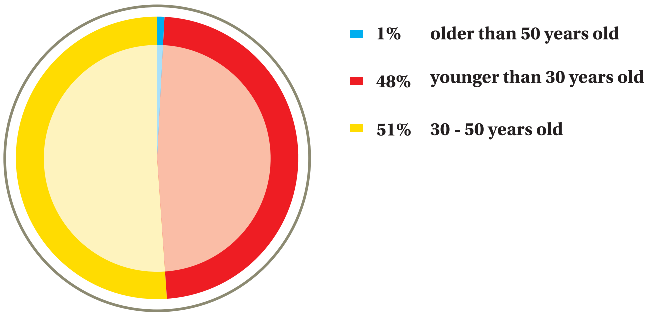
The Group has been following a people-oriented approach of human resources management by linking closely its long-term development to its employees' personal development. Systematic recruitment of staff, comprehensive training, transparent mechanism for promotion, reasonable welfare policies enable the sustained development of the Company.

The Group has strictly complied with various national labour laws and regulations and non-compliance events such as employment of child labour or forced labour have not occurred in the place of work under our management. The Group also pays particular attention to equal opportunities, transparent recruitment and promotion mechanism. Such mechanism is based on the capabilities and experience of the applicants or employees who will not be discriminated due to factors, such as gender, age, family status, disability, race and religion. The Group still strives to enhance its human resources management system in order to provide each employee with a better development platform.

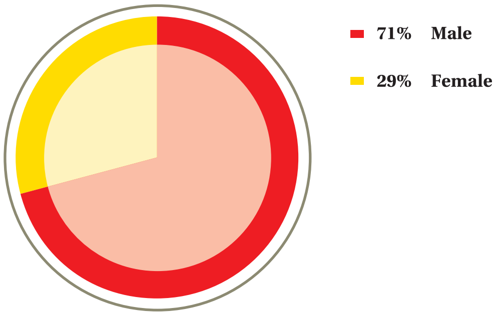
STAFF COMPOSITION

As at 31 December 2016, the Group had a total number of 1,369[2] full-time employees. Among them, 473 employees or 35% were middle to senior management staff, 896 employees or 65% were supporting staff. And 51% of the labour force were between 30 and 50 years old, 48% of the employees were below 30 years old, 1.0% of the employees were above 50 years old. In terms of gender distribution, the ratio of male to female staff was approximately 2.4:1. In addition, more than 87% of the employees were holders of bachelor degrees or above in academic qualifications. yourger

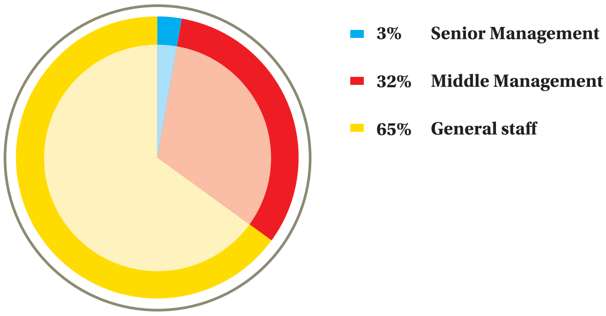
Distribution by Age



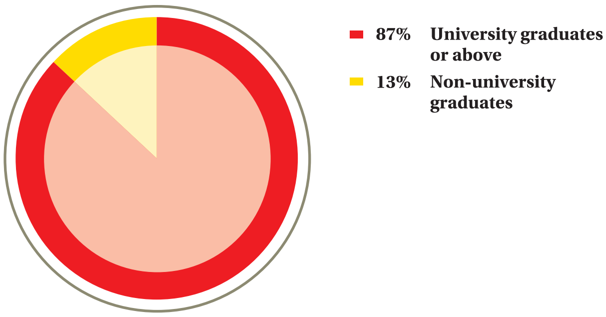
Distribution by Gender



Distribution by Employee Category



Distribution by Academic Qualifications



[2] This does not include the employees of Best Beauty Investments Limited and its subsidiaries.

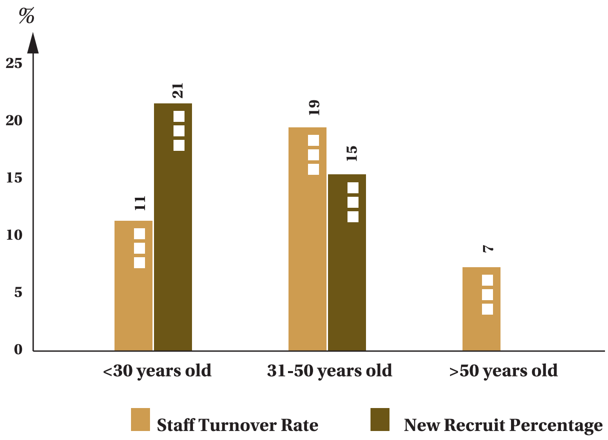
CARING FOR STAFF (CONTINUED)

STAFF COMPOSITION (CONTINUED)

Staff recognition and sense of belonging in the Company are important driving forces for staff dedication and contributions to the Company. The Group actively promoted cultural and entertainment activities among employees and established the Staff Association in 2010. As our business footprint expands to various cities, so do our Staff Associations. The Staff Association organizes a myriad of activities ranging from culture, entertainment, sports, seminars, get-togethers to promote communications and exchanges among all levels of staff, such as recognizing staff by organizing quarterly employees birthday celebrations. The Staff Association enriched the leisure and cultural activities of employees after work, and was a key element to enhance the sense of belonging and cohesion among employees.

The Group strongly recognizes that talents nurturing is closely related to the future development of the Group. To support the continuous development of the Group, a number of campus recruitments were organized and attained remarkable results. Talents from different sectors were recruited to lay a solid foundation for the healthy development of the Group in future. Meanwhile, talents with extensive and practical experience were recruited through open recruitments to enhance the overall competitiveness of the Group. As at 31 December 2016, the staff turnover rate for employees below 30 years old was 11%, the staff turnover rate for employees between 30 and 50 years old was 19% and the staff turnover rate of employees above 50 years old was 7%. Meanwhile, new recruits below 30 years old accounted for 21%, new recruits between 30 and 50 years old accounted for 15%, and no new recruit was above the age of 50. Overall, the turnover rate was basically in line with the new recruit percentage within the Group.

Staff Turnover Rate and New Recruit Percentage (By Age)



TRAINING AND DEVELOPMENT

The Group adheres to the principle that personal growth and long term corporate development should complement with each other, and believes in the strategic position of human resources management to build a broad professional platform for enhancing staff capabilities and personal growth. As at 31 December 2016, the proportion of employees of the Group who had participated in training reached 100%, and the average training hours per capita also reached 74 hours.

CARING FOR STAFF (CONTINUED)

TRAINING AND DEVELOPMENT (CONTINUED)

Staff training	2016
Percentage of training participants	100%
Per capita training hours	74

Through a series of talent nurturing programs, such as, management skill enhancement training activities, induction training for fresh graduates, team building, external trainers, on the job training and complemented with the knowledge sharing platform of "E-learning Academy of China Overseas Property (COP)" provided by the controlling shareholder, the Company provided abundant resources to support the staff career development and enhancement of personal values. To further enrich the diversified staff training, enable staff to refresh their knowledge and enhance execution capabilities, the Company formulated the "Employee Development Continuing Education Funding Management Method" to encourage and finance staff to study part-time for university degree programmes, providing sustainable development opportunities for staff development.

Project Sharing Case 1: On 30 July 2016, fresh graduates newly recruited by the Company in 2016 gathered` in Shenzhen to formally commence induction training for a period of 9 days. The program was held across three cities, namely, Shenzhen, Changzhou and Yangzhou, comprising physical training, reading conference, counselling for career planning, project research and broaden customer base activities. The Company also invited internal instructors to explain corporate culture and conduct a series of professional programs such as, management systems of the regional companies, marketing plans and strategy, planning and design, and project management. The new recruits also had the opportunity to participate in an innovative arrangement of on-site customer development activity so as to enable them to gain actual experience, enhancing the professional capabilities in an all-round manner.

Project Sharing Case 2: Jilin company organized the "Management Skill Enhancement Session" which was led by managers of all business lines to explore a total of 15 topics in seminars surrounding the theme of "Finding out the differences and seeking out the deficiencies", 16 training sessions and 19 internal training sessions were held internally by all departments to enrich the professional knowledge of staff and sharing practical experience.

Project Sharing Case 3: Ganzhou company received 50 seminar topic suggestions, 38 sets of research materials, and organized the "Management Enhancement" conference. The topic lecturer shared the discussion results and personal work experience and stimulated interactive thinking among employees to enhance the scientific management standard of the Company.

We provide ample opportunities for upward development of employees. During the year, the Group organized two competitive recruitments for middle management job positions in regional companies, through the segments of pre-approval of qualifications, duty reporting, defensive responses and consolidated scores, the transparency of the talent selection mechanism was enhanced for creating a fair, impartial and open career promotion environment. During the year, competitive recruitment activities for job positions were also organized in a number of regions including Huhhot, Yinchuan, Nanning, Hefei and Nantong.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT *(CONTINUED)*

CARING FOR STAFF (CONTINUED)

HEALTH AND SAFETY

Safeguarding the health and safety of employees is our obligation, a cornerstone for building our team. The business of our Group is primarily in real estate development and investment and our operations mainly consist of office work. Therefore the risks of occupational health and safety are relatively low comparing with other industries, but the Group still remains vigilant on potential safety hazards with prudent measures in place. The Company will conduct on-site safety inspections periodically in the offices and on the projects. Specific inspections will be arranged before festive public holidays, particularly comprehensive examinations will be conducted on water and electricity safety hazards. Designated staff will be assigned to perform duties during the festive holiday period for prevention of fire and theft incidents.

We highly emphasized safety and health education and organized relevant safety training activities on a regular basis, such as motivating office staff to participate actively in the fire prevention training for offices held in the community where the office was located. As at 31 December 2016, the total number of participants in our safety education training sessions reached 7,880 man-times, total training hours reached 16,311 hours and the percentage of staff participated in safety training reached 100%. The result of training was remarkable, and no safety incident occurred in the Company during the year. The Group still continues to improve the system and daily management of health and safety issues for staff, conduct regular inspections on offices, complete all safety examinations conscientiously, so as to provide employees with a safe and comfortable working environment.

Occupational Safety and Health Education	2016
Total number of training participants	7,880
Total number of training hours	16,311
Percentage of employees participating in safety training	100%

Physical health is the foundation of success for employees. According to the relevant staff benefit policies of the Company, the Group organized standard annual medical examinations for employees every year to ensure that the employees understand their physical health conditions. In addition to purchasing for all employees mandatory regular social insurance, which includes medical, retirement and unemployment insurances, the Company also purchased "comprehensive accident insurance" for all employees, which covers accidental death, disability, medical insurance for accidental injuries, accident hospitalization cash allowance and traffic accident insurance, and provides sufficient health and safety protection for employees.

In addition to emphasizing internal safety, the engineering department of the Company has also established the "Construction Safety Management System" to actively promote on-site occupational health and safety management for projects under construction among staff of the Company and our business partners particularly contractors and sub-contractors. The engineering department will organize construction safety training sessions and case studies on a regular basis for employees of the project department and cooperation units. Construction safety of projects will be ensured through initiatives such as strict safety inspections, educational training and third party safety risk assessment.

SCIENTIFIC OPERATION

The Company always insists on ensuring project quality, striving to provide a safe and comfortable living environment for customers.

Project quality is an important cornerstone for building our brand and customer confidence in our Group. As a responsible developer, we highly emphasize quality management of projects. To this end, the Company has established and strictly implemented the process of "Quality Inspection for Project Completion". The completion inspection is implemented in two stages. Firstly, our regional company requests the construction supervision unit together with the construction unit to conduct an preliminary inspection internally. After confirming that all project information is ready and accurate, and quality of the physical work of the building has met the required standards, the regional company takes the lead in organizing an inspection for project completion with the local project quality supervision authority and the relevant experts. After passing the two-stage process of completion inspection, the project quality will be sufficiently assured, and in turn, the interest of customers will be safeguarded.

In the meantime, the Group engages a third party to conduct on-site survey assessment regularly to further improve project quality. The assessment is conducted in three stages, including product quality assessment, quality risk and safety and civilization assessment and management behavior assessment.

The result of assessment conducted at the beginning of this year showed that the Group's overall passing rate was higher than that year of 2015, and improvements were made in the on-site assessment passing rate and the construction safety passing rate. Through continuous on-site survey assessments, we have identified major deficiencies in various types of works and explored possible solutions. Our project quality has been improving steadily through this process of continuous optimization. During the year, no unit or project sold by the Group were returned for quality reason.

CUSTOMER FIRST

The actual experience of customers and our product quality are inseparable. Therefore, the Group highly values communications and interactions with customers to improve our services persistently with a view to bringing more ideal experience to our customers. The Group interacts with customers through an exclusive tenants' club, and questionnaire surveys on customer satisfaction are conducted regularly on property projects, so as to enable the Group to provide a better services through better understanding of customer view.

The Group received a total of 77 complaints throughout the year, where we promptly communicated with the property owners and duly resolved the issues. At the same time, the Group filed each complaint together with the contents of the negative comments, description of particulars, solutions and outcomes. All relevant information was recorded in detail and signed by the head of the relevant department for confirmation. Through the above measures, the Company identified project deficiencies or management oversight on a timely basis and sought for practical and feasible solutions.

The Group also highly emphasizes protection of privacy and customer information. To prevent unauthorized use or leakage of personal information, we utilize the cloud platform and Mingyuan system to ensure the centralized, uniform storage and protection of customer information through advanced database management techniques and stringent authorization management. We have also adopted a stringent file management mechanism for keeping legal documents signed by customers such as subscription intent, purchase application and contract documents in a proper manner and a designated person is assigned to be responsible for the in-out registration of these documents. Other than necessary information, we will not keep any personal or family information of customers to maximize the protection of privacy for customers from any intrusion.

To enable our customers to have an in-depth understanding of the Group, we have improved the public relations management system by setting the brand promotion specifications and promulgation of "management manual for brand identification" to regulate our advertising and promotion activities. These measures have effectively regulated the Company's publicity management and improved the Company's nationwide media advertisement placement and brand promotion statistics and reporting system.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT *(CONTINUED)*

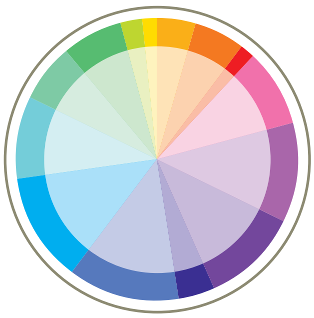
SCIENTIFIC OPERATION (CONTINUED)

SUPPLY CHAIN MANAGEMENT

To enhance the project quality, the Group insists on implementing stringent screening for suppliers and a strict system of supplier management. Hence, we treat each tender prudently to improve tender management. For example, tenders of material supply or consultancy services require a minimum of three tendering units, and the number of tendering units should be as high as feasibly possible to ensure sufficient competition. At the same tender, the successful rate of tender must not exceed 40% based on the number of tendering units, and the quality of products provided by suppliers must comply with the relevant national or industrial standards. Meanwhile, we also consider the environmental performance of the supplier, such as whether environmental management certification is available or whether the product has obtained environmental labelling certification. The reliability of our supply chain has been improving continuously through a series of screening standards and management systems as mentioned above.

As at 31 December 2016, the Group had a total of 1,673 suppliers, among them 551 were engineering suppliers. As the Group's business spreads across the country, so do our suppliers. We have the highest number of suppliers in Ganzhou, and a major proportion of suppliers are from Yangzhou, Hefei, Lanzhou and Nantong.

Suppliers by geographical region



ANTI-CORRUPTION

A corporate culture of integrity is the foundation for maintaining the aforesaid reliable and high quality supply chain, and also the first step to achieve scientific and efficient corporate operation. The Group formulated the "Code of Conduct of Staff Duties" in 2012, promoting integrity and self-discipline among all employees, and actively advocated self-awareness of law-abiding behavior, integrity, honesty, self-discipline and job respect among all employees through requirements of system and daily education. All members of the management team of the Company have signed the "Undertakings of Integrity and Self-discipline" and the Intendance and Audit Department was established to broaden internal and external whistle-blowing channels and strengthen the internal and external monitoring systems. We have also successively promulgated the "Compliance Audit System", "Implementation Measures for Segregation of Incompatible Positions" and "Administrative Measures for Tenders", published the "Open Letter to Cooperation Units" and signed the "Integrity Agreement" with cooperation units to prevent the occurrence of various impropriety conduct. During the current year, the Group formulated the "Administrative Measures for Benefits Received During Work and Business Expenses of Employees" to stringently regulate any benefit received during work and business or entertainment expenses of employees of the Company and facilitated integrity practices. In the aspect of practical operation, we strictly implement the supervision of "3 Key Issues and 1 Influential Issue" events to specify the responsibilities of integrity and self-discipline in the performance appraisals of management staff at all levels. We have also established reporting channels, a hotline and a mail box to receive complaints and reports from public and various parties.

SCIENTIFIC OPERATION (CONTINUED)

ANTI-CORRUPTION (CONTINUED)

We will not tolerate any form of corruptions. Employees are prohibited to solicit, receive or accept any form of benefits from persons, companies or organizations that have business relationships with the Company.

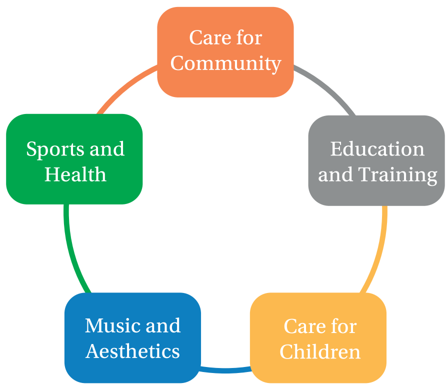
SOCIAL WELFARE AND CHARITY

The Company participates in social welfare projects actively, strives to promote community development in the place where it operates, share development results and undertakes social responsibilities with best efforts.

Over the years, the Group has been undertaking corporate social responsibilities in various aspects and has established long-term cooperative relationship with a number of charity organizations in China and Hong Kong to bring positive social impacts. As at 31 December 2016, the Group donated a total amount of more than RMB1,930,000 to various charities. The total number of man-hours of volunteer work was as high as 71,302 hours, and aggregate hours of volunteer work per person also reached 52 hours. In addition to various kinds of resource supports, the Group also strongly encouraged employees to perform community services and organized employees to participate in volunteer work. On just community caring projects, more than RMB1,100,000 was invested during the year and an aggregate of 40,222 hours of volunteer work were performed.

COMMUNITY INVESTMENT

As a member of the community, the Group has invested in the community in various forms to build a better and more prosperous society. Assistance and care for both the elderly and young generations were provided through supports in various aspects, including sports and health, education and training, care for children, environment protection and social welfare, music and aesthetics, elderly support and assistance. By active participation in various types of donations and poverty relief projects, various social needs were satisfied through different means and resources, representing an expression of deep gratitude to the local community where we operate. In future, the Group will continue to develop systematic policies and objectives by broadening our charity vision and diverse charitable donation channels to give back to the society in order to contribute our efforts to building a more harmonious community and creating maximum value.



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT *(CONTINUED)*

PERFORMANCE DATA HIGHLIGHTS

Environmental Key Performance Indicators		
Energy consumption		
Electricity		3,095,607 Unit/kWh
Fuel Gas		207,494 m^3
Petrol		182,906 litre
Water		157,814 tonne
Greenhouse gas emissions		
Scope 1	807	Tonne/CO_2 equivalent
Scope 2	2,322	Tonne/CO_2 equivalent
Scope 3 (travel by air)	477	Tonne/CO_2 equivalent

Social Key Performance Indicators	
Total Number of Employees	1,369 employees
By gender	
Male	969 employees
Female	400 employees
By age	
<30 years old	654 employees
31-50 years old	701 employees
>50 years old	14 employees
By employee category	
Senior management	38 employees
Middle management	435 employees
General staff	896 employees
By academic qualifications	
University graduates or above	1,194 employees
Non-university graduates	175 employees
Staff turnover rate	
<30 years old	11%
31-50 years old	19%
>50 years old	7%
New recruit percentage	
<30 years old	21%
31-50 years old	15%
>50 years old	0%
Staff Training	
Percentage of training participants	100%
Per capita training hours	74 hours
Health and Safety	
Total number of safety training participants	7,880 persons
Total number of safety training hours	16,311 hours
Percentage of staff participating in safety training	100%
Social Welfare and Charity	
Community Investment	193.45 (RMB10,000)
Volunteer work	71,302 hours

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Aspects, General Disclosures and Key Performance Indicators (KPIs)	Environmental, Social and Governance Reporting Guide of the Listing Rules of the Stock Exchange	Section/Remarks
A. Environmental		
Aspect A1	**Emissions**	
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous wastes.	Green Properties
KPI A1.1	The types of emissions and respective emissions data.	No significant emission of pollutants as the Company is primarily engaged in office operation
KPI A1.2	Greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Green Properties – Green Operation
KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	No significant generation of hazardous waste as the Company is primarily engaged in office operation
KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	No significant generation of non-hazardous waste as the Company is primarily engaged in office operation
KPI A1.5	Description of measures to mitigate emissions and results achieved.	Green Properties – Green Construction
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	Collection and disposal of office waste by engaging qualified collectors
Aspect A2	**Use of Resources**	
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	Green Properties – Green Operation
KPI A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	Green Properties – Green Operation
KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	Green Properties – Green Operation
KPI A2.3	Description of energy use efficiency initiatives and results achieved.	Green Properties – Green Operation, Green Construction
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	Green Properties – Green Construction
KPI A2.5	Total packaging materials used for finished products (in tonnes) and, if appropriate, with reference to per unit produced.	Irrelevant to the business of the Company

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT *(CONTINUED)*

INDEX OF CONTENTS (CONTINUED)

Aspects, General Disclosures and Key Performance Indicators (KPIs)	Environmental, Social and Governance Reporting Guide of the Listing Rules of the Stock Exchange	Section/Remarks
Aspect A3	**The Environment and Natural Resources**	
General Disclosure	Policies on minimising the issuer's significant impact on the environment and natural resources.	Green Properties – Green Construction
KPI A3.1	Description of significant impacts of activities on the environment and natural resources and the actions taken to manage them.	Green Properties – Green Construction
B. Social		
Employment and Labour Practices		
Aspect B1	**Employment**	
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	Caring for Staff
KPI B1.1 (Recommended Disclosures)	Total workforce by gender, employment type, age group and geographical region.	Caring for Staff – Staff Composition
KPI B1.2 (Recommended Disclosures)	Employee turnover rate by gender, age group and geographical region.	Caring for Staff – Staff Composition
Aspect B2	**Health and Safety**	
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	Caring for Staff – Health and Safety
KPI B2.1 (Recommended Disclosures)	Number and rate of work-related fatalities.	Caring for Staff – Health and Safety (No occurrence of such cases)
KPI B2.2 (Recommended Disclosures)	Lost days due to work injury.	Caring for Staff – Health and Safety (No occurrence of such cases)
KPI B2.3 (Recommended Disclosures)	Description of occupational health and safety measures adopted, how they are implemented and monitored.	Caring for Staff – Health and Safety
Aspect B3	**Development and Training**	
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	Caring for Staff – Training and Development
KPI B3.1 (Recommended Disclosures)	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	Caring for Staff – Training and Development
KPI B3.2 (Recommended Disclosures)	The average training hours completed per employee by gender and employee category.	Caring for Staff – Training and Development

INDEX OF CONTENTS (CONTINUED)

Aspects, General Disclosures and Key Performance Indicators (KPIs)	Environmental, Social and Governance Reporting Guide of the Listing Rules of the Stock Exchange	Section/Remarks
Aspect B4	**Labour Standards**	
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	Caring for Staff
KPI B4.1 (Recommended Disclosures)	Description of measures to review employment practices to avoid child and forced labour.	Caring for Staff
KPI B4.2 (Recommended Disclosures)	Description of steps taken to eliminate such practices when discovered.	Caring for Staff (No occurrence of such cases)
Operating Practices		
Aspect B5	**Supply Chain Management**	
General Disclosure	Policies on managing environmental and social risks of the supply chain.	Scientific Operation – Supply Chain Management
KPI B5.1 (Recommended Disclosures)	Number of suppliers by geographical region.	Scientific Operation – Supply Chain Management
KPI B5.2 (Recommended Disclosures)	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	Scientific Operation – Supply Chain Management
Aspect B6	**Product Responsibility**	
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	Scientific Operation – Customer First
KPI B6.1 (Recommended Disclosures)	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Scientific Operation (No occurrence of such cases)
KPI B6.2 (Recommended Disclosures)	Number of products and service related complaints received and how they are dealt with.	Scientific Operation – Customer First
KPI B6.3 (Recommended Disclosures)	Description of practices relating to observing and protecting intellectual property rights.	The Company respects intellectual property rights of third parties.
KPI B6.4 (Recommended Disclosures)	Description of quality assurance process and recall procedures.	Scientific Operation
KPI B6.5 (Recommended Disclosures)	Description of consumer data protection and privacy policies, how they are implemented and monitored.	Scientific Operation – Customer First

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT *(CONTINUED)*

INDEX OF CONTENTS (CONTINUED)

Aspects, General Disclosures and Key Performance Indicators (KPIs)	Environmental, Social and Governance Reporting Guide of the Listing Rules of the Stock Exchange	Section/Remarks
Aspect B7	**Anti-corruption**	
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	Scientific Operation – Anti-corruption
KPI B7.1 (Recommended Disclosures)	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	Scientific Operation – Anti-corruption (No occurrence of such cases)
KPI B7.2 (Recommended Disclosures)	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	Scientific Operation – Anti-corruption
Community		
Aspect B8	**Community Investment**	
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	Social Welfare and Charity – Community Investment
KPI B8.1 (Recommended Disclosures)	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	Social Welfare and Charity – Community Investment
KPI B8.2 (Recommended Disclosures)	Resources contributed (e.g. money or time) to the focus area.	Social Welfare and Charity

DIRECTORS AND ORGANIZATION

NON-EXECUTIVE DIRECTORS:

MR. XIAO XIAO, *Chairman*

Aged 60, graduated from Chongqing Architectural University. Mr. Xiao joined China State Construction Engineering Corporation in 1982 and joined the COLI group in 1990. He was appointed director of certain subsidiaries of COLI since 1994. Mr. Xiao was appointed executive director of COLI from 1 February 2005, vice chairman of COLI from 22 March 2007 and the senior vice president of COLI in August 2009. He has about 35 years' management experience in construction and property business. Effective from 15 November 2016, Mr. Xiao has also been appointed as the chairman and the chief executive officer of COLI, the chairman and non-executive director of China Overseas Property Holdings and also the director of its certain subsidiaries, and has ceased to act concurrently as the chief executive officer of COLI with effect from 1 January 2017.

Besides acting as the chairman and executive director of COLI, Mr. Xiao is currently a director of COHL and its certain subsidiaries. COHL and COLI are the substantial shareholders of the Company within the meaning of the SFO. Mr. Xiao has been appointed as the Chairman and non-executive Director of the Company with effect from 15 November 2016.

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

Aged 63, 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 also has 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 the Permanent Honorary President of Friends of Hong Kong Association Ltd., the Honorary President of Shun Tak Fraternal Association, a member of Senior Police Call Central Advisory Board 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 44, 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 21 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. WANG MAN KWAN, PAUL, *Chief Financial Officer*

Aged 60, 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 the 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. YANG LIN, *Vice President*

Aged 43, 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 various 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 Xingye (Xi'an) Limited*. Mr. Yang has been appointed as Assistant President of the Company since March 2015 and has 21 years' experience in property development business. He was appointed an executive Director and Vice President of the Company with effect from 21 March 2017.

INDEPENDENT NON-EXECUTIVE DIRECTORS:

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

Aged 65, 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, 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 Henderson Land Development Company Limited and 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. In addition, Dr. Chung has been appointed as Pro-Chancellor of the City University of Hong Kong with effect from August 2016. 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.

INDEPENDENT NON-EXECUTIVE DIRECTORS: (CONTINUED)

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

Aged 65, 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, 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 and Hong Kong Mortgage Corporation Limited (HKMC). In addition, he is an independent non-executive director of CC Land Holdings Limited, Wynn Macau, Limited, Chow Tai Fook Jewellery Group Limited and HNA Holding Group Co. Limited. Formerly, Mr. Lam was an independent non-executive director of Hsin Chong Construction Group Limited and Bracell 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.

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

Aged 70, 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.

DIRECTORS AND ORGANIZATION *(CONTINUED)*

SENIOR MANAGEMENT STAFF:

Assisted by head of departments, the businesses and operations of the Group are under the direct responsibilities of the executive Directors and the executive Directors are therefore regarded as the senior management staff of the Company.

* *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 2016.

PRINCIPAL ACTIVITIES

During the current year, the principal activities of the Group are property investment and development, property leasing and investment holdings. Details of the activities of its subsidiaries, associates and principal joint ventures are set out in notes 50 to 52 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 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 28 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 2016 are set out in the consolidated income statement on page 78.

The Board has recommended the payment of final dividend of HK2 cents per ordinary share for the year ended 31 December 2016 with a total amount of approximately HK$45,645,000 (2015: nil).

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 176.

SHARE CAPITAL

Details of the movements during the year in the share capital of the Company are set out in note 35 to the financial statements.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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 2016.

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 36 to the financial statements respectively.

DISTRIBUTABLE RESERVE

The reserve of the Company available for distribution to shareholders at 31 December 2016 was HK$1,055,479,000 (2015: HK$653,574,000).

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 2016 are set out on pages 177 to 190.

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. Xiao Xiao *(Chairman of the Board)*
(appointed in November 2016)
Mr. Hao Jian Min *(resigned in November 2016)*
Mr. Yung Kwok Kee, Billy *(Vice Chairman of the Board)*

EXECUTIVE DIRECTORS

Mr. Zhang Guiqing *(Chief Executive Officer)*
Mr. Xiang Hong *(resigned in January 2017)*
Mr. Wang Man Kwan, Paul *(Chief Financial Officer)*
Mr. Liu Jun *(resigned in September 2016)*
Mr. Yang Lin *(Vice President) (appointed in March 2017)*

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. Yung Kwok Kee, Billy, Mr. Wang Man Kwan, Paul and Mr. Lo Yiu Ching, Dantes shall retire by rotation at the forthcoming annual general meeting and, being eligible, offer themselves for re-election. In addition, Mr. Xiao Xiao and Mr. Yang Lin were appointed as Directors in November 2016 and March 2017 respectively to fill casual vacancies 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 55 to 58.

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 2016 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' 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. Xiao Xiao, Chairman of the Board and the non-executive Director of the Company, is also the director of COHL, the chairman and executive director of COLI, the chairman and non-executive director of COPH and the director of various subsidiaries of COHL, COLI and COPH. COHL, COLI 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. Xiao Xiao) 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, risk management 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 the Director has declared interests.

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.

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

No equity-linked agreement was entered by the Group, or existed during the year.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SECURITIES

As at 31 December 2016, 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%
Mr. Yang Lin *(Note 3)*	Beneficial owner	Personal	1,500,000	1,730,750	0.08%
	Interest of spouse	Family	230,750		

Notes:

(1) the percentage is based on the total number of shares of the Company in issue as at 31 December 2016 (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.

(3) Mr. Yang Lin was appointed as the executive Director and Vice President of the Company on 21 March 2017.

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 2016, 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 2016, 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 2016 (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 2016.

CONNECTED TRANSACTIONS ENTERED INTO BY THE GROUP

(A) CONNECTED TRANSACTION

Acquisition of Property Portfolio from COLI

On 12 October 2016, China Overseas Grand Oceans Investments Limited (the "Buyer", a wholly-owned subsidiary of the Company) and Alpha Progress Global Limited (the "Seller") entered into the Sale and Purchase Agreement, pursuant to which the Buyer has conditionally agreed to acquire, and the Seller has conditionally agreed to sell, the entire issued share capital of Best Beauty Investments Limited which is holding various property development projects in the PRC. The final consideration of the acquisition is approximately RMB3,518.6 million which was paid in cash upon completion and the details of the shareholder loan assumed by the Company are set out in notes 29 and 39 to the financial statements.

As the Seller 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 Sale and Purchase Agreement constitutes a connected transaction of the Company under the Listing Rules.

(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.

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

CONNECTED TRANSACTIONS ENTERED INTO BY THE GROUP (CONTINUED)

(B) CONTINUING CONNECTED TRANSACTIONS (CONTINUED)

(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. Annual Cap: RMB14.005 million	1 August 2014 to 31 July 2017

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 the announcement dated 18 May 2015, 中海宏洋物業管理有限公司 (China Overseas Grand Oceans Property Management Limited*) ("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.

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	RMB50 million	RMB60 million	RMB35 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 2016.

(4) Framework Agreement with China State Construction International Holdings Limited ("CSC")

On 24 March 2016, the Company and CSC entered into the Framework Agreement, pursuant to which the Group agreed to engage CSC and its non-listed subsidiaries from time to time ("CSC Group") to provide the construction supervision and management service for the property development projects of the Group in the PRC for a term of three years commencing from 1 April 2016 and ending on 31 March 2019.

The management fee with respect to the construction supervision and management service will be charged on a "cost plus" basis, which will be determined based on the total staff cost incurred by the CSC Group with respect to the provision of the construction supervision and management service plus a margin of 18%, which are capped as follows:-

For the period from 1 April 2016 to 31 December 2016	For the year ending 31 December 2017	For the year ending 31 December 2018	For the period from 1 January 2019 to 31 March 2019
RMB110 million	RMB136 million	RMB191 million	RMB65 million

Since COHL is the controlling shareholder of both the Company and CSC, hence, CSC is a connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, the entering into of the Framework Agreement constitutes a continuing connected transaction of the Company.

CONNECTED TRANSACTIONS ENTERED INTO BY THE GROUP (CONTINUED)

(B) CONTINUING CONNECTED TRANSACTIONS (CONTINUED)

(5) Construction work services provided to Best Beauty Investments Limited (the "Target Company") and its subsidiaries (the "Target Group")

After the completion of the acquisition mentioned in paragraph (A) above, the existing construction work contracts between members of the Target Group and members of the CSCECL Group became continuing connected transactions of the Company. The principal terms of such construction work contracts are set out below:

Parties:	Members of the Target Group; and Members of the CSCECL Group.
Term:	Two years
Subject matter:	The provision of construction and related services by members of the CSCECL Group to members of the Target Group in respect of the property development project in the PRC of the Target Group.
Fees payable:	The aggregate amount of fees payable under all existing construction work contracts as at 29 December 2016 is approximately RMB17.7 million, which shall be paid by instalments with reference to the construction stages and subject to terms of the contracts entered into between the relevant parties. Such fees were determined by way of open tender bidding process.

(6) Property management services provided to the Target Group

After the completion of the acquisition mentioned in paragraph (A) above, the existing property management agreements between members of the Target Group and members of COLI Group or COPH and its subsidiaries ("COPH Group"), respectively, became continuing connected transactions of the Company. The principal terms of such property management agreements are set out below:

Parties:	Members of the Target Group; and Members of the COLI Group or members of the COPH Group, respectively.
Term:	Within 1 year
Subject matter:	The provision of property management and related services by the members of the COLI Group or members of the COPH Group, respectively, to the members of the Target Group in respect of various property development projects in the PRC of the Target Group.
Fees payable:	The aggregate amount of fees payable under all the property management agreements as at 29 December 2016 is approximately RMB10.4 million, which shall be paid by instalments subject to the specific terms of the contracts entered into between the relevant parties. Such fees are determined with reference to the gross floor area under management, estimated costs and expenses for rendering the services and the pricing for comparable properties in terms of type and location of the properties.

* *English translation is for identification only.*

REVIEW BY AUDIT COMMITTEE MEMBERS AND AUDITOR

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

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

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

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

The Company's auditor was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "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 paragraphs (B)(1) to (B)(4) and B(6) of the section "Connected Transactions Entered Into By The Group" above 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), (B)(1) and (B)(4) of the section "Connected Transactions Entered Into By The Group" above are considered contracts of significance under paragraph 16 of Appendix 16 of the Listing Rules.

DISCLOSURE PURSUANT TO RULE 13.21 OF THE LISTING RULES

On 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.

Furthermore, during the year, the Company entered into the facility agreements in the following terms and conditions:

(1) Date: 10 March 2017
Amount: Loan facility up to HK$600 million, which can be increased to HK$1 billion in accordance with the facility agreement
Term: 60 months commencing from the date of the facility agreement

(2) Date: 15 March 2017
Amount: Loan facility up to HK$1.3 billion
Term: 36 months commencing from the date of the facility agreement

The above facility agreements stipulated that, if COLI, the controlling shareholder of the Company, ceases to be the single largest shareholder of the Company; or ceases to have management control over the Company, the above facilities shall be cancelled and all outstanding amounts 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 2016, 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 has been insisting on promoting green, low-carbon and energy-saving construction, and a number of energy saving and emission reduction initiatives have been launched internally to contribute to a green community. The Group has been striving to carry out its corporate citizen responsibilities, strongly advocates environmental protection concepts within the Group and raise environmental protection awareness among employees through various means. We also strive to promote green construction with modern technologies, and has gradually begun to pursue development projects with green buildings and energy-saving buildings with the objective to further reduce the environmental impact of projects throughout the process from construction to operation. As of 31 December 2016, the Group had a total of 1,673 suppliers, among them 551 were engineering 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 2016, there was no reported case of material non-compliance.

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 (2015: nil).

AUDITOR

The consolidated financial statements for the year ended 31 December 2016 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

Xiao Xiao
Chairman and Non-executive Director

Hong Kong, 21 March 2017

INDEPENDENT AUDITOR'S REPORT

For the year ended 31 December 2016

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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)

OPINION

We have audited the consolidated financial statements of China Overseas Grand Oceans Group Limited (the "Company") and its subsidiaries (together the "Group") set out on page 78 to page 175, which comprise the consolidated statement of financial position as at 31 December 2016, 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 notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2016, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We are independent of the Group in accordance with the HKICPA's "Code of Ethics for Professional Accountants" (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

BDO

Determining net realisable value of inventories of properties

Refer to notes 4.1(b) and 21 in the consolidated financial statements

The carrying value of the Group's inventories of properties as at 31 December 2016 was HK$49,011,793,000.

Inventories of properties are stated at the lower of cost and net realisable value. In assessing net realisable value, management has to determine the selling prices of inventories of properties which is based on management's judgment and expectation of property market in Mainland China. Future selling prices could fluctuate significantly subject to factors including government measures on controlling property market and government policies such as urbanization policy and monetary policy. In addition, due to the unique nature of individual properties, estimation of selling prices is highly subjective which requires management's judgment on customer preferences.

We have identified determining net realisable value of inventories of properties as a key audit matter due to considerable amount of estimation and judgment applied by the management, and difficulty in reliably ganging the impact arising from government's measures and policies which have direct impact on the property market in Mainland China and are prevailing at year end.

Our procedures in relation to management's assessment of the net realisable value of the inventories of properties mainly included:

– Assessing the reasonableness of management's estimates of net realisable value based on our knowledge of the business and industry, taking into account recent developments in the property market in Mainland China as supported by recent sales transactions.

– Checking the accuracy and relevance of market data such as market prices of comparable properties provided by management.

– Independently assessing management's judgment in estimating the impact of those government measures and policies on the selling prices of properties.

– Assessing whether there is evidence of management bias on determining net realisable value by considering the consistency of judgment made by the management year on year through discussion with the management to understand their rationale.

– Challenging the estimations and assumptions used by the management by assessing the reliability of management's past estimates.

Acquisition of business – Best Beauty Investments Limited

Refer to notes 4.1(d) and 39 in the consolidated financial statements

The acquisition (the "Acquisition") of the entire issued share capital of Best Beauty Investments Limited by the Group was completed on 29 December 2016 at the final consideration of approximately RMB3,518,600,000 (equivalent to HK$3,928 million). Best Beauty Investments Limited and its subsidiaries ("Best Beauty Group") are principally engaged in development, sale and investment of properties in the People's Republic of China.

The Acquisition is accounted for using acquisition method following the requirements under Hong Kong Financial Reporting Standards 3 (Revised) *Business Combinations*, pursuant to which the identifiable assets and liabilities of Best Beauty Group are measured at fair value at the date of the Acquisition. Management, assisted by external valuation specialists, determined the fair value of properties which are the major identifiable assets of Best Beauty Group.

We have identified the accounting for the Acquisition as a key audit matter due to the Acquisition has significant impact to the Group by its nature, size and cash flows involved, and that considerable amount of estimation and judgment is required in determining the fair value of the identifiable assets of Best Beauty Group, mainly properties.

Our procedures in relation to the Acquisition mainly included:

- Assessing fair value of the properties including:
  - Evaluating the independent external valuers' competence, capabilities and objectivity.
  - Involving our internal valuation specialists to evaluate selected valuation conducted by the management.
  - Assessing the appropriateness of the valuation technique and inputs adopted by the management based on our knowledge of the property market.
  - Cross checking the inputs of comparable properties to relevant market transactions or open market platform.
  - Assessing the appropriateness of adjustments made to account for the differences among the subject properties and comparable properties including location, grading and other relevant factors.
- Considering adequacy of the disclosures for the Acquisition to enable the users of the financial statements to understand the significance of the Acquisition to the Group.

OTHER INFORMATION IN THE ANNUAL REPORT

The directors are responsible for the other information. The other information comprises the information included in the Company's annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

DIRECTORS' RESPONSIBILITIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors 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 HKICPA 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.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors are also responsible for overseeing the Group's financial reporting process. The Audit Committee assists the directors in discharging their responsibilities in this regard.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. 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.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- obtain an understanding of internal control relevant to the audit 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 Group's internal control.

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

Hong Kong, 21 March 2017

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2016

	Notes	2016 HK$'000	2015 HK$'000 (Restated)
Revenue	5	17,093,485	16,613,887
Cost of sales and services provided		(14,158,485)	(14,014,268)
Gross profit		2,935,000	2,599,619
Other income	7	159,753	105,412
Distribution and selling expenses		(555,498)	(546,618)
Administrative expenses		(416,413)	(409,062)
Other operating expenses		(10,827)	(2,333)
Other gains or losses			
Gain on bargain purchase	39	30	–
Gain on disposal of subsidiaries	40	–	2,874
Gain on disposal of investment properties	14	21,001	–
Loss on redemption of convertible bonds	32	–	(5,962)
Operating profit		2,133,046	1,743,930
Finance costs	9	(18,450)	(27,259)
Share of results of joint ventures		(45)	4,062
Profit before income tax	8	2,114,551	1,720,733
Income tax expense	10	(1,179,996)	(798,894)
Profit for the year		934,555	921,839
Profit for the year attributable to:			
Owners of the Company		900,243	851,196
Non-controlling interests		34,312	70,643
		934,555	921,839

		HK Cents	HK Cents
Earnings per share	12		
Basic		39.4	37.3
Diluted		39.4	36.5

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2016

	Notes	**2016 HK$'000**	2015 HK$'000
Profit for the year		**934,555**	921,839
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Exchange differences arising from translation of overseas operations			
– subsidiaries		**(1,668,737)**	(1,627,623)
– joint ventures		**(21,168)**	(6,174)
Release of translation reserve upon disposal of subsidiaries	40	**–**	(2,836)
Other comprehensive income for the year, net of tax		**(1,689,905)**	(1,636,633)
Total comprehensive income for the year		**(755,350)**	(714,794)
Total comprehensive income attributable to:			
Owners of the Company		**(750,824)**	(746,038)
Non-controlling interests		**(4,526)**	31,244
		(755,350)	(714,794)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2016

	Notes	2016 HK$'000	2015 HK$'000
Non-current assets			
Investment properties	14	2,485,859	2,855,569
Property, plant and equipment	15	927,519	34,181
Prepaid lease rental on land	16	312,979	4,730
Intangible assets	17	11,919	17,354
Interests in associates	18	71,831	–
Interests in joint ventures	19	376,844	100,784
Available-for-sale financial assets	20	2,005	–
Deferred tax assets	34	345,751	147,479
		4,534,707	3,160,097
Current assets			
Inventories of properties	21	49,011,793	34,475,481
Other inventories	22	2,126	–
Trade and other receivables, prepayments and deposits	23	5,453,154	4,403,865
Prepaid lease rental on land	16	8,935	168
Amounts due from associates	24	65	–
Amounts due from joint ventures	25	315,741	–
Amounts due from non-controlling interests	26	235,631	140,781
Tax prepaid		971,064	589,609
Restricted cash and deposits	27	5,662,322	3,323,705
Cash and bank balances	27	15,158,177	9,702,914
		76,819,008	52,636,523
Current liabilities			
Trade and other payables	28	10,352,386	8,341,624
Sales deposits received		19,740,276	13,933,973
Amounts due to associates	24	186,832	–
Amounts due to non-controlling interests	26	886,353	770,711
Amounts due to related companies	29	8,641,033	–
Consideration payable for acquisition	30	1,912,695	–
Taxation liabilities		1,506,114	946,143
Borrowings	31	5,288,669	4,918,627
		48,514,358	28,911,078
Net current assets		28,304,650	23,725,445
Total assets less current liabilities		32,839,357	26,885,542

CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(CONTINUED)*

AS AT 31 DECEMBER 2016

	Notes	2016 HK$'000	2015 HK$'000
Non-current liabilities			
Borrowings	31	14,684,942	10,633,642
Guaranteed notes payable	33	3,148,508	3,138,399
Deferred tax liabilities	34	3,820,607	1,303,664
		21,654,057	15,075,705
Net assets		11,185,300	11,809,837
Capital and reserves			
Share capital	35	2,144,018	2,144,018
Other reserves	36	(1,503,256)	74,719
Retained profits	36	9,735,520	8,954,014
Proposed dividend	11	45,645	–
Equity attributable to owners of the Company		10,421,927	11,172,751
Non-controlling interests	37	763,373	637,086
Total equity		11,185,300	11,809,837

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 2016

	Attributable to owners of the Company								
	Share capital HK$'000 (note 35)	Convertible bonds equity reserve* HK$'000 (note 36)	Translation reserve* HK$'000 (note 36)	Assets revaluation reserve* HK$'000 (note 36)	Statutory reserve* HK$'000 (note 36)	Retained profits HK$'000 (note 36)	Total HK$'000	Non-controlling interests HK$'000 (note 37)	Total equity HK$'000
At 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 40)	–	–	(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 26)	–	–	–	–	–	–	–	(65,272)	(65,272)
Redemption of convertible bonds (note 32)	–	(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 and 1 January 2016	2,144,018	–	(774,496)	31,749	817,466	8,954,014	11,172,751	637,086	11,809,837
Net profit for the year	–	–	–	–	–	900,243	900,243	34,312	934,555
Exchange differences arising from translation of overseas operations									
– subsidiaries	–	–	(1,629,899)	–	–	–	(1,629,899)	(38,838)	(1,668,737)
– joint ventures	–	–	(21,168)	–	–	–	(21,168)	–	(21,168)
Total comprehensive income for the year	–	–	(1,651,067)	–	–	900,243	(750,824)	(4,526)	(755,350)
Transfer to PRC statutory reserve	–	–	–	–	73,092	(73,092)	–	–	–
Dividends attributable to non-controlling interests (note 26)	–	–	–	–	–	–	–	(70,140)	(70,140)
Acquisition of subsidiaries and associates (note 39)	–	–	–	–	–	–	–	200,953	200,953
Transactions with owners	–	–	–	–	–	–	–	130,813	130,813
At 31 December 2016	2,144,018	–	(2,425,563)	31,749	890,558	9,781,165	10,421,927	763,373	11,185,300

* 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 2016

	2016 HK$'000	2015 HK$'000
Operating activities		
Profit before income tax	2,114,551	1,720,733
Adjustments for:		
Share of results of joint ventures	45	(4,062)
Gain on bargain purchase	(30)	–
Gain on disposal of subsidiaries	–	(2,874)
Gain on disposal of investment properties	(21,001)	–
Gain on disposal of property, plant and equipment	(1,580)	–
Depreciation and amortization	13,302	17,946
Write-off of property, plant and equipment	10	958
Interest income	(125,557)	(92,005)
Finance costs	18,450	27,259
Loss on redemption of convertible bonds	–	5,962
Exchange difference	(15,332)	(31,971)
Operating cash flows before movements in working capital	1,982,858	1,641,946
Decrease/(Increase) in inventories of properties	5,660,162	(1,631,669)
(Increase)/Decrease in other inventories	(2)	509
Decrease in trade and other receivables, prepayments and deposits	450,946	1,376,523
Decrease/(Increase) in amounts due from non-controlling interests	2,338	(119,740)
Increase in restricted cash and deposits	(980,517)	(929,953)
(Decrease)/Increase in trade and other payables	(1,389,057)	177,792
Increase in sales deposits received	4,271,054	5,711,002
Cash generated from operations	9,997,782	6,226,410
Income taxes paid	(1,290,117)	(1,799,579)
Net cash from operating activities	8,707,665	4,426,831

CONSOLIDATED STATEMENT OF CASH FLOWS *(CONTINUED)*

FOR THE YEAR ENDED 31 DECEMBER 2016

	Notes	2016 HK$'000	2015 HK$'000
Investing activities			
Purchase of property, plant and equipment		(1,808)	(2,553)
Acquisition of subsidiaries, net of cash acquired	39	(1,708,361)	–
Capital injection in a joint venture		(297,273)	–
Proceeds from disposal of subsidiaries	40	–	33,626
Proceeds from disposal of investment properties	14	229,917	–
Proceeds from disposal of property, plant and equipment		2,762	–
Interest received		125,543	92,005
Increase in amounts due from joint ventures		(330,174)	–
Increase in amounts due from non-controlling interests		(42,084)	–
Increase in short-term time deposits with maturity beyond three months but within one year		(576,173)	(417)
Net cash (used in)/from investing activities		(2,597,651)	122,661
Financing activities			
New borrowings	31	8,234,259	6,311,060
Repayment of borrowings	31	(7,768,377)	(6,122,336)
Redemption of convertible bonds	32	–	(2,200,000)
Dividends paid		–	(22,822)
Dividends paid to non-controlling interests	26	(70,140)	(11,202)
Finance costs paid		(777,698)	(873,948)
Acquisition of non-controlling interests in subsidiaries		–	(156,832)
Decrease in amounts due to non-controlling interests		–	(48,133)
Net cash used in financing activities		(381,956)	(3,124,213)
Net increase in cash and cash equivalents		5,728,058	1,425,279
Cash and cash equivalents at 1 January		9,689,637	8,811,605
Effect of foreign exchange rate changes on cash and cash equivalents		(822,940)	(547,247)
Cash and cash equivalents at 31 December		14,594,755	9,689,637
Analysis of balances of cash and cash equivalents:			
Cash and bank balances as stated in the consolidated statement of financial position		15,158,177	9,702,914
Less: Short-term time deposits with maturity beyond three months but within one year	27(c)	(563,422)	(13,277)
Cash and cash equivalents at 31 December		14,594,755	9,689,637

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 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 principal activities of the Company and its subsidiaries (collectively, the "Group") mainly comprise property investment and development, property leasing and investment holding.

During the year ended 31 December 2016, the Group acquired the entire issued share capital of Best Beauty Investments Limited ("Best Beauty") from a wholly-owned subsidiary of COLI (the "Acquisition"). Best Beauty and its subsidiaries (collectively, "Best Beauty Group") are primarily engaged in the development, sale and investment of properties in the PRC. Further details of the Acquisition are set out in note 39.

The Group's business activities are principally carried out in certain regions in the PRC such as Changzhou, Jilin, Lanzhou, Nanning, Nantong, Shantou, Yancheng and Yangzhou.

The financial statements on pages 78 to 175 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 as "HKFRS") issued by the 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 2016 were approved and authorized for issue by the directors on 21 March 2017.

2. ADOPTION OF NEW OR REVISED HKFRSs

2.1 Adoption of new or revised HKFRSs – effective 1 January 2016

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 2016:

HKFRSs (Amendments)	Annual Improvements 2012-2014 Cycle
Amendments to HKAS 1	Disclosure Initiative
Amendments to HKAS 27	Equity Method in Separate Financial Statements
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations
HKFRS 14	Regulatory Deferral Accounts

Amendments to HKAS 1 - Disclosure Initiative

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

Included in the clarifications is that an entity's share of other comprehensive income from equity accounted interests in associates and joint ventures is 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.

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

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. The amendments are applied retrospectively in accordance with HKAS 8.

The adoption of the amendments has no impact on these financial statements as the Company has not elected to apply the equity method in its separate financial statements.

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

The amendments require an entity to apply the relevant 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. The amendments are applied prospectively.

The adoption of the amendments has no impact on these financial statements as the Group has not acquired or formed a joint operation.

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.

Amendments to HKAS 7	Disclosure Initiative[1]
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealized Losses[1]
Amendments to HKFRS 2	Classification and Measurement of Share-Based Payment Transactions[2]
HKFRS 9	Financial Instruments[2]
HKFRS 15	Revenue from Contracts with Customers[2]
Amendments to HKFRS 15	Revenue from Contracts with Customers (Clarifications to HKFRS 15)[2]
HKFRS 16	Leases[3]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]

1 Effective for annual periods beginning on or after 1 January 2017

2 Effective for annual periods beginning on or after 1 January 2018

3 Effective for annual periods beginning on or after 1 January 2019

4 The amendments were originally intended to be effective for periods beginning on or after 1 January 2016. The effective date has now been deferred or removed. Early application of the amendments continues to be permitted.

Amendments to HKAS 7 - Disclosure Initiative

The amendments introduce an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities.

Amendments to HKAS 12 - Recognition of Deferred Tax Assets for Unrealized Losses

The amendments relate to the recognition of deferred tax assets and clarify some of the necessary considerations, including how to account for deferred tax assets related to debt instruments measured at fair value.

Amendments to HKFRS 2 - Classification and Measurement of Share-Based Payment Transactions

The amendments provide requirements on the accounting for the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments; share-based payment transactions with a net settlement feature for withholding tax obligations; and a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

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 - Financial Instruments

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

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

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

2. ADOPTION OF NEW OR REVISED HKFRSs (CONTINUED)

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

HKFRS 15 - Revenue from Contracts with Customers

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

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

Step 1: Identify the contract(s) with a customer

Step 2: Identify the performance obligations in the contract

Step 3: Determine the transaction price

Step 4: Allocate the transaction price to each performance obligation

Step 5: Recognize revenue when each performance obligation is satisfied

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

Amendments to HKFRS 15 - Revenue from Contracts with Customers (Clarifications to HKFRS 15)

The amendments to HKFRS 15 included clarifications on identification of performance obligations; application of principal versus agent; licenses of intellectual property; and transition requirements.

2. ADOPTION OF NEW OR REVISED HKFRSs (CONTINUED)

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

HKFRS 16 - Leases

HKFRS 16, which upon the effective date will supersede HKAS 17 *Leases* and related interpretations, introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Specifically, under HKFRS 16, a lessee is required to recognize a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accordingly, a lessee should recognize depreciation of the right-of use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows. Also, the right-of-use asset and the lease liability are initially measured on a present value basis. The measurement includes non-cancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or to exercise an option to terminate the lease. This accounting treatment is significantly different from the lessee accounting for leases that are classified as operating leases under the predecessor standard, HKAS 17.

In respect of the lessor accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

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.

The directors of the Company anticipate that all of the pronouncements will be adopted in the Group's accounting policy for the first period beginning after the effective date of the pronouncement. The directors of the Company are currently assessing the possible impact of the above new or revised standards on the Group's results and financial position in the first year of application. The Group is not yet in a position to state whether these new pronouncements will result in substantial changes to the Group's accounting policies or financial statements. Other new or revised HKFRSs that have been issued but are not yet effective are unlikely to have material impact on the Group's financial statements upon application.

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 judgment of current events and conditions, actual results may ultimately differ from those estimates and assumptions. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the Group's financial statements, are disclosed in note 4.

The directors have revisited the nature of certain staff costs and consider that it is more appropriate to classify those staff costs under distribution and selling expenses instead of administrative expenses. Accordingly, the comparatives in the consolidated income statement have been restated to reclassify staff costs amounting to HK$110,731,000 from administrative expenses to distribution and selling expenses to conform to current year's presentation.

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 or bargain purchases arising on business combination is accounted for according to the policies in notes 3.6 and 3.7 respectively.

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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

3.4 Associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor a joint arrangement. Significant influence is the power to participate in the financial and operating policy decisions of the investee but not control or joint control over those policies.

Associates 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 associates' net assets except that losses in excess of the Group's interest in the associate are not recognized unless there is an obligation to make good those losses.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.5 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, revenue and expenses in accordance with its contractually conferred rights and obligations.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.6 Goodwill

Goodwill arising from the acquisition of subsidiaries, associates 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 associates and joint ventures, goodwill is included in the carrying amount of the interests in associates and 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 3.12). 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.

3.7 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.

3.8 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 3.29(iii).

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.8 Investment properties (Continued)

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 3.9) 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.

3.9 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses (note 3.12).

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 3.11)	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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.10 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 3.12) 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 3.12) either individually or at the cash-generating unit level. The useful life of an intangible asset with 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 which is carried at cost less accumulated amortization and accumulated impairment losses. Amortization is provided on a straight-line basis over the period of operation of 30 years.

3.11 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 3.9).

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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.12 Impairment of non-financial assets

Goodwill, other intangible assets, property, plant and equipment, prepaid lease rental on land and interests in subsidiaries, associates and joint ventures are subject to impairment testing. Goodwill and other 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.

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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.13 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

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.

Available-for-sale financial assets

These assets are non-derivative financial assets that are designated as available-for-sale or are not included in other categories of financial assets. Subsequent to initial recognition, these assets are carried at fair value with changes in fair value recognized in other comprehensive income, except for impairment losses and foreign exchange gains and losses on monetary instruments, which are recognized in profit or loss.

For available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, they are measured at cost less any identified impairment losses.

NOTES TO THE FINANCIAL STATEMENTS *(CONTINUED)*

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.14 Impairment of financial assets

At the end of each reporting period, financial assets other than those 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.

Loans and receivables

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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.14 Impairment of financial assets (Continued)

Available-for-sale financial assets

Where a decline in the fair value constitutes objective evidence of impairment, the amount of the loss is removed from equity and recognized in profit or loss.

Any impairment losses on available-for-sale debt investments are subsequently reversed in profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

For available-for-sale equity investment, any increase in fair value subsequent to an impairment loss is recognized in other comprehensive income.

For available-for-sale equity investment that is carried at cost, the amount of impairment loss is measured as the difference between the carrying amount of the asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss is not reversed.

3.15 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 3.11), development expenditures including construction costs, borrowing costs and other direct costs attributable to the development of such properties.

3.16 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.17 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.

3.18 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.19 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.

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, associates and joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.20 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.

3.21 Financial liabilities

Financial liabilities, comprising borrowings, amounts due to related companies, consideration payable for acquisition and trade and other payables 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 3.20). 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 guaranteed notes payable (note 33), amounts due to related companies, consideration payable for acquisition and trade and other payables 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.22 Convertible bonds

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 3.20). 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.

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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.23 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 contact 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 amortization recognized in accordance with HKAS 18 *Revenue*.

3.24 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.

Termination benefits

Termination benefits are recognized on the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognizes restructuring costs involving the payment of termination benefits.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.25 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.

3.26 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.

NOTES TO THE FINANCIAL STATEMENTS *(CONTINUED)*

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.27 Equity instruments

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

3.28 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.

3.29 Recognition of revenue and other income

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

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

- the significant risks and rewards of ownership of the properties are transferred to buyers;
- neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the properties are retained;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

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

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

(ii) Interest income is accrued on a time basis 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.

(v) Service fee income in relation to hotel operation and other ancillary services is recognized when such services are provided to the customers.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.30 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.

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

(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);

(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); or

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the group or to the group's parent.

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

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.31 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 JUDGMENTS

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized 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:

(a) 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.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (CONTINUED)

4.1 Key sources of estimation uncertainty (Continued)

(b) *Net realisable value of inventories of properties*

Include in the consolidated statement of financial position at 31 December 2016 is inventories of properties with an aggregate carrying amount of approximately HK$49,011,793,000 (2015: HK$34,475,481,000), which are 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 government measures and policies. If the actual net realisable values of the underlying properties are less than the previous estimations as a result of change in market condition, government measures and policies and/or significant variation in the budgeted development cost, allowance for inventories of properties may result.

(c) *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 judgment. A considerable amount of judgment 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.

(d) *Acquisition-date fair value of the identifiable assets of Best Beauty Group*

As disclosed in note 39, the acquisition of the entire issued share capital of Best Beauty by the Group was completed on 29 December 2016. The Acquisition is accounted for using acquisition method pursuant to which the identifiable assets and liabilities of Best Beauty Group are measured at fair value at the date of the Acquisition. Management estimated the fair value of the properties, which are the major identifiable assets of Best Beauty Group, with reference to valuation conducted by external valuation specialists. Determining the fair value of the properties of Best Beauty Group at the date of Acquisition requires considerable amount of judgment and estimation including to select appropriate valuation technique and key inputs to the valuation, as well as to make adjustments for properties of different condition or location, and for similar properties on less active markets. The valuations were based on certain assumptions which are subject to uncertainty and might materially differ from the actual results.

(e) *Estimates of current tax and deferred tax*

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

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (CONTINUED)

4.2 Critical judgments in applying accounting policies

(a) *Revenue recognition*

The Group recognizes revenue from the sale of properties held for sale as disclosed in note 3.29(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.

(b) *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. Judgment 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 judgment.

(c) *Joint arrangement*

As at 31 December 2016, 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 judgment of the management, these arrangements are classified as joint ventures. Further details of its joint arrangements are set out in note 19.

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:

	2016 **HK$'000**	2015 HK$'000
Sales of properties	**16,900,061**	16,354,663
Property rental income	**193,424**	209,362
Property management fee income	**–**	49,862
Total revenue	**17,093,485**	16,613,887

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 as follows:

Property investment and development	–	This segment constructs residential and commercial properties in the PRC. Part of the business is carried out through associates and joint ventures.
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 engages in (i) hotel operations and generates service fee income in relation to hotel operation and other ancillary services; and (ii) provision of management services to certain housing estate in the PRC and generate management fee income. During the year ended 31 December 2016, the Group acquired the entire issued share capital of Best Beauty and certain subsidiaries of Best Beauty are engaged in hotel operations. Further details of the Acquisition are set out in note 39. 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.

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 associates and 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 operating segments as these assets are managed on a group basis.

Segment liabilities include trade and other payables, accrued liabilities, amounts due to associates and 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 borrowings, amounts due to related companies, consideration payable for acquisition and guaranteed notes payable that are managed on a group basis.

NOTES TO THE FINANCIAL STATEMENTS *(CONTINUED)*

6. SEGMENT INFORMATION (CONTINUED)

Segment results, segment assets and segment liabilities

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

	Property investment and development HK$'000	Property leasing HK$'000	Other segment HK$'000	Consolidated HK$'000
For the year ended 31 December 2016				
Reportable segment revenue	16,900,061	193,424	–	17,093,485
Reportable segment profit	2,047,424	165,799	–	2,213,223
Corporate income				2,290
Gain on bargain purchase				30
Finance costs				(18,450)
Other corporate expenses				(82,542)
Profit before income tax				2,114,551
As at 31 December 2016				
Reportable segment assets	76,247,871	2,748,957	491,353	79,488,181
Tax assets				1,316,815
Corporate assets ^				548,719
Total consolidated assets				81,353,715
Reportable segment liabilities	31,025,345	80,097	15,896	31,121,338
Tax liabilities				5,326,721
Borrowings				19,973,611
Amounts due to related companies				8,641,033
Consideration payable for acquisition				1,912,695
Guaranteed notes payable				3,148,508
Other corporate liabilities				44,509
Total consolidated liabilities				70,168,415

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 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
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
Other corporate liabilities				57,125
Total consolidated liabilities				43,986,783

^ Corporate assets as at 31 December 2016 included cash and bank balances amounting to HK$403,248,000 (2015: HK$482,706,000) which were managed on group basis.

NOTES TO THE FINANCIAL STATEMENTS *(CONTINUED)*

6. SEGMENT INFORMATION (CONTINUED)

Segment results, segment assets and segment liabilities (Continued)

	Property investment and development HK$'000	Property leasing HK$'000	Other segment HK$'000	Corporate HK$'000	Consolidated HK$'000
Other information					
For the year ended 31 December 2016					
Interest income	122,466	801	–	2,290	125,557
Depreciation and amortization	6,586	5,493	–	1,223	13,302
Gain on bargain purchase	–	–	–	30	30
Gain on disposal of investment properties	–	21,001	–	–	21,001
Gain on disposal of property, plant and equipment	1,580	–	–	–	1,580
Write-off of property, plant and equipment	10	–	–	–	10
Share of (loss)/profit of joint ventures	(4,704)	4,659	–	–	(45)
Additions to specified non-current assets #	299,081	–	–	–	299,081
As at 31 December 2016					
Interests in associates	71,831	–	–	–	71,831
Interests in joint ventures	277,995	98,849	–	–	376,844
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
Write-off of property, plant and equipment	82	–	876	–	958
Share of profit of joint ventures	–	4,062	–	–	4,062
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

Including additions to the Group's investment properties, other properties, plant and equipment, prepaid lease rental on land, intangible assets, interests in associates and interests in joint ventures (i.e. "specified non-current assets"), but excluded those additions arising from the Acquisition as set out in note 39.

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 associates and interests in joint ventures, is as follows:

	2016 **HK$'000**	2015 HK$'000
Hong Kong	**1,719**	2,942
Other regions of the PRC	**4,185,232**	3,009,676
	4,186,951	3,012,618

Information about major customer

None of the customers individually contributed 10% or more of the Group's revenue for the years ended 31 December 2016 and 2015.

7. OTHER INCOME

	2016 **HK$'000**	2015 HK$'000
Interest income on:		
Bank deposits	**125,557**	91,976
Others	**–**	29
Total interest income on financial assets not at fair value through profit or loss	**125,557**	92,005
Sundry income	**34,196**	13,407
	159,753	105,412

NOTES TO THE FINANCIAL STATEMENTS *(CONTINUED)*

8. PROFIT BEFORE INCOME TAX

	2016 HK$'000	2015 HK$'000
Profit before income tax is arrived at after charging/(crediting):		
Amortization:		
Prepaid lease rental on land	165	176
Intangible assets#	4,532	4,826
Depreciation of property, plant and equipment	8,605	12,944
Total amortization and depreciation	13,302	17,946
Remuneration to auditor for audit services*:		
— Current year	2,380	1,850
Cost of sales and services provided comprise:		
— Amount of inventories recognized as expense	14,131,734	13,957,189
Net foreign exchange loss	9,609	9,452
Operating lease charge on land and buildings	16,086	16,873
Outgoings in respect of:		
— investment properties	44,116	23,266
— others	13,760	958
	57,876	24,224
Net rental income from:		
— investment properties	(129,332)	(170,695)
— others	(6,216)	(14,443)
	(135,548)	(185,138)
Staff costs (note)	420,704	360,111
Gain on disposal of property, plant and equipment	1,580	–
Write-off of property, plant and equipment	10	958
Business tax and other levies	824,678	1,045,141

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$1,240,000 (2015: HK$40,000)

8. PROFIT BEFORE INCOME TAX (CONTINUED)

Note:

Staff costs (including directors' emoluments) comprise:

	2016 HK$'000	2015 HK$'000
Salaries, allowances and other benefits	399,743	346,111
Contributions to defined contribution retirement plans (note 41)	20,961	14,000
	420,704	360,111

9. FINANCE COSTS

	2016 HK$'000	2015 HK$'000
Interest on bank borrowings, overdrafts and other loans	486,773	694,730
Imputed interest expense on convertible bonds	–	35,991
Imputed interest expense on guaranteed notes payable (note 33)	168,984	168,449
Total interest expense on financial liabilities not at fair value through profit or loss	655,757	899,170
Less: Amount capitalized (note)	(637,307)	(871,911)
	18,450	27,259

Note: Borrowing costs capitalized during the year arose from the general borrowing pool and are calculated by applying an average capitalization rate of 3.68% (2015: 4.40%) per annum to expenditure on qualifying assets.

NOTES TO THE FINANCIAL STATEMENTS *(CONTINUED)*

10. INCOME TAX EXPENSE

	2016 HK$'000	2015 HK$'000
Current tax for the year		
Hong Kong profits tax	–	–
Other regions of the PRC		
– Enterprise income tax ("EIT")	798,017	432,009
– LAT	699,160	308,506
	1,497,177	740,515
Over provision in prior years		
Other regions of the PRC	(9,439)	(1,552)
Deferred tax (note 34)	(307,742)	59,931
	1,179,996	798,894

For the year ended 31 December 2016, no Hong Kong profits tax has been provided as the Group did not derive any estimated assessable profit in Hong Kong for the year (2015: nil).

EIT arising from other regions of the PRC is calculated at 25% (2015: 25%) on the estimated assessable profits.

PRC LAT is levied at progressive rates from 30% to 60% (2015: 30% to 60%) on the estimated appreciation of land value, being the proceeds of sales of properties less deductible expenditure including cost of land use rights and development and construction expenditure.

10. INCOME TAX EXPENSE (CONTINUED)

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

	2016 HK$'000	2015 HK$'000
Profit before income tax	**2,114,551**	1,720,733
Tax on profit at the rates applicable to profits in the jurisdictions concerned	**574,789**	484,154
Expenses not deductible for tax purpose	**107,365**	87,838
Income not taxable for tax purpose	**(861)**	(396)
Share of results of joint ventures	**11**	(1,016)
LAT deductible for calculation of income tax	**(115,598)**	(79,395)
Utilization of tax losses previously not recognized	**(19)**	(2,358)
Tax losses not recognized	**2,473**	104
Over provision in prior years	**(9,439)**	(1,552)
Deferred tax provided for withholding tax on distributable profits of the Group's PRC subsidiaries	**385**	12,767
Others	**13,366**	(6,812)
	572,472	493,334
LAT	**607,524**	305,560
Income tax expense	**1,179,996**	798,894

11. DIVIDENDS

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

	2016 HK$'000	2015 HK$'000
Interim dividend	**–**	–
Proposed final dividend – HK$0.02 (2015: nil) per ordinary share (note)	**45,645**	–
	45,645	–

Note:

The final dividend of HK$0.02 (2015: nil) per ordinary share, amounting to approximately HK$45,645,000 (2015: nil), has been proposed by the directors and is subject to approval by the shareholders of the Company in the forthcoming annual general meeting.

NOTES TO THE FINANCIAL STATEMENTS *(CONTINUED)*

11. DIVIDENDS (CONTINUED)

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

	2016 HK$'000	2015 HK$'000
Final dividend in respect of previous financial year, approved and paid during the year of nil (2015: HK$0.01) per ordinary share	–	22,822

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	2016 HK$'000	2015 HK$'000
Earnings used in calculating basic earnings per share	900,243	851,196
Adjustment to the profit of the Group attributable to imputed interest on convertible bonds	–	3,625
Earnings used in calculating diluted earnings per share	900,243	854,821

Weighted average number of ordinary shares	2016 '000	2015 '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	–	57,720
Weighted average number of ordinary shares used in calculating diluted earnings per share	2,282,240	2,339,960

Diluted earnings per share for the year ended 31 December 2016 is same as the basic earnings per share as there have been no dilutive potential ordinary shares in existence during the year.

13. DIRECTORS' EMOLUMENTS, FIVE HIGHEST PAID INDIVIDUALS 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 2016					
Executive directors					
Mr. Zhang Guiqing	–	1,056	6,903	18	7,977
Mr. Wang Man Kwan, Paul	–	2,797	1,900	18	4,715
Mr. Xiang Hong (note (c))	–	780	5,380	18	6,178
Mr. Liu Jun (note (d))	–	501	1,277	14	1,792
Non-executive directors					
Mr. Xiao Xiao (note (a))	154	–	–	–	154
Mr. Hao Jian Min (note (b))	1,046	–	–	–	1,046
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	87	–	–	337
	2,050	5,441	15,460	68	23,019
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 (d))	–	55	2,350	2	2,407
Mr. Yang Hai Song (note (e))	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

13. DIRECTORS' EMOLUMENTS, FIVE HIGHEST PAID INDIVIDUALS AND SENIOR MANAGEMENT'S EMOLUMENTS (CONTINUED)

Directors' emoluments (Continued)

Notes:

(a) Mr. Xiao Xiao was appointed as non-executive director with effect from 15 November 2016.

(b) Mr. Hao Jian Min resigned as non-executive director with effect from 15 November 2016.

(c) Mr. Xiang Hong resigned as executive director with effect from 10 January 2017.

(d) Mr. Liu Jun was appointed as executive director with effect from 1 December 2015 and resigned as executive director with effect from 30 September 2016.

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

There is no arrangement under which a director waived or agreed to waive any emoluments during the year (2015: nil).

Five highest paid individuals

The five individuals with the highest emoluments in the Group include three (2015: three) directors, whose emoluments are included in the disclosures above. The emoluments of the remaining two (2015: two) highest paid individuals for the years ended 31 December 2016 and 2015 were as follows:

	2016 **HK$'000**	2015 HK$'000
Salaries, allowances and other benefits	**1,157**	1,004
Discretionary bonus	**8,895**	6,800
Retirement fund contributions	**36**	29
	10,088	7,833

Their emoluments were within the following bands:

	Number of individuals	
	2016	2015
HK$3,500,001- HK$4,000,000	**–**	2
HK$4,500,001- HK$5,000,000	**1**	–
HK$5,500,001- HK$6,000,000	**1**	–

No emolument was paid by the Group to any of the directors or the five highest paid individuals as an inducement to join or upon joining the Group, or as compensation for loss of office (2015: nil).

13. DIRECTORS' EMOLUMENTS, FIVE HIGHEST PAID INDIVIDUALS AND SENIOR MANAGEMENT'S EMOLUMENTS (CONTINUED)

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	
	2016	2015
HK$3,000,001- HK$3,500,000	**–**	1
HK$3,500,001- HK$4,000,000	**–**	2
HK$4,500,001- HK$5,000,000	**1**	–
HK$5,500,001- HK$6,000,000	**1**	–

14. INVESTMENT PROPERTIES

	2016	2015
	HK$'000	HK$'000
Fair value		
At 1 January	**2,855,569**	3,032,606
Translation adjustment	**(171,973)**	(177,037)
Acquisition of subsidiaries (note 39)	**11,179**	–
Disposals (note (a))	**(208,916)**	–
At 31 December	**2,485,859**	2,855,569

Notes:

(a) During the year ended 31 December 2016, the Group disposed of certain investment properties with aggregate carrying value of HK$208,916,000 at aggregate consideration of HK$229,917,000 and thus recognized gain on disposal of investment properties amounting to HK$21,001,000.

(b) The fair value of the investment properties as at 31 December 2016 and 2015 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 2016 (2015: nil).

14. INVESTMENT PROPERTIES (CONTINUED)

Notes: (Continued)

(c) The fair value of China Overseas Building (No. 9 Office Building) as at 31 December 2016 has been determined by the directors with reference to transactions of similar properties entered into by the Group. The fair values of the Group's other investment properties as at 31 December 2016 and 2015 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: – 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: Renminbi ("RMB") 37,793 to RMB54,539 per square meter ("sq.m.") (2015: RMB39,193 to RMB54,039 per sq.m.) Car parks: RMB250,000 per unit (2015: RMB250,000 per unit)	The higher the selling price per unit, 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	6.3% to 7.3% (2015: 6.3% 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% (2015: 6.8% 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	RMB246 to RMB393 per sq.m. (2015: RMB245 to RMB373 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	7.5% to 62.9% (2015: 5.0% to 25.0%)	The higher the vacancy rate, the lower the fair value

14. INVESTMENT PROPERTIES (CONTINUED)

Notes: (Continued)

(c) (Continued)

Properties	Location	Valuation technique	Unobservable inputs	Range of unobservable inputs #	Relationship of unobservable inputs to fair value
China Overseas Building (No. 9 Office Building)*	Jilin	Direct comparison approach (2015: Direct comparison approach and Income approach: Term and reversionary approach)	Direct comparison approach 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: RMB6,008 to RMB9,818 per sq.m. (2015: RMB6,380 to RMB8,610 per sq.m.) Car parks: RMB152,000 per unit (2015: RMB70,677 per unit)	The higher the selling price per unit, the higher the fair value
			Income approach Term yield Reversionary yield Monthly rent Vacancy rate	 9.5% to 11.0% 10.0% to 11.5% RMB61 to RMB86 per sq.m. 10.0% to 20.0%	The higher the term yield, reversionary yield and vacancy rate, the lower the fair value The higher the monthly rent, the higher the fair value
CITIC Building (office units)	Shantou	Direct comparison approach	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: RMB5,761 per sq.m.	The higher the selling price per unit, the higher the fair value
Jin Xin Building (office units)	Shantou	Direct comparison approach	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: RMB6,336 per sq.m.	The higher the selling price per unit, the higher the fair value

* comprise office units, shops and car parks

\# apply to office units and shops unless otherwise specified

14. INVESTMENT PROPERTIES (CONTINUED)

Notes: (Continued)

(c) (Continued)

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

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

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

(d) The investment properties are leased to third parties and related companies under operating leases to earn rental income, further details of which are included in note 43.

(e) As at 31 December 2016 and 2015, none of the Group's investment properties were pledged as securities for the bank borrowings and banking facilities of the Group.

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	Construction in progress HK$'000	Total HK$'000
COST						
At 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 40)	–	–	(1,008)	(430)	–	(1,438)
Write-off	–	–	(3,820)	(1,773)	–	(5,593)
At 31 December 2015 and 1 January 2016	25,556	4,084	15,693	23,741	–	69,074
Translation adjustment	(1,346)	–	(1,244)	(1,737)	–	(4,327)
Additions	–	–	1,282	526	–	1,808
Acquisition of subsidiaries (note 39)	476,247	–	42,518	7,352	376,732	902,849
Disposals	(2,056)	–	(186)	–	–	(2,242)
Write-off	–	–	(897)	(916)	–	(1,813)
At 31 December 2016	498,401	4,084	57,166	28,966	376,732	965,349
DEPRECIATION						
At 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 40)	–	–	(626)	(286)	–	(912)
Write-off	–	–	(2,975)	(1,660)	–	(4,635)
At 31 December 2015 and 1 January 2016	5,409	2,440	10,349	16,695	–	34,893
Translation adjustment	(318)	–	(974)	(1,513)	–	(2,805)
Depreciation provided	777	817	2,816	4,195	–	8,605
Disposals	(874)	–	(186)	–	–	(1,060)
Write-off	–	–	(887)	(916)	–	(1,803)
At 31 December 2016	4,994	3,257	11,118	18,461	–	37,830
NET CARRYING AMOUNT						
At 31 December 2016	493,407	827	46,048	10,505	376,732	927,519
At 31 December 2015	20,147	1,644	5,344	7,046	–	34,181

NOTES TO THE FINANCIAL STATEMENTS *(CONTINUED)*

15. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

As at 31 December 2016, owner-occupied properties (including prepaid lease rental on land) with net carrying amount of HK$450,358,000 were pledged as securities for the bank borrowings and banking facilities of the Group (note 42). 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.

16. PREPAID LEASE RENTAL ON LAND

	2016 **HK$'000**	2015 HK$'000
Carrying amount at 1 January	**4,898**	5,382
Translation adjustment	**(303)**	(308)
Acquisition of subsidiaries (note 39)	**317,484**	–
Amortization charged	**(165)**	(176)
Carrying amount at 31 December	**321,914**	4,898
Analyzed into:		
Non-current portion included in non-current assets	**312,979**	4,730
Current portion included in current assets	**8,935**	168
	321,914	4,898

17. INTANGIBLE ASSETS

	Shopping mall operating right HK$'000
COST	
At 1 January 2015	76,665
Translation adjustment	(5,137)
At 31 December 2015 and 1 January 2016	**71,528**
Translation adjustment	**(5,255)**
At 31 December 2016	**66,273**
AMORTIZATION AND IMPAIRMENT	
At 1 January 2015	53,320
Translation adjustment	(3,972)
Amortization charged	4,826
At 31 December 2015 and 1 January 2016	**54,174**
Translation adjustment	**(4,352)**
Amortization charged	**4,532**
At 31 December 2016	**54,354**
NET CARRYING AMOUNT	
At 31 December 2016	**11,919**
At 31 December 2015	17,354

NOTES TO THE FINANCIAL STATEMENTS *(CONTINUED)*

18. INTERESTS IN ASSOCIATES

	2016 HK$'000	2015 HK$'000
Share of net assets	71,831	–

The Group acquired the interests in associates in the Acquisition as set out in note 39. Details of the Group's associates are set out in note 51.

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

	2016 HK$'000	2015 HK$'000
As at 31 December		
Aggregate carrying amount of the Group's interests in associates	71,831	–

19. INTERESTS IN JOINT VENTURES

	2016 HK$'000	2015 HK$'000
Share of net assets	376,844	100,784
Less: Impairment	–	–
	376,844	100,784

As at 31 December 2016 and 2015, the Group had 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.

19. INTERESTS IN JOINT VENTURES (CONTINUED)

During the year ended 31 December 2016, the Group developed property projects jointly with other parties through certain project companies, namely 中海宏洋海富(合肥)房地產開發有限公司 ("Hefei Haifu") and 汕頭中海凱旋置業有限公司 ("Shantou Kaixuan"). Pursuant to the constitutional documents, the Group and the other venturers have joint control over Hefei Haifu and Shantou Kaixuan having regard to the voting power in the shareholders' and directors' meetings.

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.

Details of the Group's joint ventures as at 31 December 2016 are set out in note 52.

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

	2016	2015
	HK$'000	HK$'000
For the year ended 31 December		
Share of the joint ventures' (loss)/profit for the year	**(45)**	4,062
Share of the joint ventures' other comprehensive income	**(21,168)**	(6,174)
Share of the joint ventures' total comprehensive income	**(21,213)**	(2,112)
As at 31 December		
Aggregate carrying amount of the Group's interests in joint ventures	**376,844**	100,784

20. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2016	2015
	HK$'000	HK$'000
Unlisted equity instruments, at cost	**2,005**	–

During the year ended 31 December 2016, the Group acquired certain unlisted equity instruments in the Acquisition as set out in note 39. These unlisted equity instruments are stated at cost less impairment because the range of reasonable fair value estimates is so significant that the directors are of the opinion that their fair values cannot be measured reliably. The Group does not intend to dispose of them in the near future.

NOTES TO THE FINANCIAL STATEMENTS *(CONTINUED)*

21. INVENTORIES OF PROPERTIES

	2016 HK$'000	2015 HK$'000
Properties under development, at cost	**33,635,664**	24,402,667
Properties held for sale, at cost	**15,376,129**	10,072,814
	49,011,793	34,475,481

As at 31 December 2016, properties under development amounting to HK$24,242,667,000 (2015: HK$18,258,063,000) are not expected to be recovered within twelve months from the end of the reporting period.

As at 31 December 2016, leasehold interests in land included in inventories of properties amounted to HK$25,521,368,000 (2015: HK$19,503,322,000).

As at 31 December 2016, inventories of properties with aggregate carrying value of HK$2,065,660,000 (2015: HK$390,640,000) were pledged as securities for the bank borrowings and banking facilities of the Group and an associate, which will be released upon the settlement of those bank borrowings and banking facilities (note 42).

22. OTHER INVENTORIES

	2016 HK$'000	2015 HK$'000
Raw materials and consumables	**2,126**	–

23. TRADE AND OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS

	2016 **HK$'000**	2015 HK$'000
Trade receivables	**85,321**	623,997
Less: Impairment of trade receivables (note (b))	**(3,344)**	–
Trade receivables, net (note (a))	**81,977**	623,997
Other receivables (note (c))	**1,949,673**	607,206
Prepayments and deposits (note (d))	**3,436,110**	3,172,662
Less: Impairment of other receivables (note (e))	**(14,606)**	–
	5,371,177	3,779,868
	5,453,154	4,403,865

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:

	2016 **HK$'000**	2015 HK$'000
30 days or below	**1,452**	570,605
31-60 days	**112**	3,432
61-90 days	**999**	7,421
91-180 days	**2,090**	8,028
181-360 days	**53,250**	15,964
Over 360 days	**24,074**	18,547
	81,977	623,997

NOTES TO THE FINANCIAL STATEMENTS *(CONTINUED)*

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

Notes: (Continued)

(a) (Continued)

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:

	2016	2015
	HK$'000	HK$'000
Less than 30 days	**–**	2,438
181-360 days	**44,375**	3,748
Over 360 days	**3,056**	–
	47,431	6,186

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.

(b) The movement in the allowance for impairment of trade receivables during the year is as follows:

	2016	2015
	HK$'000	HK$'000
At 1 January	**–**	–
Acquisition of subsidiaries (note 39)	**3,344**	–
At 31 December	**3,344**	–

The Group recognized impairment loss on trade receivables based on accounting policy stated in note 3.14.

(c) Other receivables as at 31 December 2016 included amount due from a third party enterprise amounting to HK$794,100,000 acquired from the Acquisition as set out in note 39, which is unsecured, interest-free and repayable on demand. Management believes that no impairment allowance is necessary as there has not been a significant change in credit quality and the balance is still considered fully recoverable.

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

Notes: (Continued)

(d) The balance of prepayments and deposits as at 31 December 2016 mainly comprise the followings:

(i) An amount of HK$68,858,000 (2015: HK$73,521,000) 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$2,260,599,000 (2015: HK$2,146,300,000) 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.

(e) The movement in the allowance for impairment of other receivables during the year is as follows:

	2016 **HK$'000**	2015 HK$'000
At 1 January	–	–
Acquisition of subsidiaries (note 39)	**14,606**	–
At 31 December	**14,606**	–

The Group recognized impairment loss on other receivables based on accounting policy stated in note 3.14.

24. AMOUNTS DUE FROM/TO ASSOCIATES

Among the balances due to associates as at 31 December 2016, HK$128,559,000 is unsecured, interest bearing at interest rate of 8% (2015: nil) per annum and repayable on demand, and the remaining balance of HK$58,273,000 is unsecured, interest-free and repayable on demand.

25. AMOUNTS DUE FROM JOINT VENTURES

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

26. AMOUNTS DUE FROM/TO NON-CONTROLLING INTERESTS

Among the balances due to non-controlling interests as at 31 December 2016, HK$113,959,000 (2015: HK$53,712,000) is unsecured, interest bearing at interest rate of 6.15% (2015: 4.75%) per annum and repayable in eight months (2015: from nineteen months to two years) pursuant to relevant loan agreements. The remaining balance of amounts due to non-controlling interests as at 31 December 2016 of HK$772,394,000 (2015: HK$716,999,000) and the amounts due from non-controlling interests are unsecured, interest-free and repayable on demand.

During the year ended 31 December 2016, the entire amount of dividends attributable to non-controlling interests amounting to HK$70,140,000 was settled by cash payment. Out of the dividends attributable to non-controlling interests for the year ended 31 December 2015 amounting to HK$65,272,000, HK$11,202,000 was settled by cash payment and the remaining amount of HK$54,070,000 was credited to the current account with the non-controlling interests.

27. RESTRICTED CASH AND DEPOSITS/CASH AND BANK BALANCES

	2016 **HK$'000**	2015 HK$'000
Cash at banks and in hand (note (b))	**20,820,499**	13,026,619
Less: Restricted cash and deposits (note (a))	**(5,662,322)**	(3,323,705)
Cash and bank balances	**15,158,177**	9,702,914

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.

The amount of cash restricted for the above purposes as at 31 December 2016 was HK$5,662,322,000 (2015: HK$3,323,705,000).

(b) Cash balance denominated in RMB amounted to approximately HK$20,417,369,000 (2015: HK$12,906,241,000) as at 31 December 2016. 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 2016, the Group had time deposits of HK$563,422,000 (2015: HK$38,163,000) placed with banks with original maturity period of six months (2015: six months to two years) and earned interest income at interest rate at 1.60% (2015: 2.18% to 4.02%) per annum. The entire amount of time deposit as of 31 December 2016 was included in "cash and bank balances", whereas time deposits as at 31 December 2015 amounting to HK$13,277,000 was included in "cash and bank balances" and the remaining balance of HK$24,886,000 was included in "restricted cash and deposits".

NOTES TO THE FINANCIAL STATEMENTS *(CONTINUED)*

28. TRADE AND OTHER PAYABLES

	2016 HK$'000	2015 HK$'000
Trade payables (note)	8,515,703	7,588,088
Other payables and accruals	1,737,394	672,373
Deposits received	99,289	81,163
	10,352,386	8,341,624

Note:

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

	2016 HK$'000	2015 HK$'000
30 days or below	4,917,833	4,005,546
31-60 days	192,017	194,599
61-90 days	102,733	87,419
91-180 days	531,806	494,174
181-360 days	1,013,025	1,104,039
Over 360 days	1,758,289	1,702,311
	8,515,703	7,588,088

29. AMOUNTS DUE TO RELATED COMPANIES

Amounts due to related companies as at 31 December 2016 amounting to HK$8,641,033,000 represent outstanding loans and advances owing by Best Beauty Group to COLI and its subsidiaries ("COLI Group"). Out of this sum, approximately HK$2,590,157,000 are denominated in HK$ and the remaining balance of HK$6,050,876,000 are denominated in RMB. Balances denominated in HK$ amounting to HK$2,581,711,000 are interest-bearing at Hong Kong Interbank Offered Rate and balances denominated in RMB amounting to HK$5,994,972,000 are interest-bearing at the People's Bank of China prevailing lending rate while the remaining balances are interest-free. The balances are unsecured and repayable within one year from the completion date of the Acquisition (note 39).

30. CONSIDERATION PAYABLE FOR ACQUISITION

Balance as at 31 December 2016 amounting to HK$1,912,695,000 represents outstanding consideration payable in relation to the Acquisition as set out in note 39. The amount is unsecured, interest-fee and repayable no later than 16 January 2017.

31. BORROWINGS

	2016 HK$'000	2015 HK$'000
Current liabilities		
Bank borrowings	4,463,815	4,918,627
Other loans	824,854	–
	5,288,669	4,918,627
Non-current liabilities		
Bank borrowings	12,110,560	10,633,642
Other loans	2,574,382	–
	14,684,942	10,633,642
	19,973,611	15,552,269

	2016 HK$'000	2015 HK$'000
Analysis into:		
Bank borrowings		
Secured	833,401	179,040
Unsecured	15,740,974	15,373,229
	16,574,375	15,552,269
Other loans		
Unsecured	3,399,236	–
	19,973,611	15,552,269

As at 31 December 2016, borrowings amounting to HK$833,401,000 (2015: HK$179,040,000) were secured by properties of the Group (note 42). In addition, as at 31 December 2016, borrowings amounting to HK$1,397,375,000 (2015: nil) were guaranteed by certain subsidiaries of COLI.

NOTES TO THE FINANCIAL STATEMENTS *(CONTINUED)*

31. BORROWINGS (CONTINUED)

The movement of borrowings during the year is as follows:

	2016 HK$'000	2015 HK$'000
Carrying amount at 1 January	**15,552,269**	15,597,390
Translation adjustment	**(139,817)**	(233,845)
New borrowings raised	**8,234,259**	6,311,060
Repayment of borrowings	**(7,768,377)**	(6,122,336)
Acquisition of subsidiaries (note 39)	**4,095,277**	–
Carrying amount at 31 December	**19,973,611**	15,552,269

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

	2016 HK$'000	2015 HK$'000
On demand or within one year	**4,463,815**	4,918,627
More than one year, but not exceeding two years	**5,179,880**	2,299,316
More than two years, but not exceeding five years	**6,930,680**	8,334,326
	16,574,375	15,552,269

The current and non-current other loans were scheduled for repayment as follows:

	2016 HK$'000	2015 HK$'000
On demand or within one year	**824,854**	–
More than one year, but not exceeding two years	**338,582**	–
More than two years, but not exceeding five years	**2,235,800**	–
	3,399,236	–

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

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

	2016 HK$'000	2015 HK$'000
HK$	**11,635,000**	10,793,890
RMB	**5,742,361**	3,130,879
United States Dollars ("US$")	**2,596,250**	1,627,500
	19,973,611	15,552,269

31. BORROWINGS (CONTINUED)

As at 31 December 2016, borrowings denominated in HK$ and US$ have been arranged at annual floating rates of 2.55% to 3.72% (2015: 2.49% to 4.08%) and 3.17% to 3.29% (2015: 3.37% to 3.43%) respectively. As at 31 December 2016, out of the borrowings denominated in RMB, approximately HK$4,578,925,000 have been arranged at annual floating rates of 4.51% to 5.70% while the remaining balance of HK$1,163,436,000 have been arranged at annual fixed rates of 3.80% to 7.20%. All borrowings denominated in RMB as at 31 December 2015 have been arranged at annual floating rates of 4.80% to 6.83%.

In respect of those borrowings 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. These bank accounts are subject to monitoring by the banks and the financial institutions and they have priority to claim repayment for the borrowings from these designated accounts.

32. CONVERTIBLE BONDS

The convertible bonds issued by the Group on 21 March 2012 in an aggregate amount of HK$2,200,000,000 (the "Convertible Bonds") were early redeemed by the Group in March 2015 as a result of the exercise of the redemption option by the bondholders. The redemption consideration amounting to HK$2,200,000,000 was fully settled in March 2015. Upon redemption, the redemption consideration 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 considerations allocated to the liability and the carrying amount of the liability component at the redemption date amounting to HK$5,962,000 was recognized in profit or loss for the year ended 31 December 2015 under "Other gains or losses – 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 was recognized in retained profits.

33. 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 arrears on 23 January and 23 July in each year at the rate of 5.125% per annum, commencing on 23 July 2014.

NOTES TO THE FINANCIAL STATEMENTS *(CONTINUED)*

33. GUARANTEED NOTES PAYABLE (CONTINUED)

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

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

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

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

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

	HK$'000
Carrying amount as at 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 and 1 January 2016	**3,138,399**
Imputed interest expense (note 9)	**168,984**
Finance costs paid	**(158,875)**
Carrying amount as at 31 December 2016	**3,148,508**

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$168,984,000 was incurred in the current year (2015: HK$168,449,000). The Guaranteed Notes are listed on the Stock Exchange. As at 31 December 2016, 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$3,209,895,000 (2015: HK$3,194,442,000) and it is within Level 1 of the fair value hierarchy.

34. 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 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 and 1 January 2016	**389,330**	**495,853**	**(124,509)**	**418,481**	**(22,970)**	**1,156,185**
Translation adjustment	**(17,963)**	**(30,678)**	**8,910**	**(25,150)**	**1,893**	**(62,988)**
(Credited)/Charged to profit or loss (note 10)	**(144,185)**	**(17,589)**	**(104,170)**	**(31,826)**	**(9,972)**	**(307,742)**
Acquisition of subsidiaries (note 39)	**2,718,664**	**65,670**	**(30,708)**	**–**	**(64,225)**	**2,689,401**
At 31 December 2016	**2,945,846**	**513,256**	**(250,477)**	**361,505**	**(95,274)**	**3,474,856**

Represented by:

	2016 HK$'000	2015 HK$'000
Deferred tax liabilities	**3,820,607**	1,303,664
Deferred tax assets	**(345,751)**	(147,479)
	3,474,856	1,156,185

As at 31 December 2016, the Group has unused tax losses of HK$539,083,000 (2015: HK$92,472,000) available for offset against future profits. A deferred tax asset of HK$95,274,000 (2015: HK$22,970,000) has been recognized in respect of tax losses of approximately HK$381,096,000 (2015: HK$91,880,000). No deferred tax has been recognized in respect of the remaining tax losses of HK$157,987,000 (2015: HK$592,000) 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%.

NOTES TO THE FINANCIAL STATEMENTS *(CONTINUED)*

34. DEFERRED TAX (CONTINUED)

As at 31 December 2016, deferred tax liabilities of approximately HK$361,505,000 (2015: HK$418,481,000) have been recognized in respect of the undistributed earnings of certain PRC subsidiaries amounted to approximately HK$3,615,055,000 (2015: HK$4,448,538,000). Deferred tax liabilities of approximately HK$406,741,000 as at 31 December 2016 (2015: HK$268,869,000) 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 2016, 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$5,005,225,000 as at 31 December 2016 (2015: HK$3,637,357,000).

35. SHARE CAPITAL

	Number of ordinary shares '000	HK$'000
Issued and fully paid		
Balance at 1 January 2015, 31 December 2015,		
1 January 2016 and 31 December 2016	2,282,240	2,144,018

36. RESERVES

THE GROUP

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

Convertible bonds equity reserve

The convertible bonds equity reserve as at 1 January 2015 comprises (i) the initial carrying value of the equity component of the Convertible Bonds issued by the Group on initial recognition (note 32); 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 3.22. As disclosed in note 32, in March 2015, all of the outstanding Convertible Bonds were redeemed by the Group 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.

36. RESERVES (CONTINUED)

THE GROUP (Continued)

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 3.17. For the years ended 31 December 2016 and 2015, the Group recognized deficit from translation of PRC operation as a result of depreciation of RMB.

Assets revaluation reserve

Assets 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.

Retained profits

Retained profits of the Group comprise:

	2016 **HK$'000**	2015 HK$'000
Final dividend proposed for the year (note 11(a))	**45,645**	–
Retained profits after proposed dividend	**9,735,520**	8,954,014
Total retained profits for the year	**9,781,165**	8,954,014

NOTES TO THE FINANCIAL STATEMENTS *(CONTINUED)*

36. RESERVES (CONTINUED)

THE COMPANY

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

	HK$'000
At 1 January 2015	485,114
Profit and total comprehensive income for the year	191,282
2014 final dividend paid (note 11(b))	(22,822)
At 31 December 2015 and 1 January 2016	**653,574**
Profit and total comprehensive income for the year	**401,905**
2015 final dividend paid (note 11(b))	**–**
At 31 December 2016	**1,055,479**

Retained profits of the Company comprise:

	2016 **HK$'000**	2015 HK$'000
Final dividend proposed for the year (note 11(a))	**45,645**	–
Retained profits after proposed dividend	**1,009,834**	653,574
Total retained profits for the year	**1,055,479**	653,574

37. NON-CONTROLLING INTERESTS

The total non-controlling interests as at 31 December 2016 were HK$763,373,000 (2015: HK$637,086,000), 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.

38. HOLDING COMPANY STATEMENT OF FINANCIAL POSITION

As at 31 December 2016

	Notes	2016 HK$'000	2015 HK$'000
Non-current assets			
Property, plant and equipment		842	1,675
Interests in subsidiaries	50	1,944,077	1,944,077
		1,944,919	1,945,752
Current assets			
Other receivables, prepayments and deposits		2,061	145
Amounts due from subsidiaries		15,763,370	15,661,299
Cash and bank balances		402,729	482,250
		16,168,160	16,143,694
Current liabilities			
Other payables and accruals		43,548	57,031
Amounts due to subsidiaries		2,653,784	2,813,433
Borrowings		2,335,000	3,588,890
		5,032,332	6,459,354
Net current assets		11,135,828	9,684,340
Non-current liabilities			
Borrowings		9,881,250	8,832,500
Net assets		3,199,497	2,797,592
Capital and reserves			
Share capital	35	2,144,018	2,144,018
Retained profits	36	1,009,834	653,574
Proposed dividend	11	45,645	–
Total equity		3,199,497	2,797,592

On behalf of the directors

Zhang Guiqing
Director

Wang Man Kwan, Paul
Director

39. BUSINESS COMBINATION

On 12 October 2016, China Overseas Grand Oceans Investments Limited ("COGOIL"), a wholly-owned subsidiary of the Company, entered into a sale and purchase agreement (the "Sale and Purchase Agreement") with Alpha Progress Global Limited (the "Seller"), a wholly-owned subsidiary of COLI in relation to the acquisition of the entire issued share capital (the "Sale Share") of Best Beauty. Best Beauty is a wholly-owned subsidiary of the Seller and Best Beauty Group is primarily engaged in the development, sale and investment of properties in the PRC.

The initial consideration for the Acquisition is RMB3,516,000,000, which has been adjusted to the final consideration of RMB3,518,556,900 pursuant to a completion agreement entered into by COGOIL and the Seller on 21 December 2016. As required under the Sale and Purchase Agreement, the final consideration was determined based on the appraisal results of the Sale Share in the appraisal report(s) filed with the relevant PRC government authority(ies) in relation to the appraisal of the value of the Sale Share as at 30 September 2016. Pursuant to a supplemental agreement entered into by COGOIL and the Seller on 29 December 2016, COGOIL and the Seller agreed that the US$ equivalent of the final consideration shall be paid in cash by two instalments, comprising (i) US$260,000,000 to be paid at completion and (ii) the remaining final consideration of RMB1,713,246,900 (equivalent to approximately HK$1,912,695,000) to be paid no later than 16 January 2017.

The Acquisition was completed on 29 December 2016.

39. BUSINESS COMBINATION (CONTINUED)

The recognized amounts of identifiable assets and liabilities of Best Beauty Group on the date of the Acquisition are as follows:

	HK$'000	HK$'000
Cash consideration		3,927,695
Recognized amounts of identifiable assets acquired and liabilities assumed		
Investment properties	11,179	
Property, plant and equipment	902,849	
Prepaid lease rental on land	317,484	
Interests in associates	71,831	
Available-for-sale financial assets	2,005	
Deferred tax assets	94,933	
Inventories of properties	21,305,095	
Other inventories	2,124	
Trade and other receivables, prepayments and deposits	1,751,394	
Amounts due from associates	65	
Amounts due from non-controlling interests	65,770	
Tax prepaid	219,412	
Restricted cash and deposits	1,613,197	
Cash and bank balances	306,639	
Trade and other payables	(3,829,754)	
Sales deposits received	(2,605,662)	
Amounts due to COLI and its subsidiaries	(8,641,033)	
Amounts due to associates	(186,832)	
Amounts due to non-controlling interests	(164,521)	
Taxation liabilities	(227,886)	
Borrowings	(4,095,277)	
Deferred tax liabilities	(2,784,334)	
Total identifiable net assets acquired at fair value		4,128,678
Non-controlling interests in Best Beauty Group		(200,953)
		3,927,725
Gain on bargain purchase		(30)
		3,927,695

NOTES TO THE FINANCIAL STATEMENTS *(CONTINUED)*

39. BUSINESS COMBINATION (CONTINUED)

	HK$'000
Cash (outflow)/inflow on Acquisition:	
Purchase consideration settled during the year	(2,015,000)
Cash and bank balances acquired	306,639
Cash outflow on Acquisition included in cash flows from investing activities	(1,708,361)
Transaction costs of the Acquisition included in cash flows from operating activities	(13,000)
	(1,721,361)

The fair value of the land and buildings classified as investment properties, property, plant and equipment, prepaid lease rental on land and inventories of properties at the date of Acquisition have been determined with reference to the valuation carried out by Crowe Horwath (HK) Consulting & Valuation Limited.

The fair value of trade and other receivables amounted to HK$1,751,394,000. The gross contractual amounts of trade and other receivables was HK$1,769,344,000, of which receivables of HK$17,950,000 are expected to be uncollectible.

The Group recognized a gain on bargain purchase of HK$30,000 in "Other gains or losses – Gain on bargain purchase".

The Group has elected to measure the non-controlling interest in Best Beauty Group at the present ownership instruments' proportionate share in the recognized amounts of the identifiable net assets of Best Beauty Group.

Amounts due to COLI and its subsidiaries amounted to HK$8,641,033,000 as at 31 December 2016 which are classified as "Amounts due to related companies" in the consolidated statement of financial position and further details are set out in note 29.

39. BUSINESS COMBINATION (CONTINUED)

Best Beauty Group did not contribute any revenue and profit or loss to the Group during the year. If the Acquisition had occurred on 1 January 2016, the Group's revenue and net profit would have been HK$21,206,784,000 and HK$1,177,846,000 respectively. This pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the Acquisition been completed on 1 January 2016, nor it is intended to be a projection of future performance.

The acquisition-related costs of HK$13,000,000 have been expensed and are included in "administrative expenses".

40. DISPOSAL OF SUBSIDIARIES

On 18 May 2015, 中海宏洋地產集團有限公司 (China Overseas Grand Oceans Property Group Company Limited) (the "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 gains or losses – Gain on disposal of subsidiaries" in the consolidated income statement and is calculated as follows:

	2015 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

NOTES TO THE FINANCIAL STATEMENTS *(CONTINUED)*

40. DISPOSAL OF SUBSIDIARIES (CONTINUED)

Note:

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

	2015 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 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

41. 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$20,961,000 (2015: HK$14,000,000) represent contributions paid/payable to these schemes by the Group in the year. As at 31 December 2016, no forfeited contribution under these schemes is available to reduce the contribution payable in future (2015: nil).

42. PLEDGE OF ASSETS

As at 31 December 2016, the carrying amount of the assets pledged by the Group to secure for borrowings and banking facilities granted to the Group and its associate are analyzed as follows:

	2016 **HK$'000**	2015 HK$'000
Pledge for borrowings and banking facilities of the Group		
Owners-occupied properties (note 15)	**450,358**	–
Inventories of properties (note 21)	**1,333,734**	390,640
	1,784,092	390,640
Pledge for borrowings and banking facilities of an associate		
Inventories of properties (note 21)	**731,926**	–
	2,516,018	390,640

43. OPERATING LEASE ARRANGEMENTS

As lessee

The Group leases certain office properties, quarters and shopping mall operating right under operating leases arrangements. Leases of these properties are negotiated for periods ranging from six months to thirty years (2015: two months to thirty years) and rentals are fixed over the contracted period. As at 31 December 2016, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of rented premises payable as follows:

	2016 **HK$'000**	2015 HK$'000
Within one year	**17,097**	17,586
In the second to fifth year, inclusive	**20,246**	27,555
Over five years	**21,659**	26,110
	59,002	71,251

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 seven months to twenty years (2015: one to twenty years). As at 31 December 2016, the Group had contracted with tenants for the following future minimum lease payments receivable:

	2016 **HK$'000**	2015 HK$'000
Within one year	**165,514**	202,223
In the second to fifth year, inclusive	**272,136**	156,063
Over five years	**144,723**	148,743
	582,373	507,029

44. OTHER COMMITMENTS

As at 31 December 2016, the Group had other significant commitments as follows:

	2016 HK$'000	2015 HK$'000
Contracted for but not provided for in the financial statements:		
– Investment in joint ventures	52,359	295,416
– Acquisition of land	1,820,143	1,801,178
– Property development	5,603,883	1,937,071
Authorized but not contracted for:		
– Acquisition of land	1,600,342	188,100
– Property development	32,419	–

45. GUARANTEES

As at 31 December 2016, the Group had issued the following significant guarantees:

	2016 HK$'000	2015 HK$'000
Guarantees given to:		
Banks and government agencies for mortgage loans granted to certain purchasers of the Group's properties	27,201,266	18,742,760
Bank in respect of the banking facilities granted to an associate	111,790	–

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.

46. RELATED PARTY TRANSACTIONS

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

(a) On 28 March 2014, the Company and COLI entered into a new trademark licence 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 "中海地產"(the "Trademark") in the PRC for a term commencing from 1 April 2014 and ending on 31 March 2017 (both days inclusive). 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 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.

For the year ended 31 December 2016, royalty incurred by the Group under the New Trademark Licence Agreement amounted to approximately HK$170,755,000 (2015: HK$165,167,000). As at 31 December 2016, the royalty payable by the Group to COLI amounted to HK$170,755,000 (2015: HK$165,167,000) 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.

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

For the year ended 31 December 2016, total rental income generated from the New Tenancy Agreements is approximately RMB13,560,000, equivalent to approximately HK$15,851,000 (2015: HK$17,431,000). As at 31 December 2016, rental income received in advance from the New Tenants amounted to approximately HK$1,305,000 (2015: HK$1,393,000).

(c) Before the disposal of equity interest in COGOPM as set out in note 40, 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.

46. RELATED PARTY TRANSACTIONS (CONTINUED)

(c) (Continued)

On 1 June 2015, the Company and China Overseas Property Holdings Limited ("COPH") 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). COPH was a subsidiary of COLI on 1 June 2015 and subsequently becomes a fellow subsidiary of COLI.

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 2016, total property management services fee incurred under the New Property Management Agreement is approximately RMB36,602,000, equivalent to approximately HK$42,787,000 (2015: HK$33,537,000) whereas property management services paid is approximately RMB41,975,000, equivalent to approximately HK$49,069,000. As at 31 December 2016, the property management services fee payable to COPH Group amounted to RMB1,979,000, equivalent to approximately HK$2,212,000 (2015: 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.

(d) On 24 March 2016, the Company and China State Construction International Holdings Limited ("CSC") entered into a framework agreement ("Construction Supervision Service Agreement") pursuant to which the Group may appoint CSC and its subsidiaries (collectively referred to as "CSC Group") as construction supervisor to provide the construction supervision service for the property development projects of the Group in the PRC. The Construction Supervision Service Agreement has a term of three years commencing from 1 April 2016 and ending on 31 March 2019 (both days inclusive).

The management fee with respect to the construction supervision service will be charged on a "cost plus" basis, which will be determined based on the total staff cost incurred by CSC Group with respect to the provision of the construction supervision service plus a margin of 18%. The management fee payable by the Group to CSC Group for the period from 1 April 2016 to 31 December 2016, each of the two years ending 31 December 2018 and the period from 1 January 2019 to 31 March 2019 shall not exceed RMB110,000,000, RMB136,000,000, RMB191,000,000 and RMB65,000,000 respectively. The management fee payable by the Group to the CSC Group will be settled monthly in cash.

For the year ended 31 December 2016, total management fee incurred under the Construction Supervision Service Agreement is approximately RMB11,904,000, equivalent to approximately HK$13,915,000 whereas management fee paid is approximately RMB9,488,000, equivalent to approximately HK$11,091,500. As at 31 December 2016, management fee payable to CSC Group amounted to RMB2,845,000, equivalent to approximately HK$3,180,000 which was included in "Trade and other payables" in the consolidated statement of financial position. The management fee payable by the Group to CSC Group is unsecured and interest-free.

NOTES TO THE FINANCIAL STATEMENTS *(CONTINUED)*

46. RELATED PARTY TRANSACTIONS (CONTINUED)

(e) As at 31 December 2016, certain of the Group's borrowings and banking facilities are guaranteed by the subsidiaries of COLI.

(f) As at 31 December 2016, the Group provided corporate guarantee amounting to HK$111,790,000 to secure for certain borrowings and banking facilities of an associate.

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

	2016 HK$'000	2015 HK$'000
Short-term employee benefits	**33,003**	31,974
Post-employment benefits	**104**	96
	33,107	32,070

(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), (c) and (d) above, the Group awards construction and other works contracts to PRC entities, some of which, to the best knowledge of management, are state-controlled entities. The Group has also entered into various transactions with the PRC government departments or agencies, mainly acquisition of land through tendering to those government departments or agencies. During the year ended 31 December 2016, the Group acquired certain parcels of land from the PRC government departments through public tender at an aggregate consideration of approximately HK$4,930,667,000 (2015: HK$3,390,204,000).

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.

46. RELATED PARTY TRANSACTIONS (CONTINUED)

(h) (Continued)

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 notes 24, 25, 26, 29 and 30.

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

47. 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 2016 and 2015 were as follows:

	2016 **HK$'000**	2015 HK$'000
Borrowings	**19,973,611**	15,552,269
Guaranteed notes payable	**3,148,508**	3,138,399
Less: restricted cash and deposits	**(5,662,322)**	(3,323,705)
Less: cash and bank balances	**(15,158,177)**	(9,702,914)
Net debt	**2,301,620**	5,664,049
Capital represented by equity attributable to owners of the Company	**10,421,927**	11,172,751
Net gearing ratio	**22.1%**	50.7%

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.

NOTES TO THE FINANCIAL STATEMENTS *(CONTINUED)*

48. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY

48.1 Categories of financial instruments

	2016 HK$'000	2015 HK$'000
Financial assets		
Available-for-sale financial assets	2,005	–
Loans and receivables#	23,388,980	14,917,163
Financial liabilities		
Financial liabilities at amortized cost^	44,914,980	27,634,289

including trade and other receivables, amounts due from associates, joint ventures and non-controlling interests and bank balances including restricted cash and deposits.

^ including trade payables, other payables and accruals, amounts due to associates, non-controlling interests and other related companies, consideration payable for acquisition, borrowings and the guaranteed notes payable.

48.2 Financial results by financial instruments

	2016 HK$'000	2015 HK$'000
Interest income or (expenses) on:		
Loans and receivables	125,557	92,005
Financial liabilities at amortized cost	(655,757)	(899,170)

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

48.3 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 associates, joint ventures, non-controlling interests and other related companies, bank balances including restricted cash and deposits, trade payables, other payables and accruals, consideration payable for acquisition, borrowings and guaranteed notes payable.

Due to their short-term nature, the carrying values of trade and other receivables, balances with associates, joint ventures, non-controlling interests and other related companies, bank balances including restricted cash and deposits, trade payable, other payables and accruals, consideration payable for acquisition and current borrowings approximate their fair values.

For disclosure purpose, the fair values of non-current borrowings and the guaranteed notes payable are not materially different from their carrying values. Those fair values have been determined 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 2016 and 2015, the Group did not have any financial instruments measured at fair value and accordingly, no analysis on fair value hierarchy is presented.

49. FINANCIAL RISK MANAGEMENT

49.1 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.

49.2 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 2016 and 2015, 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 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, its Guaranteed Notes and amounts due to related companies. Balances arranged at variable rates and fixed rates expose the Group to cash flow interest rate risk and fair value interest rate risk respectively. As at 31 December 2016, approximately 94% of the Group's borrowings are arranged at variable rates and 6% are arranged at fixed rates whereas all of the borrowings of the Group as at 31 December 2015 bore interest at floating rates. The Guaranteed Notes bear fixed interest rate during the interest period. As at 31 December 2016, amounts due to related companies amounting to HK$8,576,683,000 (2015: nil) are interest-bearing at floating rates. The interest rates and repayment terms of the borrowings, Guaranteed Notes and amounts due to related companies at the end of the reporting period are disclosed in notes 31, 33 and 29 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.

49. FINANCIAL RISK MANAGEMENT (CONTINUED)

49.2 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):

	2016 HK$'000	2015 HK$'000
(Decrease)/Increase in profit after tax and retained profits		
+ 50 basis point ("bp") (2015: 50 bp)	**(3,322)**	(10,535)
– 10 bp (2015: 10 bp)	**664**	2,107

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.

49.3 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 45.

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 27) 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 2016 and 2015, the Group did not have significant concentration of credit risk as its trade and other receivables consists of a large number of customers and debtors. Further quantitative data in respect of the Group's exposure to credit risk arising from trade and other receivables are disclosed in note 23.

In respect of trade receivables as at 31 December 2016 and 2015, 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.

NOTES TO THE FINANCIAL STATEMENTS *(CONTINUED)*

49. FINANCIAL RISK MANAGEMENT (CONTINUED)

49.3 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 45). 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. In addition, as of 31 December 2016, the Group also provides guarantee to a bank for a bank loan of its associate (note 45). In the opinion of the management, it is not probable that the associate would default payment of the bank loan and accordingly, the Group's credit risk in this respect is remote.

49.4 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 including the amounts due to related companies and consideration payable for acquisition 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 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 and other financial institutions.

49. FINANCIAL RISK MANAGEMENT (CONTINUED)

49.4 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
As at 31 December 2016					
Non-derivatives					
Bank borrowings	16,574,375	17,809,022	5,024,038	5,500,610	7,284,374
Other loans	3,399,236	3,761,912	976,788	451,741	2,333,383
Guaranteed notes payable	3,148,508	3,497,188	158,875	158,875	3,179,438
Trade payables, other payables and accruals	10,165,948	10,165,948	10,165,948	–	–
Amounts due to associates	186,832	186,832	186,832	–	–
Amounts due to non-controlling interests	886,353	890,539	890,539	–	–
Amounts due to related companies	8,641,033	8,861,144	8,861,144	–	–
Consideration payable for acquisition	1,912,695	1,912,695	1,912,695	–	–
	44,914,980	47,085,280	28,176,859	6,111,226	12,797,195
Derivatives					
Financial guarantees issued					
– Maximum amount guaranteed	–	27,313,056	27,313,056	–	–
As at 31 December 2015					
Non-derivatives					
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
Derivatives					
Financial guarantees issued					
– Maximum amount guaranteed	–	18,742,760	18,742,760	–	–

The contractual financial guarantees provided by the Group are disclosed in note 45. 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 49.3 above. In addition, having regard to the financial position of the associate, the management are in the opinion that it is not probable that the associate will default payment of the bank loan. Accordingly, no provision for the Group's obligations under the guarantees has been made.

NOTES TO THE FINANCIAL STATEMENTS *(CONTINUED)*

50. PARTICULARS OF SUBSIDIARIES

The particulars of the subsidiaries as at 31 December 2016 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		Principal activities
				Directly	Indirectly	
Be Affluent Limited (note (a))	British Virgin Islands	Ordinary	1 share of US$1 each	–	100%	Investment holding
Best Beauty Investments Limited (note (b))	British Virgin Islands	Ordinary	1 share of US$1 each	–	100%	Investment holding
Bliss Depot Limited (note (b))	British Virgin Islands	Ordinary	1 share of US$1 each	–	100%	Investment holding
Big Leader International Limited	Hong Kong	Ordinary	HK$1	–	100%	Investment holding
Bliss China Limited	British Virgin Islands	Ordinary	1 share of US$1 each	–	100%	Investment holding
Capital Way Investment Limited (note (b))	Hong Kong	Ordinary	HK$1	–	100%	Investment holding
Celestial Wealth Developments 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	–	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 Finance III (Cayman) Limited (note (a))	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	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	–	100%	Investment holding

50. 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	
Citirich International Limited	Hong Kong	Ordinary	HK$1	–	100%	Investment holding
City Glory Holdings Limited (note (b))	British Virgin Islands	Ordinary	1 share of US$1 each	–	100%	Investment holding
East Pacific (H.K.) Limited (note (b))	Hong Kong	Ordinary	HK$1	–	100%	Investment holding
Elite Way Developments Limited (note (a))	British Virgin Islands	Ordinary	1 share of US$1 each	–	100%	Investment holding
Flourish Ray Developments Limited	British Virgin Islands	Ordinary	1 share of US$1 each	–	100%	Investment holding
Global East Development Limited (note (a))	Hong Kong	Ordinary	HK$1	–	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	–	100%	Investment holding
Grandwide (H.K.) Limited (note (a))	Hong Kong	Ordinary	HK$1	–	100%	Investment holding
Grand Will Asia Pacific Limited	Hong Kong	Ordinary	HK$1	–	100%	Investment holding
Grandca International Limited	Hong Kong	Ordinary	HK$1	–	100%	Investment holding
Greatbo (H.K.) Limited	Hong Kong	Ordinary	HK$1	–	100%	Investment holding
Great Kind Development Limited	Hong Kong	Ordinary	HK$1	–	100%	Investment holding
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
Hero Path Investments Limited (note (b))	British Virgin Islands	Ordinary	1 share of US$1 each	–	100%	Investment holding
High Faith Investments Limited (note (a))	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

NOTES TO THE FINANCIAL STATEMENTS *(CONTINUED)*

50. 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	
Jet Pacific Investment Limited	Hong Kong	Ordinary	HK$1	–	100%	Investment holding
Longwide Holdings Limited	Hong Kong	Ordinary	HK$1	–	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	–	100%	Investment holding
Moonstar Development Limited	Hong Kong	Ordinary	HK$1	–	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
Pacific King Holdings Limited (note (a))	Hong Kong	Ordinary	HK$1	–	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
Sino Global Development Limited (note (a))	Hong Kong	Ordinary	HK$1	–	100%	Investment holding
Sure Shine International Limited	British Virgin Islands	Ordinary	1 share of US$1 each	–	100%	Investment holding
Talent Race Holdings Limited (note (b))	Hong Kong	Ordinary	HK$1	–	100%	Investment holding
Top Wonder International Limited	Hong Kong	Ordinary	HK$1	–	100%	Investment holding
Unibo Holdings Limited	Hong Kong	Ordinary	HK$1	–	100%	Investment holding
Wan Chang International Limited	British Virgin Islands	Ordinary	1 share of US$1 each	–	100%	Investment holding

50. 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	
Well Great (H.K.) Limited	Hong Kong	Ordinary	HK$1	–	100%	Investment holding
World Dynasty Limited (note (a))	Hong Kong	Ordinary	HK$1	–	100%	Investment holding
World United International Limited	Hong Kong	Ordinary	HK$1	–	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	–	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
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

NOTES TO THE FINANCIAL STATEMENTS *(CONTINUED)*

50. 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	RMB50,000,000 (2015: 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
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

50. 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	
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	–	100%	Property development
汕頭市中海宏洋地產有限公司	PRC#	Paid up capital	RMB230,000,000	–	100%	Property development
汕頭市中海宏洋置業有限公司	PRC#	Paid up capital	RMB50,000,000	–	100%	Property development
中海宏洋地產(徐州)有限公司 (note (c))	PRC^	Paid up capital	–	–	100%	Property development
中海宏洋(鹽城)房地產開發有限公司 (note (a))	PRC*	Paid up capital	RMB344,375,000	–	100%	Property development
中信建設(黃山)有限公司 (note (b))	PRC*	Paid up capital	US$2,500,000	–	55%	Property development
中信泰富(揚州)置業有限公司 (note (b))	PRC^	Paid up capital	US$60,000,000	–	100%	Property development
中海發展(深圳)有限公司 (note (b))	PRC^	Paid up capital	RMB244,000,000	–	100%	Property development
中信泰富瘦西湖房地產揚州有限公司 (note (b))	PRC#	Paid up capital	RMB240,000,000	–	70%	Property development
揚州市江都區信泰置業有限公司 (note (b))	PRC#	Paid up capital	–	–	100%	Property development
中信地產汕頭投資有限公司 (note (b))	PRC#	Paid up capital	RMB370,000,000	–	100%	Property development
汕頭中信南濱大酒店有限公司 (note (b))	PRC#	Paid up capital	RMB10,000,000	–	100%	Hotel operation
汕頭中信南烽房地產有限公司 (note (b))	PRC#	Paid up capital	RMB20,000,000	–	51%	Property development
汕頭市金平區中信房產開發有限公司 (note (b))	PRC#	Paid up capital	RMB10,000,000	–	70%	Property development
中信粵東城市運營投資發展有限公司 (note (b))	PRC#	Paid up capital	RMB15,000,000	–	100%	Investment holding
中信惠州控股有限公司 (note (b))	PRC#	Paid up capital	RMB200,000,000	–	100%	Property development
惠州豐通房地產有限公司 (note (b))	PRC#	Paid up capital	RMB200,000,000	–	100%	Property development
中信惠州城市建設開發有限公司 (note (b))	PRC#	Paid up capital	RMB130,000,000	–	100%	Property development

NOTES TO THE FINANCIAL STATEMENTS *(CONTINUED)*

50. 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	
惠州盈通投資有限公司 (note (b))	PRC#	Paid up capital	RMB60,000,000	–	100%	Property development
中信地產惠州投資有限公司 (note (b))	PRC#	Paid up capital	RMB20,000,000	–	100%	Property development
中信惠州湯泉旅遊度假村有限公司 (note (b))	PRC#	Paid up capital	RMB60,000,000	–	100%	Hotel operation
中信地產南昌投資有限公司 (note (b))	PRC#	Paid up capital	RMB20,000,000	–	100%	Property development
中信廬山西海 (九江) 投資有限公司 (note (b))	PRC#	Paid up capital	RMB10,000,000	–	100%	Property development
九江市深水灣投資有限公司 (note (b))	PRC#	Paid up capital	RMB10,000,000	–	100%	Property development
九江市桃花里投資有限公司 (note (b))	PRC#	Paid up capital	RMB10,000,000	–	100%	Property development
九江市溪谷投資有限公司 (note (b))	PRC#	Paid up capital	RMB10,000,000	–	100%	Property development
九江市納帕谷投資有限公司 (note (b))	PRC#	Paid up capital	RMB10,000,000	–	100%	Property development
淄博中海海頤置業有限公司 (note (b))	PRC^	Paid up capital	RMB266,360,000	–	100%	Property development
淄博中海海悦置業有限公司 (note (b))	PRC^	Paid up capital	RMB220,369,600	–	100%	Property development
淄博中海海昌置業有限公司 (note (b))	PRC^	Paid up capital	RMB206,571,410	–	100%	Property development
中海淄博置業有限公司 (note (b))	PRC^	Paid up capital	HK$770,000,000	–	100%	Property development
濰坊中海興業房地產有限公司 (note (b))	PRC#	Paid up capital	RMB50,000,000	–	100%	Property development

Notes:

(a) These subsidiaries were newly established or invested during the year ended 31 December 2016.

(b) These subsidiaries were acquired during the year ended 31 December 2016 in the Acquisition as set out in note 39.

(c) 中海宏洋地產 (徐州) 有限公司 was incorporated in the PRC on 29 December 2016 and has a registered capital of RMB126,150,000. The Group inject capital amounting to RMB125,241,800 in January 2017 and the remaining capital of RMB908,200 has to be paid up on or before 29 December 2018.

50. PARTICULARS OF SUBSIDIARIES (CONTINUED)

Notes: (continued)

^ 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 (note 33). None of these Guaranteed Notes were held by the Group.

51. PARTICULARS OF ASSOCIATES

The particulars of the associates as at 31 December 2016 are as follows:

Name of associates	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	
中信房地產汕頭華鑫有限公司 (note)	PRC#	Paid up capital	RMB10,000,000	–	30%	Property development
中信房地產汕頭金城有限公司 (note)	PRC#	Paid up capital	RMB10,000,000	–	45%	Property development
汕頭市中信濱河房地產有限公司 (note)	PRC#	Paid up capital	RMB10,000,000	–	45%	Property development

Note: These associates were acquired during the year ended 31 December 2016 in the Acquisition as set out in note 39.

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

52. PARTICULARS OF JOINT VENTURES

The particulars of the joint ventures as at 31 December 2016 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
中海宏洋海富(合肥)房地產開發有限公司 (note)	PRC*	Paid up capital	RMB550,000,000	–	45%	Property development
汕頭中海凱旋置業有限公司 (note)	PRC#	Paid up capital	RMB10,204,082	–	51%	Property development

Note: These joint ventures were incorporated/acquired during the year ended 31 December 2016.

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

The company is incorporated in the PRC as limited liability companies.

FIVE YEAR FINANCIAL SUMMARY

CONSOLIDATED RESULTS

	For the year ended 31 December				
	2016	2015	2014	2013	2012
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	**17,093,485**	16,613,887	13,981,328	15,905,893	9,716,902
Profit before income tax	**2,114,551**	1,720,733	2,668,474	5,143,797	3,810,261
Income tax expense	**(1,179,996)**	(798,894)	(1,222,494)	(1,761,144)	(1,324,622)
Profit for the year	**934,555**	921,839	1,445,980	3,382,653	2,485,639
Profit for the year attributable to:					
Owners of the Company	**900,243**	851,196	1,267,402	3,136,038	2,400,718
Non-controlling interests	**34,312**	70,643	178,578	246,615	84,921
	934,555	921,839	1,445,980	3,382,653	2,485,639

CONSOLIDATED ASSETS AND LIABILITIES

	At 31 December				
	2016	2015	2014	2013	2012
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Total assets	**81,353,715**	55,796,620	55,308,266	43,001,228	30,944,543
Total liabilities	**(70,168,415)**	(43,986,783)	(42,335,897)	(30,729,564)	(22,335,445)
	11,185,300	11,809,837	12,972,369	12,271,664	8,609,098
Equity attributable to owners of the Company	**10,421,927**	11,172,751	12,301,255	11,304,824	7,966,225
Non-controlling interests	**763,373**	637,086	671,114	966,840	642,873
	11,185,300	11,809,837	12,972,369	12,271,664	8,609,098

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
2F, 3F, 3AF and 23F, CITIC City Plaza 1093 Shennan Zhong Road, Futian District, Shenzhen, Guangdong, the PRC	Office	6,603	100%	Medium
18F and 19F, CITIC City Plaza 2 Wenming Yi Road, Huicheng District, Huizhou, Guangdong Province, the PRC	Office	3,065	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	10,809	100%	Medium
CITIC Building (Room 102 and 1502) Jinsha East Road, Longhu District, Shantou, Guangdong Province, the PRC	Office	278	100%	Medium
Jin Xin Building (Room 204, 207 and 208) Jinsha Road, Longhu District, Shantou, Guangdong Province, the PRC	Office	1,326	100%	Medium

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

(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
Lushan Xihai West Jinkou Tourist Town, Jiujiang, Jiangxi Province, the PRC	Residential	654,400	154,400	100%	Superstructure in progress	2012.03	2nd half 2017
The Aqua South of Xinhua Road, East of Changtai Road, Gangzha District, Nantong, the PRC	Residential/ Commercial	105,600	403,300	100%	Superstructure in progress	2013.07	2nd half 2018
Royal Lakefront Xiangsihu East Road, Xixiangtang District, Nanning, the PRC	Residential	10,900	59,200	100%	Superstructure in progress	2013.08	1st half 2018
The Phoenix 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 East of Riyue Road, South of Juheng Road, Yancheng, Jiangsu, the PRC	Residential/ Commercial	31,900	102,800	100%	Superstructure in progress	2013.09	1st half 2017
Lakeside Style Town (Land Lot B07) Yingbin Road, Huanhu Road and Bei Er Road, Zhoucun District, Zibo, Shandong Province, the PRC	Residential/ Commercial	42,300	142,400	100%	Superstructure in progress	2013.09	1st half 2017
CITIC Tai Ping Guan Zhi Taiping Lake Nan An Village, Huangshan District, Anhui Province, the PRC	Residential/ Commercial	15,700	32,100	55%	Superstructure in progress	2013.09	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 Lagoon South of Nanning Road, East of Jindou West Road, Hefei, the PRC	Residential/ Commercial	53,900	182,300	100%	Superstructure in progress	2014.02	1st half 2017
The Azure North of Yinhe North Road, East of Xingan South Road, Hohhot, Inner Mongolia Autonomous Region, the PRC	Residential/ Commercial	34,600	113,900	100%	Superstructure in progress	2014.03	1st half 2017
The Arch South of Century Avenue, East of Kaifang Avenue, Yancheng, Jiangsu, the PRC	Residential/ Commercial	70,400	196,800	100%	Superstructure in progress	2014.03	2nd half 2017
Imperial No. 9 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 South of Planning Road, East of Renshoushan Avenue, North of Beibinhe Road, Anning District, Lanzhou, the PRC	Residential/ Commercial	56,700	245,800	100%	Superstructure in progress	2014.06	1st half 2018
The Grand Canal West of Zhouzhuang River West Road, South of Huayang East Road, Yangzhou, the PRC	Residential	72,400	145,400	100%	Superstructure in progress	2014.06	2nd half 2017
Century Manor Changming Street, Paojiang Development Zone, Shaoxing, Zhejiang Province, the PRC	Residential/ Commercial	70,800	188,800	100%	Superstructure in progress	2014.07	1st 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
International Community Phase 2 (Land Lot No. 1) East of Nanshan Street, North of Hengshan East Road, Fengman District, Jilin City, Jilin Province, the PRC	Residential/ Commercial	253,700	565,700	85%	Superstructure in progress	2014.07	2nd half 2017
International Community Xingguo Road, Zhangjiang New District, Ganzhou, the PRC (Land Lot No. B10)	Residential/ Commercial	66,600	267,500	88%	Superstructure in progress	2014.08	1st half 2018
East Coast West of Binjiang Road, Xin Jin Pian District, East Coast New Town, Shantou, the PRC	Residential	15,800	66,600	100%	Superstructure in progress	2014.10	1st half 2017
CITIC Huating Nan Keng Wei Reservoir, Mianbei Street, Chaoyang District, Shantou, Guangdong Province, the PRC	Residential	99,900	229,100	51%	Superstructure in progress	2015.01	1st half 2018
International Community East of Jinfeng Sixth Street, North of Liu Pan Mountain Road, Jinfeng District, Yinchuan, Ningxia Hui Autonomous Region, the PRC	Residential/ Commercial	132,200	301,300	85%	Superstructure in progress		
(Land Lot No. 57)						2015.04	1st half 2017
(Land Lot No. 56)						2016.09	2nd half 2018

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

(C) PROPERTY HELD AS INVENTORIES (CONTINUED)

(I) Properties Under Development (Continued)

Name/Location	Intended Usage	Approximate Total Site Area (sq.m.)	Approximate GFA (sq.m.)	Attributable Interest	Stage of Completion	Commencement Date	Estimated Completion Date
International Community No. 28 Jinping Road, Xingning District, Nanning, the PRC	Residential/ Commercial	150,700	673,100	100%	Superstructure in progress		
(Land Lot No. 13)						2015.05	1st half 2017
(Land Lot No. 14)						2016.08	1st half 2018
CITIC Triumph Town San Dong Digital Industrial Zone, Huicheng District, Huizhou, Guangdong Province, the PRC	Residential/ Commercial	51,400	207,200	100%	Superstructure in progress	2015.08	2nd half 2018
Yangzhou Jiajing West of Jiliang Road, North of Xinhu Road, East of Jiangdu Bei Road, Yangzhou, Jiangsu Province, the RPC	Residential	33,400	92,500	70%	Superstructure in progress	2015.09	2nd half 2017
CITIC Harbour City 1 Xuri Yi Road, Huicheng District, Huizhou, Guangdong Province, the PRC	Residential/ Commercial	48,400	199,400	100%	Superstructure in progress	2015.12	2nd half 2018
Yangzhou Jinyuan Hanjiang North Road, Weiyang District, Yangzhou, Jiangsu Province, the PRC	Residential	69,900	97,500	100%	Superstructure in progress	2015.12	2nd half 2017
International Community **(Land Lot No.1-2,1-3,2-2)** No. 515, Yishan Road, Fengman District, Jilin City, Jilin Province, the PRC	Residential/ Commercial	46,100	43,200	85%	Superstructure in progress	2016.04	1st half 2018

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

(C) PROPERTY HELD AS INVENTORIES (CONTINUED)

(I) Properties Under Development (Continued)

Name/Location	Intended Usage	Approximate Total Site Area (sq.m.)	Approximate GFA (sq.m.)	Attributable Interest	Stage of Completion	Commencement Date	Estimated Completion Date
International Community 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%	Superstructure in progress	2016.04	2nd half 2017
Da Guan Tian Xia Gaoxin District, Weifang, Shandong Province, the PRC	Residential	158,900	106,700	100%	Superstructure in progress	2016.04	1st half 2019
The Grand Canal 2 (previously named as "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%	Superstructure in progress	2016.05	2nd half 2018
La Cite (previously named as "Binhai New Town Project") Nanbin Area, Citic Binhai New Town, Shantou, the PRC	Residential/ Commercial	216,600	989,400	100%	Superstructure in progress	2016.05	1st half 2020
China Overseas Plaza West of Mogao Avenue, East of Xinyuan Road, South of Planning Road, Anning District, Lanzhou, the PRC	Residential/ Commercial	105,800	495,700	100%	Superstructure in progress	2016.06	2nd half 2019

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	768,700	1,908,000	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	57,900	229,800	88%	Land under development
International Community No. 515, Yishan Road, Fengman District, Jilin City, Jilin Province, the PRC	Residential/ Commercial	116,700	290,300	85%	Land under development
International Community No. 28 Jinping Road, Xingning District, Nanning, the PRC	Residential/ Commercial	140,300	474,300	100%	Land under development
South City New District Project 1 East of Renmin Road, South of Lanhai Road, South City New District, Yancheng, Jiangsu, the PRC	Residential/ Commercial	73,200	211,800	80%	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
South City New District Project 2 East of Victory Road, North of Lanhai Road, South City New District, Yancheng, Jiangsu, the PRC	Residential/ Commercial	58,300	170,000	80%	Land under development
Dynasty Court East of Planning Road, Anning District, Lanzhou, the PRC	Residential/ Commercial	22,700	106,600	100%	Land under development
Zhangjiang New District Project 1 Junction of Xingguo Road and Gankang Road, Zhangjiang New District, Ganzhou, the PRC	Residential/ Commercial	75,800	178,800	100%	Land under development
Zhangjiang New District Project 2 Junction of Dongjiangyuan Avenue and Nankang Road, Zhangjiang New District, Ganzhou, the PRC	Residential/ Commercial	64,600	189,100	100%	Land under development
Xingzishan Project West of Woniushan Road, North of Xuxiao Highway, Quanshan District, Xuzhou, the PRC	Residential	30,000	85,500	100%	Land under development
Chongchuan District Project West of Xiaoxi Road, South of Qingnian Road, Chongchuan District, Nantong, the PRC	Residential/ Commercial	94,000	189,900	100%	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
Lakeside Style Town (Land Lot B05, B15, C03, C05, C08 and C15) Beier Road, Huanhu Road, Yingbin Road and Zhoucun District, Zibo, Shandong Province, the PRC	Residential/ Commercial	470,400	858,000	100%	Land under development
CITIC Harbour City 1 Xuri Yi Road, Huicheng District, Huizhou, Guangdong Province, the PRC	Residential/ Commercial	109,100	360,000	100%	Land under development
CITIC Triumph Town San Dong Digital Industrial Zone, Huicheng District, Huizhou, Guangdong Province, the PRC	Residential/ Commercial	51,600	172,000	100%	Land under development
Huizhou Tangquan 298 Huizhou Road, Huicheng District, Huizhou, Guangdong Province, the PRC	Residential	155,600	167,300	100%	Land under development
CITIC City Plaza No.7 Jiangbei Zone, Huizhou, Guangdong Province, the PRC	Commercial	36,800	224,000	100%	Land under development
CITIC Tai Ping Guan Zhi Taiping Lake Nan An Village, Huangshan District, Anhui Province, the PRC	Residential/ Commercial	413,300	245,700	55%	Land under development
Da Guan Tian Xia Gaoxin District, Weifang, Shandong Province, the PRC	Residential/ Commercial	451,700	1,838,300	100%	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
Lushan Xihai West Jinkou Tourist Town, Jiujiang, Jiangxi Province, the PRC	Residential	1,432,100	650,200	100%	Land under development
Yangzhou Jiangdu Plot North of Pujiang Road, West of Longchuan Nan Road, Jiangdu, Yangzhou, Jiangsu Province, the PRC	Residential	77,300	245,500	100%	Land under development
Longhu Sands Project Hepu Longhutan, Haojiang District, Shantou, Guangdong Province, the PRC	Residential/ Commercial	621,700	1,186,200	100%	Land under development
Shimao Garden 25th Block, Jinsha East Road, Longhu District, Shantou, Guangdong Province, the PRC	Residential/ Commercial	28,200	82,000	80%	Land under development
Yangzhou Jiajing West of Jiliang Road, North of Xinhu Road, East of Jiangdu Bei Road, Yangzhou, Jiangsu Province, the PRC	Residential	38,000	105,300	70%	Land under development

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

(C) PROPERTY HELD AS INVENTORIES (CONTINUED)

(III) Completed Properties held for Sale/Occupation

Name/Location	Intended Usage	Approximate Saleable gross floor area (sq.m.) (excluding car park)	Attributable Interest
Dragon Bay South of Huanghe East Road, Xinbei District, Changzhou City, the PRC	Residential/ Commercial	41,578	100%
The Phoenix Junction of Fenghuang Road and Zhongwu Avenue, Tianning District, Changzhou, the PRC	Residential/ Commercial	42,024	100%
International Community Xingguo Road, Zhangjiang New District, Ganzhou, the PRC	Residential/ Commercial	19,217	88%
Dragon Cove West of Fengzhou Road, North of Binhe Road, Saihan District, Hohhot, Inner Mongolia Autonomous Region, the PRC	Residential	86,297	100%
The Azure North of Yinhe North Road, East of Xing'an South Road, Hohhot, Inner Mongolia Autonomous Region, the PRC	Residential/ Commercial	45,587	100%
Left Bank North of Yinhe North Road, East of Xing'an South Road, Hohhot, Inner Mongolia Autonomous Region, the PRC	Residential/ Commercial	19,716	100%
CITIC Tai Ping Guan Zhi Taiping Lake Nan An Village, Huangshan District, Anhui Province, the PRC	Residential/ Commercial	19,122	55%
CITIC Triumph Town Zhu Zai Yuan, Sandon Town, Huizhou, Guangdong Province, the PRC	Residential/ Commercial	32,692	100%
Huizhou Tangquan 298 Huizhou Road, Huicheng District, Huizhou, Guangdong Province, the PRC	Residential/Hotel	56,189	100%
CITIC Harbour City 1 Xuri Yi Road, Huicheng District, Huizhou, Guangdong Province, the PRC	Residential/ Commercial	38,718	100%
Lushan Xihai West Jinkou Tourist Town, Jiujiang, Jiangxi Province, the PRC	Residential/ Commercial	80,727	100%

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

(C) PROPERTY HELD AS INVENTORIES (CONTINUED)

(III) Completed Properties held for Sale/Occupation (Continued)

Name/Location	Intended Usage	Approximate Saleable gross floor area (sq.m.) (excluding car park)	Attributable Interest
International Community No. 515, Yishan Road, Fengman District, Jilin City, Jilin Province, the PRC	Residential/ Commercial	44,896	85%
Glorioushire South of Planning Road, East of Renshoushan Avenue, North of Beibinhe Road, Anning District, Lanzhou, the PRC	Residential/ Commercial	12,551	100%
The Green Peak No. 2, Dongzhou Road, Xingning District, Dong Gouling, Nanning, the PRC	Residential/ Commercial	14,363	100%
Royal Lakefront Xiangsihu East Road, Xixiangtang District, Nanning, the PRC	Residential	36,824	100%
International Community No. 28 Jinping Road, Xingning District, Nanning, the PRC	Residential/ Commercial	25,682	100%
East Coast West of Binjiang Road, Xin Jin Pian District, East Coast New Town, Shantou, the PRC	Residential	18,383	100%
CITIC Golden Coast Hepu Longhutan, Haojiang District, Shantou, Guangdong Province, the PRC	Residential	49,696	100%
CITIC Nanbing Grand Hotel Hepu Longhutan, Haojiang District, Shantou, Guangdong Province, the PRC	Hotel	24,848	100%
Da Guan Tian Xia Gaoxin District, Weifang, Shandong Province, the PRC	Residential	149,748	100%
Imperial No. 9 West of Guanchao Road, North of Jiefang Road, Guangling District, Yangzhou, the PRC	Residential/ Commercial	57,273	100%
The Grand Canal West of Zhouzhuang River West Road, South of Huayang East Road, Yangzhou, the PRC	Residential	89,674	100%

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

(C) PROPERTY HELD AS INVENTORIES (CONTINUED)

(III) Completed Properties held for Sale/Occupation (Continued)

Name/Location	Intended Usage	Approximate Saleable gross floor area (sq.m.) (excluding car park)	Attributable Interest
International Community (Lianhua Garden (Phase 2/Phase 3/Phase 7) East of Jinfeng Sixth Street, North of Liu Pan Mountain Road, Jinfeng District, Yinchuan City, Ningxia Hui Autonomous Region, the PRC	Residential/ Commercial	105,690	85%
Lakeside Style Town (Land Lot A08/B10) Yingbin Road, Huanhu Road and Bei Er Road, Zhoucun District, Zibo, Shandong Province, the PRC	Residential/ Commercial	51,574	100%

(D) PROPERTY HELD UNDER JOINT VENTURE

(I) PROPERTY HELD FOR INVESTMENT

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

(II) PROPERTY HELD AS INVENTORIES - 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
Central Mansion (previously named as "Baohe District Project") East of Guanlu Road, North of Longchuan Road, Hefei, the PRC	Residential/ Commercial	85,300	143,100	45%	Superstructure in progress	2016.10	2nd half 2018

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

(D) PROPERTY HELD UNDER JOINT VENTURE (CONTINUED)

(III) PROPERTY HELD AS INVENTORIES - Land held for Future Development

Name/Location	Intended Usage	Approximate Total Site Area (sq.m.)	Approximate GFA (sq.m.)	Attributable Interest	Stage of Completion
Xin Jin Pian District Project South of Zhong Shan Road East, Xin Jin Pian District, East Coast New Town, Shantou, the PRC	Residential	56,000	221,000	51%	Land under development

(E) PROPERTY HELD UNDER ASSOCIATE

PROPERTY HELD AS INVENTORIES - 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
Binjiang Xian Garden 10 Huti Road, Shantou, Guangdong Province, the PRC	Residential/ Commercial	44,400	202,400	45%	Superstructure in progress	2014.12	1st half 2017

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
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
Group	the Company and its subsidiaries from time to time

GLOSSARY *(CONTINUED)*

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
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 78 to 175 of this annual report.

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