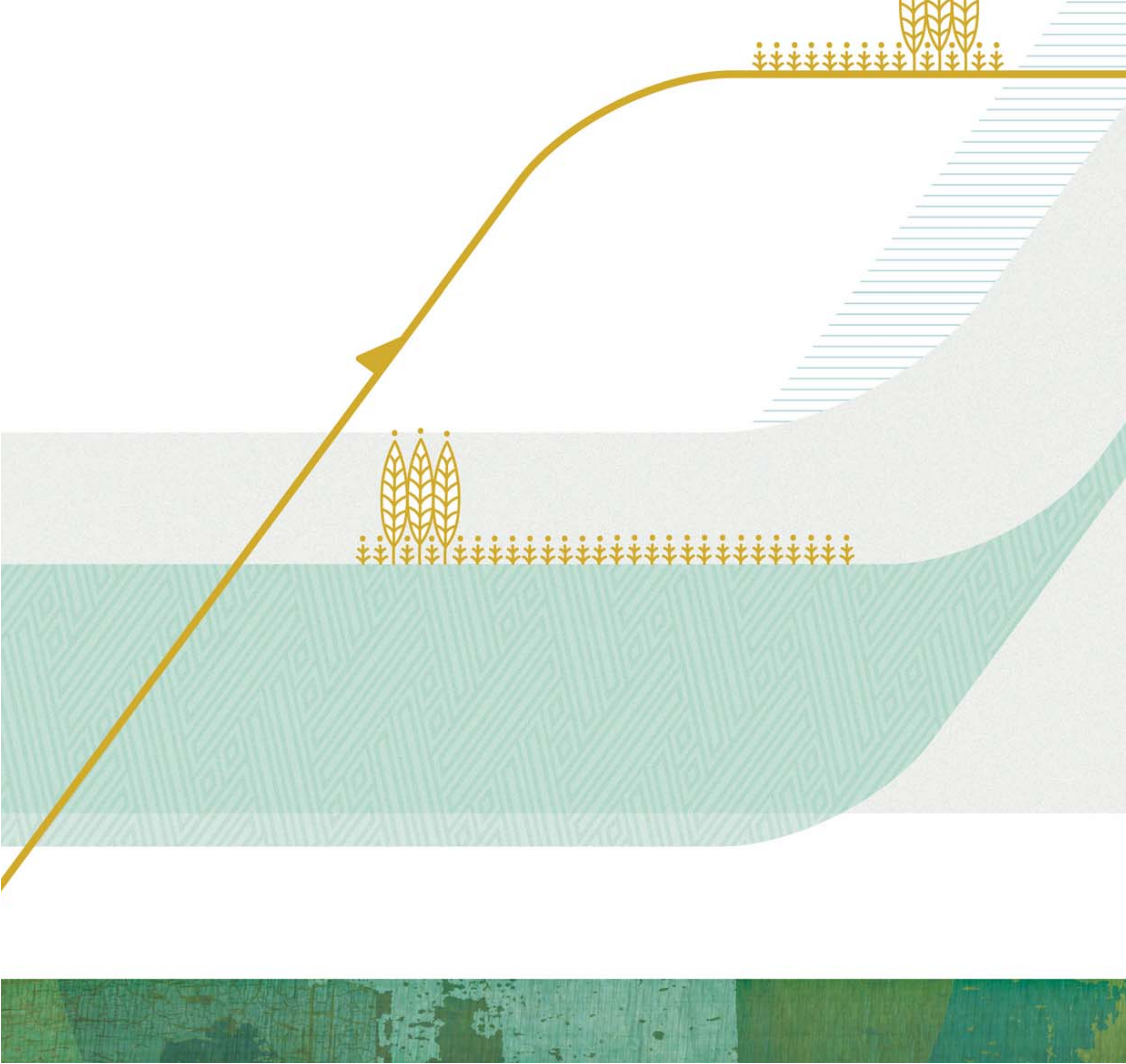
中國海外宏洋集團有限公司
CHINA OVERSEAS GRAND OCEANS GROUP LTD.
Stock Code: 00081

Together
We Advance

Annual Report 2017

CHINA OVERSEAS
GRAND OCEANS GROUP LTD.



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Corporate and Shareholders' Information

CORPORATE INFORMATION

REGISTERED OFFICE

Suites 701–702, 7/F., Three Pacific Place
1 Queen's Road East, 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 Bohai Bank 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
Nanyang Commercial Bank (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

Shares outstanding as at 31 December 2017	2,282,239,894 shares
Shares outstanding after rights issue as at 5 February 2018	3,423,359,841 shares

INVESTOR RELATIONS

Corporate Communications Department

Telephone	:	(852) 2988 0600
Facsimile	:	(852) 2988 0606
E-mail	:	cogo.ir@cohl.com

PUBLIC RELATIONS

Corporate Communications Department

Telephone	:	(852) 2988 0600
Facsimile	:	(852) 2988 0606
E-mail	:	cogo.pr@cohl.com

FINANCIAL CALENDAR

2017 annual results announcement	26 March 2018
Book closure period for annual general meeting	4 – 7 June 2018 (both days inclusive)
Annual general meeting	7 June 2018
Book closure period for final dividend	13 June 2018
Payment of final dividend	on or about 5 July 2018
Financial year end	31 December 2018

Board of Directors and Committees

CHAIRMAN AND NON-EXECUTIVE DIRECTOR

Yan Jianguo (appointed on 13 June 2017)
Xiao Xiao (resigned on 12 June 2017)

EXECUTIVE DIRECTORS

Zhang Guiqing *Chief Executive Officer*
Wang Man Kwan, Paul
Yang Lin

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

Yan Jianguo (appointed on 13 June 2017)
Xiao Xiao (resigned on 12 June 2017)
Zhang Guiqing
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
Yan Jianguo (appointed on 13 June 2017)
Zhang Guiqing (resigned on 13 June 2017)

* *Committee Chairman*

Financial Highlights

For the year ended 31 December	2017	2016	Change
Contracted property sales[#] *(HK$ Million)*	**37,068.3**	24,003.9	54.4%
Key Consolidated Profit and Loss Items *(HK$ Million)*			
Revenue	**20,277.8**	17,093.5	18.6%
Gross profit	**4,068.5**	2,935.0	38.6%
Gross margin[1]	**20.1%**	17.2%	2.9%^
Profit attributable to owners of the Company	**1,271.4**	900.2	41.2%
Net margin[2]	**6.3%**	5.3%	1.0%^
As at 31 December	**2017**	**2016**	**Change**
Key Consolidated Statement of Financial Position Items *(HK$ Million)*			
Inventories of properties	**54,414.4**	49,011.8	11.0%
Sales deposits received	**30,820.8**	19,740.3	56.1%
Cash reserves[3]	**23,702.3**	20,820.5	13.8%
Total borrowings[4]	**27,371.0**	23,122.1	18.4%
Net debts[5]	**3,668.7**	2,301.6	59.4%
Equity attributable to owners of the Company	**13,677.1**	10,421.9	31.2%
Net gearing[6]	**26.8%**	22.1%	4.7%^
Land Bank *(Thousand sq.m.)*			
Development land reserves[#]	**19,025.8**	18,978.9*	0.2%
Financial Year	**2017**	**2016**	**Change**
Return to Shareholders			
Return on equity[7]	**10.6%**	8.3%	2.3%^
Earnings per share *(HK cents)*	**55.7**	39.4	41.4%
Dividends per share *(HK cents)*	**4**	2	100%

FORMULA OF FINANCIAL INFORMATION

(1) Gross margin

$$\frac{\text{Gross profit}}{\text{Revenue}}$$

(2) Net margin

$$\frac{\text{Profit attributable to owners of the Company}}{\text{Revenue}}$$

(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

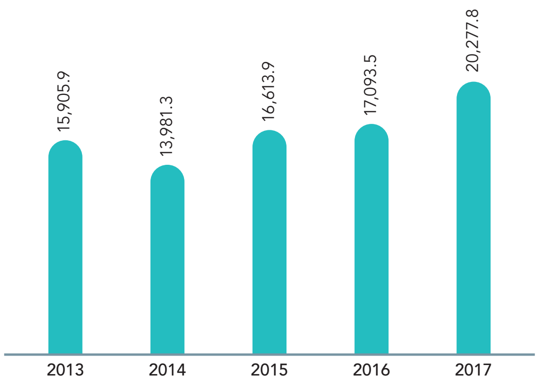
$$\frac{\text{Net debts}}{\text{Equity attributable to owners of the Company}}$$

(7) Return on equity

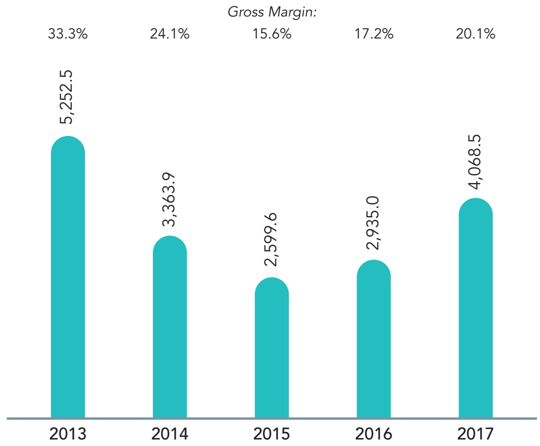
$$\frac{\text{Profit attributable to owners of the Company}}{\text{Average capital and reserves attributable to owners of the Company}}$$

Note: ^ Change in percentage points
* Restated
\# Included associates and joint ventures

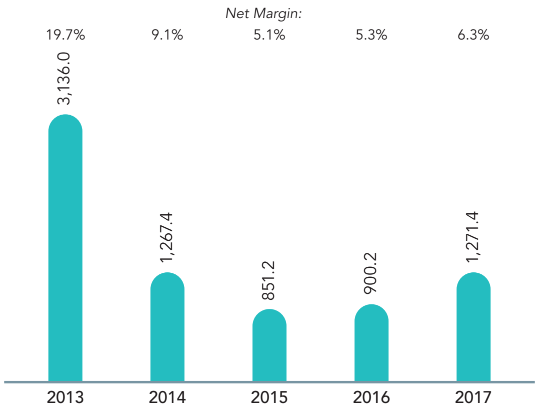
Revenue
(HK$ Million)



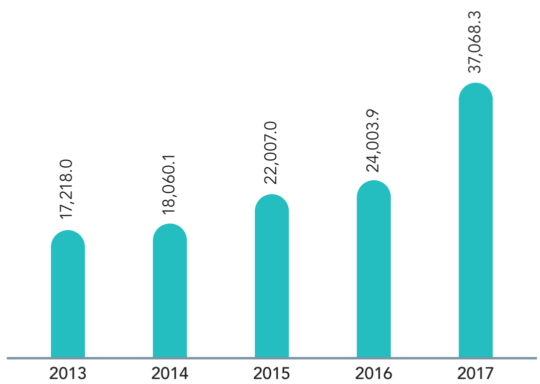
Gross Profit
(HK$ Million)



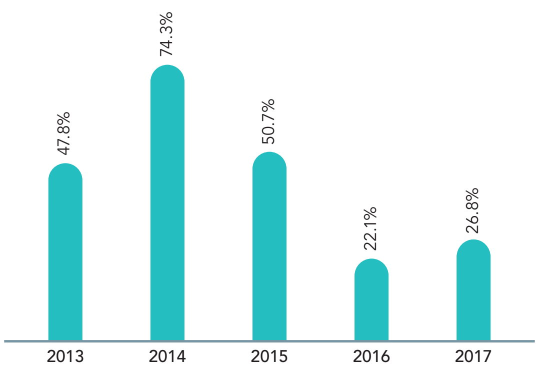
Profit Attributable to Owners of the Company
(HK$ Million)



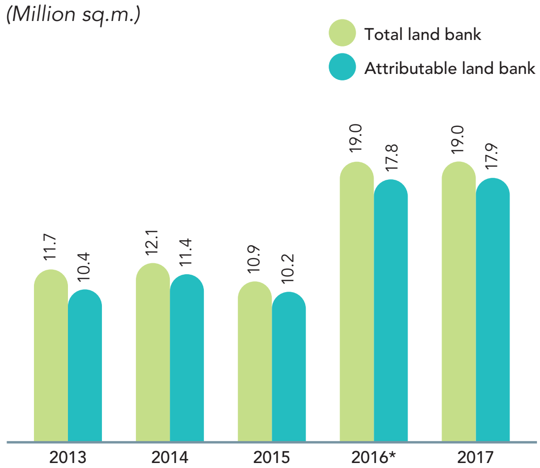
Contracted Property Sales#
(HK$ Million)



Net Gearing



Land Bank#
(Million sq.m.)



* Restated
\# Included associates and joint ventures

Chairman's Statement

Yangzhou - The Grand Canal

Shantou - The Arch

Chairman's Statement

For the year ended 31 December 2017, the Group's revenue increased by 18.6% year-on-year to HK$20.28 billion while profit attributable to owners of the Company was about HK$1.27 billion. Basic earnings per share were HK55.7 cents. The Board proposed the payment of a final dividend of HK3 cents per share for the year 2017.

Adhere firmly to the principle of customer-oriented, the Group dedicates to providing customers with good products and services. The Group will adopt various measures to continuously improve the quality of its products and services and enhance customer satisfaction and loyalty in order to accumulate loyal customers for sustainable development of the Group in the future.

INTRODUCTION

I am pleased to present the annual results of the Group for the year ended 31 December 2017.

For the year ended 31 December 2017, the Group's revenue increased by 18.6% to HK$20,277.8 million comparing with last year, while profit attributable to owners of the Company was HK$1,271.4 million, 41.2% higher than last year. Basic earnings per share were HK55.7 cents (2016: HK39.4 cents).

The operating environment of China in 2017 remained stable and the economy continued steady progress. Despite some turbulences along the way, with the deepening of wide-ranging economic structural reforms and the continual transformation of the industrial structure, the economy of China has maintained a progressive momentum in a stable development with GDP for 2017 grew by 6.9% year-on-year. Supported by sound economic fundamental, the exchange rate of Renminbi ("RMB") turned strong in the year as well. The housing market in China also grew steadily in general, amidst different cooling measures for property markets have been taken by the government in different areas to minimize the volatility of property prices and mitigate the financial risks.

In view of a steady property market environment, the Group, during the year, continued to adopt flexible marketing strategies and sales tactics and work diligently to unveil more promotional campaigns so as to boost the properties sales. The Group together with its associates and joint ventures recorded contracted property sales amounting to HK$37,068.3 million for the year (2016: HK$24,003.9 million), representing an increase of 54.4% against last year (and exceeding the annual growth rate of sales of commercial housing in China of 13.7%), which corresponded to an aggregated sold area of 3,411,900 square meter ("sq.m.") (2016: 2,673,800 sq.m.), representing an increase of 27.6% year-on-year (and exceeding the annual growth rate of area sold of commercial housing in China of 7.7%). Of the contracted sales, an amount of HK$4,633.7 million (2016: HK$621.8 million) for an aggregated area of 250,300 sq.m. (2016: 44,100 sq.m.) was contributed by associates and joint ventures. Besides, the balance of preliminary sales at the year-end pending the completion of formal sales and purchase agreements in the pipeline was HK$559.0 million for an aggregated area of 36,000 sq.m..

On top of increased efforts on property sales, the Group also kept on perfecting the design of its property products, improving the quality of its projects and upgrading its customer services in order to bring additional values to the customers and enhance its competitiveness.

The acquisition of the operations for the property portfolio from China Overseas Land & Investment Limited ("COLI") in December 2016 enlarged the operating scale of the Group and further expanded its footprint to cities with high growth potential. With the extended efforts of the management, the consolidation and integration work was smooth and progressed satisfactorily in the year. In addition to the above acquisition, the Group still kept its pace in land acquisition to secure its foundation for persisted growth. During the year, the Group entered into a new city, Xining, a city in Qinghai province with high growth potential. Together with other new land pieces, the Group successfully acquired a total of ten parcels of land in Hefei, Yancheng, Xining, Yinchuan, Changzhou, Yangzhou, Xuzhou and Ganzhou with total development area of 2,508,047 sq.m. (attributable to the Group: 2,508,047 sq.m.). As at 31 December 2017, total land bank of the Group and its associates and joint ventures in China reached 19,025,800 sq.m., of which, 408,400 sq.m. was held by associates and joint ventures. The land bank attributable to the Group (including the interests in associates and joint ventures) was 17,910,800 sq.m.. The Group's land bank was distributed over 18 cities as at 31 December 2017.

Thanks to the overwhelming support of the shareholders, the Group has successfully raised a net proceeds of HK$4,607.7 million (net of expenses) in February 2018 by way of rights issue on the basis of one rights share for every two shares. The proceeds from the rights issue would be applied for repayment of indebtedness and liabilities, business development and general working capital. With the strengthened capital base and improved financial position, the Group would continue to capture more business and investment opportunities and increase the shareholders' value in the long-term.

DIVIDEND

The interim dividend paid in October 2017 was HK1 cent per share (2016: 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 HK3 cents per share (2016: HK2 cents per share) for the year ended 31 December 2017. Total dividends for the financial year will amount to HK4 cents per share (2016: HK2 cents per share).

The proposed final dividend is subject to the approval by the shareholders of the Company at the forthcoming annual general meeting 2018.

PROSPECTS

THE ECONOMY

In December 2017, the "World Economic Situation and Prospects 2018" released by the United Nations indicated that at the global level, economic growth is expected to remain steady at approximately 3% in 2018 and 2019. In 2018, China's economy adheres to the general working guideline of making progress while maintaining stability and insists on setting the supply-side structural reform as the main thread. The expected solid growth in China's economy will provide a positive macro-economic environment for the development of property market in China.

In spite of a stable global economic landscape towards positive growth, there are risks and challenges in global economy in 2018, including change of trade policy, rapid deterioration of global financial situation and increasingly tense geopolitical environment. China's economy is facing certain conflicts and problems whereas the government considers "risks prevention" as the first priority of the "three major tough battles" in the coming years. The Group will closely monitor the risks and opportunities brought about by the changes in domestic and international economic environment and embrace changes in formulating the development strategy of the Group.

REAL ESTATE DEVELOPMENT

China's economy has been evolving from a phase of rapid growth to a stage of high-quality development. This is a pivotal stage for transforming China's growth model, improving its economic structure and fostering new drivers of growth. The transformation of the approach of economic development in China will lead the property industry to a new cycle. With the supply-demand change from "encouraging sale of housing" to "promoting both home purchases and rental", the government will withdraw from its position as monopoly provider of land, and the enormous supply-side change of land and housing will facilitate a reform of property development model and business logic, pushing the property industry towards new cycle and reshaping market landscape. The Group expects that the government will not relax its property market control policies in 2018, the long-term effective mechanism for real estate will further accelerate, thus speeding up market segmentation in various cities and elevating the degree of industrial concentration. In addition, the property market in China has entered into a consumption upgrade period as consumption is playing a more important role in the growth in gross domestic product, and middle to high-end properties will be the mainstream of the property market. The Group is cautiously optimistic about the development of the property market in China in 2018 and remarkably confident about the investment and development of the property market in economically powerful cities.

GROUP STRATEGY

The additional capital raised through rights issue has significantly strengthened the financial position of the Group and enhanced its capability to further expand the operating scale to capture more business and investment opportunities. The Group remains committed to become 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 the best investment value and growth potentials in China. In the wake of the ongoing infrastructure investment and the rapid urbanization of the emerging cities, the Group has progressively extended its operations after years of tireless development and will maintain its position of offering middle to high-end product ranges.

With the improved capital base and financial strength, the Group closely monitors the opportunities of property market and keeps its pace for continuous expansion. Evidenced by the acquisition of property portfolio and operations from COLI in December 2016, the Group is determined to invest in property projects with high growth potential. As a reputable property developer in the market, the Group believes that it is of paramount importance to build up and maintain a high quality land bank at competitive prices for sustainable growth and maximizing shareholders' returns in long term. While dedicated to enlarge its operating scales, the Group still firmly adheres to its prudent investment strategy in order to ensure the business development in an orderly manner at the same time. The Group will continue to seek for business opportunities with investment value and good returns at appropriate and sustainable capital and debt structure. For right property projects, the Group will explore to develop jointly with reliable business partners to broaden its earnings base and balance its risk.

Adhere firmly to the principle of customer-oriented, the Group dedicates to providing customers with good products and services. The Group will adopt various measures to continuously improve the quality of its products and services and enhance customer satisfaction and loyalty in order to accumulate loyal customers for sustainable development in the future.

The Group will attach greater weight to research and development of products so as to seize opportunities in the consumption upgrade of the property industry. Moreover, the Group will target the demand from customers for high-value or upgraded products and enhance value of the products with application of technologies of low-carbon, environmental protection and intelligence technologies to maintain the Group's leading profitability.

On the foundation of the extensive experience in managing property development projects in emerging cities in China and the standardized management systems, the Group continues to work hard to streamline its operating processes, reinforce its internal controls, tighten its cost controls and strengthen its risk management system in response to the fast-changing business dynamic and regulatory requirements. Continual investment and extra efforts will be made by the Group to develop new value-added products, broaden the range of property products, optimize the project development cycle, enhance the quality of the properties and improve customer services in order to cope with the increasing customers' expectations and market competition.

To deal with an ever-changing market environment, the Group is devoted to evolve new marketing methodologies and strategies, speed up sales programs and promote the sell-through rate of the inventory. The Group strives to extend its competitive edge and safeguard its leading position in the market.

The Group will maintain a professional and prudent financial management of the financial resources and continue to enhance its financial management capability. Debt structure and profile will be reviewed regularly and optimized continuously. The Group will also 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 will enhance the care services for staff as well as the training and development of diversified talents, establish an open and inclusive system for recruitment and provide a diversified and customized career path for all level of staff members working in different areas. In addition, the Group will continue to optimize its competitive remuneration package for staff for continual building of a profession, dedicated and high-effective team.

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.

Yan Jianguo

Chairman and Non-executive Director

Management Discussion and Analysis

Nantong - The Aqua

Nanning - Royal Lakefront

Management Discussion and Analysis

BUSINESS REVIEW

REVENUE AND OPERATING RESULTS

The improved sentiment and operating environment of 2016 continued, that the overall property market in China remained stable generally in 2017. Under the government's strategy of adoption of different policies in different cities as appropriate to their local conditions, the property market of certain cities where the Group has property development projects has been active. During the year, the Group carried out the integration works on the property portfolio acquired from China Overseas Land & Investment Limited (the "COLI") in December 2016, which mainly comprised property development projects (residential, commercial, etc.) at various development stages in seven cities in China. Sales for certain projects of the portfolio commenced and some property units were handover to buyers during the year. Projects development progress was in line with the programs.

For the year ended 31 December 2017, the Group recorded revenue of HK$20,277.8 million, 18.6% increase comparing with last year. Gross profit for the year was HK$4,068.5 million, HK$1,133.5 million higher than last year. Gross margin for the year increased by 2.9% against last year to 20.1%, as driven by the increase on the average selling price.

Continued the extended promotion and marketing activities in the year, the distribution and selling expenses increased by HK$120.3 million against the last year to HK$675.8 million. However, the ratio of distribution and selling expenses to the contracted property sales for the year dropped slightly by 0.5% against last year, from 2.3% to 1.8%. On the other hand, administrative expenses for the year of HK$610.1 million, increased by HK$193.7 million against last year as driven by the enlarged operating scale after the aforesaid acquisition. The ratio of the administrative expenses to revenue increased by 0.6% to 3.0% compared with 2.4% of last year. The Group still maintained stringent controls over the expenses.


Huizhou – CITIC Harbour City

Shantou – La Cite

Ganzhou – International Community

BUSINESS REVIEW (CONTINUED)

REVENUE AND OPERATING RESULTS (Continued)

In respect of the investment properties, there was an upward fair value gain of HK$191.8 million (2016: nil) for the year mainly due to the increase in fair value of China Overseas International Centre in Beijing. Sales of the China Overseas Building located in Jilin, in form of sub-units, continued and approximate 2,800 sq.m. floor area were handover during the year. As such, the Group recognized a profit before income tax of HK$0.5 million from the disposal. Approximate 80% of the total gross floor area of the building was sold up to the year ended 31 December 2017.

In arranging a three-year term bank borrowing of US$40.0 million during the year, the Group has entered into a three-year term interest rate swap contract with notional amount of US$40.0 million with the borrowing bank to swap the interest rate from floating basis of 3-month London Interbank Offered Rate plus 1.515% to fixed rate at 3.2% per annum. The interest rate swap contract has been recognized as a derivative financial instrument and its fair value change of HK$2.0 million was recognized in income statement for the year.

Driven by rise in gross profit, operating profit for the year amounted to HK$3,167.4 million, representing an increase of 48.5% against last year.

Share of profit of associates amounted to HK$57.2 million (2016: nil) for the year, which was mainly contributed by an associated company acquired from COLI in the aforesaid acquisition.

As the Group financed the payment of consideration for the acquisition of COLI's assets through bank borrowings and also took up certain interest-bearing liabilities in the aforesaid acquisition, total interest expense increased from HK$655.8 million of last year to HK$1,234.9 million this year. Finance costs also increased from HK$18.5 million of last year to HK$32.5 million this year, after capitalization of HK$1,202.4 million to the on-going development projects.

BUSINESS REVIEW (CONTINUED)

REVENUE AND OPERATING RESULTS (Continued)

Income tax expense comprised enterprise income tax and land appreciation tax. With the surge in profit and profit recognition from certain projects acquired from COLI as mentioned above, income tax expense increased by HK$740.4 million in the year. The effective tax rate for the year increased as well mainly due to the impact of the aforesaid acquisition after taking into account the fair value of the projects acquired.

In total, for the year ended 31 December 2017, profit attributable to owners of the Company increased by 41.2% against last year to HK$1,271.4 million (2016: HK$900.2 million). Basic earnings per share were HK55.7 cents (2016: HK39.4 cents).

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. Further to the acquisition of property portfolio from COLI in 2016, during the year, the Group entered into a new city, Xining, a city in Qinghai province with high growth potential to secure its foundation for persisted growth. Together with other new land pieces, the Group successfully acquired a total of ten parcels of land in Hefei, Yancheng, Xining, Yinchuan, Changzhou, Yangzhou, Xuzhou and Ganzhou with total development area of 2,508,047 sq.m. (attributable to the Group: 2,508,047 sq.m.) for consideration of approximately RMB9,401.7 million.

As at 31 December 2017, total land bank of the Group and its associates and joint ventures in China reached 19,025,800 sq.m., of which, 408,400 sq.m. was held by associates and joint ventures. The land bank attributable to the Group (including the interests in associates and joint ventures) was 17,910,800 sq.m.. The Group's land bank was distributed over 18 cities as at 31 December 2017.

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.

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.

The Group remained focus at boosting contracted property sales. Riding on the strong sales momentum of last year and benefited from the aforesaid acquisition, contracted property sales of the Group and its associates and joint ventures amounted to HK$37,068.3 million (2016: HK$24,003.9 million), for an aggregated area of 3,411,900 sq.m. (2016: 2,673,800 sq.m.), (in which, HK$4,633.7 million (2016: HK$621.8 million) for an aggregated area of 250,300 sq.m. (2016: 44,100 sq.m.) was contributed by associates and joint ventures) representing an increase of 54.4% and 27.6% respectively against the last year. Of the contracted property sales, HK$7,738.7 million was contributed by the property portfolio acquired from COLI last year. At year end date, the balance of preliminary sales pending the completion of sales and purchase agreements was HK$559.0 million for an aggregated area of 36,000 sq.m..

Total Land Bank:

19.0 million sq.m.

Attributable Land Bank:

17.9 million sq.m.

		Total GFA (Thousand sq.m.)	%	Attributable GFA (Thousand sq.m.)	Attributable %
1	Jilin	978.4	5.1	849.2	4.7
2	Yinchuan	2,300.8	12.1	1,969.4	11.0
3	Hefei	666.2	3.5	587.5	3.2
4	Nanning	949.6	5.0	949.6	5.3
5	Lanzhou	511.3	2.7	511.3	2.9
6	Ganzhou	946.2	5.0	892.5	5.0
7	Yancheng	586.8	3.1	510.4	2.8
8	Yangzhou	1,234.3	6.5	1,175.0	6.6
9	Nantong	497.7	2.6	497.7	2.8
10	Changzhou	436.9	2.3	436.9	2.4
11	Shantou	2,760.8	14.5	2,499.5	13.9
12	Huizhou	923.4	4.8	923.4	5.2
13	Jiujiang	1,887.9	9.9	1,887.9	10.5
14	Huangshan	277.8	1.5	152.8	0.9
15	Weifang	1,945.0	10.2	1,945.0	10.9
16	Zibo	1,000.3	5.3	1,000.3	5.6
17	Xuzhou	468.0	2.5	468.0	2.6
18	Xining	654.4	3.4	654.4	3.7
Total		**19,025.8**	**100**	**17,910.8**	**100**

SEGMENT INFORMATION (CONTINUED)

PROPERTY SALES AND DEVELOPMENT (Continued)

Contracted Property sales from major projects during the year:

City	Name of project	Saleable Gross Floor Area (sq.m.)	Amount (HK$ Million)
Shantou		**420,633**	**5,153.8**
	La Cite	267,037	2,770.2
	The Arch	153,596	2,383.6
Nanning		**351,852**	**3,398.7**
	International Community	295,081	2,953.7
	Royal Lakefront	56,771	445.0
Ganzhou	International Community	**250,622**	**3,246.7**
Huizhou		**265,479**	**2,961.8**
	CITIC Harbour City	198,801	2,271.6
	CITIC Triumph Town	66,678	690.2
Lanzhou		**173,418**	**2,146.2**
	China Overseas Plaza	100,095	1,228.9
	Dynasty Court	73,323	917.3
Hefei	Central Mansion	**78,442**	**2,061.1**
Changzhou		**178,442**	**2,054.9**
	The Phoenix	155,187	1,644.0
	Dragon Bay	23,255	410.9
Yangzhou		**215,825**	**2,053.8**
	The Grand Canal	124,898	1,180.0
	Yangzhou Jiajing	90,927	873.8
Nantong	The Aqua	**233,745**	**2,047.5**
Yancheng	The Glorious	**161,177**	**1,976.3**
Jilin	International Community	**231,428**	**1,731.2**
Weifang	Da Guan Tian Xia	**179,039**	**1,555.4**

PROPORTION OF CONTRACTED PROPERTY SALES BY CITIES

Total Property Sales:

2017

5.8%	Changzhou
8.8%	Ganzhou
6.3%	Hefei
8.0%	Huizhou
4.7%	Jilin
6.7%	Lanzhou
9.4%	Nanning
5.6%	Nantong
16.4%	Shantou
4.2%	Weifang
5.9%	Yancheng
9.4%	Yangzhou
3.2%	Yinchuan
5.6%	Others

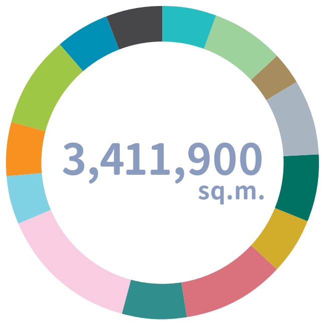
2016

6.3%	Changzhou
6.0%	Ganzhou
3.1%	Hefei
5.6%	Hohhot
8.3%	Jilin
11.0%	Lanzhou
11.4%	Nanning
8.3%	Nantong
8.9%	Shantou
6.0%	Yancheng
11.2%	Yangzhou
5.2%	Yinchuan
8.7%	Others

PROPORTION OF SALEABLE GFA SOLD BY CITIES

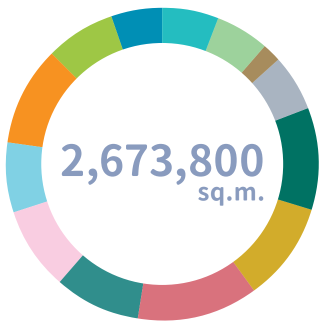
Total Saleable GFA Sold:

2017



5.7%	Changzhou
7.3%	Ganzhou
3.4%	Hefei
7.8%	Huizhou
6.8%	Jilin
5.9%	Lanzhou
10.5%	Nanning
6.9%	Nantong
14.2%	Shantou
5.3%	Weifang
5.3%	Yancheng
9.7%	Yangzhou
5.4%	Yinchuan
5.8%	Others

2016



6.1%	Changzhou
5.3%	Ganzhou
2.2%	Hefei
5.7%	Hohhot
10.5%	Jilin
10.2%	Lanzhou
12.5%	Nanning
9.1%	Nantong
8.5%	Shantou
7.3%	Yancheng
10.1%	Yangzhou
7.3%	Yinchuan
5.2%	Others

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, nearly 2,306,800 sq.m. of construction sites were completed for occupation and of which, about 95% 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 2017, recognized revenue increased by 18.4% against last year to HK$20,004.7 million (2016: HK$16,900.1 million), of which, around 25% was generated from the properties portfolio acquired from COLI last year.

In view of the increase in selling prices of properties handover during the year, the gross profit margin for the year grew to 19.4% from 16.4% of last year. However, the gross profit from the projects acquired from COLI last year were not significant in the year as their costs were marked to the fair values, which were made reference to the market value at the completion of acquisition in 2016.

The net profits contribution from the associate and joint venture was HK$28.4 million (2016: net loss of HK$4.7 million). Their projects' development progress and returns are in line with expectation.

Hence, the segment result increased 44.1% to HK$2,951.0 million (2016: HK$2,047.4 million) for the year.

Changzhou – Dragon Bay

Jilin – International Community

SEGMENT INFORMATION (CONTINUED)

PROPERTY SALES AND DEVELOPMENT (Continued)

Recognized revenue from major projects during the year:

City	Name of project	Saleable Gross Floor Area (sq.m.)	Amount (HK$ Million)
Huizhou		**286,786**	**3,147.9**
	CITIC Triumph Town	169,781	1,619.7
	CITIC Harbour City	117,005	1,528.2
Yangzhou		**166,855**	**2,034.7**
	The Grand Canal	82,127	781.2
	Imperial No. 9	55,800	715.8
	Yangzhou Jinyuan	28,928	537.7
Nanning	International Community	**191,736**	**1,650.3**
Lanzhou	Glorioushire	**184,578**	**1,570.8**
Yancheng		**195,318**	**1,407.6**
	The Arch	143,799	980.5
	The Century	51,519	427.1
Shantou		**90,290**	**1,335.6**
	East Coast	68,909	1,029.8
	CITIC Golden Coast	21,381	305.8
Hohhot		**141,275**	**1,178.1**
	The Azure	108,426	823.7
	Dragon Cove	32,849	354.4
Shaoxing	Century Manor	**140,488**	**1,065.1**
Changzhou		**103,642**	**1,036.8**
	The Phoenix	77,490	677.2
	Dragon Bay	26,152	359.6
Hefei	The Lagoon	**87,404**	**945.9**
Ganzhou	International Community	**50,021**	**660.8**

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

City	Name of project	Construction commenced
Yangzhou	Glory Manor (previously named as "Yangzhou Jiangdu Plot")	August 2017
Xuzhou	Coastal Palace (previously named as "Xingzishan Project")	September 2017
Nantong	Central Mansion (previously named as "Chongchuan District Project")	October 2017
Hefei	Coli City	December 2017

Further details of the respective projects are shown in the Particulars of Major Properties & Property Interests on page 157 to page 166 in the annual report.

SEGMENT INFORMATION (CONTINUED)

PROPERTY SALES AND DEVELOPMENT (Continued)

At year end date, properties under construction and stock of completed properties amounted to 6,050,300 sq.m. and 910,900 sq.m. respectively, totaling 6,961,200 sq.m.. Properties of 3,168,500 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. Approximate 80% of the gross floor area of the building was sold. Nevertheless, the leasing business remained stable in general. For the year ended 31 December 2017, rental income increased by HK$13.2 million year-on-year to HK$206.6 million (2016: HK$193.4 million) while the segment profit, after factoring in the gain on disposal of investment properties of HK$0.5 million and the fair value gain on investment properties of HK$191.8 million, increased by HK$199.9 million year-on-year to HK$365.7 million (2016: HK$165.8 million). The contribution from the joint venture increased to HK$18.9 million (2016: HK$4.7 million).

At year end date, 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 90% (31 December 2016: 91%) and 90% (31 December 2016: 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 2017, net working capital amounted to HK$35,204.0 million (31 December 2016: HK$28,304.7 million), with a quick ratio of 0.6 (31 December 2016: 0.6).

Hefei – Central Mansion

Nanning – International Community

FINANCIAL RESOURCES AND LIQUIDITY (CONTINUED)

The drawdowns and repayments of bank and other borrowings during the year were HK$12,636.9 million and HK$8,914.8 million respectively. Furthermore, after taking into account of the increase of HK$516.1 million due to translation of RMB loan, total bank and other borrowings increased from the last year end amount of HK$19,973.6 million to HK$24,211.8 million. Of which, RMB loan amounted to RMB7,451.5 million (equivalent to HK$8,914.2 million) while the Hong Kong Dollar loan and US Dollar loan amounted to HK$11,683.1 million and HK$3,614.5 million respectively. As at year end, interests of borrowings amounted to HK$2,210.7 million were charged at fixed rate from 3.4% to 3.8% per annum while the remaining borrowings of HK$22,001.1 million were charged at floating rates with a weighted average of 3.92% per annum. About 20.3% of bank and other borrowings is repayable within one year.

In respect of the Group's US$400 million 5.125% guaranteed notes due 2019, the amortized cost payable amounted to HK$3,159.2 million as at 31 December 2017.

Huizhou – CITIC Triumph Town

Debt# Maturity Profile

(HK$ Million)

excluding guaranteed notes payable

FINANCIAL RESOURCES AND LIQUIDITY (CONTINUED)

As agreed with the lenders, the repayment of the amount due to related companies of HK$4,852.6 million and HK$89.8 million as at 31 December 2017 were extended to 29 June 2018 and 18 October 2020 respectively. The balances would be charged at Hong Kong Interbank Offered Rate in respect of the balances denominated in Hong Kong Dollar or the People's Bank of China prevailing lending rate in respect of the balances denominated in RMB.

Due to the strong contract sales and satisfactory cash collection during the year, cash and bank balances plus restricted cash and deposits further increased to HK$23,702.3 million in total as at 31 December 2017, 13.8% higher as compared with the last financial year end (31 December 2016: HK$20,820.5 million). Of which, 99.7% is denominated in RMB while the remaining is mainly in Hong Kong Dollar.

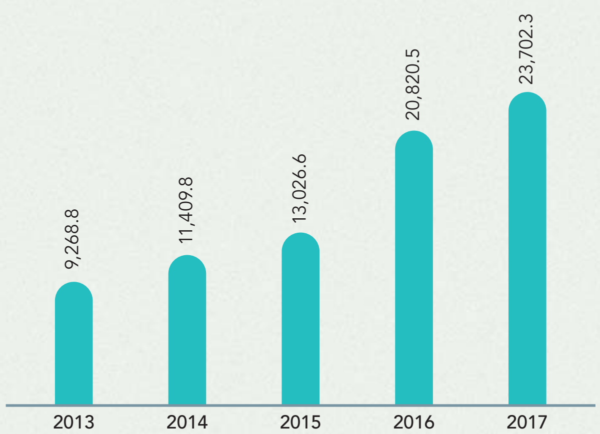
Thanks to the extended efforts of the management, the net gearing ratio, expressed as a percentage of net debts (i.e. total borrowings, including the guaranteed notes, net of cash and bank balances and restricted cash and deposits) to equity attributable to owners of the Company, still maintained at the low level of 26.8% as at 31 December 2017, slightly higher than 22.1% as at last year end.

Taking into account of the unutilized bank credit facilities available to the Group of HK$5,044.3 million, the Group's total available funds (including restricted cash and deposits of HK$7,553.0 million) reached HK$28,746.6 million as at 31 December 2017. The liquidity position of the Group remains healthy and the Group has sufficient resources to satisfy its commitment and working capital needs.

In terms of capital management, the Group continues to implement centralized financing and treasury policies to ensure efficient fund utilization.

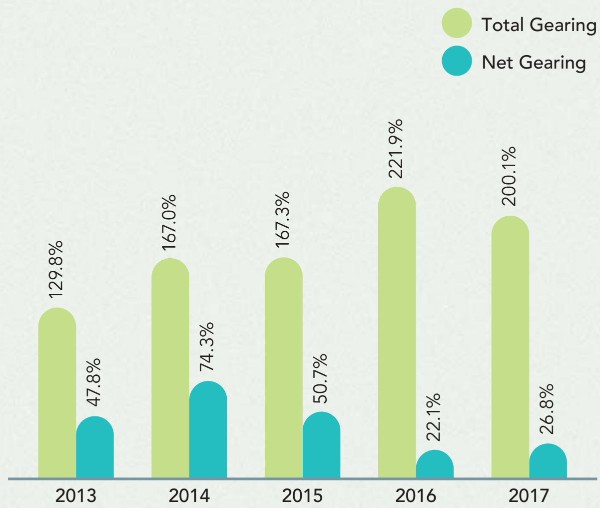
Cash Reserves

(HK$ Million)



The Group has unutilized bank credit facilities of HK$5,044.3 million as at 31 December 2017

Gearing Ratio



FINANCIAL RESOURCES AND LIQUIDITY (CONTINUED)

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. To strengthen its capital base, the Group has successfully raised a net proceeds of HK$4,607.7 million (net of expenses in amounts of HK$48.1 million) in February 2018 by way of rights issue on the basis of one rights share for every two shares with subscription price of HK$4.08 for each rights share. The management expects that the total available funds and the rights issue proceeds could greatly support the business growth in coming years with the net gearing ratio contained in an acceptable and manageable range. Approximately HK$2,250.0 million of the proceeds raised from the rights issue has been applied for repayments of bank loans. Currently, the Group sticks to its plan on the use of the proceeds as disclosed in the prospectus issued in January 2018.

To support the growth of the business, the Group would closely monitor the financial market and explore opportunities to enter into appropriate long-term financing to further optimize its debt profile and strengthen its capital structure continuously.

Moreover, 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.

Weifang – Da Guan Tian Xia

Yancheng – The Glorious

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 2017, about 32.6% and 67.4% 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 rose by 7.0% in the year and accordingly, the net asset value of the Group increased by HK$2,104.8 million.

Except for the aforesaid interest rate swap contract, the Group has not entered into any financial derivatives either for hedging or speculative purpose during the year. 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 review its financing strategy regularly to optimize the ratio of RMB and Hong Kong Dollar/ US Dollar debt to minimize the foreign exchange risk.

COMMITMENTS AND GUARANTEE

As at 31 December 2017, the Group had commitments totaling HK$8,050.7 million which related mainly to land costs, property development and construction works. In addition, the Group issued guarantees to banks totaling HK$31,686.7 million (equivalent to RMB26,487.3 million) for facilitating end-user mortgages in connection with its property sales in China as a usual commercial practice and a credit facility granted to a joint venture.

CAPITAL EXPENDITURE AND CHARGES ON ASSETS

The Group had capital expenditures totaling HK$236.7 million approximately during the year, mainly referred to additions in hotel construction in progress.

On the other hand, as at 31 December 2017, certain property assets in China with aggregate carrying value of HK$1,159.9 million were pledged to obtain HK$285.3 million (equivalent to RMB238.5 million) of secured borrowings from certain banks in China for the projects.

Lanzhou – China Overseas Plaza

Shantou – The Arch

EMPLOYEES

As at 31 December 2017, the Group has 1,855 employees (31 December 2016: 1,622). The increase in the number of employees was mainly due to business growth and expansion of operating scale.

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 2017 was approximately HK$580.5 million (2016: HK$420.7 million). The pay levels of the employees are determined based on their responsibilities, performance and the prevailing market condition. Discretionary bonus was paid to employees based on individual performance while other remuneration and benefits, including the provident fund contributions/ retirement pension scheme, remained at appropriate levels. Different trainings and development opportunities continued to be offered to sharpen employees' capabilities to meet the pace of business growth.

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 cities and districts. It is critical for the Group to replenish and acquire suitable land bank at suitable sites 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 continue to perform comprehensive due diligence review on new business opportunities and selected cautiously the appropriate projects for investment.

KEY RISKS FACTORS AND UNCERTAINTIES (CONTINUED)

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 continue to maintain the satisfactory relationships with financial institutions and ensure continual fulfillment of the financial covenants. Besides, the Group would also further explore opportunities of different financing accesses to broaden its funding channels.

FOREIGN EXCHANGE RISK

The exchange rate of RMB to US Dollar and Hong Kong Dollar fluctuated over the past few years. 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 review the financing strategy constantly to optimize the ratio of RMB and Hong Kong Dollar/US Dollar debt at appropriate time to minimize the foreign exchange risk.

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 regulatory, 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. Reputation of the developer would be dampened 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 order to ensure smooth running and quality of the property development projects.

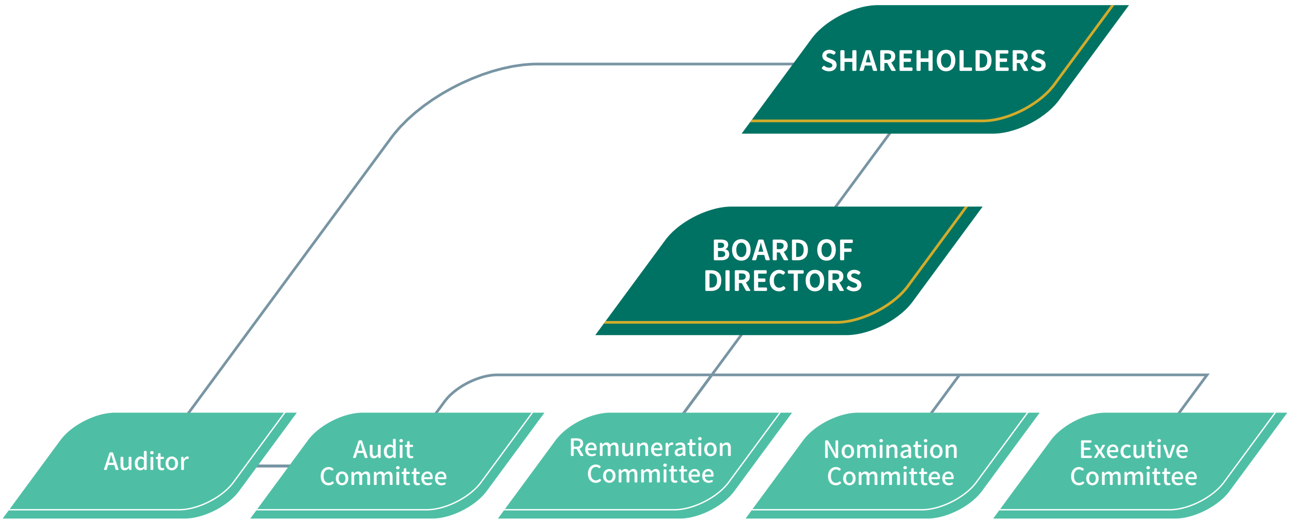
Corporate Governance Report

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. Yan Jianguo *(Chairman and Non-executive Director)*	Construction business, real estate investment and 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 Non-executive Director)*	Finance and investment
Mr. Lam Kin Fung, Jeffrey *(Independent Non-executive Director)*	General corporate management
Mr. Lo Yiu Ching, Dantes *(Independent 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. Yan Jianguo was appointed as the Chairman of the Board with effect from 13 June 2017 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.

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.

BOARD OF DIRECTORS (CONTINUED)

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 2017 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 2017.

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. Yan Jianguo (appointed in June 2017)	A, C
Mr. Xiao Xiao (resigned in June 2017)	A, C
Mr. Yung Kwok Kee, Billy	A, C
Mr. Zhang Guiqing	A, B, C
Mr. Wang Man Kwan, Paul	A, B, C
Mr. Yang Lin (appointed in March 2017)	C
Dr. Chung Shui Ming, Timpson	A, C
Mr. Lam Kin Fung, Jeffrey	A, C
Mr. Lo Yiu Ching, Dantes	A, C

Remarks:

A: attending seminars or trainings

B: giving talks at seminars

C: reading materials relevant to the director's duties and responsibilities

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

CORPORATE STRATEGY AND BUSINESS MODEL

It is the Group's vision to become a high-growth star property developer of the highest potential in the PRC residential property market. With good customer satisfaction and company goodwill, the Group will continue to engage primarily in the 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 2017 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 the Company establishes 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 Development and Progress Management System"
- "Project Quality Management System"
- "Planning and Design Management System"
- "Planning and Design Management Process"
- "Financial Management System"
- "Human Resources Management System"
- "Human Resources Management Authority"
- "Administration Management System"
- "Supervision and Audit Management System"

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 Ganzhou Company and Yinchuan Company and the auditing of the overall operating conditions of Jilin Company and Yancheng 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 marketing management of the Company. The Department conducted on-site audits at the marketing department in the headquarters of the Company and in Shantou and Nanning companies, and provided advice and recommendation on how to resolve various issues relating marketing management discovered during the audit process.

ACCOUNTABILITY AND AUDIT (CONTINUED)

RISK MANAGEMENT AND INTERNAL CONTROLS (Continued)

Since 2017, the Department has enhanced the supervision of rectifying issues identified during the audit process by requiring the subject unit to report the progress of audit issue rectification biannually and by recording such progress in a register.

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 2017 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 six 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.

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 2017, Mr. Yan Jianguo abstained from voting in two meetings and Dr. Chung Shui Ming, Timpson abstained from voting in a meeting 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.

DELEGATION BY THE BOARD (CONTINUED)

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 126 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.

The Audit Committee held four meetings during 2017 and has reviewed:

(i) the Group's financial reports for the year ended 31 December 2016, 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.

DELEGATION BY THE BOARD (CONTINUED)

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. Yung Kwok Kee, Billy
- Dr. Chung Shui Ming, Timpson
- Mr. Lo Yiu Ching, Dantes
- Mr. Zhang Guiqing

The Remuneration Committee held one meeting during 2017 and has reviewed:

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

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

NOMINATION COMMITTEE

The 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.

DELEGATION BY THE BOARD (CONTINUED)

NOMINATION COMMITTEE (Continued)

During the year, the Nomination Committee has the following members, the majority of whom are independent non-executive Directors:

- Mr. Lo Yiu Ching, Dantes (Chairman)
- Mr. Yan Jianguo (appointed as a member effective from 13 June 2017)
- Dr. Chung Shui Ming, Timpson
- Mr. Lam Kin Fung, Jeffrey
- Mr. Zhang Guiqing (ceased to be a member effective from 13 June 2017)

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.

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. Chung Shui Ming, Timpson, one of the independent non-executive Directors, and Mr. Yung Kwok Kee, Billy, the chairman of the independent board committee established to review the terms of the rights issue, the underwriting agreement and the transactions contemplated thereunder, and the whitewash waiver (for details, please refer to the prospectus of the Company dated 12 January 2018), were unable to attend the annual general meeting and extraordinary general meeting of the Company held on 23 May 2017 and 29 December 2017 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 2017.

SHAREHOLDERS' RIGHTS

PROCEDURES FOR SHAREHOLDERS TO CONVENE A GENERAL MEETING ("GM")

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

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

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

SHAREHOLDERS' RIGHTS (CONTINUED)

PROCEDURES FOR SHAREHOLDERS TO PUT FORWARD PROPOSALS AT GENERAL MEETINGS

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

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

ENQUIRIES TO THE BOARD

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

Company Secretary
China Overseas Grand Oceans Group Limited
Suites 701–702, 7/F., Three Pacific Place,
1 Queen's Road East, 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 2017 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. Yan Jianguo (appointed in June 2017)	4/4	N/A	N/A	N/A	N/A	1/1
Mr. Xiao Xiao (resigned in June 2017)	2/2	N/A	N/A	N/A	1/1	N/A
Mr. Yung Kwok Kee, Billy	6/6	N/A	1/1	N/A	1/1	0/1
Mr. Zhang Guiqing	6/6	N/A	1/1	1/1	1/1	1/1
Mr. Wang Man Kwan, Paul	6/6	N/A	N/A	N/A	1/1	1/1
Mr. Yang Lin (appointed in March 2017)	6/6	N/A	N/A	N/A	1/1	1/1
Dr. Chung Shui Ming, Timpson	6/6	4/4	1/1	1/1	0/1	1/1
Mr. Lam Kin Fung, Jeffrey	6/6	4/4	1/1	1/1	1/1	1/1
Mr. Lo Yiu Ching, Dantes	5/6	3/4	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 2017, fees for audit services and non-audit services payable to the auditor of the Company amounted to approximately HK$2,740,000 and HK$530,000 respectively. The non-audit services payable included professional services rendered in connection with the Group's rights issue of HK$480,000.

CONSTITUTIONAL DOCUMENTS

There was no change in the Company's constitutional documents during the year ended 31 December 2017.

Directors and Organization

NON-EXECUTIVE DIRECTORS:

MR. YAN JIANGUO, *Chairman*

Aged 51, graduated from Chongqing Institute of Architectural and Engineering (now known as Chongqing University) majoring in Industrial and Civil Construction in 1989 and obtained an MBA degree from Guanghua School of Management in Peking University in 2000. Mr. Yan joined China State Construction Engineering Corporation in 1989 and had been seconded to COLI twice. During the year 1990 to 1992, he had been working for the Shenzhen Branch of China Overseas Property Group and had held a number of positions, including site engineer and department head. He was assigned to the COLI again from 2001 to 2011 and had been Assistant General Manager of Guangzhou Branch, Deputy General Manager of Shanghai Branch, General Manager of Suzhou Branch, General Manager of Shanghai Branch, Vice Managing Director of China Overseas Property Group and President of Northern China Region. Mr. Yan had worked in China State Construction Engineering Corporation from 2011 to June 2014 and had been Director of the General Office, Chief Information Officer and Assistant General Manager. Mr. Yan joined Longfor Properties Co. Ltd. (listed on the Stock Exchange, Stock Code: 960) in June 2014 and resigned on 5 December 2016. During the period, he had held a number of positions including Executive Director and the Senior Vice President. Mr. Yan then rejoined COLI and was appointed as Executive Director and Chief Executive Officer on 7 December 2016 and effective from 1 January 2017. Mr. Yan has about 28 years' experience in construction business, real estate investment and management.

In addition to acting as the Executive Director and Chief Executive Officer of COLI, Mr. Yan is also currently the Vice Chairman and President of COHL. Mr. Yan has been appointed as the Chairman of COLI and the Chairman and Non-Executive Director of COPH effective from 13 June 2017. COHL and COLI are the substantial shareholders of the Company within the meaning of the SFO. Mr. Yan has been appointed as the Chairman and Non-executive Director and a member of the Nomination Committee of the Company with effect from 13 June 2017.

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

Aged 64, received a Bachelor degree in Electrical Engineering from University of Washington and a Master degree in Industrial Engineering from Stanford University. Mr. Yung has over 30 years of experience in managing manufacturing, retailing, transportation, semi-conductor, computer hardware and software business in US, Hong Kong and China. He has also over 30 years of experience in real-estate investment and development in USA, Canada, Holland, Hong Kong, Taiwan, Macau and China. Mr. Yung resigned as the group chairman and chief executive of the Company with effect from 10 February 2010 and has been re-designated from chairman of the Board and executive director to vice chairman of the Board and non-executive director of the Company with effect from 27 February 2010. He is now the vice chairman, non-executive director and member of the Remuneration Committee of the Company. Mr. Yung is currently 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 45, 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 22 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 and ceased to be a member of the Nomination Committee from 13 June 2017.

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

Aged 61, graduated from the Hong Kong Polytechnic (now known as The Hong Kong Polytechnic University). Mr. Wang is a fellow member of The Association of Chartered Certified Accountants and The Hong Kong Institute of Certified Public Accountants. He is also an associate member of Certified General Accountants of Canada, The Institute of Chartered Secretaries and Administrators and The Hong Kong Institute of Chartered Secretaries. Mr. Wang joined COLI as general manager, Finance & Treasury Department in December 2004. Between February 2005 and August 2009, he was appointed as executive director and deputy financial controller and qualified accountant of COLI. Prior to joining COLI, Mr. Wang was director and chief financial officer of Guangdong Investment Limited. Mr. Wang has extensive experience in corporate restructuring and corporate financial services. His previous experience includes working in the Hong Kong Inland Revenue Department, Jardine Matheson (Company Secretary's Department and JMS Finance), Deloitte (Hong Kong and Toronto offices) and as a director and chief operating officer of a South East Asian Group in charge of operations in China, Philippines, Indonesia, Singapore, Dubai and Germany. Mr. Wang was appointed an executive director and chief financial officer of the Company in July 2011.

MR. YANG LIN, *Vice President*

Aged 44, graduated from the Peking University with a Master of Business Administration. He joined a subsidiary of COHL in 1995 and since 2006, he served in different positions, such as, the deputy general manager and general manager of the marketing and planning department of China Overseas Property Group Co., Ltd. and the general manager of China Overseas Xingye (Xi'an) Limited*. Mr. Yang has been appointed as Assistant President of the Company since March 2015 and has 22 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 66, 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 China State Construction Engineering Corporation Limited (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.

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

Aged 66, 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, HNA Holding Group Co. Limited and i-CABLE Communications 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.

INDEPENDENT NON-EXECUTIVE DIRECTORS: (CONTINUED)

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

Aged 72, 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 the Company with effect from 17 March 2016. In addition, Mr. Lo has been appointed as advisor to CEO of The Airport Authority Hong Kong with effect from June 2015.

SENIOR MANAGEMENT STAFF:

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 2017.

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 51 to 53 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 8 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 2017 are set out in the consolidated income statement on page 62.

The Board has recommended the payment of final dividend of HK3 cents per ordinary share for the year ended 31 December 2017 with a total amount of approximately HK$102,701,000 (2016: HK$45,645,000).

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 156.

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 2017.

SHARES ISSUED

On 7 November 2017, the Board announced that the Company proposed to raise gross proceeds of approximately HK$4,655.8 million by way of rights issue of 1,141,119,947 rights shares (the "Rights Shares") on the basis of one rights share for every two shares held on 11 January 2018 at the subscription price of HK$4.08 per Rights Share (the "Rights Issue'). With approval of the shareholders at the extraordinary general meeting of the Company held on 29 December 2017, the Company issued the Rights Shares on 5 February 2018. The net proceeds from the Rights Issue are approximately HK$4,607.7 million, which are intended to be used in the following manner:

(a) approximately HK$3,249.4 million (representing 70.5% of the estimated net proceeds from the Rights Issue) will be applied for repayments of existing indebtedness and outstanding liabilities;

(b) approximately HK$921.8 million (representing 20.0% of the estimated net proceeds from the Rights Issue) will be applied for business development; and

(c) the remaining proceeds (representing 9.5% of the estimated net proceeds from the Rights Issue) will be applied for general working capital requirements of the Group.

Up to the end of February 2018, approximately HK$2,250.0 million of the proceeds raised from the Rights Issue were applied for repayments of bank loans. Currently, the Group sticks to its plan on the use of the proceeds as disclosed in the prospectus issued in January 2018.

SHARES ISSUED (CONTINUED)

For details of the Rights Issue, please refer to the prospectus and announcement of the Company dated 12 January 2018 and 2 February 2018 respectively.

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 2017 was HK$1,153,032,000 (2016: HK$1,055,479,000).

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 2017 are set out on pages 157 to 166.

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. Yan Jianguo *(Chairman of the Board)*
(appointed in June 2017)
Mr. Xiao Xiao *(resigned in June 2017)*
Mr. Yung Kwok Kee, Billy *(Vice Chairman of the Board)*

EXECUTIVE DIRECTORS

Mr. Zhang Guiqing *(Chief Executive Officer)*
Mr. Wang Man Kwan, Paul *(Chief Financial Officer)*
Mr. Yang Lin *(Vice President)*

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. Zhang Guiqing, Dr. Chung Shui Ming, Timpson and Mr. Lam Kin Fung, Jeffrey shall retire by rotation at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

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 38 to 41.

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 2017 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' INTERESTS 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. Yan Jianguo, Chairman of the Board and the non-executive Director of the Company, is also the vice chairman and president of COHL, the chairman, chief executive officer and executive director of COLI, the chairman and non-executive director of 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. Yan Jianguo) 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

Save as disclosed in this report, no other equity-linked agreement was entered by the Group, or existed during the year.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SECURITIES

As at 31 December 2017, 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	17,849,999	367,155,687	16.09%
	Beneficiary of a trust *(Note 2)*	Other	307,592,438		
	Interest of controlled corporation *(Note 3)*	Interest of controlled corporation	41,713,250		
Dr. Chung Shui Ming, Timpson	Beneficial owner	Personal	363,250	363,250	0.02%
Mr. Yang Lin *(Note 4)*	Beneficial owner	Personal	1,700,000	1,930,750	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 2017 (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) these shares are held by Extra-Fund investment Limited, a wholly-owned subsidiary of Shell Electric Holdings Limited, which in turn is owned as to 80.45% by Red Dynasty Investments Limited, a company wholly owned by Mr. Yung Kwok Kee, Billy.

(4) 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 2017, 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 2017, 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)*
CSCEC	Interest of controlled corporation *(Notes 2 and 3)*	Interest in controlled corporation	2,007,820,496 *(Note 4)*	2,007,820,496 *(Note 4)*	87.98% *(Note 4)*
Diamond Key Enterprises Inc. ("Diamond Key")	Beneficial owner *(Note 5)*	Beneficial	150,894,069	150,894,069	6.61%
On Fat Profits Corporation ("On Fat")	Beneficial owner *(Note 5)*	Beneficial	156,698,369	156,698,369	6.87%
UBS TC (Jersey) Ltd. ("UBS TC")	Trustees of trusts *(Note 5)*	Other	307,592,438	307,592,438	13.48%
Mr. Wang Tao Guang	Beneficial owner	Beneficial	166,637,774	166,637,774	7.30%

Notes:

(1) the percentage is based on the total number of shares of the Company in issue as at 31 December 2017 (i.e. 2,282,239,894 shares).

(2) CSCEC is interested in 2,007,820,496 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) these include (a) an interest in 707,769,673 Rights Shares derived from the obligations of COLI under the Underwriting Agreement dated 7 November 2017; and (b) an interest in 416,765,524 Rights Shares and 16,584,750 Rights Shares derived from the obligations of Star Amuse and Chung Hoi to undertake the Rights Shares pursuant to the Irrevocable Undertaking dated 7 November 2017.

(4) the Right Issues was completed in February 2018 and COLI's underwriting obligations under the Underwriting Agreement was fully discharged. As at the date of this report, CSCEC is interested in 1,311,965,566 shares which comprises of 1,262,211,316 shares held by Star Amuse and 49,754,250 shares held by Chung Hoi, representing approximately 38.32% of the total number of shares of the Company in issue.

(5) 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 2017.

CONNECTED TRANSACTIONS ENTERED INTO BY THE GROUP

(A) CONNECTED TRANSACTION

Underwriting Agreement with COLI

On 7 November 2017, the Company entered into the underwriting agreement with COLI whereby COLI agreed to underwrite the Company's rights issue on the basis of two rights shares for every one share at the subscription price of HK$4.08. Underwriting commission is 1.5% of the total subscription price for 707,769,673 rights shares, being the maximum number of underwritten rights shares to be taken up by COLI. The underwriting fee of HK$43,315,504 has been paid to COLI as the underwriter for the Rights Issue on 6 February 2018.

COLI is a controlling shareholder of the Company and therefore a connected person of the Company under Chapter 14A of the Listing Rules. The payment of underwriting fee to COLI constitutes a connected transaction of the Company which is subject to the reporting and announcement requirements but exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

Further details are set out in the announcements of the Company dated 7 November 2017 and 2 February 2018, and circular and prospectus of the Company dated 11 December 2017 and 12 January 2018 respectively.

(B) CONTINUING CONNECTED TRANSACTIONS

(1) Renewal Trademark Licence Agreement with COLI

As disclosed in the Company's announcements of 6 April 2011 and 28 March 2014, the Company and COLI entered into the trademark licence agreements, pursuant to which COLI granted the Company a non-exclusive licence to use the trademark "中海地產" in the PRC. The royalty payable pursuant to the trademark licence agreement dated 28 March 2014 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$250 million for a term commencing from 1 April 2014 and ending on 31 March 2017.

Upon expiry of the trademark licence agreement dated 28 March 2014, the Company and COLI entered into the Renewal Trademark Licence Agreement for a term commencing from 1 April 2017 and ending on 31 March 2020. The royalty payable in arrears by the Company under the Renewal Trademark Licence Agreement is one per cent of the Group's audited annual consolidated turnover for each financial year ending on 31 December 2017, 2018 and 2019 respectively provided that the royalty payable for each of the 12-month period between 1 April 2017 and 31 March 2020 shall not exceed HK$200 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 Renewal Trademark Licence Agreement constitute continuing connected transactions of the Company.

CONNECTED TRANSACTIONS ENTERED INTO BY THE GROUP (CONTINUED)

(B) CONTINUING CONNECTED TRANSACTIONS (Continued)

(2) *Renewal Property Lease Agreements with 北京仁和燕都房地產開發有限公司 (Beijing Ren He Yan Du Real Estate Development Co., Ltd.*) and 北京中信新城逸海房地產開發有限公司 (Beijing Zhong Xin Xin Cheng Yi Hai Real Estate Development Co., Ltd.*) (collectively, referred to as the "Tenants")*

As disclosed in the Company's announcement of 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 entered into the property lease agreements with the subsidiaries of COLI to lease the following premises 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 million.

Upon expiry of the property lease agreements, the Landlord entered into the Renewal Property Lease Agreements with the Tenants respectively for a term of three years commencing from 1 August 2017 and ending on 31 July 2020, the rent payable for each of the 12-month period is RMB15.405 million and the principal terms of the Renewal 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	RMB10.260 million or RMB854,945 per month. The rent is payable quarterly.	1 August 2017 to 31 July 2020
Units 01, 02, 03 & 09, 23rd Floor, China Overseas International Center, No. 28 Pinganlixi Avenue, Xicheng District, Beijing	1,181.2 sq.m.	Office	RMB5.145 million or RMB428,776 per month. The rent is payable quarterly.	1 August 2017 to 31 July 2020
			Annual Cap: RMB15.405 million	

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

CONNECTED TRANSACTIONS ENTERED INTO BY THE GROUP (CONTINUED)

(B) CONTINUING CONNECTED TRANSACTIONS (Continued)

(3) Continuing Connected Transactions with China Overseas Property Holdings Limited ("COPH")

Framework Agreement dated 1 June 2015

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 agreements 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 property management transactions under the existing agreements, the Company entered into Framework Agreement with COPH on 1 June 2015 (the "Framework Agreement") 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 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

CONNECTED TRANSACTIONS ENTERED INTO BY THE GROUP (CONTINUED)

(B) CONTINUING CONNECTED TRANSACTIONS (Continued)

(3) Continuing Connected Transactions with China Overseas Property Holdings Limited ("COPH") (Continued)

Prevailing Projects Framework Agreement

On 20 October 2017, the Company and COPH entered into the Prevailing Projects Framework Agreement to increase the annual caps and expand the scope of services under the Framework Agreement and renew the transactions thereunder. The principal terms of the agreement are as follows:

Parties	Commencement Date	Period	Annual Cap
The Company and COPH	1 January 2018	1 January 2018 to 31 December 2018	HK$115,600,000
		1 January 2019 to 31 December 2019	HK$96,500,000
		1 January 2020 to 30 June 2020	HK$57,900,000

Pursuant to the Prevailing Projects Framework Agreement, any member of COPH Group may provide the property management and engineering services to the Group, subject to the above annual caps. The Group will go through a competitive tender process to select and appoint a service provider for the provision of property management and engineering services to the Group. Further details of the standard and systematic tender process of Group is set out in the paragraph headed "Pricing Basis" in the announcement dated 20 October 2017.

CONNECTED TRANSACTIONS ENTERED INTO BY THE GROUP (CONTINUED)

(B) CONTINUING CONNECTED TRANSACTIONS (Continued)

(3) Continuing Connected Transactions with China Overseas Property Holdings Limited (“COPH”) (Continued)

New Projects Framework Agreement

On 20 October 2017, the Company and COPH entered into the New Projects Framework Agreement in relation to the property management and engineering services to be provided by COPH Group to the Group for certain property development projects in emerging third tier cities in the PRC acquired by the Group from COLI Group in 2016, which are currently not managed by any member of the COPH Group. The principal terms of the agreement are as follows:

Parties	Commencement Date	Period	Annual Cap
The Company and COPH	1 January 2018	1 January 2018 to 31 December 2018	HK$47,800,000
		1 January 2019 to 31 December 2019	HK$45,900,000
		1 January 2020 to 30 June 2020	HK$25,800,000

Pursuant to the New Projects Framework Agreement, any member of COPH Group may provide the property management and engineering services to the Group, subject to the above annual caps. The Group will go through a competitive tender process to select and appoint a service provider for the provision of property management and engineering services to the Group. Further details of the standard and systematic tender process of Group is set out in the paragraph headed “Pricing Basis” in the announcement dated 20 October 2017.

Since COHL is the controlling shareholder of both the Company and COPH, COPH is hence a connected person of the Company under Chapter 14A of the Listing Rules and transactions under the Framework Agreement, the Prevailing Projects Framework Agreement and the New Projects Framework Agreement constitute continuing connected transactions of the Company.

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 2017.

CONNECTED TRANSACTIONS ENTERED INTO BY THE GROUP (CONTINUED)

(B) CONTINUING CONNECTED TRANSACTIONS (Continued)

(4) *Property management services provided to Best Beauty Investment Limited and its subsidiaries (the "Acquired Group") by COPH*

After the completion of the acquisition of the property portfolio from COLI in December 2016, the existing property management agreements between members of the Acquired 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 incurred under all the property management agreements as at 31 December 2017 is approximately RMB9,554,000, 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.*

(5) *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.

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 for the year ended 31 December 2017 disclosed by the Group in paragraphs (B)(1) to B(5) 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 (B)(1), (B)(3) and (B)(5) 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/letter 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

(3) Date: 14 December 2017
Amount: Loan facility up to HK$1 billion
Term: 60 months commencing from the date of the facility letter

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

The above facility agreements/letter 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 38.32% of the total number of shares of the Company in issue.

MAJOR SUPPLIERS AND CUSTOMERS

During the year ended 31 December 2017, 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 POLICIES AND PERFORMANCE

The Group's long-term strategy includes a sustainable approach to the environment. The Group has not yet established a comprehensive set of environmental policies, but, instead, advocates environmental protection concepts through various initiatives. The Group will review its operations and establish related policies in the near future.

To better understand the Group's carbon footprint, the Group has commissioned an external consultancy to quantify the greenhouse gases ("GHG") emissions from its operations through carbon assessment. The assessment process is the first step in developing action plans to manage and reduce GHG emissions of the Group.

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

The Group's major business is property investment and development in the PRC, which is heavily regulated. The laws and regulations relating to the Group's operations include:

- 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

During 2017, there was no reported incident of non-compliance with the relevant laws and regulations that have a significant impact on the Group's business.

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS (CONTINUED)

To ensure compliance, the Group does not only review and monitor its own operations that mainly consist of office work, but also emphasizes on managing its contractors' compliance. Highlights of the Group's compliance measures during the reporting period are outlined in the following table:

Primary laws/regulations	Concerning issues	Compliance measures
• Regulations on Planning Administration regarding Granting and Transfer of State-Owned Land Use Right in Urban Area	Land for property development	All new projects of the Group obtained approvals.
• Regulations on Administration Regarding Permission for Commencement of Construction Works • Environmental Impact Assessment Law of the People's Republic of China	Construction work commencement permit	We have obtained the certificates of compliance for all work drawings and design documents. Environmental impact assessment was undertaken to ensure that all new projects of the Group undergo comprehensive review before they are constructed.
• Environmental Protection Law of the People's Republic of China • Administrative Regulations on Environmental Protection for Development Projects • Administrative Regulations on Environmental Protection for Acceptance Examination Upon Completion of Buildings • Prevention and Control of Noise Pollution Law of the People's Republic of China	Protection of the environment and preservation of antiquities and monuments which imposes	The Group has established a quality assessment system to regulate the construction work process. The Group has appointed the CSC Group to provide construction supervision services for its property development projects in mainland China. We obtained environmental protection acceptance and inspection approvals for all projects.

There is a growing global awareness of sustainability issues and an increased focus on the supervision and regulation of the property investment and development industry. In addition, the Group is expected to meet public expectations in relation to environmental and social matters, which are sometimes more stringent than the requirements of the prevailing laws and regulations. The Group will take a more proactive response approach to ensure that the entire organization acts in a consistent and strong manner when it comes to compliance and social licence to operate.

RELATIONSHIPS WITH THE KEY STAKEHOLDERS

EMPLOYEES

The Group's employees are located across a number of cities and office locations in the PRC. The Group's human resources management strategy focuses on two areas:

- Personal development
- Equal opportunity

The Group maintains and strengthens its core competencies through continuous investment in training and development. 580 training sessions were organized in 2017.

The property development sector is one of the most male dominated sectors. In terms of gender distribution, the ratio of male to female staff was approximately 2.39:1 (2016: 2.4:1). The Group will launch gender balance initiatives to encourage more female to take up careers in this industry.

CUSTOMERS

The Group builds its brand by offering customer-oriented products and services to customers. With a business focus on the emerging cities in mainland China, the Group develops various types of properties tailored for different customers targeting at the middle to high-end product ranges in different regions.

To better understand the customers, the Group has been conducting customer satisfaction surveys on a regular basis. An exclusive tenant club has been established, serving as a critical communication channel between the Group and its customers and a driving force of the Company's community volunteering work.

The Group will continue to broaden the range of property products, optimize the project development cycle, enhance the quality of the properties and perfect the customer services, in response to and even exceed the increasing expectations of the customers.

SUPPLIERS

The Group's suppliers spreads across mainland China. Most of them are engineering suppliers. As a quality driven national brand, the Group works closely with its suppliers.

Through a supplier management system, the Group strives to ensure that suppliers share its belief in high quality and a corporate culture of integrity.

CONTRACTORS

The Group outsources the construction work of its property development projects to contractors. The Group maintains long-term cooperative relationships with contractors to ensure strong execution capabilities with standardized and scalable property development procedures.

The Group has placed and will continue to place significant emphasis on quality control, environmental protection, health and safety over its project development.

Details of the above will be disclosed in the Group's Environmental, Social and Governance Report to be published in June 2018.

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 (2016: nil).

AUDITOR

The consolidated financial statements for the year ended 31 December 2017 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

Yan Jianguo
Chairman and Non-executive Director

Hong Kong, 26 March 2018

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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 pages 62 to pages 155 which comprise the consolidated statement of financial position as at 31 December 2017, 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 2017, 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.

KEY AUDIT MATTERS (CONTINUED)

Determining net realisable value of inventories of properties

Refer to notes 4.1(b) and 22 in the consolidated financial statements

The carrying value of the Group's inventories of properties as at 31 December 2017 was HK$54,414,394,000.

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 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 the determination of net realisable value of inventories of properties as key audit matter due to considerable amount of estimation and judgment applied by the management, and difficulty in reliably gauging 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.

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 the 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.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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
Lam Hung Yun, Andrew
Practising Certificate no. P04092

Hong Kong, 26 March 2018

Consolidated Income Statement

FOR THE YEAR ENDED 31 DECEMBER 2017

	Notes	2017 HK$'000	2016 HK$'000
Revenue	5	**20,277,831**	17,093,485
Cost of sales and services provided		**(16,209,323)**	(14,158,485)
Gross profit		**4,068,508**	2,935,000
Other income	7	**198,629**	159,753
Distribution and selling expenses		**(675,762)**	(555,498)
Administrative expenses		**(610,130)**	(416,413)
Other operating expenses		**(7,704)**	(10,827)
Other gains or losses			
Fair value gain on investment properties	14(b)	**191,830**	–
Gain on disposal of investment properties	14(a)	**542**	21,001
Change in fair value of a derivative financial instrument	21	**1,974**	–
Write-off of available-for-sale financial assets	20	**(535)**	–
Gain on bargain purchase	39	**–**	30
Operating profit		**3,167,352**	2,133,046
Finance costs	9	**(32,500)**	(18,450)
Share of results of associates		**57,153**	–
Share of results of joint ventures		**(9,854)**	(45)
Profit before income tax	8	**3,182,151**	2,114,551
Income tax expense	10	**(1,920,417)**	(1,179,996)
Profit for the year		**1,261,734**	934,555
Profit/(Loss) for the year attributable to:			
Owners of the Company		**1,271,398**	900,243
Non-controlling interests		**(9,664)**	34,312
		1,261,734	934,555
		HK Cents	HK Cents
Earnings per share	12		
Basic		**55.7**	39.4
Diluted		**55.7**	39.4

Consolidated Statement of Comprehensive Income

FOR THE YEAR ENDED 31 DECEMBER 2017

	2017 HK$'000	2016 HK$'000
Profit for the year	**1,261,734**	934,555
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss		
Exchange differences arising from translation of overseas operations		
— subsidiaries	**2,070,009**	(1,668,737)
— associates	**6,923**	–
— joint ventures	**27,897**	(21,168)
Other comprehensive income for the year, net of tax	**2,104,829**	(1,689,905)
Total comprehensive income for the year	**3,366,563**	(755,350)
Total comprehensive income attributable to:		
Owners of the Company	**3,323,682**	(750,824)
Non-controlling interests	**42,881**	(4,526)
	3,366,563	(755,350)

Consolidated Statement of Financial Position

AS AT 31 DECEMBER 2017

	Notes	2017 HK$'000	2016 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Investment properties	14	2,835,203	2,485,859
Property, plant and equipment	15	1,187,437	927,519
Prepaid lease rental on land	16	325,367	312,979
Intangible assets	17	8,117	11,919
Interests in associates	18	135,907	71,831
Interests in joint ventures	19	449,129	376,844
Amount due from a joint venture	26	305,057	–
Available-for-sale financial assets	20	1,196	2,005
A derivative financial instrument	21	1,974	–
Deferred tax assets	34	345,958	345,751
		5,595,345	4,534,707
Current assets			
Inventories of properties	22	54,414,394	49,011,793
Other inventories	23	2,060	2,126
Trade and other receivables, prepayments and deposits	24	9,795,746	5,453,154
Prepaid lease rental on land	16	9,562	8,935
Amounts due from associates	25	68,094	65
Amounts due from joint ventures	26	–	315,741
Amounts due from non-controlling interests	27	353,678	235,631
Tax prepaid		1,382,614	971,064
Restricted cash and deposits	28	7,553,007	5,662,322
Cash and bank balances	28	16,149,246	15,158,177
		89,728,401	76,819,008
Current liabilities			
Trade and other payables	29	9,639,438	10,352,386
Sales deposits received		30,820,778	19,740,276
Amounts due to associates	25	176,876	186,832
Amounts due to joint ventures	26	1,234,203	–
Amounts due to non-controlling interests	27	613,424	886,353
Amounts due to related companies	30	4,852,569	8,641,033
Consideration payable for acquisition	31	–	1,912,695
Taxation liabilities		2,276,077	1,506,114
Borrowings	32	4,911,049	5,288,669
		54,524,414	48,514,358
Net current assets		35,203,987	28,304,650
Total assets less current liabilities		40,799,332	32,839,357

AS AT 31 DECEMBER 2017

	Notes	2017 HK$'000	2016 HK$'000
Non-current liabilities			
Borrowings	32	**19,300,789**	14,684,942
Guaranteed notes payable	33	**3,159,180**	3,148,508
Amount due to a related company	30	**89,754**	–
Deferred tax liabilities	34	**3,786,595**	3,820,607
		26,336,318	21,654,057
Net assets		**14,463,014**	11,185,300
CAPITAL AND RESERVES			
Share capital	35	**2,144,018**	2,144,018
Other reserves	36	**788,971**	(1,503,256)
Retained profits	36	**10,641,452**	9,735,520
Proposed dividend	11(a)	**102,701**	45,645
Equity attributable to owners of the Company		**13,677,142**	10,421,927
Non-controlling interests	37	**785,872**	763,373
Total equity		**14,463,014**	11,185,300

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 2017

	Attributable to owners of the Company							
	Share capital HK$'000 (note 35)	Translation reserve* HK$'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 2016	2,144,018	(774,496)	31,749	817,466	8,954,014	11,172,751	637,086	11,809,837
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 27)	–	–	–	–	–	–	(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
At 1 January 2017	**2,144,018**	**(2,425,563)**	**31,749**	**890,558**	**9,781,165**	**10,421,927**	**763,373**	**11,185,300**
Profit/(Loss) for the year	**–**	**–**	**–**	**–**	**1,271,398**	**1,271,398**	**(9,664)**	**1,261,734**
Exchange differences arising from translation of overseas operations								
— subsidiaries	**–**	**2,017,464**	**–**	**–**	**–**	**2,017,464**	**52,545**	**2,070,009**
— associates	**–**	**6,923**	**–**	**–**	**–**	**6,923**	**–**	**6,923**
— joint ventures	**–**	**27,897**	**–**	**–**	**–**	**27,897**	**–**	**27,897**
Total comprehensive income for the year	**–**	**2,052,284**	**–**	**–**	**1,271,398**	**3,323,682**	**42,881**	**3,366,563**
Transfer to PRC statutory reserve	**–**	**–**	**–**	**239,943**	**(239,943)**	**–**	**–**	**–**
2017 interim dividend paid (note 11(a))	**–**	**–**	**–**	**–**	**(22,822)**	**(22,822)**	**–**	**(22,822)**
2016 final dividend paid (note 11(b))	**–**	**–**	**–**	**–**	**(45,645)**	**(45,645)**	**–**	**(45,645)**
Dividends attributable to non-controlling interests (note 27)	**–**	**–**	**–**	**–**	**–**	**–**	**(25,015)**	**(25,015)**
Contributions from non-controlling interests	**–**	**–**	**–**	**–**	**–**	**–**	**4,633**	**4,633**
Transactions with owners	**–**	**–**	**–**	**–**	**(68,467)**	**(68,467)**	**(20,382)**	**(88,849)**
At 31 December 2017	**2,144,018**	**(373,279)**	**31,749**	**1,130,501**	**10,744,153**	**13,677,142**	**785,872**	**14,463,014**

* 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 2017

	Notes	2017 HK$'000	2016 HK$'000
Operating activities			
Profit before income tax		**3,182,151**	2,114,551
Adjustments for:			
Share of results of associates		**(57,153)**	–
Share of results of joint ventures		**9,854**	45
Gain on bargain purchase		**–**	(30)
Gain on disposal of investment properties		**(542)**	(21,001)
Gain on disposal of property, plant and equipment		**(459)**	(1,580)
Depreciation and amortization		**54,807**	13,302
Fair value gain on investment properties		**(191,830)**	–
Change in fair value of a derivative financial instrument		**(1,974)**	–
Write-off of property, plant and equipment		**6,603**	10
Write-off of available-for-sale financial assets		**535**	–
Interest income		**(178,146)**	(125,557)
Finance costs		**32,500**	18,450
Exchange difference		**(38,147)**	(15,332)
Operating cash flows before movements in working capital		**2,818,199**	1,982,858
(Increase)/Decrease in inventories of properties		**(771,147)**	5,660,162
Decrease/(Increase) in other inventories		**208**	(2)
(Increase)/Decrease in trade and other receivables, prepayments and deposits		**(3,851,513)**	450,946
Decrease in amounts due from non-controlling interests		**–**	2,338
Increase in restricted cash and deposits		**(1,444,700)**	(980,517)
Decrease in trade and other payables		**(1,389,431)**	(1,389,057)
Increase in sales deposits received		**9,386,473**	4,271,054
Cash generated from operations		**4,748,089**	9,997,782
Income taxes paid		**(1,878,359)**	(1,290,117)
Net cash from operating activities		**2,869,730**	8,707,665
Investing activities			
Purchase of property, plant and equipment		**(236,730)**	(1,808)
Acquisition of subsidiaries, net of cash acquired	39	**(1,912,695)**	(1,708,361)
Capital injection in a joint venture		**(54,242)**	(297,273)
Distribution from an investee	20	**384**	–
Proceeds from disposal of investment properties		**22,953**	229,917
Proceeds from disposal of property, plant and equipment		**629**	2,762
Interest received		**178,160**	125,543
Increase in amounts due from associates		**(65,852)**	–
Decrease/(Increase) in amounts due from joint ventures		**31,779**	(330,174)
Increase in amounts due from non-controlling interests		**(123,295)**	(42,084)
Increase in short-term time deposits with maturity beyond three months but within one year		**(9,376)**	(576,173)
Net cash used in investing activities		**(2,168,285)**	(2,597,651)

FOR THE YEAR ENDED 31 DECEMBER 2017

	Notes	2017 HK$'000	2016 HK$'000
Financing activities	40		
New borrowings		12,636,885	8,234,259
Repayment of borrowings		(8,914,795)	(7,768,377)
Dividends paid		(68,467)	–
Dividends paid to non-controlling interests	27	–	(70,140)
Finance costs paid		(1,287,687)	(777,698)
Contribution from non-controlling interests		4,633	–
Advances from associates		131,536	–
Repayments to associates		(153,858)	–
Advances from joint ventures		1,196,769	–
Repayments to joint ventures		(1,976)	–
Decrease in amounts due to non-controlling interests		(324,390)	–
Decrease in amounts due to related companies		(3,981,523)	–
Net cash used in financing activities		(762,873)	(381,956)
Net (decrease)/increase in cash and cash equivalents		(61,428)	5,728,058
Cash and cash equivalents at 1 January		14,594,755	9,689,637
Effect of foreign exchange rate changes on cash and cash equivalents		1,003,298	(822,940)
Cash and cash equivalents at 31 December		15,536,625	14,594,755
Analysis of balances of cash and cash equivalents			
Cash and bank balances as stated in the consolidated statement of financial position		16,149,246	15,158,177
Less: Short-term time deposits with maturity beyond three months but within one year	28(c)	(612,621)	(563,422)
Cash and cash equivalents at 31 December		15,536,625	14,594,755

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 Suites 701–702, 7/F., Three Pacific Place, 1 Queen's Road East, Hong Kong with effect from 29 January 2018.

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

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

The Company is an associated company of China Overseas Land & Investment Limited ("COLI"). COLI is a company incorporated in Hong Kong with limited liability and its shares are listed on the Stock Exchange. COLI's ultimate holding company is 中國建築集團有限公司 China State Construction Engineering Corporation* ("CSCEC") (formerly known as 中國建築工程總公司 China State Construction Engineering Corporation), an entity established in the PRC.

The financial statements on pages 62 to 155 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 2017 were approved and authorized for issue by the directors on 26 March 2018.

* English translation is for identification only

2. ADOPTION OF NEW OR REVISED HKFRSs

2.1 Adoption of new or revised HKFRSs — effective 1 January 2017

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 2017:

Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealized losses
Annual Improvements to HKFRSs 2014–2016 Cycle	Amendments to HKFRS 12 Disclosure of Interests in Other Entities

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.

The adoption of the amendments has led to the additional disclosure presented in note 40 — note to the consolidated statement of cash flows.

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 of fair value.

The adoption of the amendments has no material impact on these financial statements as the clarified treatment is consistent with the manner in which the Group has previously recognised deferred tax assets.

Annual Improvements to HKFRSs 2014–2016 Cycle Amendments to HKFRS 12 Disclosure of Interests in Other Entities

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKFRS 12 *Disclosure of Interests in Other Entities* to clarify that the disclosure requirements of HKFRS 12, other than the requirements to disclose summarised financial information, also apply to an entity's interests in other entities classified as held for sale or discontinued operations in accordance with HKFRS 5 *Non-Current Assets Held for Sale and Discontinued Operations.*

The adoption of the amendments to HKFRS 12 has no impact on these financial statements as the Group does not have any interests in other entities being classified as held for sale or discontinued operations in accordance with HKFRS 5.

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.

HKFRS 9	Financial Instruments[1]
HKFRS 15	Revenue from Contracts with Customers[1]
HKFRS 16	Leases[2]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures[2]
Amendments to HKAS 40	Transfers of Investment Property[1]
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions[1]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint venture[3]
Amendments to HKFRS 15	Clarifications to HKFRS 15 Revenue from Contracts with Customers[1]
Annual Improvements to HKFRSs 2015–2017 Cycle	Amendments to HKFRS 3 Business Combinations, HKFRS 11 Joint Arrangements, HKAS 12 Income Taxes and HKAS 23 Borrowing costs[2]
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration[1]
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments[2]

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

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

3 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.

2. ADOPTION OF NEW OR REVISED HKFRSs (CONTINUED)

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

The directors of the Company anticipate that all of the relevant pronouncements will be adopted in the Group's accounting policy for the first period beginning after the effective date of the pronouncement. Those new or revised HKFRSs that are expected to have a material impact on the Group's financial statements are set out below:

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 amortised 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 recognised 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.

Based on the Group's financial instruments and risk management policies as at 31 December 2017, the directors of the Company anticipate the following potential impact on initial application of HKFRS 9.

Debt instruments classified as trade and other receivables, amounts due from associates, joint ventures and non-controlling interests and bank balances including restricted cash and deposits carried at amortised cost are held within a business model whose objective is to collect the contractual cash flows that are solely payments of principal and interest on principal outstanding. Accordingly, these financial assets will continue to be subsequently measured at amortised cost upon the application of HKFRS 9.

The Group's investment in equity investments currently classified as available-for-sale financial assets will be reclassified to financial assets at fair value through other comprehensive income upon the application of HKFRS 9. Based on the fair value assessments undertaken to date, the Group does not expect material impact on the Group's financial statements.

2. ADOPTION OF NEW OR REVISED HKFRSs (CONTINUED)

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

HKFRS 9 Financial Instruments (Continued)

Derivative financial instruments currently measured at fair value through profit or loss will continue to be measured on the same basis under HKFRS 9.

There will be no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Group does not have any such liabilities. The derecognition rules have been transferred from HKAS 39 *Financial Instruments: Recognition and Measurement* and have not been changed.

Except for the expected credit loss model which may result in earlier provision of credit losses, the directors do not anticipate that the application of HKFRS 9 will have material impact on the Group's financial statements.

HKFRS 15 Revenue from Contracts with Customers and amendments to HKFRS 15 Revenue from Contracts with Customers (Clarifications to HKFRS 15)

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.

In 2016, the HKICPA issued 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 15 Revenue from Contracts with Customers and amendments to HKFRS 15 Revenue from Contracts with Customers (Clarifications to HKFRS 15) (Continued)

Management has assessed the effects of applying the new standard on the Group's financial statements and has identified the following areas that will be affected:

- Revenue from pre-sales of properties under development is recognised when or as the control of the asset is transferred to the customer. Depending on the terms of the contract and laws that apply to the contract, control of the properties under development may transfer over time or at a point in time.

- The timing of revenue recognition for sale of completed properties, which is currently based on whether significant risk and reward of ownership of properties transfer, will be recognised at a later point in time when the underlying property is legally or physically transferred to the customer under the control transfer model.

- The Group currently offers different payment schemes to customers, the transaction price and the amount of revenue for the sale of property will be adjusted when significant financing component exists in the contract.

- The Group provides different incentives to customers when they sign a property sale contract. Certain incentives (e.g. free gift and property management service) represent separate performance obligation in a contract. Part of the consideration of the contract will be allocated to those performance obligations and recognised as revenue only when such performance obligation is satisfied. The amount of revenue for the sale of property will also be reduced for any cash payment to customer which is not a payment for distinct goods or services from the customer.

- Certain costs incurred for obtaining a pre-sale property contract (e.g. sale commission), which is currently expensed off in profit or loss directly, will be eligible for capitalisation under HKFRS 15 and match with the revenue recognition pattern of related contract in the future.

The Group intends to adopt the standard on all contracts at 1 January 2018 using the modified retrospective approach which means that the cumulative impact of the adoption will be recognised in retained profits as of 1 January 2018 and that comparatives will not be restated.

The Group is estimating the overall impact of the above on the Group's retained profits on 1 January 2018.

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 not 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.

As set out in note 43, the Group leases certain office premises, quarters and shopping mall operating right under operating lease arrangements, which are currently accounted for under the accounting policy as set out in note 3.11 to the consolidated financial statements. As at 31 December 2017, the total operating lease commitment in respect of these leases amounted to HK$66,424,000. The directors have performed a preliminary assessment and consider that these arrangements will meet the definition of a lease under HKFRS 16, and hence the Group will need to perform further analysis to determine the amounts of new right-of-use asset and lease liabilities to be recognised, after taking into account the applicable practical expedients and relief. The Group will recognise a right-of-use asset and a corresponding lease liability in respect of the leases except for those qualify for low value or short-term leases upon the application of HKFRS 16. In addition, more quantitative and qualitative disclosures about the leases will be made following the requirements of HKFRS 16.

Amendments to HKAS 40 Investment Property — Transfers of Investment Property

The amendments clarify that to transfer to or from investment properties there must be a change in use and provides guidance on making this determination. The clarification states that a change of use will occur when a property meets, or ceases to meet, the definition of investment property and there is supporting evidence that a change has occurred.

The amendments also re-characterise the list of evidence in the standard as a non-exhaustive list, thereby allowing for other forms of evidence to support a transfer.

2. ADOPTION OF NEW OR REVISED HKFRSs (CONTINUED)

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

Amendments to HKFRS 9 Prepayment Features with Negative Compensation

The amendments clarify that prepayable financial assets with negative compensation can be measured at amortised cost or at fair value through other comprehensive income if specified conditions are met — instead of at fair value through profit or loss.

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.

HK(IFRIC)-Int 22 Foreign Currency Transactions and Advance Consideration

The Interpretation provides guidance on determining the date of the transaction for determining an exchange rate to use for transactions that involve advance consideration paid or received in a foreign currency and the recognition of a non-monetary asset or non-monetary liability. The Interpretations specifies that the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part thereof) is the date on which the entity initially recognises the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration.

HK(IFRIC)-Int 23 Uncertainty over Income Tax Treatments

The Interpretation supports the requirements of HKAS 12 *Income Taxes* by providing guidance over how to reflect the effects of uncertainty in accounting for income taxes.

Under the Interpretation, the entity shall determine whether to consider each uncertain tax treatment separately or together based on which approach better predicts the resolution of the uncertainty. The entity shall also assume the tax authority will examine amounts that it has a right to examine and have full knowledge of all related information when making those examinations. If the entity determines it is probable that the tax authority will accept an uncertain tax treatment, then the entity should measure current and deferred tax in line with its tax filings. If the entity determines it is not probable, then the uncertainty in the determination of tax is reflected using either the "most likely amount" or the "expected value" approach, whichever better predicts the resolution of the uncertainty.

Except for the above, other new or revised HKFRSs that have been issued but are not yet effective are unlikely to have material impact on the Group's results and financial position 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 and certain financial instruments which are measured at fair value. The measurement bases 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.

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.

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Business combination and basis of consolidation (Continued)

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.

3.3 Subsidiaries

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

— power over the investee;

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

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.4 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.

3.5 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).

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.5 Joint arrangements (Continued)

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.

3.6 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 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 3.27(iii).

For a transfer from investment property carried at fair value to owner-occupied property, the property's deemed cost for subsequent accounting is its fair value at the date of change in use. For property occupied by the Group as an owner-occupied property which becomes an investment property, the Group accounts for such property in accordance with the policy of property, plant and equipment (note 3.9) 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.9 Property, plant and equipment (Continued)

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.

Construction in progress is stated at cost less impairment losses. Cost comprises direct costs of construction as well as borrowing costs capitalized during the periods of construction and installation. Capitalization of these costs ceases and the construction in progress is transferred to the appropriate class of property, plant and equipment when substantially all the activities necessary to prepare the assets for their intended use are completed. No depreciation is provided for in respect of construction in progress until it is completed and ready for its intended use.

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.

3.10 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 an indefinite life is reviewed annually to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

Shopping mall operating right

Shopping mall operating right represents the right of operating a shopping mall which is carried at cost less accumulated amortization and any impairment losses. Amortization is provided on a straight-line basis over the period of operation of 30 years.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, rental 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.

3.12 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.12 Impairment of non-financial assets (Continued)

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.

3.13 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.13 Investments and other financial assets (Continued)

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.

Financial assets at fair value through profit or loss

These assets include financial assets held for trading. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments or financial guarantee contracts.

Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value, with changes in fair value recognized in profit or loss in the period in which they arise.

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.

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;

— granting concession to a debtor because of debtor's financial difficulty;

— 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 re-translated. Non-monetary items carried at fair value that are denominated in foreign currencies are re-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 the 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 the 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.

3.20 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.21 Financial liabilities

Financial liabilities, comprising borrowings, guaranteed notes payable, amounts due to related parties, 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 fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in profit or loss.

Subsequent to initial recognition, financial liabilities at fair value through profit or loss are measured at fair value, with changes in fair value recognised in profit or loss in the period in which they arise.

Financial liabilities at amortized cost

Borrowings, guaranteed notes payable (note 33), amounts due to related parties, 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 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 amortisation recognized in accordance with HKAS 18 *Revenue*.

3.23 Employee benefits

Short-term employee benefits

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

Defined contribution retirement plan

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

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)

3.24 Provisions and contingent liabilities

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

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

3.25 Equity instruments

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

3.26 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.27 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 bases:

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

(v) Other service fee income are recognized on an appropriate basis over the relevant period in which the services are rendered.

3.28 Related parties

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

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

(ii) has significant influence over the Group; or

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.28 Related parties (Continued)

(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.

3.29 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 JUDGMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

In addition to information discussed elsewhere in the financial statements, 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 fair values of the investment properties as at 31 December 2017 were estimated by the directors with reference to the property valuation as at 31 October 2017 conducted by independent professional valuers and taking into account of the market development since the valuation date up to the end of the reporting period. 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 valuation date and at the end of the reporting period.

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

Include in the consolidated statement of financial position at 31 December 2017 is inventories of properties with an aggregate carrying amount of approximately HK$54,414,394,000 (2016: HK$49,011,793,000), 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.

4. CRITICAL ACCOUNTING JUDGMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

4.1 Key sources of estimation uncertainty (Continued)

(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) *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.

4.2 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 3.27(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) *Joint arrangement*

As at 31 December 2017, 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:

	2017 **HK$'000**	2016 HK$'000
Sales of properties	**20,004,650**	16,900,061
Property rental income	**206,614**	193,424
Hotel and other services income	**66,567**	–
Total revenue	**20,277,831**	17,093,485

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 mainly engages in hotel operations and generates service fee income in relation to hotel operation and other ancillary 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, joint ventures 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.

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/loss, 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 2017				
Reportable segment revenue	20,004,650	206,614	66,567	20,277,831
Reportable segment profit/(loss)	2,951,018	365,664	(28,454)	3,288,228
Corporate income				671
Change in fair value of a derivative financial instrument				1,974
Finance costs				(32,500)
Other corporate expenses				(76,222)
Profit before income tax				3,182,151
As at 31 December 2017				
Reportable segment assets	88,483,940	3,182,074	1,191,963	92,857,977
Tax assets				1,728,572
Corporate assets ^				737,197
Total consolidated assets				95,323,746
Reportable segment liabilities	42,310,717	95,875	15,354	42,421,946
Tax liabilities				6,062,672
Borrowings				24,211,838
Amounts due to related companies				4,942,323
Guaranteed notes payable				3,159,180
Other corporate liabilities				62,773
Total consolidated liabilities				80,860,732

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 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

^ Corporate assets as at 31 December 2017 mainly included property, plant and equipment, prepaid lease rental on land, trade and other receivables, prepayments and deposits and cash and bank balances of HK$155,155,000, HK$123,022,000, HK$395,525,000 and HK$61,518,000 respectively (2016: cash and bank balances of HK$403,248,000) which were managed on group basis.

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 2017					
Interest income	176,168	1,264	43	671	178,146
Depreciation and amortization	7,903	5,445	26,257	15,202	54,807
Fair value gain on investment properties	–	191,830	–	–	191,830
Gain on disposal of investment properties	–	542	–	–	542
Gain on disposal of property, plant and equipment	431	–	28	–	459
Write-off of property, plant and equipment	194	–	6,409	–	6,603
Write-off of available-for-sale financial assets	–	–	535	–	535
Share of profit of associates	57,153	–	–	–	57,153
Share of (loss)/profit of joint ventures	(28,734)	18,880	–	–	(9,854)
Additions to specified non-current assets#	58,011	46	232,697	218	290,972
As at 31 December 2017					
Interests in associates	135,907	–	–	–	135,907
Interests in joint ventures	323,845	125,284	–	–	449,129

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

Including additions to the Group's investment properties, other property, plant and equipment, prepaid lease rental on land, intangible assets, interests in associates and 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 joint ventures, is as follows:

	2017 HK$'000	2016 HK$'000
Hong Kong	**513**	1,719
Other regions of the PRC	**4,940,647**	4,185,232
	4,941,160	4,186,951

Information about major customer

None of the customers individually contributed 10% or more of the Group's revenue for the years ended 31 December 2017 and 2016.

7. OTHER INCOME

	2017 HK$'000	2016 HK$'000
Interest income on:		
Bank deposits	**173,658**	125,557
Amount due from a joint venture	**4,488**	–
Total interest income on financial assets not at fair value through profit or loss	**178,146**	125,557
Sundry income	**20,483**	34,196
	198,629	159,753

8. PROFIT BEFORE INCOME TAX

	2017 HK$'000	2016 HK$'000
Profit before income tax is arrived at after charging/(crediting):		
Amortization:		
Prepaid lease rental on land	**9,256**	165
Intangible assets#	**4,490**	4,532
Depreciation of property, plant and equipment	**41,061**	8,605
Total amortization and depreciation	**54,807**	13,302
Remuneration to auditor for audit services*:		
— Current year	**2,740**	2,380
Cost of sales and services provided comprise:		
— Amount of inventories recognized as expense	**16,121,185**	14,131,734
Net foreign exchange loss	**14,264**	9,609
Operating lease charge on land and buildings	**18,669**	16,086
Outgoings in respect of:		
— investment properties	**44,760**	44,116
— others	**13,381**	13,760
	58,141	57,876
Net rental income from:		
— investment properties	**(133,458)**	(129,332)
— others	**(15,015)**	(6,216)
	(148,473)	(135,548)
Staff costs (note)	**580,502**	420,704
Gain on disposal of property, plant and equipment	**459**	1,580
Write-off of property, plant and equipment	**6,603**	10
Business tax and other levies	**451,916**	824,678

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$530,000 (2016: HK$1,240,000)

8. PROFIT BEFORE INCOME TAX (CONTINUED)

Note:

Staff costs (including directors' emoluments) comprise:

	2017 HK$'000	2016 HK$'000
Salaries, allowances and other benefits	551,947	399,743
Contributions to defined contribution retirement plans (note 41)	28,555	20,961
	580,502	420,704

9. FINANCE COSTS

	2017 HK$'000	2016 HK$'000
Interest on bank borrowings, overdrafts and other loans	865,288	486,773
Interest on amount due to an associate	15,263	–
Interest on amount due to non-controlling interests	2,218	–
Interest on amounts due to related companies	182,628	–
Imputed interest expense on guaranteed notes payable (note 33)	169,548	168,984
Total interest expense on financial liabilities not at fair value through profit or loss	1,234,945	655,757
Less: Amount capitalized (note)	(1,202,445)	(637,307)
	32,500	18,450

Note: Borrowing costs capitalized during the year arose from the general borrowing pool and are calculated by applying an average capitalization rate of 3.58% (2016: 3.68%) per annum to expenditure on qualifying assets.

10. INCOME TAX EXPENSE

	2017 HK$'000	2016 HK$'000
Current tax for the year		
Hong Kong profits tax	–	–
Other regions of the PRC		
— Enterprise income tax ("EIT")	1,168,879	798,017
— LAT	1,027,643	699,160
	2,196,522	1,497,177
Under/(Over) provision in prior years		
Other regions of the PRC	2,035	(9,439)
Deferred tax (note 34)	(278,140)	(307,742)
	1,920,417	1,179,996

10. INCOME TAX EXPENSE (CONTINUED)

For the year ended 31 December 2017, no Hong Kong profits tax has been provided as the Group did not derive any estimated assessable profit in Hong Kong for the year (2016: nil).

EIT arising from other regions of the PRC is calculated at 25% (2016: 25%) on the estimated assessable profits.

PRC LAT is levied at progressive rates from 30% to 60% (2016: 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.

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:

	2017 HK$'000	2016 HK$'000
Profit before income tax	3,182,151	2,114,551
Tax on profit at the rates applicable to profits in the jurisdictions concerned	838,153	574,789
Expenses not deductible for tax purpose	113,639	107,365
Income not taxable for tax purpose	(776)	(861)
Share of results of associates	(14,288)	–
Share of results of joint ventures	2,464	11
LAT deductible for calculation of income tax	(254,746)	(115,598)
Utilization of tax losses previously not recognized	(16,015)	(19)
Tax losses not recognized	74,173	2,473
Under/(Over) provision in prior years	2,035	(9,439)
Deferred tax provided for withholding tax on distributable profits of the Group's PRC subsidiaries	226,433	385
Others	(296)	13,366
	970,776	572,472
LAT	949,641	607,524
Income tax expense	1,920,417	1,179,996

11. DIVIDENDS

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

	2017 HK$'000	2016 HK$'000
Interim dividend — HK$0.01 (2016: nil) per ordinary share	22,822	–
Proposed final dividend — HK$0.03 (2016: HK$0.02) per ordinary share (note)	102,701	45,645
	125,523	45,645

Note:

The final dividend of HK$0.03 (2016: HK$0.02) per ordinary share, amounting to approximately HK$102,701,000 (2016: HK$45,645,000), has been proposed by the directors and is subject to approval by the shareholders of the Company in the forthcoming annual general meeting. The final dividend for the year ended 31 December 2017 of HK$102,701,000 is calculated based on 3,423,360,000 ordinary shares, which is the total number of ordinary shares in issue upon the completion of the Rights Issue as further detailed in note 50.

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

	2017 HK$'000	2016 HK$'000
Final dividend in respect of previous financial year, approved and paid during the year of HK$0.02 (2016: nil) per ordinary share	45,645	–

12. EARNINGS PER SHARE

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

	2017 HK$'000	2016 HK$'000
Earnings		
Profit for the year attributable to owners of the Company	1,271,398	900,243

	2017 '000	2016 '000
Weighted average number of ordinary shares		
Weighted average number of ordinary shares in issue during the year	2,282,240	2,282,240

Diluted earnings per share is same as the basic earnings per share as there have been no dilutive potential ordinary shares in existence during the year or prior year.

13. DIRECTORS' EMOLUMENTS AND FIVE HIGHEST PAID INDIVIDUALS' 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 2017					
Executive directors					
Mr. Zhang Guiqing	–	1,056	8,325	18	9,399
Mr. Wang Man Kwan, Paul	–	2,907	2,050	18	4,975
Mr. Yang Lin (note (b))	–	484	6,292	14	6,790
Mr. Xiang Hong (note (c))	–	19	–	–	19
Non-executive directors					
Mr. Yan Jianguo (note (a))	664	–	–	–	664
Mr. Yung Kwok Kee, Billy	250	–	–	–	250
Mr. Xiao Xiao (note (d))	533	–	–	–	533
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	110	–	–	360
	2,197	4,796	16,667	50	23,710

13. DIRECTORS' EMOLUMENTS AND FIVE HIGHEST PAID INDIVIDUALS' EMOLUMENTS (CONTINUED)

Directors' emoluments (Continued)

	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 (e))	–	501	1,277	14	1,792
Non-executive directors					
Mr. Xiao Xiao (note (d))	154	–	–	–	154
Mr. Hao Jian Min (note (f))	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

Notes:

(a) Mr. Yan Jianguo was appointed as non-executive director with effect from 13 June 2017.

(b) Mr. Yang Lin was appointed as executive director with effect from 21 March 2017.

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

(d) Mr. Xiao Xiao was appointed as non-executive director with effect from 15 November 2016 and resigned as non-executive director with effect from 12 June 2017.

(e) Mr. Liu Jun resigned as executive director with effect from 30 September 2016.

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

There is no arrangement under which a director waived or agreed to waive any emoluments during the year (2016: nil).

13. DIRECTORS' EMOLUMENTS AND FIVE HIGHEST PAID INDIVIDUALS' EMOLUMENTS (CONTINUED)

Five highest paid individuals

The five individuals with the highest emoluments in the Group include three (2016: three) directors, whose emoluments are included in the disclosures above. The emoluments of the remaining two (2016: two) highest paid individuals for the years ended 31 December 2017 and 2016 were as follows:

	2017 HK$'000	2016 HK$'000
Salaries, allowances and other benefits	1,852	1,157
Discretionary bonus	6,934	8,895
Retirement fund contributions	76	36
	8,862	10,088

Their emoluments were within the following bands:

	Number of individuals	
	2017	2016
HK$3,500,001–HK$4,000,000	1	–
HK$4,500,001–HK$5,000,000	–	1
HK$5,000,001–HK$5,500,000	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 (2016: nil).

14. INVESTMENT PROPERTIES

	2017 **HK$'000**	2016 HK$'000
Fair value		
At 1 January	**2,485,859**	2,855,569
Translation adjustment	**179,925**	(171,973)
Acquisition of subsidiaries (note 39)	**–**	11,179
Disposals (note (a))	**(22,411)**	(208,916)
Change in fair value	**191,830**	–
At 31 December	**2,835,203**	2,485,859

Notes:

(a) During the year ended 31 December 2017, the Group disposed of certain investment properties with aggregate carrying value of HK$22,411,000 (2016: HK$208,916,000) at aggregate consideration of HK$22,953,000 (2016: HK$229,917,000) and thus recognized gain on disposal of investment properties amounting to HK$542,000 (2016: HK$21,001,000).

(b) The fair value of the investment properties as at 31 December 2017 and 2016 is a level 3 recurring fair value measurement, which uses significant unobservable inputs (i.e. inputs not derived from market data).

The fair value gain arising from remeasurement of the investment properties for the year ended 31 December 2017 amounting to HK$191,830,000 represents an unrealized gain relating to those investment properties at the end of the reporting period. No fair value gain or loss arose from remeasurement of the investment properties for the year ended 31 December 2016.

(c) The fair value of the Group's investment properties as at 31 December 2017 has been determined by the directors with reference to the valuation carried out on 31 October 2017 by Crowe Horwath First Trust Appraisal Pte. Ltd., and taking into account market development since the valuation date up to 31 December 2017.

The fair value of China Overseas Building (No. 9 Office Building) as at 31 December 2016 had 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 had been determined with reference to the valuation carried out on that date by Crowe Horwath (HK) Consulting & Valuation Limited.

Crowe Horwath First Trust Appraisal Pte. Ltd. and Crowe Horwath (HK) Consulting & Valuation Limited are independent firms of professionally qualified valuers and have appropriate qualifications and recent experiences in the valuation of similar properties in nearby location.

14. INVESTMENT PROPERTIES (CONTINUED)

Notes: (Continued)

(c) (Continued)

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 carparks	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") 39,153 to RMB58,828 per square meter ("sq.m.") (2016: RMB37,793 to RMB54,539 per sq.m.) Car parks: RMB306,962 per unit (2016: 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% (2016: 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 comparable properties	6.8% to 7.8% (2016: 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	RMB207 to RMB381 per sq. m. (2016: RMB246 to RMB393 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	15.9% to 60.8% (2016: 7.5% to 62.9%)	The higher the vacancy rate, the lower the fair value
China Overseas Building (No. 9 Office Building) *	Jilin	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: RMB5,971 to RMB9,051 per sq.m. (2016: RMB6,008 to RMB9,818 per sq.m.) Car parks: RMB145,000 per unit (2016: RMB152,000 per unit)	The higher the selling price, 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.(2016: 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. (2016: RMB6,336 per sq.m.)	The higher the selling price per unit, the higher the fair value

* comprise office units, shops and carparks

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

Under the 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 the 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 2017 and 2016, none of the Group's investment properties were pledged as securities for the 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 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 and 1 January 2017	**498,401**	**4,084**	**57,166**	**28,966**	**376,732**	**965,349**
Translation adjustment	**34,710**	**–**	**4,261**	**2,325**	**34,023**	**75,319**
Additions	**5,179**	**–**	**46**	**1,033**	**230,472**	**236,730**
Disposals	**–**	**–**	**–**	**(170)**	**–**	**(170)**
Write-off	**(6,370)**	**–**	**(468)**	**(271)**	**–**	**(7,109)**
At 31 December 2017	**531,920**	**4,084**	**61,005**	**31,883**	**641,227**	**1,270,119**
DEPRECIATION						
At 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 and 1 January 2017	**4,994**	**3,257**	**11,118**	**18,461**	**–**	**37,830**
Translation adjustment	**1,233**	**–**	**1,238**	**1,826**	**–**	**4,297**
Depreciation provided	**27,597**	**817**	**6,256**	**6,391**	**–**	**41,061**
Write-off	**–**	**–**	**(427)**	**(79)**	**–**	**(506)**
At 31 December 2017	**33,824**	**4,074**	**18,185**	**26,599**	**–**	**82,682**
NET CARRYING AMOUNT						
At 31 December 2017	**498,096**	**10**	**42,820**	**5,284**	**641,227**	**1,187,437**
At 31 December 2016	493,407	827	46,048	10,505	376,732	927,519

As at 31 December 2017, owned-occupied properties (including prepaid lease rental on land) with net carrying amount of HK$394,684,000 (2016: HK$450,358,000) were pledged as securities for the borrowings and banking facilities of the Group (note 42).

16. PREPAID LEASE RENTAL ON LAND

	2017 HK$'000	2016 HK$'000
Carrying amount at 1 January	321,914	4,898
Translation adjustment	22,271	(303)
Acquisition of subsidiaries (note 39)	–	317,484
Amortization charged	(9,256)	(165)
Carrying amount at 31 December	334,929	321,914
Analyzed into:		
Non-current portion included in non-current assets	325,367	312,979
Current portion included in current assets	9,562	8,935
	334,929	321,914

17. INTANGIBLE ASSETS

	Shopping mall operating right HK$'000
COST	
At 1 January 2016	71,528
Translation adjustment	(5,255)
At 31 December 2016 and 1 January 2017	66,273
Translation adjustment	5,443
At 31 December 2017	71,716
AMORTIZATION AND IMPAIRMENT	
At 1 January 2016	54,174
Translation adjustment	(4,352)
Amortization charged	4,532
At 31 December 2016 and 1 January 2017	54,354
Translation adjustment	4,755
Amortization charged	4,490
At 31 December 2017	63,599
NET CARRYING AMOUNT	
At 31 December 2017	8,117
At 31 December 2016	11,919

18. INTERESTS IN ASSOCIATES

	2017 HK$'000	2016 HK$'000
Share of net assets	**135,907**	71,831

Details of the Group's associates as at 31 December 2017 are set out in note 52.

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

	2017 HK$'000	2016 HK$'000
For the year ended 31 December		
Share of the associates' profit for the year	**57,153**	–
Share of the associates' other comprehensive income	**6,923**	–
Share of the associates' total comprehensive income	**64,076**	–
As at 31 December		
Aggregate carrying amount of the Group's interests in associates	**135,907**	71,831

19. INTERESTS IN JOINT VENTURES

	2017 HK$'000	2016 HK$'000
Share of net assets	**449,129**	376,844
Less: Impairment	**–**	–
	449,129	376,844

As at 31 December 2017 and 2016, the Group had equity interests in 上海金鶴數碼科技發展有限公司 ("Shanghai Jinhe"), 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"). Shanghai Jinhe is 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.

Hefei Haifu and Shantou Kaixuan are project companies for which the Group developed property projects jointly with other parties. 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.

19. INTERESTS IN JOINT VENTURES (CONTINUED)

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 2017 are set out in note 53.

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

	2017 HK$'000	2016 HK$'000
For the year ended 31 December		
Share of the joint ventures' loss for the year	(9,854)	(45)
Share of the joint ventures' other comprehensive income	27,897	(21,168)
Share of the joint ventures' total comprehensive income	18,043	(21,213)
As at 31 December		
Aggregate carrying amount of the Group's interests in joint ventures	449,129	376,844

20. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2017 HK$'000	2016 HK$'000
Unlisted equity instruments, at cost	1,196	2,005

The 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.

During the year ended 31 December 2017, an investee was de-registered and after deducting distribution received from this investee amounting to HK$384,000, the Group has written off the net carrying amount of the investment in this investee amounting to HK$535,000.

21. A DERIVATIVE FINANCIAL INSTRUMENT

During the year ended 31 December 2017, the Group entered into an interest rate swap contract for a bank loan which is interest-bearing at floating rate.

The notional amount of the outstanding interest rate swap contract as at 31 December 2017 amounted to US$40,000,000. The contract swaps interest rate on floating basis at 3-month London InterBank Offered Rate plus 1.515% per annum to fixed rate of 3.2% per annum. The contract period is 3 years commencing on 6 January 2017 and will mature on 6 January 2020. The fair value of this interest rate swap contract as at 31 December 2017 was estimated to be HK$1,974,000.

As at 31 December 2017, the Group recognised "A derivative financial instrument" under non-current assets amounting to HK$1,974,000 with the corresponding amount being credited to profit or loss under "Other gains or losses — Change in fair value of a derivative financial instrument".

22. INVENTORIES OF PROPERTIES

	2017 **HK$'000**	2016 HK$'000
Properties under development, at cost	**40,190,356**	33,635,664
Properties held for sale, at cost	**14,224,038**	15,376,129
	54,414,394	49,011,793

As at 31 December 2017, properties under development amounting to HK$29,233,970,000 (2016: HK$24,242,667,000) are not expected to be recovered within twelve months from the end of the reporting period.

As at 31 December 2017, leasehold interests in land included in inventories of properties amounted to HK$26,318,753,000 (2016: HK$25,521,368,000).

As at 31 December 2017, inventories of properties with aggregate carrying value of HK$765,193,000 (2016: HK$2,065,660,000) were pledged as securities for the borrowings and banking facilities of the Group (2016: the Group and an associate), which will be released upon the Group's settlement of the borrowings and banking facilities (note 42).

23. OTHER INVENTORIES

	2017 **HK$'000**	2016 HK$'000
Raw materials and consumables	**2,060**	2,126

24. TRADE AND OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS

	2017 HK$'000	2016 HK$'000
Trade receivables	38,191	85,321
Less: Impairment of trade receivables (note (b))	–	(3,344)
Trade receivables, net (note (a))	38,191	81,977
Other receivables (note (c))	1,721,316	1,949,673
Prepayments and deposits (note (d))	8,043,417	3,436,110
Less: Impairment of other receivables (note (e))	(7,178)	(14,606)
	9,757,555	5,371,177
	9,795,746	5,453,154

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:

	2017 HK$'000	2016 HK$'000
30 days or below	1,116	1,452
31–60 days	503	112
61–90 days	508	999
91–180 days	464	2,090
181–360 days	17	53,250
Over 360 days	35,583	24,074
	38,191	81,977

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:

	2017 HK$'000	2016 HK$'000
181–360 days	–	44,375
Over 360 days	35,423	3,056
	35,423	47,431

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 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.

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

Notes: (Continued)

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

	2017 HK$'000	2016 HK$'000
At 1 January	**3,344**	–
Acquisition of subsidiaries (note 39)	**–**	3,344
Translation adjustment	**120**	–
Write-off	**(3,464)**	–
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 2017 included a receivable from the land authority amounting to HK$391,097,000. In current year, the Group paid tender deposit amounting to RMB526,600,000 for acquisition of lands through public tender, of which RMB197,625,000 has been refunded to the Group during the year whereas the remaining balance of approximately HK$391,097,000 remained outstanding as at 31 December 2017. Such amount has been refunded to the Group subsequently in January 2018.

Other receivables as at 31 December 2016 included an amount due from a third party enterprise amounting to HK$794,100,000 acquired from the Acquisition as set out in note 39, which was unsecured, interest-free and repayable on demand. As at 31 December 2016, management believed that no impairment allowance was necessary as there had not been a significant change in credit quality and the balance was still considered fully recoverable. Such amount was fully settled by cash payment during the year ended 31 December 2017.

(d) The balance of prepayments and deposits as at 31 December 2017 mainly comprise the followings:

(i) An amount of HK$73,687,000 (2016: HK$68,858,000) 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$6,300,455,000 (2016: HK$2,260,599,000) 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:

	2017 HK$'000	2016 HK$'000
At 1 January	**14,606**	–
Acquisition of subsidiaries (note 39)	**–**	14,606
Translation adjustment	**754**	–
Write-off	**(8,182)**	–
At 31 December	**7,178**	14,606

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

25. AMOUNTS DUE FROM/TO ASSOCIATES

The amounts due from/to associates as at 31 December 2017 and 2016 are unsecured, interest-free and repayable on demand except for an amount due to an associate as at 31 December 2016 amounting to HK$128,559,000 which was unsecured, interest-bearing at fixed rate of 8% per annum and repayable on demand.

26. AMOUNTS DUE FROM/TO JOINT VENTURES

The amounts due from/to joint ventures as at 31 December 2017 and 2016 are unsecured, interest-free and repayable on demand except for an amount due from a joint venture as at 31 December 2017 amounting to RMB255,000,000, equivalent to HK$305,057,000. This amount represented a loan granted to the joint venture in 2017, which is unsecured, interest-bearing at fixed rate of 5.225% per annum and repayable in September 2019.

27. AMOUNTS DUE FROM/TO NON-CONTROLLING INTERESTS

The amounts due from/to non-controlling interests as at 31 December 2017 and 2016 are unsecured, interest-free and repayable on demand except for an amount due to non-controlling interests as at 31 December 2016 amounting to HK$113,959,000 which was unsecured, interest-bearing at fixed rate of 6.15% per annum and repayable in August 2017.

During the year ended 31 December 2017, the entire amount of dividends attributable to non-controlling interest amounting to HK$25,015,000 was credited to the current account with the non-controlling interests. 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.

28. RESTRICTED CASH AND DEPOSITS/CASH AND BANK BALANCES

	2017 **HK$'000**	2016 HK$'000
Cash at banks and in hand (note (b))	**23,702,253**	20,820,499
Less: Restricted cash and deposits (note (a))	**(7,553,007)**	(5,662,322)
Cash and bank balances	**16,149,246**	15,158,177

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-sale 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 2017 was HK$7,553,007,000 (2016: HK$5,662,322,000).

(b) Cash balance denominated in RMB amounted to approximately HK$23,640,928,000 (2016: HK$20,417,369,000) as at 31 December 2017. 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 2017, the Group had time deposits of HK$612,621,000 (2016: HK$563,422,000) placed with banks with original maturity period of six months (2016: six months) and earned interest income at interest rate at 1.82% (2016: 1.60%) per annum. The entire amount of time deposit as of 31 December 2017 and 2016 was included in "cash and bank balances".

29. TRADE AND OTHER PAYABLES

	2017 HK$'000	2016 HK$'000
Trade payables (note)	8,436,569	8,515,703
Other payables and accruals	922,317	1,737,394
Deposits received	280,552	99,289
	9,639,438	10,352,386

Note:

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

	2017 HK$'000	2016 HK$'000
30 days or below	3,145,217	4,917,833
31–60 days	230,550	192,017
61–90 days	121,284	102,733
91–180 days	719,689	531,806
181–360 days	1,443,695	1,013,025
Over 360 days	2,776,134	1,758,289
	8,436,569	8,515,703

30. AMOUNTS DUE TO RELATED COMPANIES

Amounts due to related companies as at 31 December 2017 amounted to HK$4,942,323,000 (2016: HK$8,641,033,000) in aggregate. The amounts are unsecured and out of this sum, approximately HK$1,532,425,000 (2016: HK$2,590,157,000) are denominated in HK$ and the remaining balance of HK$3,409,898,000 (2016: HK$6,050,876,000) are denominated in RMB.

Balances denominated in HK$ amounting to HK$1,532,325,000 (2016: HK$2,581,711,000) are interest-bearing at Hong Kong Interbank Offered Rate and balances denominated in RMB amounting to HK$3,409,898,000 (2016: HK$5,994,972,000) are interest-bearing at the People's Bank of China prevailing lending rate whereas the remaining balances are interest-free.

The amount as at 31 December 2016 was repayable within one year from the completion of the Acquisition as set out on note 39. As at 31 December 2017, balances amounting to HK$4,852,569,000 and HK$89,754,000 are repayable on or before 29 June 2018 and on 18 October 2020 respectively.

31. CONSIDERATION PAYABLE FOR ACQUISITION

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

In January 2017, the Group fully settled the outstanding consideration of HK$1,912,695,000 by cash payment.

32. BORROWINGS

	2017 HK$'000	2016 HK$'000
Current liabilities		
Bank borrowings	**4,312,899**	4,463,815
Other loans	**598,150**	824,854
	4,911,049	5,288,669
Non-current liabilities		
Bank borrowings	**18,104,489**	12,110,560
Other loans	**1,196,300**	2,574,382
	19,300,789	14,684,942
	24,211,838	19,973,611

	2017 HK$'000	2016 HK$'000
Analysis into:		
Bank borrowings		
Secured	**285,325**	833,401
Unsecured	**22,132,063**	15,740,974
	22,417,388	16,574,375
Other loans		
Unsecured	**1,794,450**	3,399,236
	24,211,838	19,973,611

Note:

As at 31 December 2017, borrowings amounting to HK$285,325,000 (2016: HK$833,401,000) were secured by properties of the Group (note 42). In addition, as at 31 December 2017, borrowings amounting to HK$296,092,000 (2016: HK$1,397,375,000) were guaranteed by certain subsidiaries of COLI.

32. BORROWINGS (CONTINUED)

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

	2017 HK$'000	2016 HK$'000
On demand or within one year	4,312,899	4,463,815
More than one year, but not exceeding two years	2,306,309	5,179,880
More than two years, but not exceeding five years	15,798,180	6,930,680
	22,417,388	16,574,375

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

	2017 HK$'000	2016 HK$'000
On demand or within one year	598,150	824,854
More than one year, but not exceeding two years	1,196,300	338,582
More than two years, but not exceeding five years	–	2,235,800
	1,794,450	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 other lenders.

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

	2017 HK$'000	2016 HK$'000
HK$	11,683,072	11,635,000
RMB	8,914,237	5,742,361
United States Dollars ("US$")	3,614,529	2,596,250
	24,211,838	19,973,611

32. BORROWINGS (CONTINUED)

As at 31 December 2017, the Group's borrowings have been arranged as follows:

— borrowings denominated in HK$ are interest-bearing at annual floating rates of 2.75% to 4.13% (2016: 2.55% to 3.72%);

— borrowings denominated in US$ amounting to HK$2,001,948,000 (2016: HK$2,596,250,000) are interest-bearing at annual floating rates of 3.20% to 3.63% (2016: 3.17% to 3.29%) while the remaining balance of HK$1,612,581,000 (2016: nil) is interest-bearing at annual fixed rate of 3.42%; and

— borrowings denominated in RMB amounting to HK$8,316,087,000 (2016: HK$4,578,925,000) are interest-bearing at annual floating rates of 4.28% to 5.70% (2016: 4.51% to 5.70%) while the remaining balance of HK$598,150,000 (2016: HK$1,163,436,000) are interest-bearing at annual fixed rates of 3.80% (2016: 3.80% to 7.20%).

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.

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.

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.

33. GUARANTEED NOTES PAYABLE (CONTINUED)

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

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

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

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

	HK$'000
Carrying amount as at 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 and 1 January 2017	**3,148,508**
Imputed interest expense (note 9)	**169,548**
Finance costs paid	**(158,876)**
Carrying amount as at 31 December 2017	**3,159,180**

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$169,548,000 was incurred in the current year (2016: HK$168,984,000). The Guaranteed Notes are listed on the Stock Exchange. As at 31 December 2017, 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$3,150,732,000 (2016: HK$3,209,895,000) 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 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 and 1 January 2017	**2,945,846**	**513,256**	**(250,477)**	**361,505**	**(95,274)**	**3,474,856**
Translation adjustment	**192,272**	**37,527**	**(7,295)**	**28,047**	**(6,630)**	**243,921**
(Credited)/Charged to profit or loss (note 10)	**(419,977)**	**46,448**	**12,143**	**81,671**	**1,575**	**(278,140)**
At 31 December 2017	**2,718,141**	**597,231**	**(245,629)**	**471,223**	**(100,329)**	**3,440,637**

Represented by:

	2017 HK$'000	2016 HK$'000
Deferred tax liabilities	**3,786,595**	3,820,607
Deferred tax assets	**(345,958)**	(345,751)
	3,440,637	3,474,856

As at 31 December 2017, the Group has unused tax losses of HK$769,702,000 (2016: HK$539,083,000) available for offset against future profits. A deferred tax asset of HK$100,329,000 (2016: HK$95,274,000) has been recognized in respect of tax losses of approximately HK$401,314,000 (2016: HK$381,096,000). No deferred tax has been recognized in respect of the remaining tax losses of HK$368,388,000 (2016: HK$157,987,000) 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%.

34. DEFERRED TAX (CONTINUED)

As at 31 December 2017, deferred tax liabilities of approximately HK$471,223,000 (2016: HK$361,505,000) have been recognized in respect of the undistributed earnings of certain PRC subsidiaries amounted to approximately HK$9,325,362,000 (2016: HK$3,615,055,000). Deferred tax liabilities of approximately HK$7,783,000 as at 31 December 2017 (2016: HK$406,741,000) 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 2017, 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$254,764,000 as at 31 December 2017 (2016: HK$5,005,225,000).

35. SHARE CAPITAL

	Number of ordinary shares '000	HK$'000
Issued and fully paid		
Balance at 1 January 2016, 31 December 2016, 1 January 2017 and 31 December 2017	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:

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.

Asset revaluation reserve

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

Statutory reserves

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

36. RESERVES (CONTINUED)

THE GROUP (Continued)

Retained profits

Retained profits of the Group comprise:

	2017 HK$'000	2016 HK$'000
Final dividend proposed for the year (note 11(a))	**102,701**	45,645
Retained profits after proposed dividend	**10,641,452**	9,735,520
Total retained profits for the year	**10,744,153**	9,781,165

THE COMPANY

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

	HK$'000
At 1 January 2016	653,574
Profit and total comprehensive income for the year	401,905
At 31 December 2016 and 1 January 2017	**1,055,479**
Profit and total comprehensive income for the year	**166,020**
2017 interim dividend paid (note 11(a))	**(22,822)**
2016 final dividend paid (note 11(b))	**(45,645)**
At 31 December 2017	**1,153,032**

Retained profits of the Company comprise:

	2017 HK$'000	2016 HK$'000
Final dividend proposed for the year (note 11(a))	**102,701**	45,645
Retained profits after proposed dividend	**1,050,331**	1,009,834
Total retained profits for the year	**1,153,032**	1,055,479

37. NON-CONTROLLING INTERESTS

The total non-controlling interests as at 31 December 2017 were HK$785,872,000 (2016: HK$763,373,000), which are attributed to those 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 2017

	Notes	**2017 HK$'000**	2016 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		**11**	842
Interests in subsidiaries	51	**1,944,077**	1,944,077
		1,944,088	1,944,919
Current assets			
Other receivables, prepayments and deposits		**4,428**	2,061
Amounts due from subsidiaries		**17,387,044**	15,763,370
Cash and bank balances		**52,316**	402,729
		17,443,788	16,168,160
Current liabilities			
Other payables and accruals		**43,422**	43,548
Amounts due to subsidiaries		**4,814,330**	2,653,784
Borrowings		**2,050,000**	2,335,000
		6,907,752	5,032,332
Net current assets		**10,536,036**	11,135,828
Non-current liabilities			
Borrowings		**9,183,074**	9,881,250
Net assets		**3,297,050**	3,199,497
CAPITAL AND RESERVES			
Share capital	35	**2,144,018**	2,144,018
Retained profits	36	**1,050,331**	1,009,834
Proposed dividend	11(a)	**102,701**	45,645
Total equity		**3,297,050**	3,199,497

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 ("Acquisition") of the entire issued share capital (the "Sale Share") of Best Beauty Investments Limited ("Best Beauty"). Best Beauty was a wholly-owned subsidiary of the Seller and Best Beauty and its subsidiaries (collectively, "Best Beauty Group") are 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 RMB 1,713,246,900 (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:

	2016 HK$'000	2016 HK$'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
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)

39. BUSINESS COMBINATION (CONTINUED)

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 had 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 were expected to be uncollectible.

For the year ended 31 December 2016, the Group recognized a gain on bargain purchase of HK$30,000 in "Other gains or losses — Gain on bargain purchase".

The Group had 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.

The amounts due to COLI and its subsidiaries amounting to HK$8,641,033,000 as at 31 December 2016 represented outstanding loans and advances owing by Best Beauty Group and were classified as "Amounts due to related companies" in the consolidated statement of financial statements (note 30).

Best Beauty Group did not contribute any revenue and profit or loss to the Group during the year ended 31 December 2016. If the Acquisition had occurred on 1 January 2016, the Group's revenue and net profit for the year ended 31 December 2016 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 had been expensed and were included in "administrative expenses" for the year ended 31 December 2016.

During the year ended 31 December 2017, the Group fully settled the outstanding consideration amounting to HK$1,912,695,000 (note 31).

40. NOTE TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

	Borrowings HK$'000	Guaranteed notes payable HK$'000	Amounts due to associates HK$'000	Amounts due to joint ventures HK$'000	Amounts due to non-controlling interests HK$'000	Amounts due to related companies HK$'000
At 1 January 2017	19,973,611	3,148,508	186,832	–	886,353	8,641,033
Changes from cash flows:						
Proceeds from new borrowings	12,636,885	–	–	–	–	–
Repayment of borrowings	(8,914,795)	–	–	–	–	–
Advances received	–	–	131,536	1,196,769	–	–
Repayment of advances	–	–	(153,858)	(1,976)	(324,390)	(3,981,523)
Interest paid	(865,288)	(158,876)	(18,013)	–	(19,220)	(226,290)
	2,856,802	(158,876)	(40,335)	1,194,793	(343,610)	(4,207,813)
Other changes:						
Foreign exchange movement	516,137	–	15,116	39,410	68,463	326,475
Interest expenses	865,288	169,548	15,263	–	2,218	182,628
	1,381,425	169,548	30,379	39,410	70,681	509,103
As at 31 December 2017	24,211,838	3,159,180	176,876	1,234,203	613,424	4,942,323

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 Company 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$28,555,000 (2016: HK$20,961,000) represent contributions paid/payable to these schemes by the Group in the year. As at 31 December 2017, no forfeited contribution under these schemes is available to reduce the contribution payable in future (2016: nil).

42. PLEDGE OF ASSETS

As at 31 December 2017 and 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:

	2017 HK$'000	2016 HK$'000
Pledge for borrowings and banking facilities of the Group		
Owners-occupied properties (note 15)	394,684	450,358
Inventories of properties (note 22)	765,193	1,333,734
	1,159,877	1,784,092
Pledge for borrowings and banking facilities of an associate		
Inventories of properties (note 22)	–	731,926
	1,159,877	2,516,018

43. OPERATING LEASE ARRANGEMENTS

As lessee

The Group leases certain office premises, 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 (2016: six months to thirty years) and rentals are fixed over the contracted period. As at 31 December 2017, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of rented premises payable as follows:

	2017 HK$'000	2016 HK$'000
Within one year	13,841	17,097
In the second to fifth year, inclusive	28,704	20,246
Over five years	23,879	21,659
	66,424	59,002

As lessor

The Group leases out its investment properties (note 14), the shopping mall in which the Group has operating right (note 17) and certain units of inventories of properties under operating lease arrangements with leases negotiated for period ranging from one year to twenty years (2016: seven months to twenty years). As at 31 December 2017, the Group had contracted with tenants for the following future minimum lease payments receivable:

	2017 HK$'000	2016 HK$'000
Within one year	239,405	165,514
In the second to fifth year, inclusive	418,562	272,136
Over five years	191,777	144,723
	849,744	582,373

44. OTHER COMMITMENTS

As at 31 December 2017, the Group had other significant commitments as follows:

	2017 HK$'000	2016 HK$'000
Contracted for but not provided for in the financial statements:		
— Investment in joint ventures	–	52,359
— Acquisition of land	2,159,594	1,820,143
— Property development	5,891,102	5,603,883
Authorized but not contracted for:		
— Acquisition of land	–	1,600,342
— Property development	–	32,419

45. CONTINGENT LIABILITIES

(a) Guarantees

As at 31 December 2017, the Group had issued the following significant guarantees:

	2017 HK$'000	2016 HK$'000
Guarantees given to:		
— Banks and government agencies for mortgage loans granted to certain purchasers of the Group's properties	31,417,570	27,201,266
— Bank in respect of the banking facilities granted to an associate	–	111,790
— Bank in respect of the banking facilities granted to a joint venture	269,168	–

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.

(b) The Group, being a property developer in the PRC, is subject to extensive government requirements in many aspects of its property development operations, including but not limited to land acquisition and transfer, planning and construction works, etc. In the ordinary course of business, the Group has various development projects which are behind the original development timeline as stipulated in the land transfer agreements or approved by the local authorities. According to the regulation "Measures for Disposal of Unused Land", the government is empowered to levy idle land penalty and in the extreme case, confiscate the undeveloped land depending on circumstances. In addition, the delay in development may constitute default in contract terms of the land transfer agreements, of which the transferor can claim for liquidated damages.

45. CONTINGENT LIABILITIES (CONTINUED)

(b) (Continued)

As at 31 December 2017, the construction works of the land parcels of China Overseas Grand Oceans Lushan Xihai (Jiujiang) Investment Co., Ltd.*, Jiujiang Shenshuiwan Investment Co., Ltd.*, Jiujiang Taohuali Investment Co., Ltd.*, Jiujiang Xigu Investment Co., Ltd.* and Jiujiang Napagu Investment Co., Ltd.* have not yet commenced. Based on the communication with the local authority, the local authority had indicated that if the companies did not commence construction works on the concerned land parcels on or before 31 December 2017, it would consider taking action against the companies according to the relevant regulations. The companies are in the process of applying for approval from the local authority to extend the commencement date of construction works. However, the approval has not yet been granted as of the date of this report.

As at 31 December 2017, the construction works of the land parcels of China Overseas Zibo Property Co., Ltd.*, Zibo China Overseas Haiyi Property Co., Ltd.*, Zibo China Overseas Haiyue Property Co., Ltd.* and Zibo China Overseas Haichang Property Co., Ltd.* have not yet commenced. The local authority had levied liquidated damages on the companies and based on the communication with the local authority, it had indicated that it would confiscate the concerned land parcels according to the relevant regulations. The companies are negotiating with the local authority as the delay in development is due to changes in the overall development plan in the district in which the concerned land parcels are situated.

As of the date of this report, no action has been taken by the local authorities against the Group in respect of the delay of commencement of construction works on the concerned land parcels.

The directors estimated that the maximum amount of penalty and liquidated damages would not be more than approximately HK$540 million in aggregate according to the relevant regulations and land transfer agreements. The carrying amount of the aforementioned lands is approximately HK$3,360 million in aggregate as of 31 December 2017.

Notwithstanding the above, the directors, having regard to their past experience in handling similar matter and the latest local development, together with the application for extending the commencement date of construction works submitted and legal advice during the year, considered that the risk of confiscation of the concerned land parcels as well as penalty and liquidated damages is low.

Having regard to the nature and latest development, the directors are of the opinion that no non-conformity instance would have material impact on the result and financial position of the Group.

* English translation is for identification only

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 trademark licence agreement (the "2014 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 2014 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 2014 Trademark Licence Agreement, the Company agrees to pay 1% of its audited annual consolidated turnover for each financial year ended 31 December 2014, 2015 and 2016 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 2014 Trademark Licence Agreement. The total royalty payable under the 2014 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.

The 2014 Trademark Licence Agreement expired on 31 March 2017. On 31 March 2017, the Company and COLI entered into a new trademark licence agreement (the "2017 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 2017 Trademark Licence Agreement, a licence to use the Trademark in the PRC for a term commencing from 1 April 2017 and ending on 31 March 2020 (both days inclusive).

Pursuant to the 2017 Trademark Licence Agreement, the Company agrees to pay 1% of its audited annual consolidated turnover for each financial year ending 31 December 2017, 2018 and 2019 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 2017 Trademark Licence Agreement. The total royalty payable under the 2017 Trademark Licence Agreement for each of the twelve-month period between 1 April 2017 and 31 March 2020 shall not exceed HK$200,000,000.

For the year ended 31 December 2017, royalty incurred by the Group under the 2014 Trademark Licence Agreement and the 2017 Trademark Licence Agreement amounted to approximately HK$203,537,000 (2016: HK$170,755,000). As at 31 December 2017, the royalty payable to COLI amounted to HK$203,537,000 (2016: HK$170,755,000) 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.

46. RELATED PARTY TRANSACTIONS (CONTINUED)

(b) On 1 August 2014, the Group entered into tenancy agreements (the "2014 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 commenced from 1 August 2014 and ended 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 2014 Tenancy Agreements for each of the twelve-month period between 1 August 2014 and 31 July 2017 shall not exceed RMB14,005,000.

The 2014 Tenancy Agreements expired on 31 July 2017. On 28 July 2017, the Group entered into tenancy agreements (the "2017 Tenancy Agreements") with 北京仁和燕都房地產開發有限公司 and 北京中信新城逸海房地產開發有限公司 for a term of three years commencing from 1 August 2017 and ending on 31 July 2020. The annual rent payable by 北京仁和燕都房地產開發有限公司 and 北京中信新城逸海房地產開發有限公司 are RMB10,260,000 and RMB5,145,000 respectively. The total rental payable under the 2017 Tenancy Agreements for each of the twelve-month period between 1 August 2017 and 31 July 2020 shall not exceed RMB15,405,000.

For the year ended 31 December 2017, total rental income generated from the 2014 Tenancy Agreements and the 2017 Tenancy Agreements is approximately RMB13,893,000, equivalent to approximately HK$16,090,000 (2016: HK$15,851,000). As at 31 December 2017, rental income received in advance in respect of these leases amounted to approximately RMB1,223,000, equivalent to approximately HK$1,463,000 (2016: HK$1,305,000).

(c) On 1 June 2015, the Company and China Overseas Property Holdings Limited ("COPH") entered into a framework agreement (the "Property Management Agreement") pursuant to which COPH and its subsidiaries ("COPH Group") may provide property management services to the Group. The 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 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 ended 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 2017, total property management services fee incurred by the Group under the Property Management Agreement is approximately RMB42,068,000, equivalent to approximately HK$48,719,000 (2016: HK$42,787,000) whereas property management services paid is approximately RMB 39,817,000, equivalent to approximately HK$46,112,000 (2016: HK$49,069,000).

46. RELATED PARTY TRANSACTIONS (CONTINUED)

(c) (Continued)

As at 31 December 2017, the property management services fee payable to COPH Group amounted to RMB6,268,000, equivalent to approximately HK$7,498,000 (2016: HK$2,212,000) which was included in "Trade and other payables" in the consolidated statement of financial position while property management fee prepaid to COPH Group amounted to RMB3,149,000, equivalent to approximately HK$3,768,000 (2016: nil). 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) During the year ended 31 December 2017, certain subsidiaries of COLI which later become subsidiaries of COPH provided property management services to certain subsidiaries of Best Beauty and total property management services fee incurred by the Group under these arrangements amounted to RMB9,554,000, equivalent to approximately HK$11,064,000.

(e) On 20 October 2017, the Company and COPH entered into a framework agreement (the "New Projects Framework Agreement") pursuant to which any member of COPH Group may provide property management services and engineering services to the Group for certain property development projects in several emerging third tier cities in the PRC acquired by the Group from COLI Group in the Acquisition set out in note 39 (the "New Projects"). The New Projects Framework Agreement will commence on 1 January 2018 and end on 30 June 2020.

According to the New Projects Framework Agreement, the consideration payable by the Group for the year ending 31 December 2018 and 2019 and for the period commencing on 1 January 2020 and ending on 30 June 2020 shall not exceed HK$47,800,000, HK$45,900,000 and HK$25,800,000 respectively.

On 20 October 2017, the Company and COPH entered into another framework agreement (the "Prevailing Projects Framework Agreement") to increase the annual caps and extend the scope of services under the Property Management Agreement and renew the transaction as mentioned in note 46(c), pursuant to which any member of COPH Group may provide property management services and engineering services to the Group for property development projects in the PRC, Hong Kong, Macau and other locations (excluding the New Projects). The Prevailing Projects Framework Agreement will commence on 1 January 2018 and end on 30 June 2020.

According to the Prevailing Projects Framework Agreement, the consideration payable by the Group for the year ending 31 December 2018 and 2019 and for the period commencing on 1 January 2020 and ending on 30 June 2020 shall not exceed HK$115,600,000, HK$96,500,000 and HK$57,900,000 respectively.

For the year ended 31 December 2017, no property management services and engineering services fee was paid or payable by the Group to COPH Group under the New Projects Framework Agreement and the Prevailing Projects Framework Agreement.

46. RELATED PARTY TRANSACTIONS (CONTINUED)

(f) On 24 March 2016, the Company and China State Construction International Holdings Limited ("CSC") entered into a framework agreement (the "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). CSC is a fellow subsidiary of COLI.

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 CSC Group will be settled monthly in cash.

For the year ended 31 December 2017, total management fee incurred by the Group under the Construction Supervision Service Agreement is approximately RMB42,654,000, equivalent to approximately HK$49,398,000 (2016: HK$13,915,000) whereas management fee paid is approximately RMB41,982,000, equivalent to HK$48,619,000 (2016: HK$11,091,500). As at 31 December 2017, management fee payable to CSC Group amounted to RMB1,400,000, equivalent to approximately HK$1,675,000 (2016: HK$3,180,000) which was included in "Trade and other payables" in the consolidated statement of financial position. The management fee payable to CSC Group is unsecured and interest-free.

(g) As at 31 December 2017 and 2016, certain of the Group's borrowings and banking facilities are guaranteed by the subsidiaries of COLI.

(h) 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.

(i) As at 31 December 2017, the Group provided corporate guarantee amounting to HK$269,168,000 to secure for certain borrowings and banking facilities of a joint venture.

(j) For the year ended 31 December 2017, the Group received interest income from a joint venture amounting to HK$4,488,000 (note 7) whereas it incurred interest expense amounting to HK$15,263,000, HK$2,218,000 and HK$182,628,000 on amounts due to an associate, non-controlling interests and related companies respectively (note 9).

(k) In connection with the Rights Issue of the Company as further detailed in note 50, the Company entered into an underwriting agreement with COLI on 7 November 2017, pursuant to which COLI agreed to underwrite the rights shares of the Company and COLI is entitled to underwriting commission which is calculated at 1.5% of the aggregate subscription price in respect of the underwritten shares.

46. RELATED PARTY TRANSACTIONS (CONTINUED)

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

	2017 HK$'000	2016 HK$'000
Short-term employee benefits	23,660	33,003
Post-employment benefits	50	104
	23,710	33,107

(m) 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), (d), (e) and (f) 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 2017, the Group acquired certain parcels of land from the PRC government departments through public tender at an aggregate consideration of approximately HK$10,888,085,000 (2016: HK$4,930,667,000).

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.

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 entered into in the normal course of business of the Group.

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 25, 26, 27, 30 and 31.

The related party transactions in respect of items (a) to (g), (i) and (k) 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 cash 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 2017 and 2016 were as follows:

	2017 **HK$'000**	2016 HK$'000
Borrowings	**24,211,838**	19,973,611
Guaranteed notes payable	**3,159,180**	3,148,508
Less: restricted cash and deposits	**(7,553,007)**	(5,662,322)
Less: cash and bank balances	**(16,149,246)**	(15,158,177)
Net debt	**3,668,765**	2,301,620
Capital represented by equity attributable to owners of the Company	**13,677,142**	10,421,927
Net gearing ratio	**26.8%**	22.1%

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.

48. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY

48.1 Categories of financial instruments

	2017 **HK$'000**	2016 HK$'000
Financial assets		
Financial assets at fair value through profit or loss*	**1,974**	–
Available-for-sale financial assets	**1,196**	2,005
Loans and receivables#	**26,181,411**	23,388,980
Financial liabilities		
Financial liabilities at amortized cost^	**43,489,276**	44,914,980

* a derivative financial instrument

\# 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, joint ventures, non-controlling interests and other related companies, consideration payable for acquisition, borrowings and the guaranteed notes payable.

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

48.2 Financial results by financial instruments

	2017 HK$'000	2016 HK$'000
Fair value gain on:		
Financial assets at fair value through profit or loss	1,974	–
Interest income or (expenses) on:		
Loans and receivables	178,146	125,557
Financial liabilities at amortized cost	(1,234,945)	(655,757)
Impairment loss on:		
Available-for-sale financial assets	535	–

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, current 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 and current borrowings approximate their fair values.

For disclosure purpose, the fair values of non-current balances with a joint venture and a related company, borrowings and guaranteed notes payable are not materially different from their carrying values. Those fair values have been determined by using discounted cash flow models and are classified as level 3 in the fair value hierarchy. Significant inputs include the discount rate used to reflect the credit risks of the Group and the counterparty.

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

48.3 Fair value measurement (Continued)

(b) *Financial instruments measured at fair value*

The following table provides an analysis of financial instruments carried at fair value as at 31 December 2017 by level of fair value hierarchy.

— Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;

— Level 2: Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

— Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
As at 31 December 2017				
Financial assets				
Financial assets at fair value through profit or loss				
— A derivative financial instrument	–	1,974	–	1,974

During the year ended 31 December 2017, there were no transfers between levels.

The fair value of the derivative financial instrument, being interest rate swap contract was determined with reference to the valuation carried out by Asset Appraisal Limited, an independent professional valuer. The valuation is determined as the present value of the estimated future cash flows based on observed yield curves.

As at 31 December 2016, 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 2017 and 2016, the Group mainly 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 certain balances with associates, joint ventures, non-controlling interests and other 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. The interest rates and repayment terms of the borrowings, Guaranteed Notes and balances with associates, joint ventures, non-controlling interests and other related companies at the end of the reporting period are disclosed in notes 32, 33, 25, 26, 27 and 30 respectively.

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

49. FINANCIAL RISK MANAGEMENT (CONTINUED)

49.2 Market risk (Continued)

(b) Interest rate risk (Continued)

The management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

During the year ended 31 December 2017, the Group entered into an interest rate swap contract for a US$ denominated floating-rate bank loan. Details of this interest rate swap contract are set out in note 21.

The following sensitivity demonstrates the Group's exposure to a reasonably possible change in interest rates on its floating rate borrowings and amounts due to related companies, after excluding the bank loan which is hedged by the interest rate swap contract, 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):

	2017	2016
	HK$'000	HK$'000
(Decrease)/Increase in profit after tax and retained profits		
+ 50 basis point ("bp") (2016: 50 bp)	**(2,795)**	(3,322)
–10 bp (2016: 10 bp)	**559**	664

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 bank borrowings and other 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(a).

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 28) 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 2017 and 2016, the Group did not have significant concentration of credit risk as its trade and other receivables consists of a 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 24.

49. FINANCIAL RISK MANAGEMENT (CONTINUED)

49.3 Credit risk (Continued)

In respect of trade receivables as at 31 December 2017 and 2016, 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 or the government agencies. Accordingly, management considers that recoverability concern over those receivables is remote.

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(a)). If a purchaser defaults on the payment of the 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, the Group provided guarantees to banks for bank loans of a joint venture and an associate. In the opinion of the management, it is not probable that the joint venture and the associate would default payment of the bank loans 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 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 lenders.

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 2017					
Non-derivatives					
Bank borrowings	22,417,388	24,443,030	5,204,176	2,940,083	16,298,771
Other loans	1,794,450	1,922,320	673,807	1,248,513	–
Guaranteed notes payable	3,159,180	3,338,313	158,875	3,179,438	–
Trade payables, other payables and accruals	9,151,432	9,151,432	9,151,432	–	–
Amounts due to associates	176,876	176,876	176,876	–	–
Amounts due to joint ventures	1,234,203	1,234,203	1,234,203	–	–
Amounts due to non-controlling interests	613,424	613,424	613,424	–	–
Amounts due to related companies	4,942,323	5,034,487	4,937,057	4,263	93,167
	43,489,276	45,914,085	22,149,850	7,372,297	16,391,938
Derivatives					
Financial guarantees issued					
— Maximum amount guaranteed	–	31,686,738	31,686,738	–	–

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	–	–

The contractual financial guarantees provided by the Group are disclosed in note 45(a). 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 joint venture and the associate, management is in the opinion that it is not probable that the joint venture and the associate will default payment of the bank loans. Accordingly, no provision for the Group's obligations under the guarantees has been made.

50. EVENTS AFTER THE REPORTING DATE

On 7 November 2017, the board of directors announced that the Company proposed to raise gross proceeds of approximately HK$4,655.8 million by way of rights issue of approximately 1,141,120,000 rights shares on the basis of one rights share for every two existing shares of the Company at a subscription price of HK$4.08 per rights share (the "Rights Issue"). The Rights Issue was completed on 5 February 2018 and net proceeds of approximately HK$4,607,664,000 were raised by the Company. The number of issued ordinary shares of the Company was increased to approximately 3,423,360,000 shares and the share capital of the Company was increased from HK$2,144,018,000 to HK$6,751,682,000.

51. PARTICULARS OF SUBSIDIARIES

The particulars of the subsidiaries as at 31 December 2017 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	British Virgin Islands	Ordinary	1 share of US$1 each	–	100%	Investment holding
Best Beauty Investments Limited	British Virgin Islands	Ordinary	1 share of US$1 each	–	100%	Investment holding
Bliss China Limited	British Virgin Islands	Ordinary	1 share of US$1 each	–	100%	Investment holding
Bliss Depot Limited	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
Capital Way Investment Limited	Hong Kong	Ordinary	HK$1	–	100%	Investment holding
Celestial Wealth Developments Limited	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	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
Citirich International Limited	Hong Kong	Ordinary	HK$1	–	100%	Investment holding
City Glory Holdings Limited	British Virgin Islands	Ordinary	1 share of US$1 each	–	100%	Investment holding
East Pacific (H.K.) Limited	Hong Kong	Ordinary	HK$1	–	100%	Investment holding
Elite Way Developments Limited	British Virgin Islands	Ordinary	1 share of US$1 each	–	100%	Investment holding
Ever United Development Limited (note)	Hong Kong	Ordinary	HK$1	100%	–	Financing and investment
Flourish Ray Developments Limited	British Virgin Islands	Ordinary	1 share of US$1 each	–	100%	Investment holding
Global East Development Limited	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	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

51. 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	
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
Hai Jian International 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
Hero Path Investments Limited	British Virgin Islands	Ordinary	1 share of US$1 each	–	100%	Investment holding
High Faith Investments Limited	British Virgin Islands	Ordinary	1 share of US$1 each	–	100%	Investment holding
Hongbo Global Limited	British Virgin Islands	Ordinary	1 share of US$1 each	–	100%	Investment holding
Hong Bao Limited	British Virgin Islands	Ordinary	1 share of US$1 each	–	100%	Investment holding
Jet Pacific Investment Limited	Hong Kong	Ordinary	HK$1	–	100%	Investment holding
Long Capital Investment Limited (note)	Hong Kong	Ordinary	HK$1	–	100%	Investment holding
Longwide Holdings Limited	Hong Kong	Ordinary	HK$1	–	100%	Investment holding
Main Lucky International 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
Max Pacific Investment Limited (note)	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
Oceanic Roc Limited (note)	British Virgin Islands	Ordinary	1 share of US$1 each	–	100%	Investment holding
Pacific King Holdings Limited	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
Rainbow Hero Investments Limited (note)	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	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

51. 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	
Talent Race Holdings Limited	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
Well Great (H.K.) Limited	Hong Kong	Ordinary	HK$1	–	100%	Investment holding
World Dynasty Limited	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	RMB798,218,000 (2016: 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
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

51. PARTICULARS OF SUBSIDIARIES (CONTINUED)

Name of subsidiaries	Place of incorporation/ operation	Class of shares held	Paid up issued/ registered capital	Proportion of nominal value of issued/registered capital held by the Company Directly	Indirectly	Principal activities
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	RMB1,000,000,000 (2016: RMB50,000,000)	–	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
南寧中海宏洋置業有限公司	PRC^	Paid up capital	RMB1,700,000,000	–	100%	Property development
紹興中海宏洋地產有限公司	PRC#	Paid up capital	RMB50,000,000	–	100%	Property development
揚州中海宏洋置業有限公司	PRC#	Paid up capital	RMB50,000,000	–	100%	Property development
揚州中潤置業有限公司	PRC^	Paid up capital	RMB758,000,000	–	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	PRC^	Paid up capital	RMB126,191,763 (2016: Nil)	–	100%	Property development
中海宏洋(鹽城)房地產開發有限公司	PRC*	Paid up capital	RMB344,375,000	–	100%	Property development
中海宏洋地產(黃山)有限公司 (Formerly known as 中信建設(黃山)有限公司)	PRC*	Paid up capital	US$2,500,000	–	55%	Property development
中海潤洋置業(揚州)有限公司 (Formerly known as 中信泰富(揚州)置業有限公司)	PRC^	Paid up capital	US$60,000,000	–	100%	Property development
中海宏洋(深圳)投資有限公司 (Formerly known as 中海發展(深圳)有限公司)	PRC^	Paid up capital	RMB244,000,000	–	100%	Property development

51. 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	
中海瘦西湖房地產揚州有限公司 (Formerly known as 中信泰富瘦西湖房地產揚州有限公司)	PRC#	Paid up capital	RMB240,000,000	–	70%	Property development
揚州市江都區信泰置業有限公司	PRC#	Paid up capital	RMB185,600,000 (2016: nil)	–	100%	Property development
中海宏洋地產汕頭投資有限公司 (Formerly known as 中信地產汕頭投資有限公司)	PRC#	Paid up capital	RMB370,000,000	–	100%	Property development
汕頭中海宏洋南濱大酒店有限公司 (Formerly known as 汕頭中信南濱大酒店有限公司)	PRC#	Paid up capital	RMB10,000,000	–	100%	Hotel operation
汕頭中信南烽房地產有限公司	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	PRC#	Paid up capital	RMB10,000,000	–	70%	Property development
中海宏洋惠州控股有限公司 (Formerly known as 中信惠州控股有限公司)	PRC#	Paid up capital	RMB200,000,000	–	100%	Property development
惠州市中海宏洋地產有限公司 (Formerly known as 惠州豐通房地產有限公司)	PRC#	Paid up capital	RMB200,000,000	–	100%	Property development
中海宏洋惠州城市建設開發有限公司 (Formerly known as 中信惠州城市建設開發有限公司)	PRC#	Paid up capital	RMB130,000,000	–	100%	Property development
惠州盈通投資有限公司	PRC#	Paid up capital	RMB60,000,000	–	100%	Property development
中海宏洋惠州投資有限公司 (Formerly known as 中信地產惠州投資有限公司)	PRC#	Paid up capital	RMB20,000,000	–	100%	Property development
中海惠州湯泉旅遊度假村有限公司 (Formerly known as 中信惠州湯泉旅遊度假村有限公司)	PRC#	Paid up capital	RMB60,000,000	–	100%	Hotel operation
南昌宏洋地產有限公司 (Formerly known as 中信地產南昌投資有限公司)	PRC#	Paid up capital	RMB20,000,000	–	100%	Property development
中海宏洋廬山西海(九江)投資有限公司 (Formerly known as 中信廬山西海(九江)投資有限公司)	PRC#	Paid up capital	RMB800,000,000 (2016: RMB10,000,000)	–	100%	Property development
九江市深水灣投資有限公司	PRC#	Paid up capital	RMB10,000,000	–	100%	Property development
九江市桃花里投資有限公司	PRC#	Paid up capital	RMB10,000,000	–	100%	Property development
九江市溪谷投資有限公司	PRC#	Paid up capital	RMB10,000,000	–	100%	Property development

51. 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	
九江市納帕谷投資有限公司	PRC#	Paid up capital	RMB10,000,000	–	100%	Property development
淄博中海海頤置業有限公司	PRC^	Paid up capital	RMB266,360,000	–	100%	Property development
淄博中海海悦置業有限公司	PRC^	Paid up capital	RMB220,369,600	–	100%	Property development
淄博中海海昌置業有限公司	PRC^	Paid up capital	RMB206,571,410	–	100%	Property development
中海淄博置業有限公司	PRC^	Paid up capital	HK$770,000,000	–	100%	Property development
濰坊中海興業房地產有限公司	PRC#	Paid up capital	RMB50,000,000	–	100%	Property development
中海宏洋置業(徐州)有限公司 (note)	PRC#	Paid up capital	–	–	100%	Property development
西寧中海宏洋房地產開發有限公司 (note)	PRC#	Paid up capital	RMB20,000,000	–	100%	Property development
贛州中海地產有限公司 (note)	PRC#	Paid up capital	RMB10,000,000	–	100%	Property development
中海海華南通地產有限公司 (note)	PRC#	Paid up capital	RMB20,000,000	–	100%	Property development
合肥中海宏洋海東房地產開發有限公司(note)	PRC#	Paid up capital	RMB10,000,000	–	100%	Property development
合肥中海宏洋海創房地產開發有限公司(note)	PRC#	Paid up capital	RMB10,000,000	–	100%	Property development
揚州海龍置業有限公司 (note)	PRC#	Paid up capital	–	–	100%	Property development
揚州海富置業有限公司 (note)	PRC#	Paid up capital	–	–	100%	Property development
包頭市中海宏洋地產有限公司 (note)	PRC#	Paid up capital	RMB10,000,000	–	60%	Property development
蘭州中海海富房地產開發有限公司 (note)	PRC#	Paid up capital	–	–	100%	Property development

Note:

These subsidiaries were newly established or invested during the year ended 31 December 2017.

^ 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.

52. PARTICULARS OF ASSOCIATES

The particulars of the associates as at 31 December 2017 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	PRC#	Paid up capital	RMB10,000,000	–	30%	Property development
中信房地產汕頭金城有限公司	PRC#	Paid up capital	RMB10,000,000	–	45%	Property development
汕頭市中信濱河房地產有限公司	PRC#	Paid up capital	RMB10,000,000	–	45%	Property development

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

53. PARTICULARS OF JOINT VENTURES

The particulars of the joint ventures as at 31 December 2017 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	PRC*	Paid up capital	RMB550,000,000	–	45%	Property development
汕頭中海凱旋置業有限公司	PRC#	Paid up capital	RMB102,040,816 (2016: RMB10,204,082)	–	51%	Property development

* 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				
	2017	2016	2015	2014	2013
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	**20,277,831**	17,093,485	16,613,887	13,981,328	15,905,893
Profit before income tax	**3,182,151**	2,114,551	1,720,733	2,668,474	5,143,797
Income tax expense	**(1,920,417)**	(1,179,996)	(798,894)	(1,222,494)	(1,761,144)
Profit for the year	**1,261,734**	934,555	921,839	1,445,980	3,382,653
Profit/(Loss) for the year attributable to:					
Owners of the Company	**1,271,398**	900,243	851,196	1,267,402	3,136,038
Non-controlling interests	**(9,664)**	34,312	70,643	178,578	246,615
	1,261,734	934,555	921,839	1,445,980	3,382,653

CONSOLIDATED ASSETS AND LIABILITIES

	At 31 December				
	2017	2016	2015	2014	2013
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Total assets	**95,323,746**	81,353,715	55,796,620	55,308,266	43,001,228
Total liabilities	**(80,860,732)**	(70,168,415)	(43,986,783)	(42,335,897)	(30,729,564)
	14,463,014	11,185,300	11,809,837	12,972,369	12,271,664
Equity attributable to owners of the Company	**13,677,142**	10,421,927	11,172,751	12,301,255	11,304,824
Non-controlling interests	**785,872**	763,373	637,086	671,114	966,840
	14,463,014	11,185,300	11,809,837	12,972,369	12,271,664

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	7,759	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

(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 Jin Kou Tourist Town, Jiujiang, Jiangxi Province, the PRC	Residential	654,400	154,300	100%	Superstructure in progress	2012.03	2nd half 2018
The Aqua South of Xinhua Road, East of Changtai Road, Gangzha District, Nantong, the PRC	Residential/ Commercial	80,600	307,800	100%	Superstructure in progress	2013.07	1st half 2019
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	70,200	258,200	100%	Superstructure in progress	2013.08	1st half 2019
The Century East of Riyue Road, South of Juheng Road, Yancheng, Jiangsu, the PRC	Residential/ Commercial	8,900	28,700	100%	Superstructure in progress	2013.09	1st half 2018
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	142,300	100%	Superstructure in progress	2013.09	1st half 2018
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	1st half 2018
The Lagoon South of Nanning Road, East of Jindou West Road, Hefei, the PRC	Residential/ Commercial	37,900	115,500	100%	Superstructure in progress	2014.02	1st half 2018
The Arch South of Century Avenue, East of Kaifang Avenue, Yancheng, Jiangsu, the PRC	Residential/ Commercial	14,700	41,100	100%	Superstructure in progress	2014.03	1st half 2018
Imperial No. 9 West of Guanchao Road, North of Jiefang Road, Guangliong District, Yangzhou City, the PRC	Residential/ Commercial	3,500	8,600	100%	Superstructure in progress	2014.03	1st half 2018
The Grand Canal West of Zhouzhuang River West Road, South of Huayang East Road, Yangzhou, the PRC	Residential	29,600	59,500	100%	Superstructure in progress	2014.06	1st half 2018
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	236,700	528,100	85%	Superstructure in progress	2014.07	1st half 2018

(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 Xingguo Road, Zhanggong District, Ganzhou, the PRC (Land Lot No. B10)	Residential/ Commercial	54,100	217,400	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	2,100	8,700	100%	Superstructure in progress	2014.10	1st half 2018
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 (Land Lot No. 56)	Residential/ Commercial	132,200	301,400	85%	Superstructure in progress	2016.09	2nd half 2018
International Community No. 28 Jinping Road, Xingning District, Nanning, the PRC (Land Lot No. 14) (Land Lot No. 15)	Residential/ Commercial	225,800	890,400	100%	Superstructure in progress	2016.08 2017.11	1st half 2018 2nd half 2020
CITIC Triumph Town San Dong Digital Industrial Zone, Huicheng District, Huizhou, Guangdong Province, the PRC	Residential/ Commercial	103,000	172,100	100%	Superstructure in progress	2015.08	2nd half 2019
Yangzhou Jinyuan Hanjiang North Road, Weiyang District, Yangzhou, Jiangsu Province, the PRC	Residential	69,900	22,300	100%	Superstructure in progress	2015.12	1st half 2018
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
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	1st half 2018
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 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

(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
La Cite Nanbin Area, Citic Binhai New Town, Shantou, the PRC	Residential/ Commercial	216,600	989,400	100%	Superstructure in progress	2016.05	2nd half 2019
China Overseas Plaza West of Mogao Avenue, East of Xinyuan Road, South of Planning Road, Anning District, Lanzhou, the PRC	Residential/ Commercial	86,400	404,700	100%	Superstructure in progress	2016.06	2nd half 2019
Dynasty Court East of Planning Road, Anning District, Lanzhou, the PRC	Residential/ Commercial	22,700	106,600	100%	Superstructure in progress	2017.04	1st half 2019
The Glorious **(previously named as "South City New District Project")** East of Renmin Road, South of Lanhai Road, South City New District, Yancheng, Jiangsu, the PRC	Residential/ Commercial	131,500	381,800	80%	Superstructure in progress	2017.05	2nd half 2019
CITIC Harbour City 1 Xuri Yi Road, Huicheng District, Huizhou, Guangdong Province, the PRC	Residential/ Commercial	128,200	249,100	100%	Superstructure in progress	2017.07	2nd half 2018
Glory Manor **(previously named as "Yangzhou Jiangdu Plot")** North of Pujiang Road, West of Long Chuan Nan Road, Jiangdu, Yangzhou, Jiangsu Province, the PRC	Residential	77,300	245,500	100%	Superstructure in progress	2017.08	2nd half 2019
Coastal Palace **(previously named as "Xingzishan Project")** West of Woniushan Road, North of Xuxiao Highway, Quanshan District, Xuzhou, the PRC	Residential	30,100	85,500	100%	Superstructure in progress	2017.09	2nd half 2018
Yangzhou Jiajing West of Jiliang Road, North of Xinhu Road, East of Jiangdu Bei Road, Yangzhou, Jiangsu Province, the RPC	Residential	71,400	197,800	70%	Superstructure in progress	2017.10	1st half 2019
Central Mansion **(previously named as "Chongchuan District Project")** West of Xiaoxi Road, South of Qingnian Road, Chongchuan District, Nantong, the PRC	Residential/ Commercial	94,000	189,900	100%	Superstructure in progress	2017.10	2nd half 2019
Coli City South of Xinanjiang Road, East of Dazhong Road, Hefei, the PRC	Residential/ Commercial	64,900	172,500	100%	Superstructure in progress	2017.12	2nd half 2019

(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
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
Lakeside Style Town **(Land Lot B05, B15, C03, C05, C08 and C15)** Yingbin Road, Huanhu Road and Bei Er Road, 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	29,300	110,900	100%	Land under development

(C) PROPERTY HELD AS INVENTORIES (CONTINUED)

(II) Land held for Future Development (Continued)

Name/Location	Intended Usage	Approximate Total Site Area (sq.m.)	Approximate GFA (sq.m.)	Attributable Interest	Stage of Completion
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
Lushan Xihai West Jin Kou Tourist Town, Jiujiang, Jiangxi Province, the PRC	Residential	1,432,100	1,733,600	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
Coli City South of Xinanjiang Road, East of Dazhong Road, Hefei, the PRC	Residential/ Commercial	89,300	235,100	100%	Land under development
Chengnan New District Project South of Chuancheng Road, West of Binhe Road, Chengnan New District, Yancheng, Jiangsu, the PRC	Residential/ Commercial	51,800	135,200	100%	Land under development

(C) PROPERTY HELD AS INVENTORIES (CONTINUED)

(II) Land held for Future Development (Continued)

Name/Location	Intended Usage	Approximate Total Site Area (sq.m.)	Approximate GFA (sq.m.)	Attributable Interest	Stage of Completion
Chengbei District Project North of Menyuan Road, Xining, Qinghai Province, the PRC	Residential/ Commercial	182,200	654,400	100%	Land under development
Jinfeng District Project Jinfeng District	Residential	34,900	91,400	100%	Land under development
Tianning District Project North of Guanghua Road, East of Lingxi Road, Tianning District, Changzhou, the PRC	Residential/ Commercial	62,500	178,700	100%	Land under development
Guangling District Project South of Fumin Road, Yangzhou, Jiangsu Province, the RPC	Residential	116,900	286,000	100%	Land under development
Hanjiang District Project West of Jiliang Road, South of Zhuxi Road, Yangzhou, Jiangsu Province, the RPC	Residential	100,000	241,100	100%	Land under development
Gulou District Project East of Kuaisu Road, Gulou District, Xuzhou, the PRC	Residential/ Commercial	181,200	382,500	100%	Land under development
Jingkai District Project South of Xiangjiang Avenue, West of Dongjiang Avenue, Zhangjiang New District, Ganzhou, the PRC	Residential/ Commercial	47,900	131,100	100%	Land under development

(C) PROPERTY HELD AS INVENTORIES (CONTINUED)

(III) Completed Properties held for Sale/Occupation

Name/Location	Category	Approximate Saleable gross floor area (sq.m.) (excluding Car Park)	Attributable Interest
Maple Palace Jianwai Zhuanchang Hutong, Chaoyang District, Beijing, the PRC	Residential/ Commercial	37,174	100%
Dragon Bay South of Huanghe East Road, Xinbei District, Changzhou City, the PRC	Residential/ Commercial	24,162	100%
The Phoenix Junction of Fenghuang Road and Zhongwu Avenue, Tianning District, Changzhou, the PRC	Residential/ Commercial	26,174	100%
Dragon Cove West of Fengzhou Road, North of Bin He Road, Saihan District, Hohhot, Inner Mongolia Autonomous Region, the PRC	Residential/ Commercial	53,852	100%
The Azure North of Yinhe North Road, East of Xingan South Road, Hohhot, Inner Mongolia Autonomous Region, the PRC	Residential/ Commercial	27,582	100%
Left Bank North of Yinhe North Road, East of Xing'an South Road, Hohhot, Inner Mongolia Autonomous Region, the PRC	Commercial	20,796	100%
CITIC Triumph Town Zhu Zai Yuan, Sandon Town, Huizhou, Guangdong Province, the PRC	Residential/ Commercial	31,320	100%
Huizhou Tangquan 298 Huizhou Road, Huicheng District, Huizhou, Guangdong Province, the PRC	Residential/ Commercial	27,792	100%
CITIC Harbour City 1 Xuri Yi Road, Huicheng District, Huizhou, Guangdong Province, the PRC	Residential/ Commercial	67,860	100%
International Community No. 515, Yishan Road, Fengman District, Jilin City, Jilin Province, the PRC	Residential/ Commercial	12,955	85%
Lushan Xihai West Jin Kou Tourist Town, Jiujiang, Jiangxi Province, the PRC	Residential	40,117	100%

(C) PROPERTY HELD AS INVENTORIES (CONTINUED)

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

Name/Location	Category	Approximate Saleable gross floor area (sq.m.) (excluding Car Park)	Attributable Interest
Glorioushire South of Planning Road, East of Renshoushan Avenue, North of Beibinhe Road, Anning District, Lanzhou, the PRC	Residential/ Commercial	70,161	100%
The Green Peak No. 2, Dongzhou Road, Xingning District, Dong Gouling, Nanning, the PRC	Commercial	13,579	100%
Royal Lakefront Xiangsihu East Road, Xixiangtang District, Nanning, the PRC	Residential/ Commercial	20,280	100%
International Community No. 28 Jinping Road, Xingning District, Nanning, the PRC	Residential/ Commercial	57,090	100%
The Aqua South of Xinhua Road, East of Changtai Road, Gangzha District, Nantong, the PRC	Residential/ Commercial	53,051	100%
CITIC Golden Coast Hepu Longhutan, Haojiang District, Shantou, Guangdong Province, the PRC	Residential	39,761	100%
CITIC Huating Nan Keng Wei Reservoir, Mianbei Street, Chaoyang District, Shantou, Guangdong Province, the PRC	Residential/ Commercial	32,618	51%
Da Guan Tian Xia Gaoxin District, Weifang, Shandong Province, the PRC	Residential/ Commercial	78,681	100%
Yangzhou Jinyuan Hanjiang North Road, Weiyang District, Yangzhou, Jiangsu Province, the PRC	Residential/ Commercial	50,206	100%
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	60,825	85%

(D) PROPERTY HELD UNDER JOINT VENTURE

(I) PROPERTY HELD FOR INVESTMENT

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

(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 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 2019
The Arch **(previously named as** **"Xin Jin Pian District Project")** North of Zhong Shan Road East, Xin Jin Pian District, East Coast New Town, Shantou, the PRC	Residential	56,000	221,000	51%	Superstructure in progress	2017.03	2nd half 2018

(E) PROPERTY HELD UNDER ASSOCIATE

PROPERTY HELD FOR 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	44,400	45%	Superstructure in progress	2014.12	1st half 2018

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	中國建築集團有限公司 (formerly known as 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

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 62 to 155 of this annual report.

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