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

*(incorporated in Hong Kong with limited liability)*
**(Stock code: 688)**

# RESULTS ANNOUNCEMENT
# FOR THE YEAR ENDED 31 DECEMBER 2012

## FINANCIAL HIGHLIGHTS

1. Turnover increased by 25.8% to HK$64.58 billion, with the mainland property development business contributing 92.0% of the total turnover. (If the turnover of the jointly controlled entities attributable to the Group is taken into account, the total amount increased to HK$77.91 billion.)
2. Operating profit increased by 15.7% to HK$27.07 billion. Mainland property development contributed operating profit of HK$21.58 billion, an increase of 16.8% and comprising approximately 79.7% of operating profit. Gross profit margin contributed by mainland property development remained steady at a satisfactory level.
3. Net profit attributable to shareholders increased by 21.1% to HK$18.72 billion (equivalent to 15.16 billion yuan), of which HK$2.92 billion was related to the net gain after tax arising from changes in the fair value of investment properties (an increase of 19.7% compared with HK$2.44 billion in 2011). Core profits increased by 21.4 % to HK$15.80 billion (equivalent to 12.80 billion yuan).
4. Basic earnings per share increased by 21.2% to HK$2.29; net assets per share increased by 21.6% to HK$10.7.
5. Shareholders' funds were up 21.8% to HK$87.24 billion. Average return on shareholders' funds was 23.6%.
6. Sales of properties amounted to HK$111.52 billion, an increase of 28.1% over the corresponding figure last year, and sold area increased by 30.6% to over 7.29 million sq m.
7. During the year, the Group (that is, excluding China Overseas Grand Oceans Group Limited "COGO") directly acquired 20 land parcels, adding 6.64 million sq m GFA to its land reserve; COGO acquired six parcels of land with a total GFA of 3.68 million sq m. At the end of the year, the Group had a land reserve of 35.10 million sq m GFA; COGO had a land reserve of 9.13 million sq m.
8. As at 31 December 2012, the Group's debt structure further improved with the net gearing of the Group maintained at the satisfactory level of 20.5%; outstanding borrowings and guaranteed notes payable were about HK$37.64 billion and HK$21.15 billion respectively; and there was cash on hand of about HK$40.93 billion.
9. The Board proposed a final dividend of HK24 cents per share. Together with the interim dividend of HK15 cents and the special dividend of HK2 cents, total dividends declared for the year were HK41 cents per share, an increase of 24.2% compared with last year.

## EXERCISE CAUTION IN DETAILS AND IMPLEMENTATION
## BUILD A STRONG FOUNDATION TO SEEK GREATER SUCCESS

**The board of directors (the "Board") of China Overseas Land & Investment Ltd. (the "Company")** hereby announces the audited consolidated results of the Company and its subsidiaries (the "**Group**") for the year ended 31 December 2012. The consolidated profit after tax attributable to equity shareholders of the Company amounted to HK$18.72 billion, representing an increase of 21.1% as compared to 2011. The earnings per share is HK$2.29, representing an increase of 21.2% as compared to 2011.

### CONSOLIDATED INCOME STATEMENT

The audited consolidated results of the Group for the year ended 31 December 2012 and the comparative figures in 2011 are as follows:

| | *Notes* | **2012**<br>***HK$'000*** | 2011<br>*HK$'000*<br>*(restated)* |
|---|---|---|---|
| Turnover | *2* | **64,580,694** | 51,332,302 |
| Cost of sales | | **(37,574,299)** | (29,432,751) |
| Direct operating expenses | | **(2,281,192)** | (1,227,335) |
| | | **24,725,203** | 20,672,216 |
| Other income and gains | | **730,881** | 1,593,189 |
| Gain arising from changes in fair value of and transfer to investment properties | | **3,650,820** | 3,020,016 |
| Selling and distribution costs | | **(842,440)** | (661,516) |
| Administrative expenses | | **(1,194,135)** | (1,235,567) |
| Operating profit | | **27,070,329** | 23,388,338 |
| Gain on deemed disposal of subsidiaries | | - | 45,628 |
| Share of profits of | | | |
| Associates | | **339,515** | 202,838 |
| Jointly controlled entities | | **2,297,976** | 719,260 |
| Finance costs | *3* | **(285,602)** | (590,763) |
| Profit before tax | | **29,422,218** | 23,765,301 |
| Income tax expenses | *4* | **(10,589,747)** | (8,207,115) |
| Profit for the year | | **18,832,471** | 15,558,186 |
| Attributable to: | | | |
| Owners of the Company | | **18,722,221** | 15,464,098 |
| Non-controlling interests | | **110,250** | 94,088 |
| | | **18,832,471** | 15,558,186 |
| | | ***HK$*** | *HK$* |
| EARNINGS PER SHARE | 6 | | |
| Basic | | **2.29** | 1.89 |
| Diluted | | **2.29** | 1.89 |

| | | |
|---|---|---|
| Group turnover | **64,580,694** | 51,332,302 |
| Share of turnover of jointly controlled entities | **13,327,177** | 6,391,003 |
| | **77,907,871** | 57,723,305 |

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| | **2012** | 2011 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| | | *(restated)* |
| **Profit for the year** | **18,832,471** | 15,558,186 |
| **Other comprehensive income** | | |
| Exchange differences arising on translation of the Company and subsidiaries | **(75,875)** | 2,266,982 |
| Exchange differences on translation of associates | **20,750** | 99,893 |
| Exchange differences on translation of jointly controlled entities | **(12,165)** | 693,298 |
| Change in fair value of investments in syndicated property project companies | **(4,407)** | (91) |
| **Other comprehensive income for the year** | **(71,697)** | 3,060,082 |
| **Total comprehensive income for the year** | **18,760,774** | 18,618,268 |
| **Total comprehensive income attributable to:** | | |
| Owners of the Company | **18,650,988** | 18,505,540 |
| Non-controlling interests | **109,786** | 112,728 |
| | **18,760,774** | 18,618,268 |

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| | *Notes* | **31.12.2012** *HK$'000* | 31.12.2011 *HK$'000* *(restated)* | 1.1.2011 *HK$'000* *(restated)* |
|---|---|---|---|---|
| **Non-current Assets** | | | | |
| Investment properties | | **23,657,327** | 17,765,372 | 14,053,675 |
| Property, plant and equipment | | **975,862** | 337,635 | 319,388 |
| Prepaid lease payments for land | | **161,996** | 68,591 | 35,984 |
| Interests in associates | | **3,612,633** | 3,340,454 | 210,497 |
| Interests in jointly controlled entities | | **13,579,848** | 12,668,593 | 11,323,863 |
| Investments in syndicated property project companies | | **18,369** | 22,776 | 22,867 |
| Amounts due from associates | | **-** | 88,793 | 42,156 |
| Amounts due from jointly controlled entities | | **5,317,039** | 11,727,717 | 8,981,367 |
| Amounts due from syndicated property project companies | | **-** | - | 154 |
| Other financial assets | | **51,436** | 17,417 | 23,726 |
| Goodwill | | **109,021** | 109,021 | 109,021 |
| Other intangible asset | | **-** | - | 39,870 |
| Deferred tax assets | | **2,073,652** | 1,844,924 | 1,190,537 |
| | | **49,557,183** | 47,991,293 | 36,353,105 |
| **Current Assets** | | | | |
| Inventories | | **24,238** | 30,682 | 4,154 |
| Stock of properties | | **108,479,874** | 94,801,075 | 82,390,991 |
| Land development expenditure | | **3,271,962** | 2,670,856 | 2,070,984 |
| Prepaid lease payments for land | | **5,105** | 2,096 | 2,745 |
| Trade and other receivables | *7* | **2,598,854** | 1,850,085 | 2,874,544 |
| Deposits and prepayments | | **3,838,625** | 1,858,122 | 2,771,797 |
| Deposits for land use rights for property development | | **14,136,292** | 6,027,677 | 1,916,731 |
| Amount due from a fellow subsidiary | | **-** | - | 845,000 |
| Amounts due from associates | | **196,947** | 51,743 | - |
| Amounts due from jointly controlled entities | | **5,453,479** | 676,226 | 529,926 |
| Amounts due from non-controlling interests | | **440,712** | 301,243 | 110,386 |
| Tax prepaid | | **941,005** | 534,944 | 354,544 |
| Bank balances and cash | | **40,880,412** | 19,179,381 | 32,023,494 |
| | | **180,267,505** | 127,984,130 | 125,895,296 |
| **Current Liabilities** | | | | |
| Trade and other payables | *8* | **16,916,629** | 16,378,354 | 14,103,430 |
| Pre-sales deposits | | **40,506,159** | 24,480,225 | 23,274,160 |
| Rental and other deposits | | **816,645** | 732,196 | 712,335 |
| Amount due to fellow subsidiaries | | **353,501** | 353,428 | 353,428 |
| Amounts due to associates | | **228,520** | 270,566 | 258,703 |
| Amounts due to jointly controlled entities | | **4,590,819** | 3,214,042 | 1,530,187 |
| Tax liabilities | | **15,017,622** | 12,680,089 | 10,952,001 |
| Borrowings - due within one year | | **5,545,557** | 7,481,866 | 10,214,113 |
| Guaranteed notes payable | | - | 2,338,416 | - |
| | | **83,975,452** | 67,929,182 | 61,398,357 |
| **Net Current Assets** | | **96,292,053** | 60,054,948 | 64,496,939 |
| | | **145,849,236** | 108,046,241 | 100,850,044 |

| | 31.12.2012 | 31.12.2011 | 1.1.2011 |
|---|---|---|---|
| | *HK$'000* | *HK$'000* | *HK$'000* |
| | | *(restated)* | *(restated)* |
| **Capital and Reserves** | | | |
| Share capital | **817,252** | 817,252 | 817,252 |
| Reserves | **86,426,887** | 70,799,731 | 54,745,947 |
| Equity attributable to owners of the Company | **87,244,139** | 71,616,983 | 55,563,199 |
| Non-controlling interests | **312,817** | 273,015 | 3,207,251 |
| **Total Equity** | **87,556,956** | 71,889,998 | 58,770,450 |
| **Non-current Liabilities** | | | |
| Borrowings - due after one year | **32,095,339** | 25,113,861 | 24,305,704 |
| Guaranteed notes payable | **21,147,701** | 7,689,578 | 10,018,179 |
| Amounts due to non-controlling interests | **2,017,849** | 1,055,226 | 791,904 |
| Derivative financial liability | - | - | 1,187,323 |
| Deferred tax liabilities | **3,031,391** | 2,297,578 | 5,776,484 |
| | **58,292,280** | 36,156,243 | 42,079,594 |
| | **145,849,236** | 108,046,241 | 100,850,044 |

*Notes:*

## 1. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has applied the following new and revised Hong Kong Accounting Standards ("HKAS(s)"), Hong Kong Financial Reporting Standards ("HKFRS(s)"), amendments and interpretations ("HK-Int") (hereinafter collectively referred to as the "new and revised HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

| | |
|---|---|
| Amendment to HKFRS 1 | Severe Hyperinflation and Removal of Fixed Dates For First-time Adopters |
| Amendments to HKFRS 7 | Financial Instruments: Disclosures - Transfers of Financial Assets |
| Amendments to HKAS 12 | Deferred Tax: Recovery of Underlying Assets |

Except as described below, the application of the above new or revised HKFRSs in the current year has had no material impact on the Group's financial performance and position for the current and prior years and/or disclosures set out in these consolidated financial statements.

***Amendments to HKAS 12 Deferred Tax: Recovery of Underlying Assets***

The amendment introduces a presumption that an investment property measured at fair value is recovered entirely through sale. This presumption is rebutted if the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. Prior to the amendment, HKAS 12 requires an entity to measure the deferred tax relating to an asset depending on whether the entity expects to recover the carrying amount of the asset through use or sales.

The Group has reassessed the business models of the Group's investment properties located in Hong Kong and the People's Republic of China (the "PRC") individually. The carrying values of certain investment properties are expected to be recovered through use and the presumption of sale for these investment properties is rebutted. For the remaining investment properties, the Group applies the rebuttable presumption that the carrying amount of these investment properties will be recovered through sale.

The Group has adopted Amendments to HKAS 12 retrospectively and the effect of adoption on the consolidated income statement and consolidated statement of financial position is as follows:

| | Year ended 31 December | |
|---|---|---|
| | 2012 | 2011 |
| | *HK$'000* | *HK$'000* |
| Increase in profit for the year: | | |
| Profit before tax | - | - |
| Income tax expenses | 521,289 | 438,708 |
| Profit for the year | 521,289 | 438,708 |
| Attributable to: | | |
| Shareholders of the Company | 521,289 | 438,708 |
| Non-controlling interests | - | - |
| | 521,289 | 438,708 |
| Earnings per share | *HK cents* | *HK cents* |
| Basic | 6.38 | 5.37 |
| Diluted | 6.38 | 5.37 |

| | As at 31 December 2012 | As at 31 December 2011 | As at 1 January 2011 |
|---|---|---|---|
| | *HK$'000* | *HK$'000* | *HK$'000* |
| Increase (decrease) in: | | | |
| Retained profits | 1,778,083 | 1,256,794 | 818,086 |
| Translation reserve | 47,963 | 48,492 | 10,223 |
| Total equity | 1,826,046 | 1,305,286 | 828,309 |
| Deferred tax liabilities | (1,826,046) | (1,305,286) | (828,309) |
| Total equity and liabilities | - | - | - |

The Group has not early applied the following new and revised standards, amendments or interpretation that have been issued but are not yet effective.

| | |
|---|---|
| Amendments to HKAS 1 | Presentation of Items of Other Comprehensive Income[1] |
| Amendments to HKFRS 1 | Government Loans[2] |
| Amendments to HKFRS 7 | Financial instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities[2] |
| Amendments to HKFRS 7 and HKFRS 9 | Mandatory Effective Date of HKFRS 9 and Transition Disclosures[4] |
| HKFRS 9 | Financial Instruments[4] |
| HKFRS 10 | Consolidated Financial Statements[2] |
| HKFRS 11 | Joint Arrangements[2] |
| HKFRS 12 | Disclosure of Interests in Other Entities[2] |
| HKFRS 13 | Fair Value Measurement[2] |
| Amendments to HKFRS 10, HKFRS 11 and HKFRS 12 | Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance[2] |
| HKAS 19 (as revised in 2011) | Employee Benefits[2] |
| HKAS 27 (as revised in 2011) | Separate Financial Statements[2] |
| HKAS 28 (as revised in 2011) | Investments in Associates and Joint Ventures[2] |
| Amendments to HKAS 32 | Offsetting Financial Assets and Financial Liabilities[3] |
| HK(IFRIC)-Int 20 | Stripping Costs in the Production Phase of a Surface Mine[2] |
| Annual Improvements Project | Annual Improvements 2009-2011 Cycle[2] |

1 Effective for annual periods beginning on or after 1 July 2012
2 Effective for annual periods beginning on or after 1 January 2013
3 Effective for annual periods beginning on or after 1 January 2014
4 Effective for annual periods beginning on or after 1 January 2015

The Group has already commenced an assessment of the impact of these new or revised standards, amendments and interpretations, and anticipated that the adoption of HKFRS 10 and HKFRS 11 will not lead to major changes in the classification of the Group's investments, and the adoption of HKFRS 12 will impact certain financial statement disclosures. Except for the aforementioned, the Group is in progress of assessing the impact of the other new or revised standards, amendments and interpretation.

## 2. TURNOVER AND CONTRIBUTION

The Group is organised into business units based on their products and services, based on which information is prepared and reported to the Group's management for the purposes of resource allocation and assessment of performance. The Group's operating and reportable segments under HKFRS 8 and the types of revenue are as follows:

| | | |
|---|---|---|
| Property development | - | proceeds from property development activities |
| Property investment | - | property rentals |
| Other operations | - | revenue from real estate agency and management services, construction and building design consultancy services |

Management closely monitors the selling activities for the property development projects carried out by its subsidiaries and jointly controlled entities. The analysis of the Group's share of turnover of jointly controlled entities and the share of results of jointly controlled entities by reportable segments are regularly provided to the management of the Group for the purpose of performance assessment as they forms part of the critical components of the Group's financial performance. Therefore, management believes that additional disclosure of the Group's share of turnover of jointly controlled entities (in addition to the HKFRS consolidated income statement and in this note to the financial statements), together with the share of results of jointly controlled entities by reportable segments enables the readers to better understand how management oversees the results and performance of the jointly controlled entities in the property development segment.

## Segment turnover and results

The following is an analysis of the Group's turnover and results and the Group's share of turnover and results of jointly controlled entities by reportable segments.

***Year ended 31 December 2012***

| | **Property development** *HK$'000* | **Property investment** *HK$'000* | **Other operations** *HK$'000* | **Segments total** *HK$'000* |
|---|---|---|---|---|
| **Segment turnover** -from external customers | **61,406,977** | **584,845** | **2,588,872** | **64,580,694** |
| **Group's share of turnover of jointly controlled entities** | **13,327,177** | **-** | **-** | **13,327,177** |
| **Turnover of the Group and Group's share of turnover of jointly controlled entities** | **74,734,154** | **584,845** | **2,588,872** | **77,907,871** |
| **Segment profit (including share of profits of associates and jointly controlled entities)** | **25,151,999** | **4,146,927** | **136,534** | **29,435,460** |
| **Group's share of profit of jointly controlled entities** | **2,297,976** | **-** | **-** | **2,297,976** |

*Year ended 31 December 2011*

| | Property development *HK$'000* | Property investment *HK$'000* | Other operations *HK$'000* | Segments total *HK$'000* |
|---|---|---|---|---|
| Segment turnover -from external customers | 49,432,401 | 373,247 | 1,526,654 | 51,332,302 |
| Group's share of turnover of jointly controlled entities | 6,391,003 | - | - | 6,391,003 |
| Turnover of the Group and Group's share of turnover of jointly controlled entities | 55,823,404 | 373,247 | 1,526,654 | 57,723,305 |
| Segment profit (including share of profits of associates and jointly controlled entities) | 20,024,723 | 3,331,571 | 185,722 | 23,542,016 |
| Group's share of profit of jointly controlled entities | 719,260 | - | - | 719,260 |

Note: Business tax of HK$2,749,326,000 was presented net of turnover for the year ended 31 December 2011, and had been reclassified to cost of sales and direct operating expenses to conform to the current year presentation and market practice.

*Reconciliation of reportable segment profit to the consolidated profit before tax*

Segment profit includes profits from subsidiaries, share of profits of jointly controlled entities and share of profits of associates. This represents the profit earned by each segment without allocation of interest income, gain on deemed disposal of subsidiaries, corporate expenses, finance costs and net foreign exchange gains. This is the measure reported to the management of the Group for the purposes of resource allocation and performance assessment.

| | **2012** | 2011 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Reportable segment profit | **29,435,460** | 23,542,016 |
| Unallocated items: | | |
| Interest income | **269,923** | 221,237 |
| Gain on deemed disposal of subsidiaries | **-** | 45,628 |
| Corporate expenses | **(75,595)** | (112,695) |
| Finance costs | **(242,813)** | (547,974) |
| Net foreign exchange gains | **35,243** | 617,089 |
| Profit before tax | **29,422,218** | 23,765,301 |

## 3. FINANCE COSTS

| | **2012** | 2011 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Interest on bank loans and guaranteed notes wholly repayable within five years | **1,025,710** | 962,635 |
| Interest on guaranteed notes not wholly repayable within five years | **734,733** | 434,282 |
| Interest on amounts due to non-controlling interests | **42,789** | 42,789 |
| Other finance costs | **64,468** | 34,314 |
| Total finance costs | **1,867,700** | 1,474,020 |
| Less: Amount capitalised | **(1,582,098)** | (883,257) |
| | **285,602** | 590,763 |

## 4. INCOME TAX EXPENSES

| | **2012** | 2011 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| | | *(restated)* |
| Current tax: | | |
| Hong Kong profits tax | **156,547** | 79,034 |
| Macau income tax | **-** | 1,238 |
| PRC Enterprise Income Tax ("EIT") | **4,785,151** | 4,181,480 |
| PRC withholding income tax | **146,462** | 217,893 |
| PRC Land appreciation tax ("LAT") | **5,009,322** | 3,884,324 |
| | **10,097,482** | 8,363,969 |

| | | |
|---|---|---|
| (Over) under-provision in prior years: | | |
| Hong Kong profits tax | **(3,258)** | 2,877 |
| Macau income tax | **(733)** | (2,458) |
| EIT | **(5,720)** | (7,445) |
| LAT | **-** | (30,041) |
| | **(9,711)** | (37,067) |
| Deferred tax | | |
| Current year | **501,976** | (119,787) |
| Total | **10,589,747** | 8,207,115 |

Hong Kong profits tax is calculated at 16.5% (2011: 16.5%) of the estimated assessable profit for the year.

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of PRC subsidiaries is 25% in 2012. In 2011, except for certain PRC subsidiaries of the Company which were taxed at concessionary rate of 24% due to transitional provisions, the statutory tax rate of the Company's PRC subsidiaries was 25% from 1 January 2008 onwards.

The provision for LAT is estimated according to the requirements set forth in the relevant PRC tax laws and regulations. LAT has been provided at ranges of progressive rates of the appreciation value, with certain allowable deductions.

Macau income tax is calculated at the prevailing tax rate of 12% (2011: 12%) in Macau.

## 5. DIVIDENDS

| | **2012** | 2011 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Interim dividend paid in respect of financial year ended 31 December 2012 of HK15 cents and a special dividend of HK2 cents (2011: financial year ended 31 December 2011 interim dividend of HK13 cents) per share | **1,389,328** | 1,062,428 |
| Final dividend paid in respect of financial year ended 31 December 2011 of HK20 cents (2011: financial year ended 31 December 2010 final dividend of HK17 cents) per share | **1,634,504** | 1,389,328 |
| | **3,023,832** | 2,451,756 |

The final dividend of HK24 cents in respect of the financial year ended 31 December 2012 (2011: final dividend of HK20 cents in respect of the financial year ended 31 December 2011) per share, amounting to approximately HK$1,961 million (2011: approximately HK$1,635 million) has been proposed by the Board and is subject to approval by the shareholders at the forthcoming Annual General Meeting. The amount of final dividend proposed was calculated based on the number of ordinary shares in issue at the date of approval of the consolidated financial statements.

## 6. EARNINGS PER SHARE

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

| | **2012** | 2011 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| | | *(restated)* |
| Earnings | | |
| Earnings for the purpose of basic earnings per share | | |
| Profit for the year attributable to the owners of the Company | **18,722,221** | 15,464,098 |
| Adjustment to the profit of the Group based on dilutive earnings per share of COGO (note) | **(17,398)** | - |
| Earnings for the purpose of diluted earnings per share | **18,704,823** | 15,464,098 |

| | **2012** | 2011 |
|---|---|---|
| | ***'000*** | *'000* |
| Number of shares | | |
| Weighted average number of ordinary shares for the purpose of basic earnings per share | **8,172,519** | 8,172,519 |
| Effect of dilutive potential ordinary shares | | |
| Share options | **2,638** | 2,602 |
| Weighted average number of ordinary shares for the purpose of diluted earnings per share | **8,175,157** | 8,175,121 |

Note: The earnings for the purpose of diluted earnings per share for the year ended 31 December 2012 have been adjusted to assume the conversion of convertible bonds of COGO during the year.

## 7. TRADE AND OTHER RECEIVABLES

Proceeds receivable in respect of sale of properties are settled in accordance with the terms stipulated in the sale and purchase agreements.

Except for the proceeds from sales of properties and rental income from lease of properties which are receivable in accordance with the terms of the relevant agreements, the Group generally allows a credit period of not exceeding 60 days to its customers.

The following is an aged analysis of trade and other receivables presented at the end of the reporting period:

| | **31.12.2012** | 31.12.2011 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Trade receivable, aged | | |
| 0-30 days | **1,518,323** | 774,224 |
| 31-90 days | **159,060** | 289,919 |
| Over 90 days | **316,577** | 211,938 |
| | **1,993,960** | 1,276,081 |
| Other receivables | **604,894** | 574,004 |
| | **2,598,854** | 1,850,085 |

Before accepting any new customer, the Group uses an internal credit assessment system to assess the potential customers' credit quality and defines credit limits by customer.

The Group has minimal trade receivable balances which are past due at the end of reporting period.

In determining the recoverability of trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the end of the reporting period. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, the Board believes that there is no provision required as at the end of the reporting period.

## 8. TRADE AND OTHER PAYABLES

The following is an aged analysis of trade and other payables presented based on the invoice date at the end of the reporting period:

| | **31.12.2012** | 31.12.2011 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Trade payables, aged | | |
| 0-30 days | **4,853,870** | 6,443,905 |
| 31-90 days | **929,074** | 403,840 |
| Over 90 days | **5,194,664** | 4,911,637 |
| | **10,977,608** | 11,759,382 |
| Other payables | **2,274,325** | 2,255,612 |
| Retentions payable | **3,664,696** | 2,363,360 |
| | **16,916,629** | 16,378,354 |

Other payables mainly include receipt in advance, other taxes payable and sundry accrued charges.

Of the retentions payable, an amount of approximately HK$1,308 million (2011: HK$1,156 million) is due beyond 12 months from the end of the reporting period.

## PAYMENT OF DIVIDEND

The Board has recommended the payment of a final dividend of HK24 cents per share for the year ended 31 December 2012. Together with an interim dividend of HK15 cents per share and a special dividend of HK2 cents per share, the total dividend for the whole year amounted to HK41 cents per share, HK8 cent increase compared with the total dividend of HK33 cents per share for the previous year.

Subject to the approval of the shareholders at the forthcoming Annual General Meeting, the dividend warrants will be dispatched on Tuesday, 18 June 2013 to shareholders whose names appear on the Register of Members of the Company on Thursday, 6 June 2013.

## CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed as follows:-

(a) For determining the right to attend and vote at the 2013 AGM: From Wednesday, 29 May 2013 to Thursday, 30 May 2013 (both days inclusive).

(b) For determining the entitlement to the Proposed Final Dividend: Thursday, 6 June 2013.

Further details of the above book close arrangements will be announced separately by the Company in April 2013.

## 1. BUSINESS REVIEW

The world economy remained as complicated and fast changing as in 2011 and continued to be gridlocked in 2012. The euro debt crisis further worsened the economy in the euro-zone. Despite the implementation of the third round of quantitative easing by the United States, employment and property market problems remained unresolved and the economic recovery was sluggish. Geopolitical problems in the Middle East and Asia elevated risks in the global economy. In addition, the economies of the emerging countries were affected by the unfavourable external economic factors and resulted in weak momentum in economy. After mitigating inflationary pressures, the People's Bank of China twice reduced the reserve requirement ratio and also twice reduced the benchmark interest rate for loans, to increase liquidity and foster economic development. Although foreign trade in China inevitably declined, the Central Government strategy to ensure steady growth took effect with investments and domestic demand gathering pace. Economic growth bottomed out in the third quarter to give an annual growth rate of 7.8%, above the target 7.5%. The economic slowdown in Europe, the United States and China led to a decline in economic growth in Hong Kong and Macau.

The mainland continued to deploy stable yet stringent regulatory measures towards the property market in 2012. The level of total sales in the mainland property market for the year was satisfactory as a result of liquidity relief and strong and stable demand, with house prices in some cities rising slightly. The industry, however, showed greater polarisation and consolidation with increasing market concentration as brand developers performed better. With the improved domestic economy in the fourth quarter, real estate financing became easier as costs were reduced. Sentiment in land transactions and housing sales also improved.

Amid the normalisation of austerity measures and a highly competitive market environment, the Group achieved satisfactory growth in its sales and profits in 2012. Turnover increased by about 25.8% to HK$64.58 billion and net profits increased by 21.0% to HK$18.83 billion (equivalent to 15.25 billion yuan) for the year. The net profit attributable to shareholders increased by 21.1% to HK$18.72 billion (equivalent to 15.16 billion yuan), of which HK$2.92 billion of profit after tax was related to the increase in the fair value of the investment property portfolio. The Group hence recorded an increase of 21.4% in its core profit to HK$15.80 billion (equivalent to 12.80 billion yuan). The net profit attributable to shareholders has increased at a compound growth rate of more than 34.7% per annum over the past five years (2008-2012). This comprises annual increases of over 20.0% in each of the past ten years (2003-2012), fulfilling the Group's commitments to its shareholders and investors.

**Property Development**

In 2012, the target for sales of properties that was raised to HK$100 billion in August was exceeded for another record high. Total sales of properties (including sales by joint ventures and associated companies) amounted to HK$111.52 billion, an increase of 28.1% compared with the previous year; the area sold was 7.29 million sq m, representing an increase of 30.6% compared with 2011. There was a cash inflow of over HK$100 billion from sales for the Group and the joint ventures. The pre-sales deposits were HK$58.18 billion as at the end of 2012, an increase of 73.3% compared with the previous year.

In 2012, adhering firmly to the operational watchword: A Trusted Brand Growing through Diligence and Care (精耕細作，品牌經營), and as a result of accurate judgment of market changes, targeted and innovative sales and marketing measures as well as the "China Overseas Property" branding advantage, solid results were attained in the mainland property development sector with sales of HK$104.32 billion in 2012, an increase of 23.2% compared over the previous year.

Property markets in Hong Kong and Macau became active due to loosened foreign and domestic liquidity. The Group, therefore, seized the opportunity to step up its sales effort in the two regions and achieved record sales of HK$6.07 billion for the first half of the year. As the Hong Kong Government strengthened regulation of the property market and promulgated Buyer's Stamp Duty and Special Stamp Duty in October, the property market in Hong Kong has entered a short adjustment period, which led to a sharp drop in the number of transactions. Sales in the year, however, amounted to HK$7.2 billion, an increase of about 200%.

The turnover of the Group increased by 25.8% to HK$64.58 billion. (If the turnover of the jointly controlled entities attributable to the Group is taken into account, the total amount increased to HK$77.91 billion, an increase of 35.0% compared with last year.) During the year, projects in mainland China (including those by the joint ventures) with aggregate gross floor area ("GFA") of about 7 million sq m were completed. The value of sales for these projects recognised as the Group's turnover in 2012 was HK$39.51 billion. Furthermore, the level of the Group's sales of properties completed as at the end of 2011 were satisfactory with about 970,000 sq m sold for approximately HK$21.90 billion. Hence, the turnover for property development increased by 24.2% to HK$61.41 billion. The turnover for mainland property development amounted to HK$59.44 billion, an increase of 22.6%. Its gross profit margin held steady at a satisfactory level, while operating profit increased significantly by 16.8% to HK$21.58 billion. The turnover for Hong Kong and Macau amounted to HK$1.97 billion. The gross profit margin was 54.8% while operating profit was HK$930 million, an increase of 50.0%.

**Investment Properties**

China Overseas International Center Phase Two in Chengdu was completed, adding about 60,000 sq m of completed investment properties to the Group for a total of 520,000 sq m in Hong Kong, Macau and the mainland as at the end of 2012. The overall occupancy rate of the Group's investment properties was satisfactory. The total rental income for the year was HK$580 million, representing a year-on-year increase of 56.8%; profit for the segment amounted to HK$4.15 billion which included an increase in the fair value of investment properties amounting to HK$3.65 billion (net income after deferred tax was HK$2.92 billion).

**Land Reserve**

The Group continued to follow the land market closely, in order to explore opportunities for the acquisition and exploitation of prime land resources. In each case, after taking account of the economic environment, trends in the property market, funding and development capabilities, the land reserve on hand and the quality and cost, a decision on land acquisition is then made. Mainly because of the improvement in the mainland economy and property market, in the fourth quarter of the year, the Group stepped up its land acquisition efforts. During the year, 19 parcels of land were acquired by the Group (excluding China Overseas Grand Oceans Group Limited "COGO") in 14 cities in mainland China, including the newly entered Kunming. These land parcels provided an aggregate GFA of 6.62 million sq m (interest attributable to the Group of 6.50 million sq m).

COGO acquired six land parcels in six mainland cities and added GFA of 3.68 million sq m of land to its land reserve.

During 2012, the Group also purchased one parcel of land in Ap Lei Chau with GFA of 21,350 sq m for a total consideration of about HK$2.5 billion. The Group was awarded a contract in July to develop, jointly with the Urban Renewal Authority, a project at Pak Tai Street in To Kwa Wan.

As at 31 December 2012, the Group had a total land reserve of about 35.10 million sq m (interest attributable to the Group of about 31.57 million sq m) in 26 mainland cities, Hong Kong and Macau;

COGO had a total land reserve of 9.13 million sq m (attributable interest of 7.78 million sq m).

**Group Finance**

The Group continued to enhance financial resources and optimise its debt structure. The Group raised HK$29.6 billion in 2012. After deducting the repayment of matured bonds and bank loans due, the net amount raised for the year was HK$16.2 billion. The Group undertook three bond issuances, which together raised US$1.75 billion. HK$7.6 billion was raised by way of syndication loans in Hong Kong and HK$3.8 billion was raised by unilateral loan arrangements with several banks. We had a limited number of fundraising activities in mainland China and raised only 3.8 billion yuan in 2012. A cash inflow from sales of over HK$75.78 billion was recorded for the year and together with the net amount raised by financing, the Group had more than sufficient funds to meet its requirements, including major expenditures of HK$26.09 billion for land premiums, HK$29.92 billion for construction costs and HK$16.69 billion for tax, selling and distribution, administrative and finance expenses.

As at the end of December 2012, outstanding borrowings and guaranteed notes payable by the Group were about HK$37.64 billion (loans denominated in RMB amounted to HK$8.0 billion) and about HK$21.15 billion (US$2.75 billion) respectively; cash on hand amounted to approximately HK$40.93 billion (not including cash held by jointly controlled entities amounting to approximately HK$12.76 billion); shareholders' funds in the Company increased from HK$71.62 billion to HK$87.24 billion; and the net gearing of the Group decreased from 32.7% at the end of last year to about 20.5%, a very healthy level under such tough market conditions.

During the year, both Moody's and Standard & Poor's reaffirmed the Company's issuer and bond ratings at Baa2 and BBB respectively with a stable outlook. This reflected the recognition by the market of the Group's solid and stable financial profile and market-leading status. In November, with the issuance of 30-year long-term bonds at an annual rate of just under 5.5%, the Group became the first PRC property developer to issue 30-year long-term bonds, an achievement which reflected the confidence of the capital market in the long-term business development and financial stability of the Group.

**Human Resources**

The Group firmly believes that the quality of human resources and the level of knowledge capital are important benchmarks in assessing the competitiveness of an enterprise. The capital value of our human resources is enhanced through human resource development, industrial training and job rotation. The long-term development of the Group and personal development of staff are closely interrelated and mutually reinforcing. This is a pre-eminent feature of the Group's corporate culture and human resource management style.

The Group continues to enter new cities every year. Talent at all levels is always in great demand. The Group is confronted with challenges in building and conserving human resources. After assiduous promotion in recent years, the "Sons of the Sea" and "Sea's Recruits" schemes have developed into well respected human resource brands in the mainland property industry. Staff recruited through these two schemes have steadily become an important element supporting the sustainable and stable development of the Group. In 2012, more than 250 outstanding graduates from leading universities in China were recruited through the "Sons of the Sea" scheme and more than 310 talented staff joined through the "Sea's Recruits" scheme. This recruitment of plentiful human resources effectively met our demand for new staff.

**Corporate Governance**

The Board firmly believes that its prime duty is to protect and best utilise resources in the Group and thereby to enhance value for shareholders. A high standard of corporate governance is key to improving corporate profit and facilitating sustainable development. Thus the Group strives to improve corporate governance standards to ensure efficient operation of the Group's businesses and safeguard its assets and shareholders' interests. Over the past few years, the Group has actively enhanced corporate transparency and strengthened the Group's internal controls and risk management.

**Corporate Citizenship**

The Group is committed to corporate social responsibility and seeks to promote social value and harmony. The Group has established a well-regulated, formal and branded system to discharge its social responsibilities, especially in the areas of poverty alleviation, disaster relief work, educational subventions, charitable donations and community services.

Over the years, by providing resources and facilities to the China Overseas Hope Schools, the Group has greatly enhanced the education environment and capabilities in those localities. With the completion for use of the China Overseas Dougou Hope School in Jinan, a total of seven China Overseas Hope Schools have been duly delivered.

The Group continued to apply environmental protection and energy conservation concepts such as "low carbon" and "green construction" across its corporate development strategy, as well as to the design and construction of its property projects. The aim is to help build a greener society and ensure a healthy living environment that enables sustainability in the natural environment in and around our projects.

The Company is again a constituent stock of the Hang Seng Corporate Sustainability Index. This reflects market recognition of the Group's efforts in corporate sustainability (including environmental protection, social responsibility and corporate governance).

**Awards**

In 2012, the Group received numerous awards. The Company was again acknowledged as number one among "The Top 20 China Real Estate Enterprises by Brand Value" and its brand value increased to 25.3 billion yuan. China Overseas Property (中海地產) was acknowledged, for the nine year in a row, as the number one among "Leading Brands of China Real Estate Companies". For nine years in a row, leveraging its excellent performance, the Company has been voted the number one "China Blue Chip Real Estate" developer. China Overseas Property was awarded seven Jian Tian Yao (詹天佑) awards in 2012 for excellence in its quality, design and management.

## 2. PROSPECTS

**Macroeconomy**

The launch of various stimulus measures by the advanced countries of Europe, the United States and Japan has yet to resolve the fundamental problems that led to the current global financial crisis. Meanwhile, the excess liquidity generated by the quantitative measures intensified investment activity, asset bubbles and inflationary pressure, especially in emerging markets. It is expected that there will be some improvement in United States economic growth and the euro sovereign debt crisis, but economic growth globally will remain sluggish in 2013. For most enterprises, 2013 will remain a challenging year. The Group will watch closely for risks and opportunities triggered by any change in the international economic environment and will implement appropriate response measures in a timely and effective manner.

Amid a volatile and dragging economic environment abroad, it is expected that foreign trade will see limited improvement in China. Also, the Chinese central government will continue to adopt a proactive fiscal policy and prudent monetary policy in order to curb inflation. The new state leadership will boost and accelerate investment in infrastructure and the service sector to further increase domestic consumption, bottom out the economy and attain the goal of making progress amid stability. Economic development in both Hong Kong and Macau has become more closely linked to that of the mainland and therefore is expected to gradually improve this year.

**Business Development**

The outstanding performance of the Group in 2012 fully demonstrated the Group's excellent operational capabilities and brand advantages. The Group is well prepared to deliver good performance even amid the normalization of tightening measures. The launch of the ("New National Five Measures") in early March 2013 endorses the view of the Group that the tough restrictive policies will likely remain in place for some time. With the effective suppression of speculation and investment as well as the appropriate consolidation of the property industry, the PRC property market is expected to remain dynamic in 2013 and the whole industry presents both challenges and opportunities. Looking to the year ahead, as the property sector tends to lead many other segments in the economy and is an effective driver of economic activity, it is expected that the government may implement fiscal and tax reform in lieu of administrative means to get the market back on track. The Group will take full advantage of its sound financial structure and diversified financing channels to actively increase financial resources and to seize investment opportunities including the acquisition of prime land parcels through various channels. While maintaining suitable precautions against risk, the Group will actively seek market opportunities to ensure sustainable growth, increase its market share and consolidate its leading status in the property industry. The new national policy requires the doubling of GDP and national income by 2020 and urbanisation will be the main focus to transform the mode of economic development. Indeed, we expect that rapid ongoing urbanisation will continue to drive the property market in mainland China. Hence, the Group is still fully confident about the long-term development of the mainland China property market.

It is expected that property markets in Hong Kong and Macau will undergo some short term adjustments by the market in response to the increase in the types and rate of stamp duty. The overall property market will remain stable. The Group will still seek appropriate opportunities to expand its business in Hong Kong and Macau.

**Operational Philosophy**

The Group holds to its longstanding maxim of "Exercise caution in details and implementation. Build a strong foundation to seek greater success" (慎微篤行 精築致遠). The Group strictly adheres to its undertakings and conducts business with complete integrity and seeks progress amid stability (穩中求進). The Group also endeavours to maintain high levels of creativity and to understand the demands of its customers in order to continuously consolidate and expand its market and customer base. The Group works hard to enhance its customer relationship management system and to maintain its customer-focused strategy. By collecting data on customer demand and complaints and sharing them with operational departments, the Group aims to convert customer complaints into opportunities to upgrade the quality of its products and services. The Group strives to improve the quality of its projects and to provide customers with a choice of highly differentiated and desirable products. The Group continues to stick to a development model focused on mid-range to high-end products that aims to maximise profit for the Group. The Group strives to consolidate and then strengthen its unique and immense competitive advantages in the mainland property sector by continuing to be innovative and with its core advantage of a prime product and branding strongly supported by its expertise in design, construction, sales planning, customer service and property management.

**Brand Building**

The brand of an enterprise is the most valuable intangible asset and a vital competitive tool. The Group firmly follows the operation philosophy of “A Trusted Brand Growing through Diligence and Care” (精耕細作，品牌經營) in order to reinforce the elite image of China Overseas Property products. The Group tries its utmost and explores every avenue to improve the quality of its projects so that each stands out and sets the pace among high-end products in the area. Through the successful launch of many high quality, value-for-money projects in and outside China, the China Overseas Property brand is highly regarded within and outside the China property industry. The brand reflects the culture of an organisation and in the case of the Company that include the pursuit of high quality product by China Overseas Property and the mission of providing products with value beyond the cost through continuous innovation. Branding is one of the Group’s primary and effective competitive edges. A strong brand brings trust of customers, who will pay a higher premium for a quality-assured product. Therefore, enhancement of product quality and branding is effective in mitigating the effects of lower home prices, and reducing marketing costs. To operate under such a highly regarded brand enables the Group to earn higher profits than its peers and facilitates the Group’s pursuit of its long term goal of becoming an evergreen enterprise.

The Group will continue to promote its corporate brand and to spread the “China Overseas Property” brand systematically in newly entered cities and territories. The ultimate goal is to make the “China Overseas Property” brand the most valuable brand in the mid-range to high-end property market throughout China.

**Sustainable Project Development**

The Group will closely monitor the market and control the pace of its project development and sales appropriately. The Group will continue to launch targeted, highly differentiated, premium products. By leveraging its brand name, backed by innovative marketing and sales operations, the Group can improve its sales results and cash flow, maximise the return on its assets and ensure sustainable growth in the scale and profitability of its operations. Taking into account the market situation, it is planned that in 2013, the Group will commence development of an additional 10 million sq m, bringing the total area under development to a peak level of over 25 million sq m; it is targeted that projects with GFA of 9 million sq m will be completed and sales of not less than HK$100 billion will be achieved.

The Group will take advantage of the synergy generated by the highly respected “China Overseas Property” brand in the high-end sector of the mainland China property market to ensure the successful sales of the completed luxury projects in Hong Kong and the smooth development and presale of the Nova project in Sai Ying Pun.

**Better Business Structure**

The Group will continue to operate a business structure with residential development as the main element and investment property in a supplemental role. It will balance resource allocation for short-term and long-term investment and gradually increase its weighting on investment property so as to obtain stable long-term returns and to enhance its capability to balance market risk. In the long term, the Group will work towards securing a profit contribution from investment property of at least 20% of total profit. Currently, the total area of commercial property under development and yet to be developed by the Group amounts to about 3 million sq m. Most of this will be completed before 2015 and about 50% will be retained as long-term investment property.

Unipark shopping malls (環宇城) in Jinan and Shenyang were launched in November and were received favourably.

**Land Replenishment**

The Group will calmly meet the challenges ahead. Taking into account the cash inflow from its sales, the Group will maintain an appropriate scale of investment and capture opportunities offered by market adjustments to replenish its prime land reserve through a variety of means and channels. It is intended that the Group will enter three or four new cities in 2013 and the replenishment of its land reserve will not be less than 8 million sq m in GFA.

Up to the date of the results announcement, the Group (excluding COGO) has in 2013 acquired three parcels of land in three mainland cities with a total GFA of 147 million sq m while COGO has acquired three parcels of land in three mainland cities with a total GFA of 146 million sq m.

**Multi-Growth Models**

The Group will strive to expedite its development and expand its development scale through joint venture cooperation and mergers and acquisitions. At the end of 2012, the Group has invested HK$23.34 billion in the joint ventures and associated companies. The profit contribution from joint ventures in 2012 showed a remarkable improvement to HK$2.30 billion. COGO is an associated company of the Group that focuses on third- and fourth-tier mainland cities and is expected to develop rapidly in the coming years and will effectively complement the business of China Overseas Property. COGO recorded sales of HK$13.52 billion, a turnover of HK9.72 billion and a net profit of HK$2.49 billion for the year 2012. After adjusting for the profit booked by the Group when control of COGO was acquired in 2010, the Group shared a net profit of about HK$340 million. The real estate fund established by the Group is operating smoothly.

**Market Leading Status**

China is a vast country whose economy is developing at varying rates, and its property markets are also at different stages at any one time. However, comprehensive nationwide strategic coverage enables the Group to balance risks caused by volatility in economic and market cycles. The Group will continue to strengthen and balance its nationwide development strategy by actively exploring new markets that offer strong potential. In order to increase its leadership of the industry in terms of turnover, net profit, brand value and innovative products, the Group will continue to focus on the formulation and execution of policies and regulations, the development of the Group's human resources, securing critical and relevant data resources, risk management and the enhancement of operating efficiency. Through improvement in the Group's overall competitiveness, the Group can actively acquire high-value land at low cost, maintain a customer-focused strategy, and continue to improve its product quality as the Group holds to its philosophy of practising professionalism in "Each and every detail of each and every project" (過程精品、樓樓精品), in order to ensure that we retain our market leadership status.

**Prudent Financial Management**

The Group will continue to adhere to prudent financial management and will increase the speed with which it collects the proceeds of sales. The Group will tightly control its sales and marketing, administration and financial expenses and stick firmly to the principle of "Cash is king. Receipts determine payments" (現金爲王，以收定支). Meanwhile, it is expected that the quantitative measures and low interest rates will persist through this year. While the Group has only about HK$7 billion of bank loans due in Hong Kong in this year and next year and the pressure on refinancing is light, it will continue to explore new fundraising channels and make full use of its fundraising platforms in the international and Hong Kong financial markets. To safeguard capacity, and hence ensure solid and plentiful funding for its business development, the Group will speed up asset turnover and enhance its ability to protect its resources. In February 2013, the Company was assigned by Fitch the investment credit rating of BBB+ with a stable outlook. This is the highest rating assigned to homebuilders and reflects the leadership status of the Group in the China property sector and the recognition of the credit standing of the Group. It also helps improve the debt profile of the Group, through the issue of long-term fixed-rate debt.

The Group will continue to upgrade and promote its ERP system to enhance the communication of project and financial information, intensify cash-flow control across all regions, increase cash inflow and effectively combat the risk of any shortage in liquidity.

**Business Prospects**

The Board is confident about the prospects for the Group and its own capacities. In the past 11 years, the Group achieved a compound annual growth rate of 43.6% in its net profit. Despite the impact of the global financial crisis and administrative tightening in the China property sector, the Group was able to overcome obstacles, maintain sustainable development and beat operational targets, and still achieved compound annual growth of 34.7% in its net profit for the past five years, demonstrating the Group’s strength and brand advantage. The coming year, 2013, is expected to be complex and ever-changing as affected by the unfavourable global political and economic environment. The Group will continue to apply its longstanding maxim of “Exercise caution in details and implementation. Build a strong foundation to seek greater success.” (慎微篤行 精築致遠) With its solid foundation, international vision and exposure, appropriate nationwide development strategy plus excellent brand name and financial strength, the Group will continue to enhance its competitiveness in the industry through its consistent innovation. The Group is confident that it can maintain its leadership position in the China property industry and achieve steady, high-quality balanced growth.

**Mission**

The Group continues to endeavour to develop itself into an evergreen enterprise. The Group continues to adopt a human resource management approach that focuses on personal development, working atmosphere and motivation for staff. The Group is committed to aligning individual success with the core values of the long-term development of the Group by upholding integrity, creativity, pragmatism, and perfection. The ultimate goal is to attain an outcome that is mutually beneficial for the Group, its shareholders, business associates, staff members and the community.

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

During the year ended 31 December 2012, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed securities.

## MODEL CODE FOR DIRECTORS’ SHARE DEALING

The Company has adopted a Code of Conduct on Directors’ Securities Transactions (the **“Securities Code”**) on terms no less exacting than the required standards set out in the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 of the Listing Rules. The directors have confirmed that they have complied with the requirements set out in the Securities Code throughout the year ended 31 December 2012.

## CORPORATE GOVERNANCE

The Company has complied throughout the year ended 31 December 2012 with all the provisions (except A.4.1, A.4.2 and A.6.7 as stated below) of the Code on Corporate Governance Practices/Corporate Governance Code ("**Code Provision**") from time to time as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the **"Listing Rules"**) and with most of the recommended best practices contained therein.

*Code Provision A.4.1 - This Code Provision stipulates that non-executive directors should be appointed for a specific term, subject to re-election.*

*Code Provision A.4.2 - This Code Provision stipulates that all directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after their appointment. Every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.*

The directors of the Company were appointed, for a term subject to retirement in accordance with the Articles of Association of the Company (**"Articles"**), which provide, amongst other things, the following:

(a) any director appointed to fill a casual vacancy shall hold office only until the next following Annual General Meeting (**"AGM"**) of the Company and shall then be eligible for re-election, but shall not be taken into account in determining the directors who are to retire by rotation at such meeting; and

(b) at each AGM, one-third of the directors for the time being or, if number of directors is not three or a multiple of three, then the number nearest one-third, shall retire from office, provided that no director holding office as Executive Chairman or as Managing Director shall be subject to retirement by rotation or taken into account in determining the number of directors to retire.

However, through the operation of the internal mechanism adopted by the Company below, the terms of appointment of all directors are three years or less. Thus the Company is merely technically not complied with Code Provision A.4.1 and A.4.2.

(1) the newly appointed director will retire and be eligible for re-election at the next following AGM or the extraordinary general meeting held before the next following AGM; and

(2) any director (including Executive Chairman or Managing Director), who is not required by the Articles to retire by rotation at the AGM in the third year since his last election, will be reminded to retire from office voluntarily.

*Code Provision A.6.7 – This Code Provision stipulates that Independent non-executive directors and other non-executive directors, as equal board members, should give the board and any committees on which they serve the benefit of their skills, expertise and varied backgrounds and qualifications through regular attendance and active participation. They should also attend general meetings and develop a balanced understanding of the views of shareholders.*

All the directors of the Company have given the Board and any committees on which they serve the benefit of their skills, expertise and varied backgrounds and qualifications through regular attendance and active participation and most of the directors (including all independent non-executive directors) were present in the annual general meeting for exchanging views with the shareholders.

Messrs. Wu Jianbin (resigned w.e.f. 11 August 2012) and Zheng Xuexuan, both being non-executive directors of the Company and both due to commitment in the mainland China, were unable to attend the annual general meeting of the Company held on 30 May 2012. Thus, the Company has not complied with the whole Code Provision A.6.7.

**REVIEW OF ACCOUNTS**

The Company's Audit Committee has reviewed the accounting policies adopted by the Group and the audited consolidated financial statements of the Group for the year ended 31 December 2012.

**SCOPE OF WORK OF MESSRS. PRICEWATERHOUSECOOPERS**

The figures in respect of the Group's consolidated statement of financial position, consolidated income statement, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2012 as set out in this preliminary announcement have been agreed by the Group's auditor, Messrs. PricewaterhouseCoopers, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by Messrs. PricewaterhouseCoopers on this preliminary announcement.

**APPRECIATION**

Lastly, I wish to express my heartfelt appreciation to the members of the Board for their outstanding leadership, the shareholders and business associates for their support and trust and the entire staff for their dedication.

By Order of the Board
**China Overseas Land & Investment Limited**
**Kong Qingping**
*Chairman*

Hong Kong, 18 March 2013

*As at the date of this announcement, Messrs. Kong Qingping (Chairman), Hao Jian Min (Vice Chairman and Chief Executive Officer), Xiao Xiao (Vice Chairman), Dong Daping, Nip Yun Wing and Luo Liang are the executive directors; Mr. Zheng Xuexuan is the non-executive director; and Messrs. Li Kwok Po, David, Lam Kwong Siu, Wong Ying Ho, Kennedy and Madam Fan Hsu Lai Tai, Rita are the independent non-executive directors of the Company.*

*This final results announcement is published on the Company's website (http://www.coli.com.hk) and the website of the Stock Exchange (http://www.hkexnews.hk). The 2012 Annual Report will also be available at the aforementioned websites on/about 12 April 2013 and will be despatched to shareholders of the Company thereafter.*