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

(incorporated in Hong Kong with limited liability)
(Stock Code: 00081)

ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2016

FINANCIAL HIGHLIGHTS

1. The contracted property sales of the Group for the year increased to HK$24,003.9 million (2015: HK$22,007.0 million), representing an increase of 9.1% against last year, which corresponded to an aggregated sold area of 2,673,800 square meter ("sq.m.") (2015: 2,406,600 sq.m.).
2. For the year ended 31 December 2016, the Group recorded revenue of HK$17,093.5 million, 2.9% increase comparing with last year. Gross profit and margin for the year were HK$2,935.0 million and 17.2% respectively, comparing with HK$2,599.6 million and 15.6% respectively in last year.
3. Operating profit for the year amounted to HK$2,133.0 million, representing an increase of 22.3% against last year. Profit attributable to owners of the Company was HK$900.2 million, 5.8% higher than last year. Basic earnings per share were HK39.4 cents (2015: HK37.3 cents).
4. On 29 December 2016, the Group completed the acquisition of a wholly-owned subsidiary of its controlling shareholder, China Overseas Land & Investment Limited for its underlying property portfolio for a cash consideration of RMB3,518.6 million. The property portfolio, which had a gross floor area approximately 9.5 million sq.m., mainly comprised residential property development projects at various development stages and located in seven emerging cities.
5. On top of the acquisition above, the Group entered into a new city, Xuzhou. Together with other new land banks, the Group purchased a total of eight parcels of land in Lanzhou, Shantou, Yancheng, Ganzhou, Nantong and Xuzhou with total development area of 1,352,722 sq.m. (attributable to the Group : 1,168,047 sq.m.) for a total consideration of approximately RMB4,750.4 million.
6. As at 31 December 2016, total land bank of the Group is estimated available to build gross floor area of approximately 17,741,200 sq.m. (attributable to the Group : 16,527,500 sq.m.).
7. Cash and bank balances plus restricted cash and deposits were HK$20,820.5 million in total, 59.8% higher as compared with the last financial year end (HK$13,026.6 million). The net gearing ratio of the Group was 22.1% as at 31 December 2016.
8. The Board recommended the payment of final dividend of HK2 cents per share for the year ended 31 December 2016 (2015: Nil).

The board of directors (the "Board") of China Overseas Grand Oceans Group Limited (the "Company") is pleased to announce the annual results of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2016.

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

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

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

During the year, the Group proactively took up opportunities to expand its operating scale and extend its footprint to cities with high growth potential in order to align its corporate strategies for continuous development and lay the foundation for persisted growth. On 29 December 2016, the Group successfully completed the acquisition of a wholly-owned subsidiary of its controlling shareholder, China Overseas Land & Investment Limited ("COLI") (the "Acquisition") for its underlying property portfolio for a cash consideration of RMB3,518.6 million (equivalent to approximately HK$3,927.7 million). The property portfolio, which had a gross floor area approximately 9.5 million square meter ("sq.m."), mainly comprised residential property development projects at various development stages and located in the cities where the Group has been operating well such as Yangzhou and Shantou as well as new cities including Huizhou, Huangshan, Weifang, Zibo and Jiujiang. As at the completion date of the Acquisition, the fair value of the underlying property portfolio of the Acquisition was approximately HK$23.65 billion. The Acquisition allowed the Group to deepen its presence in existing cities and expand into new emerging cities. Considering the keen competition in land acquisition or land auction that drove up prices, the Acquisition enabled the Group to increase and replenish its land reserve with high quality land assets in one single transaction.

On top of the Acquisition above, during the year, the Group entered into a new city, Xuzhou, a city in Jiangsu province with high growth potential. Together with other new land banks, the Group purchased a total of eight parcels of land in Lanzhou, Shantou, Yancheng, Ganzhou, Nantong and Xuzhou with total development area of 1,352,722 sq.m. (attributable to the Group: 1,168,047 sq.m.) for a total consideration of approximately RMB4,750.4 million. With the expansion and the Acquisition above, the Group significantly enlarged its land bank to 17,741,200 sq.m. (attributable to the Group : 16,527,500 sq.m.) as at 31 December 2016, compared to 10,930,900 sq.m. (attributable to the Group : 10,238,100 sq.m.) as at 31 December 2015. The Group's land bank was distributed over 19 cities with 44 projects under property development as at 31 December 2016.

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

DIVIDEND

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

After reviewing the result performance for the year and working capital requirements for the Group's future expansion of its business, the Board recommended the payment of a final dividend of HK2 cents per share (2015: nil) for the year ended 31 December 2016 which will be payable on 5 July 2017 to the members of the Company registered as at the close of business on 29 May 2017. Total dividends will amount to HK2 cents per share (2015: nil) for the year.

The proposed final dividend is subject to the approval by the shareholders of the Company at the forthcoming annual general meeting to be held on Tuesday, 23 May 2017 (the "AGM").

The Register of Members of the Company will also be closed on Monday, 29 May 2017, no transfer of shares will be effected on that day. In order to determine the identity of the Members for entitlement of the proposed final dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's share registrar, Tricor Standard Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30 p.m. on Friday, 26 May 2017.

BUSINESS REVIEW

REVENUE AND OPERATING RESULTS

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

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

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

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

With the support of its shareholders, the Group successfully completed the Acquisition and recorded a gain on bargain purchase of approximately HK$30,000. After the completion of the Acquisition, the contribution of the company acquired from COLI will be reflected in the financial statements of the Group.

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

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

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

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

In total, for the year ended 31 December 2016, profit attributable to owners of the Company increased by 5.8% against last year to HK$900.2 million (2015: HK$851.2 million).

LAND BANK

The Group's management believes that a sizable and quality land bank is one of the most important assets to a property developer. As mentioned above, the property portfolio acquired from COLI and the eight new parcels of land purchased during the year brought in certain quality land parcels into the Group. Based on the existing plan, the land piece in Shantou with gross floor area 221,037 sq.m. (attributable to the Group: 112,729 sq.m.) among the eight new parcels of land purchased, will be developed with a joint venture partner and the Group holds 51% equity interests in the project.

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

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

SEGMENT INFORMATION

PROPERTY SALES AND DEVELOPMENT

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

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

Contracted property sales from major projects during the year:

City	Name of project	Saleable Gross Floor Area (sq.m.)	Amount (HK$ Million)
Nanning	International Community/ Royal Lakefront	327,907	2,700.0
Lanzhou	Glorioushire/ China Overseas Plaza	273,185	2,640.3
Yangzhou	The Grand Canal/ Imperial No. 9	213,214	2,106.9
Nantong	The Aqua/ The Grove	242,277	1,993.3
Shantou	La Cite/Binjiang Xian Garden	217,274	1,973.3
Jilin	International Community	274,303	1,927.5
Changzhou	The Phoenix/ Dragon Bay/ The Imperial	162,799	1,499.2
Yancheng	The Arch/ The Century	194,643	1,450.2
Ganzhou	International Community	141,817	1,434.4
Yinchuan	International Community	196,069	1,237.7
Hohhot	The Azure/ Dragon Cove	142,716	1,203.3

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

Recognized revenue from major projects during the year:

City	Name of project	Saleable Gross Floor Area (sq.m.)	Amount (HK$ Million)
Hefei	The Lagoon	233,324	2,101.9
Beijing	Maple Palace	25,150	1,845.3
Nanning	International Community/ Royal Lakefront	244,763	1,789.4
Yinchuan	International Community	314,499	1,694.8
Ganzhou	International Community	203,147	1,500.5
Changzhou	Dragon Bay/ The Phoenix/ The Imperial	159,045	1,429.6
Lanzhou	Glorioushire	169,215	1,216.8
Yangzhou	The Grand Canal/ Imperial No. 9/ Jade Garden	132,628	1,181.6
Shantou	East Coast	109,149	1,016.2
Jilin	International Community	124,593	819.2
Yancheng	The Century/ The Arch	125,515	799.3

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

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

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

PROPERTY LEASING

As described above, in response to the change in local market conditions, the leasing business development plan in relation to China Overseas Building located in Jilin has changed to sales, in the form of sub-unit. About 70% of the gross floor area of the building was handover during the year. Therefore, for the year ended 31 December 2016, rental income slightly decreased by HK$16.0 million year-on-year to HK$193.4 million (2015:

HK$209.4 million) while the segment profit, after factoring in the gain on disposal of investment properties of HK$21.0 million, increased by HK$15.9 million year-on-year to HK$165.8 million (2015: HK$149.9 million). The contribution from the joint venture increased to HK$4.7 million (2015: HK$4.1 million).

As at year end, the occupancy rates for China Overseas International Center in Xicheng District, Beijing and the scientific research office building in Zhang Jiang High-tech Zone in Shanghai were 91% (2015: 88%) and 97% (2015: 97%) respectively. The Group wholly owns the Beijing properties while it holds 65% of the Shanghai project.

FINANCIAL RESOURCES AND LIQUIDITY

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

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

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

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

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

The net gearing ratio, expressed as a percentage of net debts (i.e. total borrowings, including the guaranteed notes, net of cash and bank balances and restricted cash and deposits) to equity attributable to owners of the Company, was 22.1% as at 31 December 2016, significantly reduced by 28.6% from 50.7% as at last year end. The management strives to maintain the net gearing ratio in an acceptable and manageable range for sustainable business development.

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

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

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

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

FOREIGN EXCHANGE EXPOSURE

As the Group conducted its sales, receivables and payables, expenditures and part of the borrowings in RMB for its property development business in China, the management considered a natural hedge mechanism existed in that operations. However, as at 31 December 2016, about 24.8% and 75.2% of the Group's total borrowings (including the guaranteed notes) were denominated in RMB and Hong Kong Dollar/US Dollar respectively. Hence, take into account of the debt financing structure, the Group is subject to foreign exchange risk from the volatility of RMB exchange rate.

The exchange rate of RMB to Hong Kong Dollar fell by 6.3% in the year and accordingly, the net asset value of the Group decreased by HK$1,689.9 million.

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

COMMITMENTS AND GUARANTEE

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

CAPITAL EXPENDITURE AND CHARGES ON ASSETS

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

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

EMPLOYEES

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

The Group is keen to motivate and retain talent and reviews the remuneration policies and packages on a regular basis to recognize employee contributions and respond to changes in the employment market. The total staff costs incurred for the year ended 31 December 2016 was approximately HK$420.7 million (2015: HK$360.1 million). The pay levels of the employees are determined based on their responsibilities, performance and the prevailing market condition. Discretionary bonus was paid to employees based on individual performance while other remuneration and benefits, including the provident fund contributions/ retirement pension scheme, remained at appropriate levels. Different trainings and development opportunities continued to be offered to enhance employees' capabilities.

PROSPECTS

The Economy

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

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

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

Real Estate Development

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

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

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

Group Strategy

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

After years of expansion and the recent acquisition, the Group has successfully well placed itself to benefit from the ongoing infrastructure investment and the rapid urbanization of various inland cities in China, as urbanization and economic growth have been the main drivers of the growth in housing demand in China.

While firmly adhere to its prudent investment strategy, the Group would closely monitor the development of property market and is dedicated to enlarge its operating scale and speed up the pace of development in an orderly manner. As a leading property developer in the market, the Group believes that it is of paramount importance to build up and maintain a quality land bank at competitive prices in order to maximize shareholders' returns in long term. At appropriate and sustainable gearing structure, the Group would continue to seek for business opportunities with investment value and good returns.

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

In response to the increasing expectations of the customers and market competition, the management would strive to perfect the customer services, broaden the range of property products, optimize the project development cycle and enhance the quality of the properties. To cope with the ever-changing market environment, the Group is devoted to evolve new marketing methodologies, speed up sales programs and promote the sell-through rate of the inventory. The Group is determined to extend its competitive edge and secure its advanced position in the market.

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

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

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 content list out the key risks and uncertainties identified by the Group:

INVESTMENT RISK

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

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

DEBT REPAYMENT RISK

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

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

FOREIGN EXCHANGE RISK

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

The Group would continue to actively monitor the volatility of RMB exchange rate and after balancing the finance cost and risks, would fine-tune the financing strategy gradually to optimize the ratio of RMB and Hong Kong Dollar/ US Dollar debt at appropriate time to minimize the foreign exchange risk.

MARKET RISK

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

The Group is kept abreast with the changes in business environment and timely assesses the impacts on the operations in order to formulate the best strategy for persisted growth. Benefited from the national brand for excellence product, the Group would develop different types of properties tailored for different customers in different regions. Moreover, the Group would alter the construction program of the projects to match the sales status so that the stock level could be optimized while the supply of properties could still be warranted.

PRODUCT QUALITY RISK

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

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

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2016

	Notes	**2016 HK$'000**	2015 HK$'000 (Restated)
Revenue	*4*	**17,093,485**	16,613,887
Cost of sales and services provided		**(14,158,485)**	(14,014,268)
Gross profit		**2,935,000**	2,599,619
Other income		**159,753**	105,412
Distribution and selling expenses		**(555,498)**	(546,618)
Administrative expenses		**(416,413)**	(409,062)
Other operating expenses		**(10,827)**	(2,333)
Other gains or losses			
Gain on bargain purchase	*13*	**30**	-
Gain on disposal of subsidiaries		**-**	2,874
Gain on disposal of investment properties		**21,001**	-
Loss on redemption of convertible bonds		**-**	(5,962)
Operating profit		**2,133,046**	1,743,930
Finance costs		**(18,450)**	(27,259)
Share of results of joint ventures		**(45)**	4,062
Profit before income tax	*6*	**2,114,551**	1,720,733
Income tax expense	*7*	**(1,179,996)**	(798,894)
Profit for the year		**934,555**	921,839
Profit for the year attributable to:			
Owners of the Company		**900,243**	851,196
Non-controlling interests		**34,312**	70,643
		934,555	921,839
		HK Cents	HK Cents
Earnings per share	*9*		
Basic		**39.4**	37.3
Diluted		**39.4**	36.5

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2016

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2016

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

As at 31 December 2016

	Notes	2016 HK$'000	2015 HK$'000
Non-current liabilities			
Borrowings		**14,684,942**	10,633,642
Guaranteed notes payable		**3,148,508**	3,138,399
Deferred tax liabilities		**3,820,607**	1,303,664
		21,654,057	15,075,705
Net assets		**11,185,300**	11,809,837
Capital and reserves			
Share capital	*12*	**2,144,018**	2,144,018
Other reserves		**(1,503,256)**	74,719
Retained profits		**9,735,520**	8,954,014
Proposed dividend	*8*	**45,645**	-
Equity attributable to owners of the Company		**10,421,927**	11,172,751
Non-controlling interests		**763,373**	637,086
Total equity		**11,185,300**	11,809,837

1. GENERAL INFORMATION

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

The principal activities of the 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, Jilin, Lanzhou, Nanning, Nantong, Shantou, Yancheng and Yangzhou.

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

The financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), Hong Kong Accounting Standards ("HKASs") and Interpretations (hereinafter collectively referred to "HKFRS") issued by 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 information relating to the years ended 31 December 2016 and 2015 included in this preliminary announcement of annual results 2016 do not constitute the Company's statutory annual consolidated financial statements for those years but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Companies Ordinance is as follows:

The Company has delivered the financial statements for the year ended 31 December 2015 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance and will deliver the financial statements for the year ended 31 December 2016 in due course.

The Company's auditor has reported on the financial statements of the Group for both years. The auditor's report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its reports; and did not contain a statement under sections 406(2), 407(2) or (3) of the Companies Ordinance.

The financial statements for the year ended 31 December 2016 were approved and authorized for issue by the Board on 21 March 2017.

2. PRINCIPAL ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost basis except for investment properties, which are measured at fair value.

The accounting policies used in preparing the consolidated financial statements are consistent with those followed in the Group's annual financial statements for the year ended 31 December 2015 with the addition of certain standards and interpretations of HKFRSs issued and became effective in current year as described in note 3 "Adoption of New or Revised HKFRSs".

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

3. ADOPTION OF NEW OR REVISED HKFRSs

(a) Adoption of new or revised HKFRSs – effective 1 January 2016

In the current year, the Group has applied for the first time the following new standards, amendments and interpretations issued by the HKICPA, which are relevant to and effective for the Group's financial statements for the annual period beginning on 1 January 2016:

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

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

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

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

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

1 Effective for annual periods beginning on or after 1 January 2017
2 Effective for annual periods beginning on or after 1 January 2018
3 Effective for annual periods beginning on or after 1 January 2019
4 The amendments were originally intended to be effective for periods beginning on or after 1 January 2016. The effective date has now been deferred or removed. Early application of the amendments continues to be permitted.

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

4. REVENUE

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

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

5. SEGMENT INFORMATION

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

Property investment and development	—	This segment constructs residential and commercial properties in the PRC. Part of the business is carried out through associates and joint ventures.
Property leasing	—	This segment holds commercial units located in the PRC for leasing to generate rental income and gain from appreciation in the properties' values in the long term. Part of the business is carried out through a joint venture.
Other segment	—	This segment engages in (i) hotel operations and generates service fee income in relation to hotel operation and other ancillary services; and (ii) provision of management services to certain housing estate in the PRC and generate management fee income. During the year ended 31 December 2016, the Group acquired the entire issued share capital of Best Beauty Investments Limited ("Best Beauty") and certain subsidiaries of Best Beauty are engaged in hotel operations. Further details of the Acquisition are set out in note 13. During the year ended 31 December 2015, the Company disposed of its entire equity interest in those companies principally engaged in the provision of property management services.

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

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

Segment liabilities include trade and other payables, accrued liabilities, amounts due to associates and non-controlling interests and other liabilities directly attributable to the business activities of the operating segments and exclude tax liabilities, corporate liabilities and liabilities such as borrowings, amounts due to related companies, consideration payable for acquisition and guaranteed notes payable that are managed on a group basis.

5. SEGMENT INFORMATION (CONTINUED)

Segment results, segment assets and segment liabilities

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

	Property investment and development HK$'000	Property leasing HK$'000	Other segment HK$'000	Consolidated HK$'000
For the year ended 31 December 2016				
Reportable segment revenue	16,900,061	193,424	-	17,093,485
Reportable segment profit	2,047,424	165,799	-	2,213,223
Corporate income				2,290
Gain on bargain purchase				30
Finance costs				(18,450)
Other corporate expenses				(82,542)
Profit before income tax				2,114,551
As at 31 December 2016				
Reportable segment assets	76,247,871	2,748,957	491,353	79,488,181
Tax assets				1,316,815
Corporate assets ^				548,719
Total consolidated assets				81,353,715
Reportable segment liabilities	31,025,345	80,097	15,896	31,121,338
Taxation 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

5. SEGMENT INFORMATION (CONTINUED)

Segment results, segment assets and segment liabilities (continued)

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

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

5. SEGMENT INFORMATION (CONTINUED)

Segment results, segment assets and segment liabilities (continued)

Other information

	Property investment and development HK$'000	**Property leasing HK$'000**	**Other segment HK$'000**	**Corporate HK$'000**	**Consolidated HK$'000**
For the year ended 31 December 2016					
Interest income	**122,466**	**801**	**-**	**2,290**	**125,557**
Depreciation and amortization	**6,586**	**5,493**	**-**	**1,223**	**13,302**
Gain on bargain purchase	**-**	**-**	**-**	**30**	**30**
Gain on disposal of investment properties	**-**	**21,001**	**-**	**-**	**21,001**
Gain on disposal of property, plant and equipment	**1,580**	**-**	**-**	**-**	**1,580**
Write-off of property, plant and equipment	**10**	**-**	**-**	**-**	**10**
Share of (loss)/profit of joint ventures	**(4,704)**	**4,659**	**-**	**-**	**(45)**
Additions to specified non-current assets #	**299,081**	**-**	**-**	**-**	**299,081**
As at 31 December 2016					
Interests in associates	**71,831**	**-**	**-**	**-**	**71,831**
Interests in joint ventures	**277,995**	**98,849**	**-**	**-**	**376,844**
For the year ended 31 December 2015					
Interest income	88,507	926	68	2,504	92,005
Depreciation and amortization	9,297	7,080	176	1,393	17,946
Gain on disposal of subsidiaries	-	-	2,874	-	2,874
Loss on redemption of convertible bonds	-	-	-	5,962	5,962
Write-off of property, plant and equipment	82	-	876	-	958
Share of profit of joint ventures	-	4,062	-	-	4,062
Additions to specified non-current assets #	1,401	1,091	61	-	2,553
As at 31 December 2015					
Interests in joint ventures	-	100,784	-	-	100,784

Including additions to the Group's investment properties, other properties, plant and equipment, prepaid lease rental on land, intangible assets, interests in associates and interests in joint ventures (i.e. "specified non-current assets"), but excluded those additions arising from the Acquisition as set out in note 13.

5. SEGMENT INFORMATION (CONTINUED)

Geographical information

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

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

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

Information about major customer

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

6. PROFIT BEFORE INCOME TAX

	2016	2015
	HK$'000	HK$'000
Profit before income tax is arrived at after charging:		
Amortization:		
Prepaid lease rental on land	**165**	176
Intangible assets #	**4,532**	4,826
Depreciation of property, plant and equipment	**8,605**	12,944
Total amortization and depreciation	**13,302**	17,946

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

7. INCOME TAX EXPENSE

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

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

7. INCOME TAX EXPENSE (CONTINUED)

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

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

8. DIVIDENDS

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

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

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

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

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

9. EARNINGS PER SHARE

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

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

Weighted average number of ordinary shares	**2016**	2015
	'000	'000
Weighted average number of ordinary shares used in calculating basic earnings per share	**2,282,240**	2,282,240
Effect of dilutive potential ordinary shares - issuance of shares for conversion of convertible bonds	**-**	57,720
Weighted average number of ordinary shares used in calculating diluted earnings per share	**2,282,240**	2,339,960

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

10. TRADE AND OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS

	2016	2015
	HK$'000	HK$'000
Trade receivables, net	**81,977**	623,997
Other receivables, net	**1,935,067**	607,206
Prepayments and deposits	**3,436,110**	3,172,662
	5,453,154	4,403,865

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

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

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.

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

11. TRADE AND OTHER PAYABLES

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

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

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

12. SHARE CAPITAL

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

13. BUSINESS COMBINATION

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

Best Beauty is a wholly-owned subsidiary of the Seller. Best Beauty and its subsidiaries ("Best Beauty Group") is primarily engaged in the development, sale and investment of properties in the PRC.

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

The Acquisition was completed on 29 December 2016.

13. BUSINESS COMBINATION (CONTINUED)

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

	HK$'000	HK$'000
Cash consideration		**3,927,695**
Recognized amounts of identifiable assets acquired and liabilities assumed		
Investment properties	**11,179**	
Property, plant and equipment	**902,849**	
Prepaid lease rental on land	**317,484**	
Interests in associates	**71,831**	
Available-for-sale financial assets	**2,005**	
Deferred tax assets	**94,933**	
Inventories of properties	**21,305,095**	
Other inventories	**2,124**	
Trade and other receivables, prepayments and deposits	**1,751,394**	
Amounts due from associates	**65**	
Amounts due from non-controlling interests	**65,770**	
Tax prepaid	**219,412**	
Restricted cash and deposits	**1,613,197**	
Cash and bank balances	**306,639**	
Trade and other payables	**(3,829,754)**	
Sales deposits received	**(2,605,662)**	
Amounts due to COLI and its subsidiaries	**(8,641,033)**	
Amounts due to associates	**(186,832)**	
Amounts due to non-controlling interests	**(164,521)**	
Taxation liabilities	**(227,886)**	
Borrowings	**(4,095,277)**	
Deferred tax liabilities	**(2,784,334)**	
Total identifiable net assets acquired at fair value		**4,128,678**
Non-controlling interests in Best Beauty Group		**(200,953)**
		3,927,725
Gain on bargain purchase		**(30)**
		3,927,695
Cash (outflow)/inflow on Acquisition:		
Purchase consideration settled during the year		**(2,015,000)**
Cash and bank balances acquired		**306,639**
Cash outflow on Acquisition included in cash flows from investing activities		**(1,708,361)**
Transaction costs of the Acquisition included in cash flows from operating activities		**(13,000)**
		(1,721,361)

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

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

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

Amounts due to COLI and its subsidiaries amounted to HK$8,641,033,000 as at 31 December 2016 which are classified as "Amounts due to related companies" in the consolidated statement of financial position. Such amounts are unsecured and repayable within one year from the completion date of the Acquisition.

ANNUAL GENERAL MEETING

The AGM of the Company will be held on Tuesday, 23 May 2017.

The Register of Members of the Company will be closed from Thursday, 18 May 2017 to Tuesday, 23 May 2017 both days inclusive, during which period no transfer of shares will be effected. In order to determine the identity of the Members who are entitled to attend and vote at AGM, all transfers accompanied by the relevant share certificates must be lodged with the Company's share registrar, Tricor Standard Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30 p.m. on Wednesday, 17 May 2017.

REVIEW OF THIS FINAL RESULTS ANNOUNCEMENT

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 2016 as set out in the preliminary announcement have been agreed by the Group's auditor, BDO Limited, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by BDO Limited 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 BDO Limited on the preliminary announcement.

AUDIT COMMITTEE AND REVIEW OF ACCOUNTS

The audit committee of the Company has discussed and reviewed with management the annual results and consolidated accounts for the year ended 31 December 2016.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

There was no purchase, sale or redemption of the Company's listed securities by the Company or any of its subsidiaries during the year ended 31 December 2016.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers the "Model Code" set out in Appendix 10 of the Listing Rules as the code of conduct for dealings in securities of the Company by the Directors.

Having made thorough enquiry of the Directors, the Company can reasonably confirm that the Directors have complied with the required standard set out in the Model Code throughout the year ended 31 December 2016.

CORPORATE GOVERNANCE PRACTICE

The Company always strives to raise the standard of its 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 willingness to maintain transparency and accountability to maximize the value of our shareholders as a whole.

Except for the deviations from codes A.4.1, A.6.7 and E.1.2, the Company has applied the corporate governance principles and complied with all the code provisions where applicable, most of the recommended best practices set out in Appendix 14 to the Listing Rules "CG Codes" for the year ended 31 December 2016.

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.

In addition to the above deviation, the Company has not complied with CG Codes A.6.7 and E.1.2 which require the independent non-executive directors and the chairman of the independent board committee to attend the general meetings. Due to overseas engagements, Dr. Timpson Chung Shui Ming, one of the independent non-executive directors and the chairman of the independent board committee established to review the acquisition of the property portfolio from COLI, was unable to attend annual general meeting and the extraordinary general meeting of the Company held on 23 May 2016 and 21 November 2016 respectively. However, all other independent non-executive directors were present thereat to be available to answer any question to ensure effective communication with shareholders of the Company.

PUBLICATION OF RESULTS ANNOUNCEMENT ON THE WEBSITES OF THE STOCK EXCHANGE, THE COMPANY AND EQS TODAYIR LIMITED

This results announcement is published on the website of the Stock Exchange at http://www.hkexnews.hk under "Latest Information", the Company's website at http://www.cogogl.com.hk and the website of EQS TodayIR Limited at http://www.todayir.com/en/showcases.php?code=81.

The printed copy of the 2016 Annual Report will be sent to shareholders of the Company before mid of April 2017 and the soft copy of the Annual Report will be published on websites of the Stock Exchange, the Company and EQS TodayIR Limited in due course.

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.

By Order of the Board

China Overseas Grand Oceans Group Limited

Xiao Xiao

Chairman and Non-Executive Director

Hong Kong, 21 March 2017

As at the date of this announcement, the Board comprises eight Directors, of which three are executive Directors, namely, Mr. Zhang Guiqing, Mr. Paul Wang Man Kwan and Mr. Yang Lin; two non-executive Directors, namely Mr. Xiao Xiao and Mr. Billy Yung Kwok Kee, and three independent non-executive Directors, namely Dr. Timpson Chung Shui Ming, Mr. Jeffrey Lam Kin Fung and Mr. Dantes Lo Yiu Ching.