



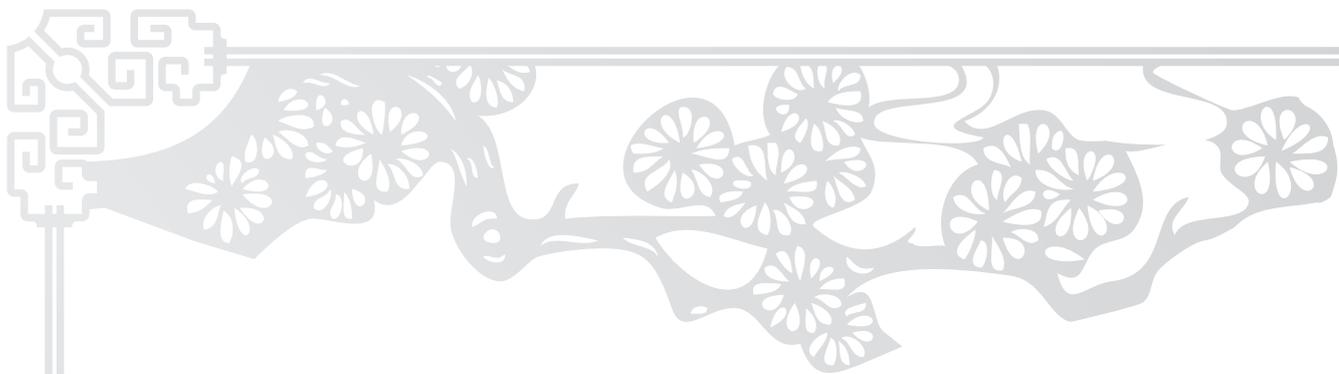
PROPERTY ASSETS to be
ENTRUSTED

ANNUAL REPORT 2015



中海物業集團有限公司
CHINA OVERSEAS PROPERTY HOLDINGS LIMITED

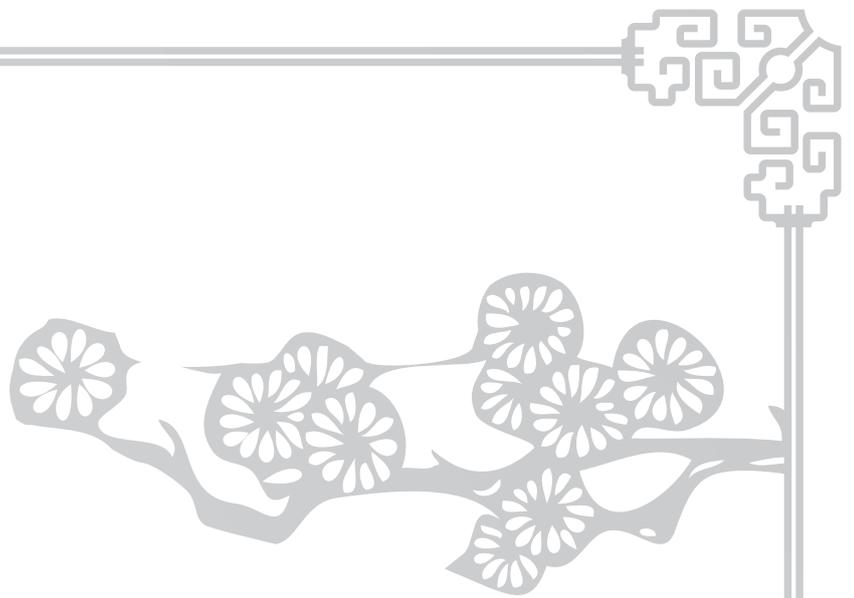
Stock Code: 2669



CHINA OVERSEAS

PROPERTY
HOLDINGS LIMITED





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CORPORATE INFORMATION

CHAIRMAN AND NON-EXECUTIVE DIRECTOR

Hao Jian Min (*Chairman*)

EXECUTIVE DIRECTORS

Wang Qi (*Vice Chairman and Chief Executive Officer*)

Luo Xiao

Shi Yong

Yang Ou

Kam Yuk Fai

INDEPENDENT NON-EXECUTIVE DIRECTORS

Lim Wan Fung, Bernard Vincent

Suen Kwok Lam

Yung Wing Ki, Samuel

AUDIT COMMITTEE

Yung Wing Ki, Samuel (*Chairman*)

Lim Wan Fung, Bernard Vincent

Suen Kwok Lam

NOMINATION COMMITTEE

Hao Jian Min (*Chairman*)

Lim Wan Fung, Bernard Vincent

Suen Kwok Lam

Yung Wing Ki, Samuel

REMUNERATION COMMITTEE

Suen Kwok Lam (*Chairman*)

Hao Jian Min

Lim Wan Fung, Bernard Vincent

Yung Wing Ki, Samuel

COMPANY SECRETARY

Ko Hiu Fung

COMPLIANCE ADVISOR

Somerley Capital Limited

INDEPENDENT AUDITOR

PricewaterhouseCoopers

Certified Public Accountants

REGISTERED OFFICE

Cricket Square, Hutchins Drive,

PO Box 2681, Grand Cayman KY1-1111,

Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

19th Floor, China Overseas Building,

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Wanchai, Hong Kong

Telephone : (852) 2823 7088

Facsimile : (852) 3102 0683

Website : www.copl.com.hk

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Codan Trust Company (Cayman) Limited

Cricket Square, Hutchins Drive,

PO Box 2681, Grand Cayman KY1-1111,

Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited

Level 22, Hopewell Centre,

183 Queen's Road East, Hong Kong

LEGAL ADVISORS

As to Hong Kong laws:

Mayer Brown JSM

As to Cayman Islands laws:

Conyers Dill & Pearman

PRINCIPAL BANKERS

(In Alphabetical Order)

China Construction Bank Corporation

The Hongkong and Shanghai Banking Corporation Limited

INVESTOR RELATIONS

Corporate Communications Department

Telephone : (852) 2988 0600

Facsimile : (852) 2988 0606

E-mail : copl.ir@cohl.com

PUBLIC RELATIONS

Corporate Communications Department

Telephone : (852) 2988 0600

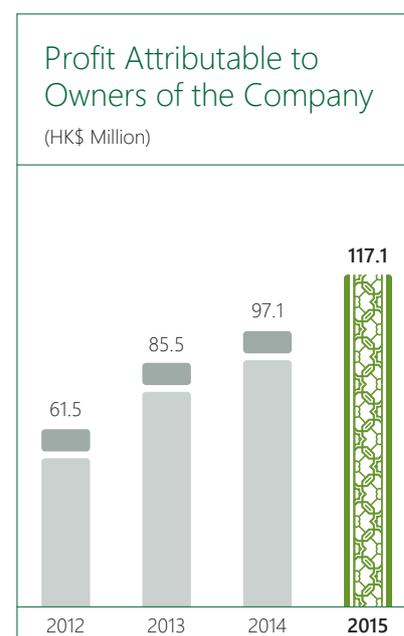
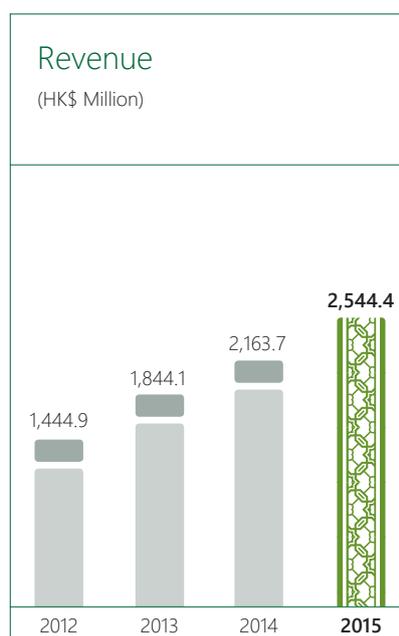
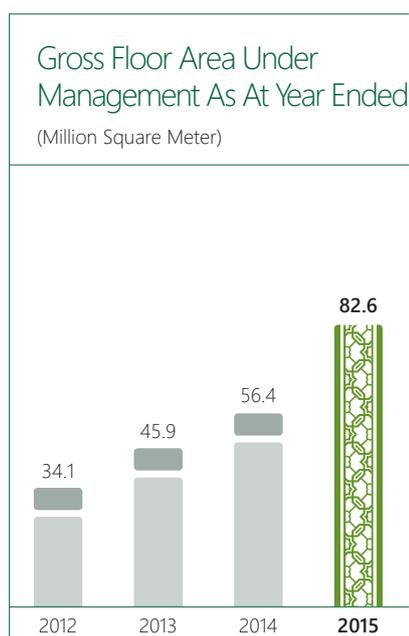
Facsimile : (852) 2988 0606

E-mail : copl.pr@cohl.com

BUSINESS AND FINANCIAL HIGHLIGHTS

	Formula	2015	2014	Change
Operating Scale:				
Gross floor area under management as at year ended (million square meter)		82.6	56.4	+46.5%
Employee headcount		21,714	19,014	+14.2%
Revenue (HK\$ million)		2,544.4	2,163.7	+17.6%
Profitability & Rates of Return:				
Net profit (HK\$ million)		117.1	97.1	+20.6%
Earnings per share (HK cents)		3.56	2.96	+20.3%
Average return on equity	Profit attributable to owners of the Company/ Average capital and reserves attributable to owners of the Company	20.2%	20.3%	N/A
Liquidity:				
Bank balances and cash (HK\$ million)		1,740.9	1,088.6	+59.9%
Bank borrowing (HK\$ million)		184.0	–	N/A
Current ratio	Total current assets/Total current liabilities	1.3	1.3	–
Gearing ratio	Total borrowings/ Equity attributable to owners of the Company	29.2%	0%	N/A

N/A: Not applicable







CHAIRMAN'S STATEMENT



CHAIRMAN'S STATEMENT

For the year ended 31 December 2015, total GFA of the properties under our management increased by 46.5% to 82.6 million sq.m., which is higher than the compound annual growth rate of 28.6% for the past two years ended 31 December 2014.

The annual revenue of the Group increased by 17.6% to HK\$2,544.4 million. The profit attributable to owners of the Company increased by 20.6% to HK\$117.1 million. Basic earnings per share was HK3.56 cents and average return on equity was 20.2%.



Hao Jian Min
Chairman and Non-executive Director

CHAIRMAN'S STATEMENT (CONTINUED)

INTRODUCTION

I am pleased to announce the first annual consolidated results of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2015, after its successful spin-off from China Overseas Land and Investment Ltd. ("COLI") and separate listing by way of introduction on 23 October 2015 (the "Listing Date"). On 6 July 2015 and 9 October 2015 respectively, COLI declared to proceed with the proposed spin-off and separate listing of the shares of the Company by means of a conditional distribution in specie of its entire shareholding in the Company to its shareholders on a pro-rata basis of one share for every three shares held, further details of which can be found in the listing document of the Company dated 14 October 2015.

Since its setup in Hong Kong in early 1986, the Group has expanded rapidly both in terms of geographical coverage and business volume in the past nearly three decades. Our customers include owners, residents and enterprises in mid- to high-end residential, commercial and government properties, as well as property developers and other property management companies. As at 31 December 2015, the Group's property management businesses, traded under its renowned brand name, "China Overseas Property" (「中海物業」), provided professional property management services to 427 properties located across 50 cities and regions in Hong Kong, Macau, and the People's Republic of China the ("PRC"), with an aggregate gross floor area ("GFA") under management of approximately 82.6 million sq.m. with total number of employees of 21,714. The categories of properties under management include mid- to high-end residential units, Grade-A office buildings, commercial complex, hotels and government properties. The Group also extended its services from basic property management services since occupation such as security, repair and maintenance, cleaning and garden landscape maintenance to a comprehensive spectrum of property management services for property development. We provide one-stop shop property management solution to property developers and property owners, including product positioning consultation, facilities and equipments evaluation proposals, pre-delivery services, move-in assistance services,

delivery inspection services and engineering service quality monitoring and consulting services. Facing with the potential consumption power of a huge community population, we would expand our business operations vigorously for community services and community assets management via the mobile internet platform.

As a public company, we believe that, via a high quality corporate governance structure and transparency, it would help to unleash the potential value of our businesses by a focused and clear identification of our Group's intrinsic potentials and fair value to the shareholders and investors. A separate and dedicated professional management team would be able to capture swiftly the business opportunities at the right time, enhance the resources planning and allocation and cope with business risks effectively.

RESULTS

For the year ended 31 December 2015, total GFA of the properties under our management increased by 46.5% or 26.2 million sq.m. (including 7.8 million sq.m. attributable to synthetic growth through acquisitions) to 82.6 million sq.m., which is higher than the compound annual growth rate of 28.6% for the past two years ended 31 December 2014. New property management contracts secured during this year amounted to a total contract sum of approximately HK\$513.6 million (including contract sum of HK\$16.5 million through acquisitions), with a total contract sum (for property management contracts with fixed expiry dates) for services to be rendered of approximately HK\$1,164.5 million as of 31 December 2015.

The annual revenue of the Group increased by 17.6% to HK\$2,544.4 million (2014: HK\$2,163.7 million) against last year. Operating profit for the year raised by 23.1% to HK\$162.9 million (2014: HK\$132.3 million). The profit attributable to owners of the Company for 2015 increased by 20.6% to HK\$117.1 million, comparing to HK\$97.1 million in 2014. Basic earnings per share was HK3.56 cents (2014: HK2.96 cents), increased by 20.3%. Average return on equity was 20.2% (2014: 20.3%).

CHAIRMAN'S STATEMENT (CONTINUED)

PROPOSED FINAL DIVIDEND

After reviewing the result performance for the year and the Group's future expansion of its business, the Board recommended the payment of a final dividend of HK1.2 cents per share (2014: Nil) for the year ended 31 December 2015 which represented the total dividend 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 6 May 2016 (the "2016 AGM").

PROSPECTS**The Economy**

Contrasting with the relatively complicated global economy environment, the Gross Domestic Product ("GDP") in China expanded by 6.9% in 2015 over the previous year, and was in line with the expectation of national economic growth. With the building of a moderately prosperous society, most people are looking for better living standard and service quality persistently, and are willing to pay for such at higher prices. Tertiary industry or the service industry, as an important component exceeding 50% of the GDP at the first time, consistently delivered positive supports to boost economic growth. Inflation rate of 1.4% for the year was lower than 2% in last year while the per capita disposable income recorded a nominal growth of 8.9% year-on-year or a real increase of 7.4% after deducting price factors. Looking forward, China is progressing towards a moderately prosperous society.

With the scaling down of percentage increase in the minimum wages led by Shanghai/Shenzhen in 2015 contrasting with the peak level in prior years, coupled with the abundance of labour supply, labour costs in China decreased to 104.3 index points in the fourth quarter of 2015 from 105.7 index points in the first quarter of 2015. In future, with the advocates of supply side reforms, the resources allocation and consolidation would have profound economic benefits and cost efficiency. The pattern of change in labour cost is expected to be in line with the economic growth rate and consumer price index.

Property Management

In recent years, the progress of National New-type Urbanization Plan (2014–2020) 《國家新型城鎮化規劃(2014–2020年)》 and rapid development of China property market provided ample room for the development of property management industry. The labour-intensive property management services, focusing on basic traditional services as cleaning, security, etc, have been progressively transformed into automated, intelligent and internet-enabled ones. The basic property management service providers have been transforming themselves into connectors and integrators of peripheral services. Leveraged on the edge of internet technology, advanced property management service, alongside with the improvement of the effectiveness of internal controls, enriches the consumer experience of service products, and creates a new ecology for internal and external services. At such an opportune moment, property management enterprises adopt different strategies for their business development. The State Council of the People's Republic of China had explicitly stated in its "12th Five-Year Plan for Services Industry Development" 《服務業發展“十二五”規劃》 for the "perfection of market driven pricing mechanism and encouraging the property services enterprises to develop diversified business operations". The "National Development and Reform Commission on the Price Control of Some Services Liberalisation Opinion Notice" 《國家發展改革委關於放開部分服務價格意見的通知》(發改價格(2014)2755號), promulgated in December 2014 provided indicative ruling to municipal government to relax price controls for property services rendered to non-indemnificatory housing units, paving way for bigger opportunity for the development of the property management industry.

In the PRC, Hong Kong and Macau, property management industries are highly fragmented. However, intensive competitions under a backdrop of changing operation environment, together with relevant policy measures in place, there were continuous mergers and acquisitions in the industry to consolidate and shake out the weaker firms to promote a sustainable and healthy development of the industry.

CHAIRMAN'S STATEMENT (CONTINUED)

Finally, perfect competitions amongst nationwide, regional and local property management enterprises would give rise to continuous improvements in the overall service quality of property management. Those property management enterprises having competitive advantages in terms of scale of operation, brand equity, goodwill and being customer-orientated would evolve to be leaders in the industry.

Group Strategy

The Group competes with our major rivals primarily on branding, service quality, scale and profitability. We concentrate on providing quality management services to our clients, and provide differentiated service products to suit different customer needs in order to establish a well-received brand image. With a proven track record of 30 years' services, we have built up a comprehensive service quality monitoring system, and received the international service standard certification. We have adopted information technology to improve our quality of service and devote our best efforts to promote our customer satisfaction continuously. We focus on the market development in the mid- to high-end residential and commercial properties, so as to maintain business growth to enlarge our market share and operating scale. While we would endeavour to maintain a high quality of service, we strive to beef-up labour productivity and control management overhead cost by the establishment of informationalization and automation platforms to boost up efficiently.

Facing with the potential consumption power of a huge community population, we made every effort to continuously develop our community leasing, sales and other off-line services. Meanwhile, we would expand our business operations vigorously for community services and community assets management via the mobile internet platform, in order to satisfy the various service needs of the owners, tenants and occupiers, and provide swift and convenient services experience that would increase our overall competitiveness in the property management industry.

As one of the leading property management companies in the PRC, it is our mission to lead the industry development continuously through our performance excellence, provide perfect inhabitation enjoyment to our customers with high quality services, preserve and enhance the assets value of clients' properties with comprehensive assets management programs, provide a pleasant working environment with rooms for career development for our staff, and, leveraged on our brand image built up from word-of-mouth credentials, and explore the property management market continuously to create shareholders' value. We would implement the following key business strategies in order to achieve our objectives of meeting customers' needs and continuous business growth:

- **Leverage on our leading “China Overseas Property” (「中海物業」) brand name and expand our business scope**

By focusing on our core competency of managing such properties in major cities in the PRC, as well as in Hong Kong and Macau, it would solidify our strong brand recognition as a property management service provider for mid- to high-end properties. We intend to expand our range of service offerings to provide comprehensive and differentiated service solutions to customers, and by leveraging our property management knowhow from Hong Kong high-end properties to develop the high-end and mixed-use property management market in the PRC and abroad.

In order to leverage on our strength in managing mid- to high-end properties, we would expand our coverage to property developers whose profiles are consistent with our brand image and market positioning, in particular, our portfolio of commercial properties under management. Furthermore, to continue expanding our scope of operations, we plan to explore potential cooperation opportunities with, or acquisitions of, other property management companies in the PRC when suitable opportunities arise.

CHAIRMAN'S STATEMENT (CONTINUED)

- **Further expand our business coverage through consolidation of our advanced property management knowhow**

We will leverage on our extensive experience in managing mid- to high-end properties in order to devote our efforts in providing property management consultancy to the full phases of property development, and continue to expand our coverage for consulting services, professional and technical advisory services as well as through-train property management consultation. We will provide bespoke services to meet our customers' demands. Such services include planning design assessments, engineering consultancy and equipment advisory services to achieve the goal of lowering development costs and improving property offerings. Our management knowhow offerings include property management methodology design and modernising quality control techniques to aid with raising management efficiency and lowering costs arising from property management services. Meanwhile, we would leverage on the business platform and positioning, integrate the resources across the value-chain horizontally and vertically, and collaborate with business partners to explore new business opportunities, e.g. provide leasing and operation of offices and commercial properties.

- **Continue to develop our online to offline platform ("O2O platform") to optimise service experience**

We believe O2O platform will play a key role in our growth opportunities in the future. We will continue to devote additional resources to grow our on-line internet platform to satisfy various individual needs and offer leasing, property decoration and other services and assist the customers to obtain abundant, yet convenient consumer experience via the on-line internet platform effectively, thereby promoting the life style quality and creating value for our customers. We will increase our channels in marketing our O2O platform to increase customer awareness of our offerings and create a new form of commercial network in the communities.

- **Further enhance our service quality while maximising our cost efficiency**

We pay close attention to our customers' needs and aim to improve our core competency in providing quality property management services by leveraging innovations in technology, ensuring service quality through effective supervision and raising management efficiency.

Automation and standardisation are key factors in our strategy to increase cost efficiency and improve service quality. We will continue implementing automation measures in our processes and emphasising standardisation in our operations. The manipulation of automated systems, such as the smart guest-access control system for residential buildings and car-park management system would reduce the reliance on human resources, and assist the provision of standardized services. These would ensure the consistency of service quality and mitigate human errors, thereby safeguard our brand name and goodwill. Through building up different information technology management platforms, such as real-time quality control system, equipment and facilities surveillance system and cost control management system, we would achieve remote-controls for service centres and data collection for management analysis, thus are able to improve management efficiency continuously. We also maintain close relationships with quality vendors and subcontractors in order to ensure consistency and reliability in our service quality.

Our technical engineering teams had applied their expertises in the environmental and energy-saving campaigns in the communities, as well as assisted vigorously in the proper maintenance of equipments and facilities, and project risk management. In this connection, we obtained three awards for energy saving initiatives from the government and four national patents. In future, we would continue to strengthen our cost controls and resources planning, and carry on the establishment of China Oversea Property intelligent communities and its intelligent management, to provide the highest service quality and cost benefits.

CHAIRMAN'S STATEMENT (CONTINUED)

- **Attract, develop and retain talent to support our business growth**

We have adopted a series of human resources strategies to attract, nurture and retain talents. After three decades, we now have a professional, dedicated and loyal management team that underpins sufficient human talent for business growth. We mainly select our management staff through internal promotion but will also externally recruit talents in the property management industry, via the "Sons of the Sea" and "Sea's Recruits" schemes that complement our development strategy and corporate culture.

We tailor our training programmes to various levels of management from entry-level staff to senior management to address their need for different skill sets including the provision of timely and attractive learning opportunities to our staff via the network college. To supplement our recruiting and training efforts, we will continue developing our long-term relationships with professional institutions and industrial organisations for human resources planning as well as establishing various training camps.

We design competitive compensation packages and performance review systems. Through regular performance reviews, stipends, bonuses and special contractual arrangements, we incentivise our employees and boost productivity by ensuring compensation is tied to performance. Furthermore, our continuous multi-dimensional performance assessment and open policy for competitive recruitment allow us to offer wider and long-term career development opportunities to our staff.

APPRECIATION

Taking this opportunity, I would like to express my heartfelt thanks to my fellow directors, our dedicated staff and our loyal shareholders for their relentless support.

Hao Jian Min

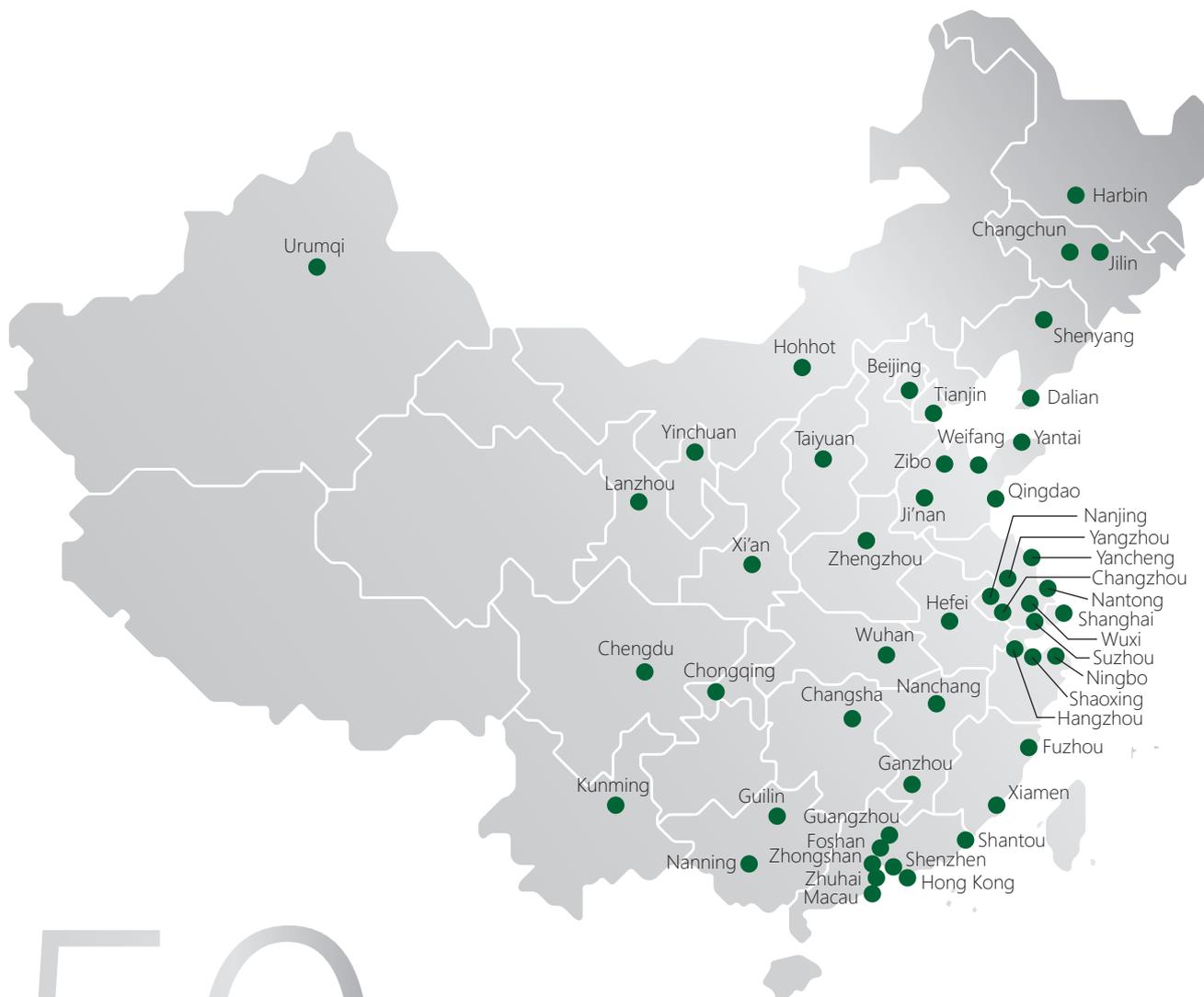
Chairman and Non-executive Director



MANAGEMENT DISCUSSION AND ANALYSIS



MANAGEMENT DISCUSSION AND ANALYSIS



50

CITIES AND REGIONS

Total GFA of the properties
under our management

82.6 million sq.m

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

BUSINESS REVIEW**Revenue and Operating Results**

The Group is one of the leading property management companies in the PRC, with operations covering Hong Kong and Macau, who strives to preserve and add value to the properties under our management by providing high-quality and sophisticated services to the customers and maximising customer satisfaction. During the year, the GFA under our management increased by 46.5% to 82.6 million sq.m. from 56.4 million sq.m. in last year, which further strengthened our revenue base and improved our market position.



Residential Service Team Members

For the year ended 31 December 2015, total revenue increased by 17.6% to HK\$2,544.4 million, comparing to HK\$2,163.7 million in the last year. The increase was primarily due to higher revenue generated from our core property management services and further improvement in income derived from our value-added services.

Direct operating expenses increased by 15.4% that was below the rate of increase in revenue, from HK\$1,750.6 million in the last year to HK\$2,019.7 million for the year, mainly due to increase in overall headcount as a result of increased GFA under management and expansion of value-added services, leading to a higher expenditure in salaries and wages.

Accordingly, gross profit increased by 27.0% against last year to HK\$524.7 million for the year (2014: HK\$413.1 million). Gross profit margin improved to 20.6% for the year ended 31 December 2015 from 19.1% in the last year, mainly due to (i) proportion of revenue from value-added services increased from 5.9% out of total revenue in the last year to 7.1% for the year; and (ii) increase of proportion of revenue from property management services under commission basis out of segment revenue, leading to the overall improvement of gross profit margin in property management services.



Project Management Staff

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Other income and gains, net, increased by 4.9% to HK\$19.2 million for the year (2014: HK\$18.4 million). Of which, contributions from other income arising from interest income on bank deposits and unconditional government grants amounted to HK\$11.4 million and HK\$5.7 million respectively (2014: HK\$10.6 million and HK\$5.9 million respectively).

Additional fair value gains on investment properties for the year was approximately HK\$4.2 million, decreased by HK\$1.0 million from HK\$5.2 million in the last year. After taking into account the depreciation of Renminbi against Hong Kong dollar at year end, the book value of investment properties as at 31 December 2015 levelled with last year at HK\$70.6 million (As at 31 December 2014: HK\$70.4 million).

After deducting administrative expenses of HK\$385.3 million for the year (2014: HK\$304.3 million), operating profit

increased by 23.1% to HK\$162.9 million (2014: HK\$132.3 million). Overhead increase was primarily due to (i) increase in number of employees and salary level, and (ii) the one-off listing expenses incurred for the floatation of the Company after spun-off of the Company from COLI in October 2015, amounted to HK\$30.6 million for the year. *(Note: the listing expenses of HK\$34.5 million have been fully settled by COLI by year end with corresponding credit to equity of the Company.)*

Overall, profit attributable to owners of the Company for the year ended 31 December 2015 increased by 20.6% to HK\$117.1 million against the last year (2014: HK\$97.1 million).



Our Frontline Heroes

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)



Well-use of CRM system for Maintenance of Properties



O2O Platform Offers Various Kinds of Value-added Service



Effectively Use Intelligent Platform to Manage Properties

SEGMENT INFORMATION

Property Management Services

Revenue from property management services constituted 92.9% of total revenue for the year ended 31 December 2015 (2014: 94.1%), and increased by 16.2% from last year to HK\$2,364.8 million (2014: HK\$2,035.5 million). This was mainly attributable to an increase in our total GFA under management and supplemented by an increase in the level of the property management fees for certain properties upon contract renewal or obtaining of the regulatory approval requisition. During the year, we increased our total GFA under management by approximately 26.2 million sq.m. (of which 7.8 million sq.m. was due to the acquisition of China Overseas Grand Oceans Property Management Limited ("COGPM Holding") and its subsidiaries) to 82.6 million sq.m. from 56.4 million sq.m. at last year end.

For the year ended 31 December 2015, 85.1% and 5.3% of the segment revenue were generated from regular property management contracts under lump sum basis and commission basis respectively (2014: 86.7% and 4.1% respectively). Other property management services, including (for property developers) pre-delivery services, move-in assistance services and consulting services, represented 9.6% of the remaining segment revenue (2014: 9.2%). Overall, the segment gross profit margin improved to 18.8% for the year against 17.9% in the last year. Accordingly, the gross profit of our property management services segment increased by 22.1% to HK\$445.7 million for the year ended 31 December 2015 (2014: HK\$365.2 million).

After deducting the administrative expenses and taking into accounts the other income, the segment profit of the property management services increased by 54.9% to HK\$142.6 million for the current year (2014: HK\$92.1 million).

Value-Added Services

Revenue from the value-added services segment constituted 7.1% of total revenue for the year ended 31 December 2015 (2014: 5.9%), and increased by 40.0% to HK\$179.6 million (2014: HK\$128.3 million). The growth was primarily due to the expansion of our community leasing, sales and other services business into new locations. In addition, the services offered through our online to offline platform ("O2O platform") started to diversify our product offerings and marketing channels for our community leasing, sales and other services business which covers: (i) basic services, including revenue from community services, which involved use of community resources and property assistance services, etc, (ii) "smart" services such as visitor booking and carpark space availability query systems and (iii) other services such as consultancy services, housing and other agency services, group purchasing and household assistance services, etc.

In respect of the profitability, the gross profit of the value-added services segment increased tremendously to HK\$79.0 million in 2015 from HK\$47.9 million in 2014, with gross profit margin increased to 44.0% (2014: 37.4%). This was due to increasing importance in segment revenue share generated from community leasing, sales and other services that commanded higher gross profit margin against the engineering services sub-segment.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

The segment profit from the value-added services, having allowed for other segment overhead, increased by 75.7% against last year to HK\$71.0 million (2014: HK\$40.4 million).

LIQUIDITY, FINANCIAL RESOURCES AND DEBT STRUCTURE

The Group adopts prudent financial policies, with effective financial and cash management under centralized supervision, and maintains appropriate leverage with adequate cash balances. As at 31 December 2015, net working capital amounted to HK\$526.6 million (As at 31 December 2014: HK\$409.8 million).

The gearing ratio (total borrowings divided by total equity attributable to owners of the Company) of the Group was 29.2% as at 31 December 2015 due to drawn-down of the HK\$184.0 million (As at 31 December 2014: Nil) unsecured short-term bank loan from a HK\$200.0 million revolving loan facility. As the bank balances and cash well exceeded the bank borrowing, the Group was in a net cash position as at 31 December 2015. Interest of such borrowing was charged at floating rates with a weighted average of 1.93% per annum.



24-hour Security and CCTV Control Room

CAPITAL EXPENDITURES

The capital expenditures, which mainly represented additions to motor vehicles, furniture, fixtures and office equipment, were HK\$13.3 million for the year ended 31 December 2015.

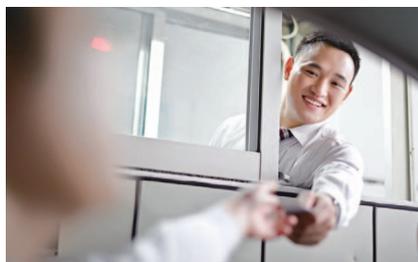
MATERIAL ACQUISITIONS, DISPOSALS, SIGNIFICANT INVESTMENTS AND FUTURE PLANS OF MATERIAL INVESTMENT

On 18 May 2015, China Overseas Grand Oceans Property Group Company Limited ("COGO Property") and China Overseas Property Management Limited ("COPL PRC Holding"), a wholly-owned subsidiary of the Group, entered into an equity transfer agreement whereby COGO Property agreed to transfer the entire equity interests of COGOPM Holding to COPL PRC Holding at a consideration of RMB50.0 million (equivalent to approximately HK\$63.2 million). COGOPM Holding, together with its wholly-owned subsidiaries, are mainly engaged in property management business.

Save as disclosed above and the internal transfers as mentioned in the notes 2(i), (ii) & (iii) to the financial statements, the Group had no other material acquisitions, disposals, significant investments and future plans of material investment during the year ended 31 December 2015.



MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)



Carpark Shroff



Clubhouse Service



Interacting with Customers

PRINCIPAL RISK MANAGEMENT STRATEGIES

1. Cost Controls

Fundamentally, our ability to maintain and improve our current level of profitability depends on our ability to control operating costs, and our profit margins and results of operations may be materially and adversely affected by increases in operating costs. Automation and standardisation are key elements amongst our strategies to increase cost efficiency and improve service quality. We have and will continue the implementation of automation measures in our business processes and emphasising standardisation in our operations. For example, we have employed automation measures such as implementing a real-time quality control system, remote video surveillance system, smart guest access system and carpark management system to control operating costs.

2. Customers and Suppliers Relationship Management

Our customers include owners and residents in mid-to high-end residential communities, commercial properties and government properties, and business enterprises like property developers and other property management companies.

In order to foster and maintain our customers' high satisfaction, our quality control department mainly focused on, among other things, the establishment and maintenance of our internal quality standards, the central management of customer complaints and customer satisfaction surveys and analyses, and reviewing and approving standard form contractual terms relating to quality management and specifications.

Our suppliers primarily include suppliers of our raw materials and sub-contractors providing cleaning and garden landscape maintenance services to the properties we manage.



Office Service Team Members

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)



Housekeeper on Patrol



Gardening Service



Gardening Service

In order to ensure cost effectiveness and standardized quality service to our customers to promote customers' satisfaction, our business strategies includes objectives to maintain close business relationships with quality vendors and sub-contractors so as to achieve consistency and reliability in service quality, while controlling costs through bulk purchases or economies of scale. Our competitive strength depends on our ability to differentiate our Group from our competitors through quality services and reliability.

3. Monitoring of Foreign Exchange Exposure

As the Group mainly recorded its revenue, receivables and payables and expenditures, etc. in Renminbi for its PRC property management business, the management considered that a natural hedge mechanism existed. Meanwhile, fluctuations of exchange rates may impact our net assets value due to currency translation upon

consolidation. If Renminbi appreciates/depreciates against Hong Kong dollar, we would record a(n) increase/decrease in our net assets value. At present, we do not enter into or trade financial instruments, including derivative financial instruments, for hedging or speculative purpose. Hence, other than the effect of currency translation as mentioned above, we have not experienced nor expect any material and adverse effect on our business, operations and financial results due to the devaluation of Renminbi.

On one hand, the Group would closely monitor the volatility of Renminbi exchange rate, and would consider appropriate currency hedging policy for mitigating apparent exchange rate risk. Meanwhile, the management assessed that the Group's risk exposure to foreign exchange rate fluctuations in respect of net investment in the PRC remained at acceptable range.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

FUTURE DEVELOPMENT

The Group extended its services from basic property management services such as security, repair and maintenance, cleaning and garden landscape maintenance to a comprehensive spectrum of property management services, including pre-delivery services, move-in assistance services, delivery inspection services and engineering service quality monitoring and consulting services.

We would expand our business operations vigorously for community services and community assets management via the mobile internet platform, in order to satisfy the various service needs of the owners, tenants and occupiers, and provide swift and convenient services experience that would increase our competitiveness in the property management industry. We would focus on the business development in the mid- to high-end residential communities and commercial properties within the first tier and second tier cities, in order to increase our market share continuously and expand our coverage in the market.

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

As disclosed in the listing document, some of the PRC subsidiaries and branches of the Group did not register for nor fully contribute to the social insurance and housing provident funds for certain employees. On 9 October 2015, China Overseas Holdings Limited ("COHL") has entered into a deed of indemnity with and in favour of the Group under which COHL has agreed to indemnify the Group against any costs, expenses, claims, liabilities, penalties, losses or damages incurred or suffered before the listing the Company by the Group arising from any non-compliance incidents mentioned above. Before the Listing Date to the extent practicable, the relevant PRC subsidiaries/branches had opened accounts for the social insurance and housing provident fund contributions of employees, and the Group had made timely contributions for the social insurance and housing provident fund. Accordingly, we believe the risk relating to non-compliance with the laws and regulations governing social insurance and housing provident fund is insignificant.



O2O Platform Offers Various Kinds of Value-added Service

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Except as disclosed above, we have complied with the relevant laws and regulations in relation to our business in all material respects and there were no material breaches or violations of the laws and regulations applicable to our Group that would have a material adverse effect on our business or financial condition taken as a whole.

ENVIRONMENTAL POLICIES AND PERFORMANCE

We are committed to sustainable development and adopt high standards for energy conservation and carbon emission reduction for our managed projects, a number of which have been accredited with "Leadership in Energy & Environmental Design" by the U.S. Green Building Council. In certain managed properties, we leverage our technological know-how and capabilities to organise and participate in various programmes including:

- centralised water-recycling and reuse systems to reduce water waste and utility costs;
- energy-efficient centralised air conditioning systems and water-recycling systems;
- LED conversion projects across certain managed properties diverting reliance on coal energy and lowering carbon emissions; and
- general environmental activities, such as tree planting, earth hour and car-free days.

The annual cost of our compliance with applicable environmental laws and regulations is generally factored into the property management fees charged by our Group and such cost is not expected to be significant.



Fire Safety Training

CONTINGENT LIABILITIES

The Group provided counter-indemnities amounting to approximately HK\$64.8 million as at 31 December 2015, for guarantees issued in respect of certain property management service contracts for which we are required to provide performance bonds in the ordinary course of business.

Except as disclosed above, we had no other material outstanding contingent liabilities as at 31 December 2015.

SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

The Group had no significant events occurred after year ended 31 December 2015, which have material impact on the performance and the value of the Group.

EMPLOYEES

As at 31 December 2015, the Group had approximately 21,714 employees (As at 31 December 2014: 19,014). The pay levels of these employees are commensurate with their responsibilities, performance and the prevailing market condition.

As part of our comprehensive training programme, we provide classroom and online training to our staff to enhance technical and service knowledge as well as knowledge of industry quality standards and work place safety standards. We have maintained good working relationships with our employees. During the year ended 31 December 2015, no significant labour dispute occurred which adversely affected or were likely to have an adverse effect on our business.



On-site Customer Service Training

HUMAN RESOURCES AND SUSTAINABLE DEVELOPMENT

EMPLOYEE TRAINING AND DEVELOPMENT

Upholding the people-oriented principle, the Group emphasised staff training and encouraged self-enhancement as a way to build the core competitiveness of the team, and improve the overall quality, management skills and professional skills of individual staff members. By organising a series of training activities, we actively created a harmonious and healthy team climate and a good learning atmosphere to boost team spirit and the sense of belonging.

In respect of training methods, we designed training programmes for management staff at all levels (from junior staff to senior management) to equip them with different skills. Through online learning and on-site training, the Group organised intensive training camps, quality development training, short-term offsite exchange, video conferences and seminars for our staff members. We also evaluated the training results and provided feedback to attendants by ways of our online training assessment system and on-site training assessment system.

In 2015, the Group carried out over 11,000 training programmes for different types of staff in companies at all levels and recorded more than 127,000 enrollments.

Such programmes effectively furthered the learning and development of our employees, raised their abilities to perform duties, and provided sufficient and high quality human resources for the Group's business development.

DIVERSITY RECRUITMENT

We recognised that human resources are the most precious resources of the Group. In 2015, in order to cope with the Group's rapid development, we launched a talent development platform based on campus elite and social elite recruitment plans, and successfully recruited talents to join the Group and serve as a new force for our sustainable development. In order to attract mid- to high-level experienced talents to join our head office and subsidiaries, we have built a long-term and stable staff echelon and staff protection mechanism to lay a solid and sound foundation for the sustainable development of the Group.

EMPLOYEE CARE

The Group emphasised good interpersonal relationship and working climate, and assisted employees in striking a balance between work and life. Through abundant staff activities, we effectively relieved employee stress and improved their sense of satisfaction and belonging.



Training for Security Guard



Intensive Training Camp



Seminar of Customer Service



Engineering and Maintenance Training

Accolades & Awards 2015

The Group strives keen efforts in achieving high standard of service quality, over the past year its performance is being recognized in the reputable awards gained.



ACCOLADES & AWARDS 2015 (CONTINUED)

ACCOLADES & AWARDS FOR THE GROUP

(Overall Performance)

Award	Awardee	Organiser
2015 China Top 100 Property Management Companies (Top 10)	China Overseas Property Management Co., Ltd.	China Index Academy; China Real Estate TOP10 Research Group
2015 China Top 100 Property Management Companies in Business Size (Rank No. 9)	China Overseas Property Management Co., Ltd.	China Index Academy; China Real Estate TOP10 Research Group
2015 China Leading Brand in China Property Service Companies	China Overseas Property Management Co., Ltd.	China Index Academy; China Real Estate TOP10 Research Group
2015 Property Management Company worth Focusing by Capital Market (Rank No. 1)	China Overseas Property Management Co., Ltd.	China Index Academy; China Real Estate TOP10 Research Group
2015 Top 100 Property Management Companies in Overall Strength — Rank No. 6 (2015物業管理綜合實力百強企業 — 第6名)	China Overseas Property Management Co., Ltd.	China Property Management Association
2015 Property Management Outstanding Contribution Company (2015物業管理突出貢獻企業)	China Overseas Property Management Co., Ltd.	China Property Management Association
Third Prize Of Excellent Researches In Property Management 2015 (2015物業管理課題研究優秀成果三等獎 (集約化維保解決方案))	China Overseas Property Management Co., Ltd.	China Property Management Association
2014 Shenzhen Top 50 Property Services Companies in Overall Strength — Rank No. 2) (2014年度深圳市物業服務企業綜合實力50強 — 第二名)	China Overseas Property Management Co., Ltd.	Shenzhen Property Management Association
2015 Shenzhen Property Management Association Outstanding Contributor (2015年度深圳市物業管理行業協會特殊貢獻優秀會員)	China Overseas Property Management Co., Ltd.	Shenzhen Property Management Association
Trustworthy Enterprise of Guangdong Province (廣東省守合同重信用企業)	China Overseas Property Management Co., Ltd.	Market Supervision Administration Of Shenzhen Municipality

ACCOLADES & AWARDS 2015 (CONTINUED)

(Corporate Social Responsibility)

Award	Awardee	Organiser
2014–2015 China Top 10 Property Services Companies in Social Responsibility (Rank No. 4) (2014–2015中國物業服務年度社會責任感企業TOP10第4名)	China Overseas Property Management Co., Ltd.	China Index Academy; China Real Estate TOP10 Research Group
Caring Company 2015/16	China Overseas Property Services Ltd.	The Hong Kong Council Of Social Service (HKCSS)
Gold Award For Volunteer Service (Organisation)	China Overseas Property Services Ltd.	HK SAR Social Welfare Department

ACCOLADES & AWARDS FOR BRANCHES & PROJECTS**(Excellent Community)**

Award	Awardee	Organiser
Guangzhou Model Case for Property Management (廣州市物業管理示範專案)	The Piedmont (中海雲麓公館)	Guangzhou Property Management Association
Guangdong Province Model Residential Community in Property Management — Blossom Riverine (廣東省物業管理示範住宅社區 — 中海文華熙岸花園)	Foshan Branch of China Overseas Property Management Co., Ltd. (中海物業管理有限公司佛山分公司)	Guangdong Province Property Management Association (廣東省物業管理行業協會)
Foshan Model Case for Property Management — Lake Lantern Phase I (佛山市物業管理示範專案 — 中海千燈湖花園一期)	Foshan Branch of China Overseas Property Management Co., Ltd. (中海物業管理有限公司佛山分公司)	Foshan Real Estate Association (佛山市房地產協會)
Zhuhai Model Neighborhood for Property Management (珠海市物業管理示範住宅社區)	Silver Bay Administrative Office (中海銀海灣管理處)	Zhuhai Property Management Association (珠海市物業管理行業協會)
2014 Model Community for Property Management Services (2014年度物業管理服務示範社區)	The U World Administrative Office (寰宇天下管理處)	Chongqing Land Resources and Housing Management Bureau (重慶市國土資源和房屋管理局)
Residential Community of Excellent Property Management in Shandong Province (山東省物業管理優秀住宅社區)	The Dragon Manor Administrative Office (中海奧龍觀邸管理處)	Shandong Province Real Estate Association
Jinan Outstanding Community in Property Management (濟南市物業管理優秀住宅社區)	Bogong Administrative Office (中海鉞宮管理處) Shanghu Administrative Office (中海尚湖管理處)	Jinan City Property Management Industry Association

ACCOLADES & AWARDS 2015 (CONTINUED)

Award	Awardee	Organiser
Jinan Outstanding Community in Property Management (濟南市物業管理優秀住宅社區)	Yushan Mansion Administrative Office (禦山華府管理處)	Jinan City Property Management Industry Association
Changchun Outstanding Community in Property Management (長春市物業管理優秀社區)	Changchun International Community (長春中海國際社區禦峰)	Changchun Municipal Government (長春市人民政府)
Tianjin Outstanding Residential Community in Property Management (天津市物業管理優秀住宅社區)	Tianjin China Overseas Ning Jing Garden (天津中海寧靜家園)	Tianjin Municipal Bureau of Land Resources and Housing Administration Portal
Hefei Model Residential Community in Property Management (合肥市物業管理示範住宅社區)	Hefei China Overseas Yuan Shan Garden (合肥中海原山公館)	Hefei Municipal Bureau of Housing Administration Portal (合肥市房地產管理局)
Guangdong Model Residential Community in Property Management (廣東省物業管理示範住宅社區)	Guangzhou China Overseas Hua Cheng Wan (廣州中海花城灣)	Guangdong Province Property Management Association (廣東省物業管理行業協會)
Suzhou Model Case in Property Management (蘇州市物業管理優秀專案)	Suzhou China Overseas North District of Hai Yue Garden (蘇州中海海悅花園北區) Suzhou Xi'an Garden (蘇州熙岸花園) Suzhou China Overseas Yu Shan Ya Yuan (蘇州中海玉山雅苑)	Suzhou Bureau of Housing and Urban-Rural Development (蘇州市住房和城鄉建設局)
Chongqing Jiangbei District Outstanding Residential Community in Property Management (重慶市江北區物業管理優秀住宅社區)	Chongqing Zi Yu Jiang Shan (重慶紫禦江山)	Chongqing Jiangbei District Bureau of Housing Administration Portal (重慶市江北區房屋管理局)

(Advanced Property Show-cases)

Award	Awardee	Organiser
Yuexiu District Star Office Building — 4 stars (越秀區星級商務樓宇 — 4星)	Dongshan Plaza Branch of China Overseas Property Management Co., Ltd. (中海物業管理有限公司東山廣場分公司)	Guangzhou Yuexiu District Business Bureau, Guangzhou Yuexiu District Building Broker Association (廣州市越秀區商務局、廣州市越秀區樓宇經濟協會)
2015 Yuexiu District Star 3-Star Office Building (2015年度越秀區三星級商務樓宇)	Dong Bao Mansion Branch of China Overseas Property Management Co., Ltd. (中海物業管理有限公司東寶大廈分公司)	Guangzhou Yuexiu District Business Bureau, Guangzhou Yuexiu District Building Broker Association (廣州市越秀區商務局、廣州市越秀區樓宇經濟協會)

ACCOLADES & AWARDS 2015 (CONTINUED)

Award	Awardee	Organiser
Three-star Model Unit for Party Work of Non-Public Ownership Organizations in Haizhu District (海珠區非公有制經濟組織黨建工作三星級示範點)	Guangzhou Guangda Huayuan Property Management Limited (廣州市光大花園物業管理有限公司)	Organization Department of the CPC Guangzhou Haizhu District Committee, The CPC Haizhu District Non-Public Ownership Organization Management Committee (中共廣州市海珠區委組織部、中共海珠區非公有制經濟組織工作委員會)
On-site Demonstration and Exchange Point of Shanghai Property Management Industry (上海市物業管理行業現場示範交流點)	Shanghai China Overseas Property Management Limited Hai Yue Garden (海悅花園) Majestic City (萬錦城) Bay Line (中海瀛台) Centro (恒匯國際大廈) China Fortune Tower (中建大廈)	The Trade Association of Shanghai Property Management
2014 Advanced Unit for Office Building (2014年度商務樓宇工作先進單位)	Dongshan Plaza (東山廣場)	Yuxiu District Huanghuagang Community Office (越秀區黃花崗街道辦事處)
2015 Chengdu High-quality Service Unit for Property Management (2015年成都市物業管理優質服務視窗)	Greenwich Village (中海格林威治城) Orchid Garden (中海蘭庭) Dragon Bay Peninsula (中海龍灣半島) Banyan Coast (中海翠屏灣) Golden Sand Manor (中海金沙府) International Community No.1 Administrative Office (中海國際社區第一管理處) One City South Administrative Office (中海城南一號)	Chengdu Property Management Association
2015 Chongqing Jiangbei District "Labor Star" Talent Contest (Property Management), Third Prize in Security Service (重慶市江北區2015 "勞動之星" 技能人才大賽物業行業•保安服務三等獎)	Chongqing Branch of China Overseas Property Management Co., Ltd. (中海物業管理有限公司重慶分公司)	Chongqing Jiangbei District
2015 Chengdu High-quality Service Unit for Property Management (2015年度平安創建示範單位)	The New Times Administrative Office (中建開元壹號管理處)	Xi'an Municipal Public Security Bureau, Weiyang Sub-bureau, Daming Palace Police Station (西安市公安局未央分局大明宮派出所)

ACCOLADES & AWARDS 2015 (CONTINUED)

Award	Awardee	Organiser
Model Unit for Fire Safety Promotion (宣傳消防示範單位)	Xi'an International Community, Guan Garden No.1 Administration Office (西安中海國際社區•觀園第一管理處) Xi'an International Community, Guan Garden No.2 Administration Office (西安中海國際社區•觀園第二管理處)	Xi'an Qujiang New District Office of Safety Committee (西安曲江新區安委辦)
Advanced Basic Level Unit (先進基層單位)	Xi'an Branch of China Overseas Property Management Co., Ltd. (中海物業管理有限公司西安分公司)	The CPC Xi'an Qujiang New District Committee, Xi'an Qujiang New District Management Committee (中共西安曲江新區工作委員會、西安曲江新區管理委員會)
2015 People in Motivating Property Management Industry (2015物業管理行業感動人物)	Wang Aihua from Beijing Henderson Centre Branch of China Overseas Property Management Co., Ltd. (中海物業管理有限公司北京恒基中心份公司員工王愛華)	China Property Management Association
Dongshahu Model Unit for Property Services (東沙湖物業服務企業管理示範優秀單位)	COP Garden Administration Office, Suzhou Branch of China Overseas Property Management Co., Ltd. (中海物業管理有限公司蘇州分公司中海花園管理處)	Suzhou Industrial Park Dongshahu Community Management Committee (蘇州工業園區東沙湖社區工作委員會)
2014 Advanced Property Services Company for Comprehensive Treatment of Social Management (2014年度物業服務企業社會管理綜合治理先進集體)	Hai Yue Garden (North), Suzhou Branch of China Overseas Property Management Co., Ltd. (中海物業管理有限公司蘇州分公司海悅花園北區)	Suzhou Industrial Park Hudong Community Management Committee (蘇州工業園區湖東社區工作委員會)
2014 Advanced Unit for Fire Safety (2014年度消防安全工作先進單位)	China Overseas Property Management Co., Ltd., Jinan Unipark Branch (中海物業管理有限公司濟南環宇城分公司)	Jinan Fire Safety Committee (濟南市消防安全委員會)

ACCOLADES & AWARDS 2015 (CONTINUED)

Award	Awardee	Organiser
Jinan Garden-style Community (濟南市花園式社區)	Royal Dynasty Administrative Office (中海紫禦東郡管理處) The Dragon Manor Administrative Office (中海奧龍觀邸管理處) Xi'an (East) Administrative Office (中海熙岸(東區)管理處) Xi'an (West) Administrative Office (中海熙岸(西區)管理處) Bogong Administrative Office (中海鉞宮管理處) Shanghu Administrative Office (中海尚湖管理處) Yongjing County Administrative Office (中海雍景郡管理處) Yushan Mansion Administrative Office (中海禦山華府管理處)	Jinan Society of Landscape Architecture
2014 Security Services Best Training Award	China Overseas Security Services Ltd.	Vocational Training Council And Hong Kong Police Force Crime Prevention Bureau
Kowloon East Best Security Awards	China Overseas Property Services Ltd. — Fung Tak Estate, Woo Wai Ming And Huang Weijie	Hong Kong Police
Outstanding Partner Award And 2 Outstanding Security Guard Awards	China Overseas Property Services Ltd. — Fung Tak Estate, Woo Wai Ming And Huang Weijie	Hong Kong Police
NTS BEST SECURITY PERSONNEL AWARDS 2014-2015	China Overseas Property Services Ltd.	Hong Kong Police — Crime Prevention Bureau
Kowloon West Best Security Services Awards 2014	China Overseas Property Services Ltd. — Hey Home China Overseas Property Services Ltd. — Graces Court	Hong Kong Police — Crime Prevention Bureau
Merit Award, Environmental Building Award Of TPS & HOS Group	China Overseas Property Services Ltd. — Fung Tak Estate, The Incorporated Owners Of Fung Tak Estate	Wong Tai Sin District Council & Hong Kong Productivity Council
Wong Tai Sin Quality Building Management Competition 2015/2016	China Overseas Property Services Ltd. — Fung Tak Estate, The Incorporated Owners Of Fung Tak Estate	Wong Tai Sin District Council & Hong Kong Productivity Council
Estate Management Services Contractors Awards 2014 — The Best PRH Estate (Property Services) Gold	China Overseas Property Services Ltd. — Wing Cheong Estate	Hong Kong Housing Authority

ACCOLADES & AWARDS 2015 (CONTINUED)

Award	Awardee	Organiser
Best Property Management Award In Occupational Safety And Health — Merit Award	China Overseas Property Services Ltd. — Union Plaza	Occupational Safety & Health Council
Estate Management Services Contractors Awards 2014 — The Best PRH Estate (Property Services) Gold	China Overseas Property Services Ltd. — Cheung Sha Wan Estate	Hong Kong Housing Authority
Estate Management Services Contractors Awards 2014 — Best PSA (Safety Management)	China Overseas Property Services Ltd.	Hong Kong Housing Authority
Estate Management Services Contractors Awards 2014 — The Best PRH Estate (Property Services) Bronze	China Overseas Property Services Ltd.— Sheung Lok Estate	Hong Kong Housing Authority
Estate Management Services Contractors Awards 2014 — The Best Estate Manager (Maintenance) Bronze	Vincent Choy, Employee of China Overseas Property Services Ltd.	Hong Kong Housing Authority

(Technology and Innovation)

Award	Awardee	Organiser
Model Project for Guangzhou Architectural Energy Saving and Wall Materials Innovation (廣州市建築節能與牆材革新示範工程)	Development Center Tower (發展中心大廈)	Guangzhou Architectural Energy Saving and Wall Materials Innovation Office (廣州市建築節能與牆材革新管理辦公室)
Computer Software Copyright Of The National Copyright Administration Of PRC (Visitor Management System V1.1.0)	Shenzhen China Overseas Building Technology Limited (深圳市中海樓宇科技有限公司)	National Copyright Administration Of The People's Republic Of China
Certificate of Design Patent (Spacing support of garbage bin, Patent No. ZL201530212560.9) (國家外觀設計專利證書(垃圾桶限位支架·專利號ZL201530212560.9))	Beijing China Overseas Property Management Co., Ltd. (北京中海物業管理有限公司)	State Intellectual Property Office of The P.R.C.
Certificate of Utility Model Patent (Spacing support of garbage bin, Patent No. ZL201520434501.0)	Beijing China Overseas Property Management Co., Ltd. (北京中海物業管理有限公司)	State Intellectual Property Office of The P.R.C.
Certificate of Utility Model Patent (Automatic Alarm of Lift Malfunction, Patent No. ZL201520797845.8)	Beijing China Overseas Property Management Co., Ltd. (北京中海物業管理有限公司)	State Intellectual Property Office of The P.R.C.
Standardized Safe Production Certificate (安全生產標準化證書)	Chongqing Branch of China Overseas Property Management Co., Ltd. (中海物業管理有限公司重慶分公司)	Chongqing Nan'an District Wok Safety Supervision and Administration Bureau (重慶市南岸區安全生產監督管理局)

ACCOLADES & AWARDS 2015 (CONTINUED)

(Corporate Social Responsibility)

Award	Awardee	Organiser
Haizhu District Advanced Enterprise for Reemployment (海珠區安置失業人員先進企業)	Guangzhou Guangda Huayuan Property Management Limited (廣州市光大花園物業管理有限公司)	Guangzhou Haizhu District Employment Steering Committee (廣州市海珠區就業工作領導小組)
Beijing Model Worker (北京市勞動模範)	Wang Aihua from Beijing Henderson Centre Branch of China Overseas Property Management Co., Ltd. (中海物業管理有限公司北京恒基中心份公司員工王愛華)	The CPC Beijing Committee, Beijing Municipal Government (中國共產黨北京市委員會；北京市政府)
Harmonious Labor Relations Entity (和諧勞動關係單位)	Beijing China Overseas Property Tower Branch of China Overseas Property Management Co., Ltd. (中海物業管理有限公司北京中海置業大廈分公司)	Beijing Dongcheng District Bureau of Human Resources and Social Security, Dongcheng Federation of Industry and Commerce, Federation of Trade Unions (北京市東城區人力資源和社保局、東城工商聯、總工會)
Best Workplace (模範職工之家)	Beijing China Overseas Property Tower Branch of China Overseas Property Management Co., Ltd. (中海物業管理有限公司北京中海置業大廈分公司)	Beijing Federation of Trade Unions, Beijing Municipal Bureau of Human Resources and Social Security (北京市總工會、北京市人力資源和社保局)
Beijing Water-saving Enterprise (北京市節水型企業)	Beijing China Overseas Tower Branch of China Overseas Property Management Co., Ltd. (中海物業管理有限公司北京中海大廈分公司)	Beijing Water Authority
On-site Demonstration and Exchange Point of Shanghai Property Management Industry (上海市物業管理行業現場示範交流點)	Shanghai China Overseas Property Management Limited (上海中海物業管理有限公司)	The Trade Association of Shanghai Property Management
2014 Suzhou Advanced Company for Household Waste Sorting (蘇州市2014年度生活垃圾分類工作先進集體)	COP Garden Administration Office, Suzhou Branch of China Overseas Property Management Co., Ltd. (中海物業管理有限公司蘇州分公司中海花園管理處)	Suzhou Steering Committee for Urban and Household Waste Sorting and Disposal (蘇州市城市生活垃圾分類處置工作領導小組)
The only Suzhou Model Community for Waste Sorting (蘇州市垃圾分類唯一樣板示範社區)	Xi'an Graden Administrative Office, Suzhou Branch of China Overseas Property Management Co., Ltd. (中海物業管理有限公司蘇州分公司熙岸花園管理處)	Suzhou Steering Committee for Urban and Household Waste Sorting and Disposal (蘇州市城市生活垃圾分類處置工作領導小組)
Suzhou Model Community for Household Waste Sorting (蘇州市生活垃圾分類示範社區)	Xi'an Graden Administrative Office, Suzhou Branch of China Overseas Property Management Co., Ltd. (中海物業管理有限公司蘇州分公司熙岸花園管理處)	Suzhou Steering Committee for Urban and Household Waste Sorting and Disposal (蘇州市城市生活垃圾分類處置工作領導小組)

ACCOLADES & AWARDS 2015 (CONTINUED)

Award	Awardee	Organiser
Caring Company Certificate (愛心企業證書)	China Overseas Property Management Co., Ltd. Zhong'shan Branch	Zhongshan Council of Social Service (中山市社會服務聯合會)
2015 Chuncheng Advanced Unit for Volunteering on Security Control (2015年度春城治安志願工作者先進單位)	Kunming Branch of China Overseas Property Management Co., Ltd. (中海物業管理有限公司昆明分公司)	Kunming Wuhua District Lianhua Police Station (昆明市五華區蓮花派出所)
Building with Sustainable Development Management in Guangzhou Tianhe CBD (廣州市天河中央商務區可持續發展管理樓宇)	Development Center Branch of China Overseas Property Management Co., Ltd. (中海物業管理有限公司發展中心分公司)	Guangzhou Tianhe CBD Management Committee (廣州市天河中央商務區管理委員會), HONG KONG QUALITY ASSURANCE AGENCY (HKQAA) (香港品質保證局)
Deputy Chair of Foshan Nanhai District Property Management Association (佛山市南海區物業管理行業協會副會長單位)	Foshan Branch of China Overseas Property Management Co., Ltd. (中海物業管理有限公司佛山分公司)	Foshan Nanhai District Property Management Association (佛山市南海區物業管理行業協會)
2014 Outstanding Contribution Award (二零一四年度突出貢獻獎)	Foshan Branch of China Overseas Property Management Co., Ltd. (中海物業管理有限公司佛山分公司)	Foshan Real Estate Association (佛山市房地產協會)
2014 Chengdu Harmonious Property Management — Top 10 Residential Communities (2014年度成都市和諧物管十佳住宅社區)	Golden Sand Manor (中海金沙府)	Chengdu Property Management Association
2014 Chengdu Harmonious Property Management — Top 10 Property Services Companies (2014年度成都市和諧物管十佳物業服務企業)	Chengdu Branch of China Overseas Property Management Co., Ltd. (中海物業管理有限公司成都分公司)	Chengdu Property Management Association
2014 Chengdu Harmonious Property Management — Top 10 Owners Committee (2014年度成都市和諧物管十佳業主委員會主任委員)	The Third Session of Owners Committee of Grandeur Vista (中海名城第三屆業主委員會)	Chengdu Property Management Association
2014 Chengdu Harmonious Property Management — Top 10 Customer Service Officer (2014年度成都市和諧物管十佳客戶服務員)	Yang Kairu from International Community (中海國際社區楊開茹)	Chengdu Property Management Association
2014 Chengdu Harmonious Property Management — Top 10 Environmental Protector (2014年度成都市和諧物管十佳環境維護員)	Yang Fadu from Greenwich Village (中海格林威治城楊發度)	Chengdu Property Management Association
2014 Outstanding Member Unit of Chengdu Property Management Association (2014年度成都市物業管理協會優秀會員單位)	Chengdu China Overseas Property Management Limited (成都中海物業管理有限公司)	Chengdu Property Management Association
A-level Credit Enterprise in Hunan Province (湖南省信用等級A級企業)	Changsha Branch of China Overseas Property Management Co., Ltd. (中海物業管理有限公司長沙分公司)	Enterprise Credit Evaluation Center of Hunan Province (湖南省企業信用評價中心)
Executive Director of Suzhou Property Management Association (蘇州市物業管理協會常務理事單位)	China Overseas Property Management Co. Ltd. Suzhou Branch (中海物業管理有限公司蘇州分公司)	Suzhou Property Management Association (蘇州市物業管理協會)

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

China Overseas Property Holdings Limited (the “Company”, together with its subsidiaries, the “Group”) acknowledges the important roles of its board of directors (the “Board”) in providing effective leadership and direction to the Group’s business, and ensuring transparency and accountability of the Company’s operations and the Board recognizes that good corporate governance leads to the success of the Company and enhances its shareholders’ value. As such, the Board is committed to maintaining high standard of business ethics, healthy corporate culture and good corporate governance at all times by establishing and implementing corporate governance policies and practices appropriate to the conduct and growth of the Group’s business.

As the shares of the Company were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) on 23 October 2015 (the “Listing Date”), the Corporate Governance Code (the “CG Code”) in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”) was not applicable to the Company during the period from 1 January 2015 to 22 October 2015. During the period from the Listing Date to the date of publication of this annual report (the “Relevant Period”), the Company has complied with the code provisions and some recommended best practices as set out in the CG Code insofar as they are applicable.

A BOARD

A1. Board’s Role and Delegation

The primary role of the Board is to maximize long-term shareholder value. It assumes the responsibility for providing effective and responsible leadership and control of the Company, and directing and supervising the Company’s affairs in pursuit of the Group’s strategic objectives.

To enhance efficiency, the Board has delegated the Chief Executive Officer the day-to-day leadership and the management of the Group. The senior management of the Group, on the other hand, is responsible for the management and administrative functions and the day-to-day operations of the Group under the supervision of the Chief Executive Officer.

The Board also reserves for its decision on all major matters of the Company, including the approval and monitoring of all corporate governance and policy matters, overall strategies and budgets, internal control and risk management systems, material transactions (in particular those that may involve conflict of interests), financial information, appointment of directors and other significant financial and operational matters.

All directors are required to discharge their responsibilities as directors of the Company and their common law duties as directors. All directors have timely access to all relevant information of the Company as well as the advice and services of the Company Secretary and senior staff, with a view to ensuring compliance with Board procedures and all applicable laws and regulations. Any director may seek independent professional advice in appropriate circumstances at the Company’s expenses upon reasonable request made to the Board.

CORPORATE GOVERNANCE REPORT (CONTINUED)

A2. Board Composition

The composition of the Board as at 31 December 2015 is as follows:

Non-executive director:

Mr. Hao Jian Min *(Chairman of the Board and the Nomination Committee,
Member of the Remuneration Committee)*

Executive directors:

Ms. Wang Qi *(Vice Chairman of the Board and Chief Executive Officer)*
 Mr. Luo Xiao *(Vice President)*
 Mr. Shi Yong *(Vice President)*
 Dr. Yang Ou *(Vice President)*
 Mr. Kam Yuk Fai *(Deputy Chief Financial Officer)*

Independent non-executive directors:

Mr. Lim Wan Fung, *(Member of the Audit Committee, the Remuneration Committee
Bernard Vincent and the Nomination Committee)*
 Mr. Suen Kwok Lam *(Chairman of the Remuneration Committee,
Member of the Audit Committee and the Nomination Committee)*
 Mr. Yung Wing Ki, *(Chairman of the Audit Committee, Member of the
Samuel Remuneration Committee and the Nomination Committee)*

The Board has met the requirements of the Listing Rules 3.10 and 3.10A of having at least three independent non-executive directors (representing at least one-third of the Board) with one of them possessing appropriate accounting and related financial management expertise. There is no relationship (including financial, business, family or other material/relevant relationship(s)) among members of the Board.

Biographical information of the directors of the Company are set out under "Directors and Senior Management" section of this annual report and on the website of the Company (www.copl.com.hk). An updated list of directors and their role and function is also available on the websites of the Company (www.copl.com.hk) and the Stock Exchange (www.hkexnews.hk).

Directors have disclosed their number and nature of offices held in public companies or organizations and other significant commitment in their biographical information. They are also reminded to notify the Company of any change of the information in a timely manner.

CORPORATE GOVERNANCE REPORT (CONTINUED)

A3. Chairman and Chief Executive Officer

The Company supports the division of responsibility between the Chairman of the Board and the Chief Executive Officer in order to ensure a balance of power and authority and preserve a balanced judgement of views. Currently, Mr. Hao Jian Min takes up the role of Chairman of the Board and is responsible for giving strategic advice and formulating development plans of our Group. Ms. Wang Qi, the Vice Chairman of the Board and the Chief Executive Officer, is responsible for the overall strategic direction and business and operations of our Group.

A4. Appointment and Re-Election of Directors

The procedures and process of appointment and removal of directors are laid down in the Company's Articles of Association (the "Articles").

All directors (including non-executive directors) have entered into the letters of appointment or service contracts (as the case may be) with the Company for a term of three years subject to retirement from office by rotation and re-election at annual general meeting.

Pursuant to Article 83(3) of the Articles, the directors shall have the power from time to time and at any time to appoint any person as a director either to fill a casual vacancy on the Board or as an addition to the existing Board. Any director appointed by the Board to fill a casual vacancy shall hold office only until the first general meeting of members after his/ her appointment and be subject to re-election at such meeting and any director appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

Pursuant to Articles 84(1) & 84(2) of the Articles, (i) at each annual general meeting one-third of the directors for the time being (or, if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation provided that every director shall be subject to retirement at an annual general meeting at least once every three years; and (ii) any further directors so to retire shall be those of the other directors subject to retirement by rotation who have been longest in office since their last re-election or appointment.

Pursuant to the Articles 84(1) & 84(2) of the Articles, Mr. Luo Xiao, Mr. Shi Yong and Dr. Yang Ou will retire by rotation at the 2016 AGM and pursuant to the Article 83(3) of the Articles, Mr. Hao Jian Min shall hold office until the 2016 AGM. All the retiring directors, being eligible, will offer themselves for re-election at the 2016 AGM.

A5. Board Diversity

The Board has maintained the necessary balance of skills and experiences appropriate for the business and objectives of the Group and for the exercise of independent judgement. The independent non-executive directors bring different business and financial expertise, experiences and independent judgement to the Board and they are invited to serve on the Board committees of the Company. Through participation in Board meetings, taking the lead in managing issues involving potential conflicts of interests and/or serving on Board committees, the independent non-executive directors have made contributions to the effective direction of the Company and provided adequate checks and balances to safeguard the interests of both the Group and the shareholders.

CORPORATE GOVERNANCE REPORT (CONTINUED)

The Company also recognized and embraced the benefits of having a diverse Board to the quality of its performance. In October 2015, the Board adopted a Board Diversity Policy, a copy of which is available on the website of the Company (www.copl.com.hk). Under the policy, selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, educational background, professional experience, knowledge, culture and length of service. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board. The Board was newly composed in October 2015 and contains individuals who have diversity in age, gender, education and cultural backgrounds, and professional experience and knowledge. As at the date of this report, details of the diversity perspectives of directors are set out below:

	Number of directors
Age:	
35-45	2
45-55	4
55-65	2
Above 65	1
Gender:	
Male	8
Female	1
Education background (highest):	
Bachelor degree	2
Master degree	6
Doctor degree	1
Professional experience and knowledge*:	
Financial and Accounting	3
Architecture	3
Engineering	4
Economics	3
Property/Business Management	3
Legal	1

* Some directors have more than one professional experience and knowledge.

Based on the above, the Nomination Committee considered that the existing Board is sufficiently diverse in relation to the current needs of the Company. The Nomination Committee will review the Board diversity on an annual basis and to ensure the continued effectiveness of the Board Diversity Policy.

The Company has received written confirmation from each independent non-executive director of his/her independence pursuant to the requirements of the Listing Rules. The Company considers all independent non-executive directors to be independent in light of the independence guidelines set out in the Listing Rules.

CORPORATE GOVERNANCE REPORT (CONTINUED)

A6. Induction and Continuing Development for Directors

For all newly appointed directors, a comprehensive and tailored induction programme is administered to ensure full awareness of director's duties and responsibilities under statute and common law, the Model Code (as defined below), the Listing Rules and other regulatory requirements and the business and governance policies of the Group.

The Company recognizes the importance of continuing professional training for directors and senior management and believes that it is effective to enhance corporate governance through regular trainings within the Group. Apart from receiving regular briefings and updates from the Company Secretary on the Group's business, operations and corporate governance matters, directors are encouraged to keep up to date on all matters relevant to the Group and attend briefings and seminars at the expense of the Company on an ongoing and regular basis in compliance with code provision A.6.5 of the CG Code. Prior to the Listing Date and/or during the Relevant Period, all directors, namely, Mr. Hao Jian Min, Ms. Wang Qi, Mr. Luo Xiao, Mr. Shi Yong, Dr. Yang Ou, Mr. Kam Yuk Fai, Mr. Lim Wan Fung, Bernard Vincent, Mr. Suen Kwok Lam and Mr. Yung Wing Ki, Samuel have attended trainings organized by the Company, and have read relevant materials relating to their professional developments. All directors have provided the Company with their training records and such records are maintained by the Company Secretary.

A7. Directors' Attendance Record of Board Meeting

During the Relevant Period, one Board meeting was held and no general meeting was held. All directors are given notice and draft agenda for all Board and Board committee meetings for comments, consideration and inclusion of any matters for deliberation at the meetings. The attendance record of each director at the Board meeting is set out below:

	Attendance/ Number of Board Meeting
Non-executive director:	
Mr. Hao Jian Min	1/1
Executive directors:	
Ms. Wang Qi	1/1
Mr. Luo Xiao	1/1
Mr. Shi Yong	1/1
Dr. Yang Ou	1/1
Mr. Kam Yuk Fai	1/1
Independent non-executive directors:	
Mr. Lim Wan Fung, Bernard Vincent	1/1
Mr. Suen Kwok Lam	1/1
Mr. Yung Wing Ki, Samuel	1/1

In addition, the chairman of the Board held a meeting with the independent non-executive directors without the presence of executive directors.

CORPORATE GOVERNANCE REPORT (CONTINUED)

A8. Model Code for Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) contained in Appendix 10 to the Listing Rules as its own code of conduct regarding directors’ dealings in the Company’s securities. Having made specific enquiry of all the Company’s directors, they confirmed that they have complied with the Model Code throughout the Relevant Period.

The Company has also established written guidelines on no less exacting terms than the Model Code (the “Employees Written Guidelines”) governing securities transactions by employees who are likely to possess inside information of the Company and/or its securities. No incident of non-compliance of the Employees Written Guidelines by relevant employees was noted by the Company.

In case when the Company is aware of any restricted period for dealings in the Company’s securities, the Company will notify its directors and relevant employees in advance.

A9. Corporate Governance Functions

The Board is responsible for performing the corporate governance functions set out in the code provision D.3.1 of the CG Code.

During the Relevant Period, the Board reviewed the training and continuous professional development of directors and senior management, the compliance of the Model Code and the Employee Written Guidelines, and the Company’s compliance with the CG Code and disclosure in this report.

B. BOARD COMMITTEES

As part of good corporate governance, the Board has set up a Remuneration Committee, an Audit Committee and a Nomination Committee, for overseeing particular aspects of the Company’s affairs. All Board committees have been established with defined written terms of reference, which are posted on the websites of the Company (www.copl.com.hk) and the Stock Exchange (www.hkexnews.hk). All the Board committees should report to the Board on their decisions or recommendations made.

B1. Remuneration Committee

The Remuneration Committee comprises a total of four members, being the chairman of the Board and the three independent non-executive directors, namely, Mr. Hao Jian Min, Mr. Suen Kwok Lam, Mr. Yung Wing Ki, Samuel and Mr. Lim Wan Fung, Bernard Vincent. Accordingly, a majority of the members are independent non-executive directors. The chairman of the Committee is Mr. Suen Kwok Lam.

The main duties and responsibilities of the Remuneration Committee include:

- To make recommendations to the Board on the Company’s policy and structure for all directors’ and senior management remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy;

CORPORATE GOVERNANCE REPORT (CONTINUED)

- To review and approve the management's remuneration proposals with reference to the Board's corporate goals and objectives;
- To either (i) determine with delegated responsibility or (ii) make recommendations to the Board on the remuneration packages of individual executive directors and senior management, include without limitation, basic salaries, benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment; and
- To make recommendations to the Board on the remuneration of non-executive directors.

Please refer to the terms of reference of the Remuneration Committee on the website of the Company (www.copl.com.hk) for further details.

During the Relevant Period, the Remuneration Committee held one meeting during which the Remuneration Committee reviewed the Company's policy of remuneration and benefit, and the remuneration package and benefit of all directors and senior management.

The attendance record of each committee member at the meeting is set out below:

Name of committee members:	Attendance/ Number of Meeting
Mr. Suen Kwok Lam (<i>Chairman</i>)	1/1
Mr. Hao Jian Min	1/1
Mr. Lim Wan Fung, Bernard Vincent	1/1
Mr. Yung Wing Ki, Samuel	1/1

The human resources department reviewed the remuneration data of the market and formulates the remuneration policy of the Group and then proposed to the Remuneration Committee for consideration. The remuneration of directors and senior management of the Company is determined with reference to the remuneration policy of the Group and based on individual skills, knowledge, experience, performance and contribution, the overall performance of the Group, the prevailing economic environment and the market trend.

Details of the remuneration of each director and senior management of the Company for the year ended 31 December 2015 are disclosed in note 15 and note 35(g) respectively to the financial statements contained in this annual report.

B2. Audit Committee

The Audit Committee comprises of the three independent non-executive directors of the Company, namely, Mr. Yung Wing Ki, Samuel, Mr. Suen Kwok Lam and Mr. Lim Wan Fung, Bernard Vincent with Mr. Yung Wing Ki, Samuel possessing the appropriate accounting and financial management expertise as required under Rule 3.10(2) of the Listing Rules. The chairman of the Committee is Mr. Yung Wing Ki, Samuel. None of the members of the Audit Committee is a former partner of the Company's existing external auditor.

CORPORATE GOVERNANCE REPORT (CONTINUED)

The main duties and responsibilities of the Audit Committee include:

- To make recommendations to the Board on the appointment, reappointment and removal of the external auditor;
- To review the financial information and reports of the Group;
- To oversee the Group's financial reporting system and internal control procedures;
- To review the interim and final results of the Group prior to submission to the Board for approval; and
- To review financial reporting and internal control matters and to this end has unrestricted access to both the Company's external and internal auditors.

Please refer to the terms of reference of the Audit Committee on the website of the Company (www.copl.com.hk) for further details.

During the Relevant Period, the Audit Committee held two meetings and the Audit Committee has performed the following major works:

- reviewed and approved the audit plan for the year ended 31 December 2015;
- discussed and considered the recommended disclosures in 2015 Corporate Governance Report regarding the Company's risk management and internal control systems;
- reviewed the Company's 2015 internal audit plan and the introductory status of internal audit department;
- reviewed, discussed and recommended to the Board for approval the annual financial statements, results announcement and annual report for the year ended 31 December 2015;
- reviewed the compliance status of the Deeds of Non-competition;
- reviewed the effectiveness of the internal control measures adopted to manage the conflict of interests arising from potential competition, if any, between the Group and CSCEC or CSCECL;
- reviewed the progress and effectiveness of the risk management and internal control systems and the internal audit implemented by the Group; and
- recommended the re-appointment of PricewaterhouseCoopers ("PwC") as external auditor and the proposed audit fee to the Board for approval.

CORPORATE GOVERNANCE REPORT (CONTINUED)

The attendance record of each committee member at the meetings is set out below:

Name of committee members:	Attendance/ Number of Meetings
Mr. Yung Wing Ki, Samuel (<i>Chairman</i>)	2/2
Mr. Suen Kwok Lam	2/2
Mr. Lim Wan Fung, Bernard Vincent	2/2

There is no disagreement between the Board and the Audit Committee regarding the re-appointment of PwC as the external auditor of the Company.

Each of China State Construction Engineering Corporation ("CSCEC") and China State Construction Engineering Corporation Limited ("CSCECL") has provided with the Company a confirmation on compliance pursuant to their undertakings under the Deeds of Non-competition. The Audit Committee has reviewed the confirmations and noted that during the Relevant Period, each of CSCEC and CSCECL has complied with the Deeds of Non-competition. After review on the effectiveness of the internal control measures adopted, the Audit Committee was not aware of any significant issues that would have an adverse impact on the effectiveness of the internal control measures.

B3. Nomination Committee

The Nomination Committee comprises a total of four members, being the Chairman of the Board and the three independent non-executive directors, namely, Mr. Hao Jian Min, Mr. Suen Kwok Lam, Mr. Yung Wing Ki, Samuel and Mr. Lim Wan Fung, Bernard Vincent. Accordingly, a majority of the members are independent non-executive directors. The chairman of the Committee is Mr. Hao Jian Min.

The main duties and responsibilities of the Nomination Committee include:

- To review the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and makes recommendation on any proposed changes to the Board to complement the Company's corporate strategy;
- To identify qualified and suitable individuals to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships;
- To assess the independence of independent non-executive directors; and
- To make recommendations to the Board on the appointment or re-appointment of directors and succession planning for directors, in particular the Chairman and the Chief Executive Officer of the Company.

Please refer to the terms of reference of the Nomination Committee on the website of the Company (www.copl.com.hk) for further details.

CORPORATE GOVERNANCE REPORT (CONTINUED)

In selecting candidates for directorship of the Company, the Nomination Committee may make reference to certain criteria such as the Company's needs, the integrity, experience, skills, professional knowledge of the candidate and the amount of time and effort that the candidate will devote to discharge his/her duties and responsibilities. External recruitment professionals might be engaged to carry out selection process when necessary.

During the Relevant Period, the Nomination Committee held one meeting during which the Nomination Committee has performed the following major works:

- assessed the independence of the independent non-executive directors;
- recommended to the Board on re-election of retiring directors; and
- reviewed the structure, size and composition (including the skills, knowledges and experiences) of the Board and make recommendations, if any, on any proposed changes to the Board to complement the Company's corporate strategy.

Details of the board diversity of the Company for the year ended 31 December 2015 are set out on page 36 of this report.

The attendance record of each committee member at the meeting is set out below:

Name of committee members:	Attendance/ Number of Meeting
Mr. Hao Jian Min (<i>Chairman</i>)	1/1
Mr. Lim Wan Fung, Bernard Vincent	1/1
Mr. Suen Kwok Lam	1/1
Mr. Yung Wing Ki, Samuel	1/1

C. DIRECTORS' RESPONSIBILITIES FOR FINANCIAL REPORTING IN RESPECT OF THE FINANCIAL STATEMENTS

The directors have acknowledged their responsibilities for preparing the financial statements of the Company for the year ended 31 December 2015.

The Board is responsible for presenting a balanced, clear and understandable assessment of annual report and other disclosures required under the Listing Rules and other regulatory requirements. The management has provided such explanation and information to the Board as necessary to enable the Board to make an informed assessment of the financial information and position of the Group put forward to the Board for approval.

There are no material uncertainties relating to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern.

CORPORATE GOVERNANCE REPORT (CONTINUED)

D. RISK MANAGEMENT AND INTERNAL CONTROLS

The Board acknowledged its responsibility for (a) evaluating and determining nature and extent of risks it is willing to take in achieving the Company's strategic objectives; (b) ensuring establishment and maintenance of effective risk management and internal control systems; and (c) overseeing management in the design, implementation and monitoring of the risk management and internal control systems while our management is responsible for designing, implementing and monitoring the risk management and internal control systems; and also providing confirmation to the Board on the systems effectiveness.

Our risk management and internal control systems are designed to provide reasonable assurance that there is no material misstatement or loss, to manage risks relating to failure in operational systems and to ensure achievement of the Group's objectives.

In October 2015, the Board has adopted an Inside Information Disclosure Policy with an aim to set out the practices and procedures in relation to:

- (a) the monitoring of business and corporate developments and events so that any potential inside information is promptly identified and relayed to the Board to enable it to make timely decisions on disclosure, if necessary; and
- (b) the taking of appropriate measures to preserve confidentiality of inside information until proper dissemination according to the relevant rules and regulations.

A copy of the policy is available on the website of the Company (www.copl.com.hk).

The Board has, through the Audit Committee, conducted a review of the effectiveness of the risk management and internal control systems of the Group for the year ended 31 December 2015 and are of the view that the risk management and internal control systems are adequate and effective for current operations of the Group. The senior management reviews and evaluates the control process and monitors any risk factors on a regular basis and reports to the Audit Committee on any findings and measures to address the variances and identified risks.

E. COMPANY SECRETARY

During the year, our Company Secretary has taken not less than 15 hours of relevant professional training.

CORPORATE GOVERNANCE REPORT (CONTINUED)

F. INTERNAL AUDIT

The Internal Audit department of the Company is responsible for performing regular audit reviews according to its annual audit plan and reporting to the Audit Committee while relevant department heads/general managers will be notified of control deficiencies for rectification.

G. EXTERNAL AUDITOR AND AUDITOR'S REMUNERATION

The statement of the external auditor of the Company about their reporting responsibilities on the Company's financial statements for the year ended 31 December 2015 is set out in the section headed "Independent Auditor's Report" in this annual report.

The fees paid/payable to PwC, the Company's auditor, in respect of audit services and non-audit services (mainly the review of internal controls of the Group in connection with the listing) for the year ended 31 December 2015 are analyzed below:

Type of services provided by the external auditor	Fees paid/payable HK\$'000
Audit services	
— audit fee in respect of annual audit and the listing	3,730
Non-audit services	1,630
TOTAL:	5,360

H. MEMORANDUM AND ARTICLES OF ASSOCIATION

In October 2015, the Company has adopted an amended and restated memorandum and articles of association of the Company, a copy of which is available on the websites of the Company (www.copl.com.hk) and the Stock Exchange (www.hkexnews.hk).

CORPORATE GOVERNANCE REPORT (CONTINUED)

I. COMMUNICATIONS WITH SHAREHOLDERS AND INVESTORS

The Group recognizes the importance of transparent and timely disclosure of corporate information, which enables shareholders and investors to make the best investment decision. The Company believes that effective communication with shareholders is essential for enhancing investor relations and investors' understanding of the Group's business performance and strategies.

The Company maintains a website at www.copl.com.hk as a communication platform with shareholders and investors, where information on the Company's announcements, financial information and other information are available for public access. Shareholders and investors may send written enquiries or requests to the Company, for the attention of Investor Relations Manager, as follows:

Tel:	(852) 2988 0600
Fax:	(852) 2988 0606
Email:	copl.ir@cohl.com

Inquiries are dealt with in an informative and timely manner.

Besides, shareholders' meetings provide an opportunity for communication between the Board and the shareholders. Board members and appropriate senior staff of the Group will be available at the meeting to answer any questions raised by shareholders.

CORPORATE GOVERNANCE REPORT (CONTINUED)

J. SHAREHOLDERS' RIGHTS

To safeguard shareholders' interests and rights, separate resolutions will be proposed at shareholders' meetings on each substantial issue, including the election of individual directors, for shareholders' consideration and voting. The Company's shareholders may convene extraordinary general meetings or put forward proposals at shareholders' meetings as follows:

J.1. Convening of Extraordinary General Meeting on Requisition by Shareholders

The Board may whenever it thinks fit call extraordinary general meeting. Any one or more shareholders holding not less than one-tenth of the paid-up capital of the Company carrying the right of voting at general meetings of the Company on the date of deposit of the requisition shall at all times have the right, by written requisition to the Board or the company secretary of the Company, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition. If within 21 days of such deposit the Board fails to proceed to convene such meeting the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed by the Company.

J.2. Procedures for Putting Forward Proposals at General Meetings by Shareholders

There are no provisions allowing shareholders to move new resolutions at general meetings under the Company Laws of Cayman Islands or the Articles. Shareholders who wish to move a resolution may request the Company to convene a general meeting following the procedures set out in the preceding paragraph.

J.3. Procedures for Directing Shareholders' Enquiries to the Board

The Company has established various/a wide range of communication channels with shareholders. These include general meetings, annual reports and interim reports, notices, announcements and circulars. In addition, the Company updates its website from time to time to keep the shareholders updated of the Company's recent development. Shareholders may at any time send their enquiries and concerns to the Board in writing, the contact details of which are contained in the website of the Company (www.copl.com.hk). Shareholders may also make enquiries to the Board at general meetings of the Company.

For the avoidance of doubt, shareholder(s) must provide his/her/their full name(s), contact details and identification, in the originally signed written requisition, notice or statement (as the case may be), in order to give effect thereto. Information of shareholder(s) may be disclosed as required by law.

An up-to-date version of the Articles is available on the websites of the Company (www.copl.com.hk) and the Stock Exchange (www.hkexnews.hk). Shareholders may refer to the Articles for further details of the rights of shareholders.

All resolutions put forward at shareholders' meetings shall be voted by poll pursuant to the Listing Rules. The poll voting results will be posted on the websites of the Company (www.copl.com.hk) and the Stock Exchange (www.hkexnews.hk) after each shareholders' meeting.

DIRECTORS AND SENIOR MANAGEMENT

NON-EXECUTIVE DIRECTOR

Mr. Hao Jian Min

Chairman and Non-executive Director

Aged 51, holds a Master degree from Harbin Institute of Technology in the PRC and a Master degree in Business Administration from Fordham University in the U.S. Mr. Hao was appointed as a director of our Company on 2 January 2014, he was also designated as the Chairman and non-executive director of our Company on 25 June 2015 and is responsible for giving strategic advice and formulating development plans of our Group. He is also the Chairman of the Nomination Committee and member of the Remuneration Committee of our Company.

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

Besides acting as the chairman and non-executive director of our Company, the executive director, chairman and chief executive officer of COLI and a director of certain subsidiaries of COLI, Mr. Hao is currently the chairman and non-executive director of China Overseas Grand Oceans Group Limited ("COGO") and a vice chairman and general manager of COHL and certain of its subsidiaries.

Mr. Hao has approximately 29 years of experience in construction and property business.

EXECUTIVE DIRECTORS

Ms. Wang Qi

Vice Chairman, Executive Director and Chief Executive Officer

Aged 49, was appointed as Vice Chairman, Executive Director and Chief Executive Officer of our Company on 25 June 2015. She is also a director of certain subsidiaries of our Company. She is responsible for the overall strategic direction and business operations of our Group. Ms. Wang graduated from Hefei University of Technology in the PRC majoring in Civil Engineering, and has been a qualified senior engineer.

Ms. Wang joined COLI and its subsidiaries (together "COLI Group") in October 1997 and has served in positions including manager, director and deputy general manager of Beijing China Overseas Property Limited (北京中海地產有限公司), the general manager of China Overseas Land & Investment (Xi'an) Limited (中海發展(西安)有限公司), the assistant president of COLI, the chairman of the board of COPL PRC Holding (中海物業管理有限公司), the general manager for the South China region of China Overseas Property Group Co., Ltd. (中海地產集團有限公司) and the chairman of the board of each of Shenzhen China Overseas Property Limited (深圳中海地產有限公司), China Overseas Land & Investment (Guangzhou) Limited (中海發展(廣州)有限公司), China Overseas Property (Foshan) Limited (中海地產(佛山)有限公司), Zhongshan City China Overseas Property Development Limited (中山市中海房地產開發有限公司), Changsha China Overseas Xingye Property Limited (長沙中海興業房地產有限公司), Xiamen China Overseas Property Limited (廈門中海地產有限公司) and Fuzhou China Overseas Property Limited (福州中海地產有限公司). From April 2014 to June 2015, she was the vice president of COLI. Ms. Wang has approximately 27 years of experience in the construction design, property development and property management sectors.

DIRECTORS AND SENIOR MANAGEMENT (CONTINUED)

Mr. Luo Xiao*Executive Director and Vice President*

Aged 43, was appointed as Executive Director and Vice President of our Company on 25 June 2015. Mr. Luo is also a director of certain subsidiaries of our Company. He is responsible for supervision, financial and information management of our Group. Mr. Luo graduated from Zhongnan University of Economics and Law in the PRC with a Bachelor of Economics in Accounting and a Master of Business Administration. He is a qualified senior accountant. Prior to joining our Group, he worked for the auditing bureau of CSCEC, held the positions of assistant general manager and deputy general manager of the intendance and audit department of COHL, the general manager of the efficiency monitoring department of a subsidiary of COLI as well as the general manager of the efficiency management department of COLI, and the general manager of the client relationship department of COLI. Mr. Luo became a supervisor of COPL PRC Holding and the vice chairman of its board since August 2012, and has been responsible for overseeing the financial and legal matters of the property management business of our Group in the PRC. Mr. Luo has approximately 19 years of experience in finance, auditing and corporate governance.

Mr. Shi Yong*Executive Director and Vice President*

Aged 47, was appointed as Executive Director and Vice President of our Company on 25 June 2015. Mr. Shi is also a director of certain subsidiaries of our Company. He is responsible for human resources and administrative management of our Group. Mr. Shi graduated from Tianjin University in the PRC with a dual Bachelor degree in Civil Engineering and Technical Economics and has been a qualified senior economist. Prior to joining the Group, he worked for the human resources department of CSCEC, he held various positions in COHL and its subsidiaries and COLI group including deputy general manager of China Overseas Xingye (Xi'an) Limited (中海興業(西安)有限公司), deputy general manager of Shenzhen China Overseas Property Limited (深圳中海地產有限公司) and general manager of Zhongshan China Overseas Real Estate Development Limited (中山市中海房地產開發有限公司). Mr. Shi was the general manager of the integrated management department of COGO and a director of a subsidiary of COGO. He has been involved in human resources matters of our Group since May 2015. Mr. Shi has approximately 23 years of experience in corporate human resources management.

Dr. Yang Ou*Executive Director and Vice President*

Aged 38, was appointed as Executive Director and Vice President of our Company on 25 June 2015. Dr. Yang is also a director of certain subsidiaries of our Company. He is responsible for the operations and business development of the property management business of our Group in the PRC. Dr. Yang graduated from Nanjing University of Science and Technology in the PRC with a Bachelor of Engineering degree in Materials Science. He obtained his Master degree in Architecture and Civil Engineering from Chongqing University in the PRC, a Master degree in Business Administration from National University of Singapore in Singapore and a Doctor degree in management from The Hong Kong Polytechnic University in Hong Kong. He obtained qualifications in securities practice, as a senior economist (business administration specialty, materials science and engineering and a senior engineer in architecture and civil engineering. He has been an instructor at the VENCI-CIH Learning Centre (英國特許房屋經理學會中國學習中心), the corporate mentor of the MBA Education Centre of Shantou University and Southwest Jiaotong University in the PRC. Dr. Yang was the director and assistant general manager of China Overseas Xingye (Chengdu) Development Limited (中海興業(成都)發展有限公司), the director and general manager of the client relationship department of COLI, the general manager of COPL PRC Holding and the property management department of COLI. He was the general manager of a subsidiary of COGO Limited engaged in real estate development. Dr. Yang has over 13 years of industry experience in property development and management.

DIRECTORS AND SENIOR MANAGEMENT (CONTINUED)

Mr. Kam Yuk Fai

MBA, FCCA, CPA, Executive Director and Deputy Chief Financial Officer

Aged 52, was appointed as an Executive Director and Deputy Chief Financial Officer of our Company on 25 June 2015. He is also a director of certain subsidiaries of our Company. He is responsible for the financial management of our Group. Mr. Kam is a qualified accountant, being a fellow member of the Association of Chartered Certified Accountants and an associate member of the Hong Kong Institute of Certified Public Accountants. He graduated from the Hong Kong Polytechnic (now Hong Kong Polytechnic University) with a Professional Diploma in Accountancy, and also held a Master degree in Business Administration from the University of Strathclyde in Britain. Prior to joining our Group, he had held various senior finance positions, and from 1997 to 2010 he served in a company listed on the Main Board of the Stock Exchange and his last held position was the group financial controller. He had held positions in COGO from March 2010 to June 2015 and his last held position in COGO was the general manager of its Finance & Treasury Department (HK). He had been a member of the Advisory Panel to the Business and IT Studies of the School of Continuing Education, Hong Kong Baptist University from 1 January 2009 to 31 December 2010, and is currently a trustee of Hong Kong Open Printshop Limited, a non-profit charitable organisation in Hong Kong. Mr. Kam has over 28 years of experience in the fields of accounting, auditing and finance.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Lim Wan Fung, Bernard Vincent

JP, PPHKIA, MHKIUD, Independent Non-executive Director

Aged 59 and was appointed as Independent Non-executive Director of our Company on 9 October 2015. He is responsible for giving independent strategic advice and guidance on the business and operations of our Group. He has been a principal of AD+RG Architecture Design and Research Group Ltd. since February 2001. He is a Registered Architect (Hong Kong) and has been a member of the Hong Kong Institute of Architects (HKIA) since November 1984, Authorized Person (List of Architects) (Hong Kong) since May 1985, a member of Royal Institute of British Architects since March 1985, Asia Pacific Economic Cooperation (APEC) Architect since December 2005, PRC Class 1 Registered Architect Qualification (中華人民共和國一級註冊建築師) since August 2007. He was appointed as a Justice of the Peace in 2008 by the Government of Hong Kong. He became member of Shenzhen Registered Architects Association (深圳市註冊建築師協會) in September 2012.

He has also been a National Committee member of the 12th Chinese People's Political Consultative Conference of the PRC (中國人民政治協商會議第十二屆全國委員會委員) in February 2013 and Committee member of the 3rd Chinese People's Political Consultative Conference of Chongqing City (中國人民政治協商會議重慶市第三屆委員會委員) in 2008, an Adjunct Professor of the School of Architecture of The Chinese University of Hong Kong in 2014, member of the Hong Kong Housing Authority, chairman of its Building Committee and member of its Strategic Planning Committee and the Subsidised Housing Committee since April 2012, member of the Advisory Committee on Education Development Fund of Education Bureau since September 2014, chairman of Advisory Board of Nan Lian Garden of Home Affairs Bureau since November 2012 and Committee Member of the Chinese General Chamber of Commerce since November 2014. Mr. Lim has also been a member of the Hong Kong Housing Society Supervisory Board since September 2013 and member of the Council for Sustainable Development of Environment Bureau since February 2009.

Mr. Lim was a president of Hong Kong Institute of Architects, a president of the Hong Kong Institute of Urban Design and a member of Town Planning Board from 2004 to 2010, a member of Antiquities Advisory Board of Development Bureau from 2005 to 2010, an adviser to the Guangdong Registered Architects Association (廣東省註冊建築師協會) in 2008 and a member of the Energy Advisory Committee of Environment Bureau from 2004 to 2010.

Mr. Lim obtained a Bachelor of Arts in Architectural Studies (1st Hons) from the University of Hong Kong in November 1979, a Bachelor degree in Architecture (Distinction) from the University of Hong Kong in November 1981 and a Master of Science in Urban Planning from the University of Hong Kong in November 1985.

DIRECTORS AND SENIOR MANAGEMENT (CONTINUED)

Mr. Suen Kwok Lam

BBS, MH, JP, Independent Non-executive Director

Aged 69, was appointed as Independent Non-executive Director of our Company on 9 October 2015. He is responsible for giving independent strategic advice and guidance on the business and operations of our Group. He has over 40 years of experience in property management, and served in Hsin Chong Real Estate Management Ltd. from 1970 to 1997 with the last held position of director and general manager. Mr. Suen joined Henderson Land Development Company Limited (stock code: 12), a company listed on the Main Board of the Stock Exchange, in 1997 and has been an executive director thereof since January 2002. He previously served as an executive director of Henderson Investment Limited (stock code: 97), a company listed on the Main Board of the Stock Exchange, from July 1999 until his retirement in June 2011. He is the vice president of Hong Kong Institute of Real Estate Administrators and obtained individual membership of the Real Estate Developers Association of Hong Kong in January 1999. He was the president of the Hong Kong Association of Property Management Companies from 2003 to 2007. He was awarded the Medal of Honour in 2005, appointed as a Justice of the Peace in 2011 and awarded the Bronze Bauhinia Star in 2015 by the Government of Hong Kong respectively. He is a member of the 13th Chinese People's Political Consultative Conference of the Shunde District of Foshan City (中國人民政治協商會議佛山市順德區第十三屆委員會委員), and was a member of the 10th Chinese People's Political Consultative Conference of Changsha City (中國人民政治協商會議長沙市第十屆委員會委員) from 2008 to 2012. He is also the president and vice chairman of Federation of Hong Kong Guangdong Community Organisations. Mr. Suen was also elected as an Honorary Fellow by the Hong Kong Institute of Housing in 2007.

Mr. Yung Wing Ki, Samuel

SBS, MH, JP, Independent Non-executive Director

Aged 58, was appointed as Independent Non-executive Director of our Company on 9 October 2015. He is responsible for giving independent strategic advice and guidance on the business and operations of our Group. Mr. Yung has over 34 years of experience in the insurance sector. He is currently an executive district director of AIA International Limited and an independent non-executive director of China South City Holdings Limited (stock code: 1668), a company listed on the Main Board of the Stock Exchange. He has been an independent non-executive director of China Overseas Insurance Limited ("COIL"), a wholly-owned subsidiary of China State Construction International Holdings Limited (stock code: 3311), a company listed on the Main Board of the Stock Exchange, since 14 October 2014 and was also a member of the audit committee of COIL since 15 December 2014. Mr. Yung has been an independent non-executive director of Fitec International Group Limited (Stock code: 2662) since January 2016. He was an independent non-executive director of Group Sense (International) Limited (stock code: 601), a company listed on the Main Board of the Stock Exchange ("Group Sense"), from January 1995 to September 2013. He was also a member of the audit committee of the board of Group Sense from March 1999 to September 2013 and the chairman of the audit committee of the board of Group Sense from 2004 to September 2013. Mr. Yung is also presently a member of the National Committee of the Chinese People's Political Consultative Conference, the founding president of Hong Kong Professionals and Senior Executives Association. Mr. Yung was elected the "Ten Outstanding Young Persons Award" in 1994. He was awarded the Medal of Honor in 2001, appointed as a Justice of the Peace in 2007 and awarded the Silver Bauhinia Star in 2011 by the Government of Hong Kong respectively. He was also a Standing member of the Chinese People's Political Consultative Conference of Jilin (中國人民政治協商會議吉林省委員會常務委員), Standing Committee member of All-China Youth Federation, member of Commission on Strategic Development of Hong Kong, member of Central Policy Unit, the chairman of Betting and Lotteries Commission of Home Affairs Bureau, chairman of Hong Kong United Youth Association, chairman of Top Outstanding Young Persons Association, board member of General Agents and Managers Association International and chairman of its International Committee, president of The Life Underwriters Association of Hong Kong and chairman of General Agents and Managers Association of Hong Kong. He was awarded an Executive Master degree in Business Administration from the Hong Kong University of Science and Technology and has attained certain professional qualifications, including Certified Financial Planner, Registered Financial Consultant, Fellow Chartered Financial Practitioner, Certified Manager of Financial Advisor and Chartered Insurance Agency Manager.

DIRECTORS AND SENIOR MANAGEMENT (CONTINUED)

SENIOR MANAGEMENT**Mr. Wong Kai-sang***Senior Vice President*

Aged 61, was appointed as Senior Vice President of our Company on 25 June 2015. He is also a director of certain subsidiaries of our Company. Mr. Wong is responsible for the supervision of the overall operation and business development of the property management business of our Group in Hong Kong and Macau. Mr. Wong graduated in August 1985 from the University of Hong Kong's Department of Extra Mural Studies with a diploma in Housing Management. He has been a member of the Chartered Institute of Housing since August 1988 and the Hong Kong Institute of Housing since January 2001, and became a registered professional housing manager since April 2003. From 1990 to 2005, he served roles such as director or group manager of various Hong Kong property management companies including First Pacific Davies Property Management Limited, Vigers China Limited and Urban Property Management Ltd. Mr. Wong joined China Overseas Property Services Limited ("COPL HK Holding") in January 2005 as general manager and has since then held positions including director and general manager thereof. Mr. Wong has approximately 26 years of property management experience in Hong Kong.

Mr. Liu Zhonghua*Vice President*

Aged 51, was appointed as Vice President of our Company on 25 June 2015. He is also a director of certain subsidiaries of our Company. Mr. Liu is responsible for operation of the property management business of our Group in Hong Kong and Macau. Mr. Liu graduated from the Chongqing Construction Engineering College (重慶建築工程學院) in the PRC with a Bachelor of Engineering in Industrial Electrical Automation July 1988 and from the University of South Australia in Australia with a Master degree in Business Administration in May 2002. He also obtained an Executive Master degree in Business Administration from Nankai University in the PRC in June 2010. Mr. Liu was elected Affiliate of The Hong Kong Institute of Housing in January 2005 and a member of Hong Kong Institute of Real Estate Administrators in March 2000, respectively. He is qualified as a senior engineer in electrical and mechanical engineering since July 2002. Mr. Liu joined CSCEC in 1988, and joined COPL HK Holding in October 1995, and has since held positions including assistant general manager, director and deputy general manager of COPL HK Holding. Mr. Liu has approximately 27 years of experience in electrical and mechanical engineering project management and 20 years of experience in property management in Hong Kong.

DIRECTORS AND SENIOR MANAGEMENT (CONTINUED)

Mr. Wang Zhigang*Assistant President*

Aged 43, was appointed as Assistant President of our Company on 25 June 2015. He is responsible for the operation of our Group's domestic property management business in the PRC. Mr. Wang graduated from Tongji University in the PRC with a Bachelor degree in Materials Science in July 1996, and a Master degree in Construction and Civil Engineering from Huazhong University of Science and Technology in the PRC in December 2006. Mr. Wang joined COLI group in July 1996 and was employed in a subsidiary of COLI until August 2001. From September 2001 to February 2012, he served in various subsidiaries of COPL PRC Holding in roles such as assistant general manager and general manager. From October 2010 to August 2013, he was also the deputy general manager and then the general manager of China Overseas Property (Commercial Property) Management Company (中海物業(商業物業)管理公司), a commercial properties branch of COPL PRC Holding. He has been the deputy general manager of COPL PRC Holding since August 2013. Mr. Wang has approximately 20 years of property management experience in the PRC.

Ms. Li Xiaohua*Assistant President*

Aged 41, was appointed as Assistant President of our Company on 25 June 2015. Ms. Li is also a director of certain subsidiaries of our Company. She is responsible for the human resources and administrative management of the property management business of our Group in the PRC. Ms. Li graduated from Provincial Party School of Liaoning Province in the PRC with a degree in Accounting in December 1997. She joined COLI group in 1999, and has served various positions in COLI group including assistant general manager of the human resources department from September 2007 to December 2010 and deputy general manager of COLI group's property management department, which oversees COPL PRC Holding and other PRC subsidiaries of our Group from December 2010 to September 2012. Served as deputy general manager of COPL PRC Holding from August 2012 onwards. Ms. Li has approximately 17 years of human resources experience in the PRC.

COMPANY SECRETARY**Mr. Ko Hiu Fung**

Aged 42, was appointed as Company Secretary of our Company on 25 June 2015. He is responsible for company secretarial matters of our Group. Mr. Ko holds a Bachelor degree in Law from University of Glamorgan in Wales and a Master degree in Law from the University of Hong Kong and is a qualified barrister in Hong Kong, England and Wales. Mr. Ko has over 18 years' experience in the legal profession and had been the corporate counsel and company secretary of various listed companies in Hong Kong.

REPORT OF DIRECTORS

The directors present the annual report and the audited financial statements of the Company and its subsidiaries (together the "Group") for the year ended 31 December 2015.

PRINCIPAL ACTIVITIES

The Company is principally engaged in property management services, which primarily include services such as security, repair and maintenance, cleaning and garden landscape maintenance and provision of value-added services, which primarily include engineering services and inspection services, repair and maintenance services and equipment upgrade services to property management companies and online services through our O2O platform to the tenants of the properties under our management.

SEGMENT INFORMATION

An analysis of the Group's revenue and contribution to results by principal activities and geographical area and operations for the year ended 31 December 2015 is set out in note 10 to the financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2015 are set out in the consolidated income statement and consolidated statement of comprehensive income on pages 67 and 68 respectively.

FINAL DIVIDEND

The directors recommended a final dividend of HK1.2 cents per ordinary share of the year ended 31 December 2015, representing a total of approximately HK\$39.4 million, payable to the Company's shareholders whose names appear on the Company's register of members on 8 June 2016. The dividend payment is subject to the approval of the shareholders at the annual general meeting of the Company to be held on 6 May 2016 (the "2016 AGM").

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 4 May 2016 to 6 May 2016 (both days inclusive) for the purpose of determining the right to attend and vote at the 2016 AGM. In order to be entitled to attend and vote at the 2016 AGM, unregistered holders of shares of the Company should ensure that all share transfer documents accompanied with corresponding share certificates are lodged with the Branch Share Registrar of the Company in Hong Kong, Tricor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on 3 May 2016.

In addition, the register of members of the Company will also be closed on 8 June 2016 for the purpose of determining the entitlement to the above-mentioned proposed final dividend (if approved by the shareholders at the 2016 AGM), unregistered holders of shares of the Company should ensure that all share transfer documents accompanied with the corresponding share certificates are lodged with the Branch Share Registrar of the Company in Hong Kong at the above address for registration not later than 4:30 p.m. on 7 June 2016.

RESERVES

Movements during the year in the reserves of the Group and of the Company are set out in note 30(b) and note 36(a) to the financial statements.

DISTRIBUTABLE RESERVES

Distributable reserves of the Company at 31 December 2015 were approximately HK\$41.7 million (2014: approximately 4.4 million).

REPORT OF DIRECTORS (CONTINUED)

FINANCIAL SUMMARY

A summary of the results, assets and liabilities of the Group for the past four financial years is set out on pages 129 and 130.

MAJOR SUPPLIERS AND CUSTOMERS

During the year, the Group purchased less than 30% of its goods and services from its five largest suppliers and sold less than 30% of its goods and services to its five largest customers.

SHARE ISSUED

Details of the shares issued for the year ended 31 December 2015 are set out in note 30(a) to the financial statements.

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

The Company has not redeemed any of its shares during the year. Neither the Company nor any of its subsidiaries purchased or sold any of the Company's listed securities during the year.

BORROWING

Analysis of bank borrowing is set out in note 29 to the financial statements.

DIRECTORS

The directors of the Company during the year and up to the date of this report were:

Non-executive Director

Mr. Hao Jian Min (*Chairman, designated as non-executive director on 25 June 2015*)

Executive Directors

Ms. Wang Qi (*Vice Chairman and Chief Executive Officer, appointed on 25 June 2015*)

Mr. Luo Xiao (*Vice President, appointed on 25 June 2015*)

Mr. Shi Yong (*Vice President, appointed on 25 June 2015*)

Dr. Yang Ou (*Vice President, appointed on 25 June 2015*)

Mr. Kam Yuk Fai (*Deputy Chief Financial Officer, appointed on 25 June 2015*)

Mr. Xiao Xiao (*resigned on 25 June 2015*)

Independent Non-executive Directors

Mr. Lim Wan Fung, Bernard Vincent (*appointed on 9 October 2015*)

Mr. Suen Kwok Lam (*appointed on 9 October 2015*)

Mr. Yung Wing Ki, Samuel (*appointed on 9 October 2015*)

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

REPORT OF DIRECTORS (CONTINUED)

DIRECTORS' SERVICES CONTRACTS

No director proposed for re-election at the 2016 AGM has entered into a service contract with the Company or any of its subsidiaries which is not determinable by the employing company within one year without payment of compensation (other than statutory compensation).

DIRECTORS' MATERIAL INTEREST IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS THAT ARE SIGNIFICANT IN RELATION TO THE COMPANY'S BUSINESS

No transactions, arrangements and contracts of significance in relation to the Group's business to which the Company's subsidiaries, fellow subsidiaries or its parent company was a party and in which any director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

DIRECTORS' INTEREST IN COMPETING BUSINESS

Pursuant to existing Rule 8.10 of the Listing Rules, the Company discloses that during the year and up to the date of this report, Mr. Hao Jian Min held directorship in the Company's ultimate holding company, China State Construction Engineering Corporation ("CSCEC"), and/or its subsidiaries/associated companies, which are engaged in construction, property development and property investment related business.

As the board of directors of the Group operates independently of the boards of these companies, the Group operates its business independently of, and at arm's length from, the businesses of the companies in which directors have declared interests.

EMOLUMENTS OF DIRECTORS AND SENIOR MANAGEMENT

Information regarding directors' emoluments and senior management's emoluments are set out in notes 15 and 35(g) to the financial statements.

PERMITTED INDEMNITY PROVISION

Subject to and as permitted by applicable laws, every director of the Company and some of its associated companies (as defined under the Companies Ordinance, Cap. 622) shall be entitled to be indemnified by the relevant company against all costs, charges, losses, expenses and liabilities incurred by him or her in the execution and discharge of his or her duties or in relation thereto pursuant to their respective Articles of Associations and/or contracts with the directors. Such provisions were in force during the financial year ended 31 December 2015 and remained in force as of the date of this report.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

The biographical details of Directors and Senior Management are set out in the section headed "Directors and Senior Management" on pages 48 to 53 of this Annual Report.

REPORT OF DIRECTORS (CONTINUED)

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SECURITIES

As at 31 December 2015, the directors and the chief executive of the Company and their respective associates had the following interests in the shares and underlying shares of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies:

(a) Long Positions in Shares and Underlying Shares of the Company

Name of director	Nature of interest	Number of shares held	Approximate percentage of interest in the Company Note 1
Mr. Hao Jian Min	Beneficial owner	1,117,724	0.034%

(b) Long Positions in Shares and Underlying Shares of the Company's Associated Corporation

Name of director	Name of associated corporation	Nature of interest	Number of ordinary shares held	Approximate percentage of interest Notes 2 and 3
Mr. Hao Jian Min	COLI	Beneficial owner	3,353,172	0.034%
Ms. Wang Qi	Far East Global Group Limited ("Far East Global")	Beneficial owner	46,000	0.002%

Notes:

- The percentage represents the number of shares interested divided by the number of the Company's issued shares as at 31 December 2015 (i.e. 3,286,860,460 shares)
- The percentage represents the number of shares interested divided by the number of the COLI's issued shares as at 31 December 2015 (i.e. 9,860,581,381 shares)
- The percentage represents the number of shares interested divided by the number of the Far East Global's issued shares as at 31 December 2015 (i.e. 2,155,545,000 shares)

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

REPORT OF DIRECTORS (CONTINUED)

ARRANGEMENTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed above, at no time during the year was the Company or any of its subsidiaries, holding companies or fellow subsidiaries a party to any arrangements to enable the directors of the Company, their respective spouse or children under 18 years of age to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SECURITIES

At 31 December 2015, the following parties (other than directors or the chief executive of the Company) were the substantial shareholders of the Company (as defined in the Listing Rules) and had interests in the shares and underlying shares of the Company as recorded in the register maintained by the Company pursuant to Section 336 of the SFO:

Name of Shareholder	Capacity	Number of shares held or interested	Approximate percentage of interest (%)
Silver Lot Development Limited ("Silver Lot")	Beneficial owner	169,712,309	5.16
COHL ⁽¹⁾	Beneficial owner	1,841,328,751	61.18
	Interest of controlled corporation	169,712,309	
CSCECL ⁽²⁾	Interest of controlled corporation	2,011,041,060	61.18
CSCEC ⁽²⁾	Interest of controlled corporation	2,011,041,060	61.18

Notes:

- (1) Silver Lot is a direct wholly-owned subsidiary of COHL and therefore, COHL is deemed by the SFO to be interested in the shares in which Silver Lot is or is taken to be interested.
- (2) COHL is a direct wholly-owned subsidiary of CSCECL, which in turn is a direct non-wholly owned subsidiary of CSCEC, and therefore, CSCECL and CSCEC are deemed by the SFO to be interested in the shares in which COHL is or is taken to be interested.

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

CONTINUING CONNECTED TRANSACTIONS

Our Group has entered into certain transactions with our connected persons, and such transactions were continuing for a period of time following the date on which the shares of the Company were listed on the Main Board of the Stock Exchange, the Listing Date, thereby constituting continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

REPORT OF DIRECTORS (CONTINUED)

CONTINUING CONNECTED TRANSACTIONS WITH CHINA OVERSEAS LAND & INVESTMENT LTD. (“COLI” AND ITS SUBSIDIARIES, TOGETHER, “COLI GROUP”)

We have entered into a number of transactions with members of COLI Group. Since COLI is a subsidiary of China Overseas Holdings Limited (“COHL”), our Controlling Shareholder (as defined under the Listing Rules), members of COLI Group become connected persons of our Group upon the Listing Date.

Master COLI Property Management Services Agreement

COLI Group is expected to continue to engage our Group to provide property management services to COLI’s residential communities and commercial properties in the PRC, Hong Kong and Macau. On 9 October 2015, the Company and COLI entered into a framework agreement (the “Master COLI Property Management Services Agreement”) pursuant to which the parties agreed and confirmed that the provision of property management services by our Group to COLI Group have been and will continue to be conducted on terms set out therein for the period from 1 June 2015 and ending on 31 May 2018 provided that the maximum total amounts paid to our Group by COLI Group under the Master COLI Property Management Services Agreement for the period between 1 June 2015 and 31 December 2015 shall not exceed HK\$264.4 million, for each of the two years ending 31 December 2017 shall not exceed HK\$405.0 million and HK\$462.5 million, respectively, and for the period between 1 January 2018 and 31 May 2018 shall not exceed HK\$210.0 million.

As the applicable percentage ratios (as defined under the Listing Rules) in respect of the caps under the Master COLI Property Management Services Agreement are, on their own and on an annual basis, 5% or more, the transactions contemplated under the Master COLI Property Management Services Agreement are subject to the annual review, reporting, announcement and independent shareholders’ approval requirements under Chapter 14A of the Listing Rules, which are also subject to the aggregation requirement as discussed under “Aggregation of Continuing Connected Transactions” below.

In respect of the Master COLI Property Management Services Agreement, we have applied for, and the Stock Exchange has granted to us, a waiver from strict compliance with the announcement and independent shareholders’ approval requirements relating to continuing connected transactions under Rule 14A.105 of the Listing Rules.

For the period between 1 June 2015 and 31 December 2015, the amounts paid to our Group by COLI Group under the Master COLI Property Management Services Agreement was HK\$262.6 million which did not exceed the cap of HK\$264.4 million.

Master Engineering Services Agreement

COLI Group is expected to continue to engage our Group as its sub-contractor for the provision of engineering services, including automation projects, specialized engineering, and repair and maintenance and upgrade projects of equipment and machinery to COLI Group’s residential communities and commercial properties in the PRC from time to time. On 9 October 2015, the Company and COLI entered into a framework agreement (the “Master Engineering Services Agreement”) pursuant to which the parties agreed and confirmed that the provision of engineering services by our Group to COLI Group have been and will continue to be conducted on terms set out therein for the period from 1 June 2015 and ending on 31 May 2018 provided that the maximum total amounts paid to our Group by COLI Group under the Master Engineering Services Agreement for the period between 1 June 2015 and 31 December 2015 shall not exceed HK\$25.5 million, for each of the two years ending 31 December 2017 shall not exceed HK\$29.8 million and HK\$31.6 million, respectively, and for the period between 1 January 2018 and 31 May 2018 shall not exceed HK\$14.0 million.

REPORT OF DIRECTORS (CONTINUED)

As the applicable percentage ratios (as defined under the Listing Rules) in respect of the caps under the Master Engineering Services Agreement are, on their own and on an annual basis, 0.1% or more but less than 5%, the transactions contemplated under the Master Engineering Services Agreement are subject to the annual review, reporting and announcement requirements but exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules, which are also subject to the aggregation requirement as discussed under "Aggregation of Continuing Connected Transactions" below.

For the period between 1 June 2015 and 31 December 2015, the amounts paid to our Group by COLI Group under the Master Engineering Services Agreement was HK\$22.8 million which did not exceed the cap of HK\$25.5 million.

Master Lease Agreement

Our Group is expected to continue to lease properties owned by COLI Group in the ordinary and usual course of business of our Group from time to time. On 9 October 2015, the Company and COLI entered into a framework agreement (the "Master Lease Agreement") pursuant to which the parties agreed and confirmed that the lease of properties by our Group from COLI Group have been and will continue to be conducted on terms set out therein for the period from 1 June 2015 and ending on 31 May 2018 provided that the maximum total rent for the lease of properties under the Master Lease Agreement for the period between 1 June 2015 and 31 December 2015 shall not exceed HK\$3.9 million, for each of the two years ending 31 December 2017 shall not exceed HK\$6.6 million and HK\$6.7 million, respectively, and for the period between 1 January 2018 and 31 May 2018 shall not exceed HK\$2.9 million.

As the applicable percentage ratios (as defined under the Listing Rules) in respect of the caps under the Master Lease Agreement are, on their own and on an annual basis, 0.1% or more but less than 5%, the transactions contemplated under the Master Lease Agreement are subject to the annual review, reporting and announcement requirements but exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules, which are also subject to the aggregation requirement as discussed under "Aggregation of Continuing Connected Transactions" below.

For the period between 1 June 2015 and 31 December 2015, the total rent paid to COLI Group by our Group under the Master Lease Agreement was HK\$3.2 million which did not exceed the cap of HK\$3.9 million.

CONTINUING CONNECTED TRANSACTIONS WITH CHINA STATE CONSTRUCTION INTERNATIONAL HOLDINGS LIMITED ("CSCIHL" AND ITS SUBSIDIARIES, TOGETHER, "CSCIHL GROUP")

We have entered a number of transactions with members of CSCIHL Group. Since CSCIHL is a subsidiary of COHL, our Controlling Shareholder (as defined under the Listing Rules), members of CSCIHL Group become connected persons of our Group upon the Listing Date.

Master Security Services Agreement

CSCIHL Group is expected to engage our Group to provide security services for the work sites of CSCIHL Group in Hong Kong. On 26 June 2015, our Company and CSCIHL entered into a framework agreement (as supplemented on 9 October 2015) (the "Master Security Services Agreement") to govern the provision of security services by our Group to CSCIHL Group for the period from 1 July 2015 and ending on 30 June 2018 provided that the maximum total contract sums that may be awarded to our Group by CSCIHL Group under the Master Security Services Agreement for the period between 1 July 2015 and 31 December 2015 shall not exceed HK\$10.0 million, for each of the two years ending 31 December 2017 shall not exceed HK\$20.0 million and HK\$20.0 million, respectively, and for the period between 1 January 2018 and 30 June 2018 shall not exceed HK\$10.0 million.

REPORT OF DIRECTORS (CONTINUED)

As the applicable percentage ratios (as defined under the Listing Rules) in respect of the caps under the Master Security Services Agreement are, on their own and on an annual basis, 0.1% or more but less than 5%, the transactions contemplated under the Master Security Services Agreement are subject to the annual review, reporting and announcement requirements but exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules, which are also subject to the aggregation requirement as discussed under "Aggregation of Continuing Connected Transactions" below.

For the period between 1 July 2015 and 31 December 2015, the contract sums, awarded to our Group by CSCIHL Group under the Master Security Services Agreement was HK\$6.4 million which did not exceed the cap of HK\$10.0 million.

CONTINUING CONNECTED TRANSACTIONS WITH CHINA OVERSEAS GRAND OCEANS GROUP LIMITED ("COGO" AND ITS SUBSIDIARIES, TOGETHER, "COGO GROUP")

We have entered into transaction with members of COGO Group. Since COGO is an associate of COHL, our Controlling Shareholder (as defined under the Listing Rules), members of COGO Group become connected persons of our Group upon the Listing Date.

Master COGO Property Management Services Agreement

On 1 June 2015, our Company and COGO entered into a framework agreement (the "Master COGO Property Management Services Agreement") to govern the provision of property management services by our Group to COGO Group for the period from 1 June 2015 and ending on 31 May 2018 provided that the maximum total amounts paid to our Group by COGO Group under the Master COGO Property Management Services Agreement for the period between 1 June 2015 and 31 December 2015 shall not exceed RMB30 million, for each of the two years ending 31 December 2017 shall not exceed RMB50 million and RMB60 million, respectively, and for the period between 1 January 2018 and 31 May 2018 shall not exceed RMB35 million.

As the applicable percentage ratios (as defined under the Listing Rules) in respect of the caps under the Master COGO Property Management Services Agreement are, on their own and on an annual basis, 0.1% or more but less than 5%, the transactions contemplated under the Master COGO Property Management Services Agreement are subject to the annual review, reporting and announcement requirements but exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules, which are also subject to the aggregation requirement as discussed under "Aggregation of Continuing Connected Transactions" below.

For the period between 1 June 2015 and 31 December 2015, the total amounts paid to our Group by COGO Group under the Master COGO Property Management Services Agreement was HK\$33.7 million which did not exceed the cap of HK\$37.8 million (equivalent to approximately RMB30 million).

AGGREGATION OF CONTINUING CONNECTED TRANSACTIONS

Aggregation of leasing transactions

Our Directors are of the view that the Master Lease Agreement and other de minimis transaction of same nature are entered into by our Group with parties who are connected with one another, and therefore should be aggregated under Rules 14A.81 and 14A.82(1) of the Listing Rules. As the applicable percentage ratios (as defined under the Listing Rules) in respect of the caps/estimated future transaction amount of the aforesaid continuing connected transactions, in aggregate, will be, on an annual basis, more than 0.1% but less than 5%, such continuing connected transactions will be subject to the annual review, reporting and announcement requirements but exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

REPORT OF DIRECTORS (CONTINUED)

For the period between 1 June 2015 and 31 December 2015, the transaction amount of the aforesaid continuing connection transaction and other de minimis transaction of same nature was, in aggregate, HK\$3.2 million, the applicable percentage ratios of which are more than 0.1% but less than 5%. Such continuing connected transactions are subject to the annual review, reporting and announcement requirements but exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

In respect of the above continuing connected transactions, we have applied for, and the Stock Exchange has granted to us, a waiver from strict compliance with the announcement requirement under Rule 14A.105 of the Listing Rules.

Aggregation of property management and related transactions

Our Directors are of the view that (i) the Master COLI Property Management Services Agreement; (ii) the Master Engineering Services Agreement; (iii) the Master Security Services Agreement; (iv) the Master COGO Property Management Services Agreement and other de minimis transactions of same nature are entered into by our Group with parties who are connected with one another, and therefore should be aggregated under Rules 14A.81 and 14A.82(1) of the Listing Rules. As the applicable percentage ratios (as defined under the Listing Rules) in respect of the caps/estimated future transaction amount of the aforesaid continuing connected transactions, in aggregate, will be, on an annual basis, 5% or more, such continuing connected transactions will be subject to the annual review, reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

For the period between 1 June 2015 and 31 December 2015, the transaction amount of the aforesaid continuing connected transactions and other de minimis transactions of same nature was, in aggregate, HK\$327.4 million, the applicable percentage ratios of which are more than 5%. Such continuing connected transactions are subject to the annual review, reporting, announcement requirements and the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

In respect of the above continuing connected transactions, we have applied for, and the Stock Exchange has granted to us, a waiver from strict compliance with the announcement and independent shareholders' approval requirements under Rule 14A.105 of the Listing Rules.

REVIEW AND APPROVAL

Pursuant to Rule 14A.55 of the Listing Rules, the above continuing connected transactions have been approved by the Board and have been reviewed by the Independent Non-executive Directors of the Company, who confirmed that these continuing connected transactions were entered into:

- (i) in the ordinary and usual course of business of the Group;
- (ii) either on normal commercial terms or, if there were not sufficient comparable transactions to judge whether they were on normal commercial terms, on terms no less favourable to the Company than terms available to or from independent third parties; and
- (iii) in accordance with the relevant agreements governing them on terms that were fair and reasonable and in the interests of the shareholders of the Company as a whole.

In accordance with Rule 14A.56 of the Listing Rules, the Company's auditor was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants.

REPORT OF DIRECTORS (CONTINUED)

The auditor has issued his unqualified letter containing his findings and conclusions in respect of the continuing connected transactions disclosed by the Group in page 58 to 62 of the Annual Report as below:

- (1) nothing has come to his attention that causes him to believe that the disclosed continuing connected transactions have not been approved by the Board.
- (2) for transactions involving the provision of goods or services by the Group, nothing has come to his attention that causes him to believe that the transactions were not, in all material respects, in accordance with the pricing policies of the Group.
- (3) nothing has come to his attention that causes him to believe that the transactions were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions.
- (4) with respect to the aggregate amount of the continuing connected transactions, nothing has come to his attention that causes him to believe that the disclosed continuing connected transactions have exceeded the annual cap as set by the Company.

A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

RETIREMENT BENEFIT SCHEME

The Group has joined a mandatory provident fund scheme ("MPF Scheme") for all qualifying employees in Hong Kong. The MPF Scheme is registered with the Mandatory Provident Fund Schemes Authority under the Mandatory Provident Fund Schemes Ordinance. Under the MPF Scheme, the employer and its employees are each required to make contributions to the MPF Scheme at rates specified in the rules. The employees of the Company's subsidiaries established in the PRC are members of a state-managed retirement scheme operated by the PRC government. No forfeited contribution under this scheme is available to reduce the contribution payable in future years.

MANAGEMENT CONTRACTS

Save for employment contracts, no other contracts, relating to the management and/or administration of the whole or any substantial part of the business of the Company were entered into or subsisted during the year.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained the prescribed amount of public float during the year and up to the date of this report as required under the Listing Rules.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Articles of Association, the laws of Cayman Islands, being the jurisdiction in which the Company is incorporated, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

TAX RELIEF AND EXEMPTION

The Directors are not aware of any tax relief and exemption available to the shareholders of the Company by reason of their holding of the Company's securities.

DONATIONS

During the year, the Group made charitable and other donations amounted to approximately HK\$1.0 million.

REPORT OF DIRECTORS (CONTINUED)

CORPORATE GOVERNANCE

Principal corporate governance practices adopted by the Company are set out in the Corporate Governance Report on pages 34 to 47 of this Annual Report.

BUSINESS REVIEW

The business review of the Group including the information of the below, are set out in the Management Discussion and Analysis on pages 12 to 22 of this report:

- (a) A fair review of the Group's business;
- (b) A description of the principal risks and uncertainties facing the Group;
- (c) An indication of likely future development in the Group's business;
- (d) An analysis using financial key performance indicators;
- (e) A discussion on:
 - (i) The Group's environmental policies and performance; and
 - (ii) The Group's compliance with the relevant laws and regulations that have a significant impact on the Group; and
- (f) An account of the Group's key relationships with its employees, customers and suppliers and others that have a significant impact on the Group and on which the Group's success depends.

AUDITOR

Messrs. PwC has acted as auditor of the Company since year 2012.

A resolution will be proposed at the forthcoming Annual General Meeting to re-appoint PwC as auditor of the Company.

ANNUAL REPORT

This Annual Report is printed in English and Chinese languages and is available on the Stock Exchange's website at www.hkexnews.hk under "Listed Company Information" and our Company's website at www.copl.com.hk.

On behalf of the Board

Hao Jian Min

Chairman

Hong Kong, 17 March 2016

INDEPENDENT AUDITOR'S REPORT



羅兵咸永道

TO THE SHAREHOLDERS OF CHINA OVERSEAS PROPERTY HOLDINGS LIMITED

(incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of China Overseas Property Holdings Limited (the "Company") and its subsidiaries set out on pages 67 to 128, which comprise the consolidated statement of financial position as at 31 December 2015, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

OPINION

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

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, 17 March 2016

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2015

	Notes	Year ended 31 December	
		2015 HK\$'000	2014 HK\$'000
Revenue	9	2,544,398	2,163,724
Direct operating expenses		(2,019,680)	(1,750,598)
Gross profit		524,718	413,126
Other income and gains, net	11	19,244	18,350
Gain arising from changes in fair value of investment properties	18	4,150	5,177
Administrative expenses		(385,255)	(304,344)
Operating profit		162,857	132,309
Share of profits of an associate		157	157
Finance costs	12	(1,988)	–
Profit before tax	14	161,026	132,466
Income tax expenses	13	(43,976)	(35,378)
Profit for the year attributable to owners of the Company		117,050	97,088
EARNINGS PER SHARE (HK cents)			
Basic and diluted	16	3.56	2.96

The notes on page 73 to 128 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2015

	Year ended 31 December	
	2015	2014
	HK\$'000	HK\$'000
Profit for the year attributable to owners of the Company	117,050	97,088
Other comprehensive income		
<i>Items that may be reclassified subsequently to profit or loss</i>		
Exchange differences on translation of subsidiaries of the Company	(35,934)	(1,603)
Total comprehensive income for the year attributable to owners of the Company	81,116	95,485

The notes on page 73 to 128 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2015

		As at 31 December	
	Notes	2015	2014
		HK\$'000	HK\$'000
Non-current assets			
Investment properties	18	70,576	70,402
Property, plant and equipment	19	33,103	45,440
Prepaid lease payments for land	20	3,866	4,545
Interest in an associate	21	330	173
Deferred tax assets	31	2,993	2,527
		110,868	123,087
Current assets			
Inventories	22	585	6,882
Trade and other receivables	23	266,514	236,305
Deposits and prepayments		21,969	12,198
Prepaid lease payments for land	20	433	458
Amounts due from fellow subsidiaries	24	20,497	470,228
Amounts due from related companies	24	3,907	2,617
Tax prepaid		–	747
Bank balances and cash	25	1,740,937	1,088,601
		2,054,842	1,818,036
Current liabilities			
Trade and other payables	26	845,928	679,542
Receipts in advance and other deposits	27	403,465	397,808
Amounts due to fellow subsidiaries	28	14,771	256,809
Tax liabilities		80,100	74,075
Bank borrowing	29	184,000	–
		1,528,264	1,408,234
Net current assets		526,578	409,802
Total assets less current liabilities		637,446	532,889
Non-current liabilities			
Deferred tax liabilities	31	7,085	6,556
		7,085	6,556
Net assets		630,361	526,333
Capital and reserves			
Share capital	30	3,287	–
Reserves	30	627,074	526,333
Total equity attributable to owners of the Company		630,361	526,333

The financial statements on pages 67 to 128 were approved by the Board of Directors on 17 March 2016 and were signed on its behalf by:

Wang Qi
Director

Luo Xiao
Director

The notes on page 73 to 128 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2015

	Attributable to owners of the Company							
	Share capital	Translation reserve	PRC				Retained profits	Total
			statutory reserve	Special reserve	General reserve			
			HK\$'000	HK\$'000	HK\$'000	HK\$'000		
(Note 30 (a))	(Note 30 (b)(i))	(Note 30 (b)(ii))	(Note 30 (b)(iii))	(Note 30 (b)(iv))				
At 1 January 2014	–	38,259	34,354	33,022	–	325,213	430,848	
Profit for the year	–	–	–	–	–	97,088	97,088	
Exchange differences on translation of subsidiaries of the Company	–	(1,603)	–	–	–	–	(1,603)	
Total comprehensive income for the year	–	(1,603)	–	–	–	97,088	95,485	
Transfer to PRC statutory reserve	–	–	584	–	–	(584)	–	
At 31 December 2014	–	36,656	34,938	33,022	–	421,717	526,333	
At 1 January 2015	–	36,656	34,938	33,022	–	421,717	526,333	
Profit for the year	–	–	–	–	–	117,050	117,050	
Exchange differences on translation of subsidiaries of the Company	–	(35,934)	–	–	–	–	(35,934)	
Total comprehensive income for the year	–	(35,934)	–	–	–	117,050	81,116	
Issue of share capital	3,287	–	–	–	–	–	3,287	
Transfer to PRC statutory reserve	–	–	833	–	–	(833)	–	
Acquisition of Acquired Companies in connection with the Reorganisation (Note 2)	–	–	–	(14,884)	–	–	(14,884)	
Capital contribution from China Overseas Land & Investment Limited ("COLI") relating to listing expenses borne by COLI (Note 35 (c))	–	–	–	34,509	–	–	34,509	
Transfer to general reserve	–	–	–	(34,509)	34,509	–	–	
	3,287	–	833	(14,884)	34,509	(833)	22,912	
At 31 December 2015	3,287	722	35,771	18,138	34,509	537,934	630,361	

The notes on page 73 to 128 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2015

	Notes	Year ended 31 December	
		2015 HK\$'000	2014 HK\$'000
OPERATING ACTIVITIES			
Profit before tax		161,026	132,466
Adjustments for:			
Share of profits of an associate		(157)	(157)
Finance costs		1,988	–
Write back of trade and other receivables previously written off		(18,755)	–
Impairment provision for trade and other receivables, amounts due from fellow subsidiaries and related companies — trade, net		9,818	10,559
Depreciation and amortisation		21,630	14,724
Gain arising from changes in fair value of investment properties		(4,150)	(5,177)
Interest income		(11,420)	(10,611)
Loss on disposals of property, plant and equipment, net		100	159
Operating cash flows before movements in working capital		160,080	141,963
Decrease in inventories		6,282	2,291
Increase in trade and other receivables, deposits and prepayments		(36,065)	(49,989)
Decrease/(increase) in amounts due from fellow subsidiaries — trade		89,986	(47,959)
Increase in amounts due from related companies — trade		(1,484)	(1,217)
Increase in trade and other payables, receipts in advance and other deposits		235,384	137,017
Decrease in amounts due to fellow subsidiaries — trade		(3,437)	(43,601)
Decrease in amounts due to related companies — trade		–	(117)
Cash generated from operations		450,746	138,388
Income taxes paid		(33,050)	(15,236)
NET CASH FROM OPERATING ACTIVITIES		417,696	123,152
INVESTING ACTIVITIES			
Interest received		9,131	10,611
Dividend received from an associate		–	277
Purchase of property, plant and equipment		(13,275)	(19,205)
Acquisition of subsidiaries (net of cash and cash equivalents acquired)	32	(33,626)	–
Acquisition of acquired companies in connection with the reorganisation	2	(14,884)	–
Repayment from/(advance to) fellow subsidiaries — non-trade		356,910	(125,335)
Repayment from a related company — non-trade		66,923	–
Net proceeds on disposals of property, plant and equipment		419	207
NET CASH FROM/(USED IN) INVESTING ACTIVITIES		371,598	(133,445)

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2015

	Notes	Year ended 31 December	
		2015 HK\$'000	2014 HK\$'000
FINANCING ACTIVITIES			
Interest paid		(1,974)	–
Issue of share capital	30(a)	3,287	–
(Repayment to)/advance from fellow subsidiaries — non-trade		(237,745)	20,438
New bank borrowing	29	184,000	–
NET CASH (USED IN)/FROM FINANCING ACTIVITIES		(52,432)	20,438
NET INCREASE IN CASH AND CASH EQUIVALENTS			
		736,862	10,145
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		1,088,601	1,081,914
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		(84,526)	(3,458)
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		1,740,937	1,088,601

The notes on page 73 to 128 are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

1 GENERAL

China Overseas Property Holdings Limited (formerly known as China Overseas Management Services (International) Limited) (the "Company") was incorporated in the Cayman Islands on 26 June 2006 as an exempted company with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands and its principal place of business is 19th Floor, China Overseas Building, No. 139 Hennessy Road and No. 138 Lockhart Road, Wanchai, Hong Kong.

Before COLI Distribution (Note 2), the Company's immediate holding company was COLI, a company incorporated in Hong Kong and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), after that, the Company's immediate holding company became China Overseas Holdings Limited ("COHL"), a company incorporated in Hong Kong. The ultimate holding company of the Company is China State Construction Engineering Corporation ("CSCEC"), an entity established in the People's Republic of China (the "PRC") and the PRC government is a substantial shareholder of CSCEC.

The Company is an investment holding company. The Company and its subsidiaries (together, the "Group") are principally engaged in provision of property management and value-added services.

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"). These financial statements also complied with the disclosure requirements of the Hong Kong Companies Ordinance (Cap. 622) and the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

The financial statements are presented in Hong Kong dollars ("HK\$"), which are the same as the functional currency of the Company.

2 REORGANISATION

In preparation for the listing of the shares of the Company on the Main Board of the Stock Exchange, the Company, together with its subsidiaries and its other acquired companies as stated below, now comprising the Group have undergone a reorganisation (the "Reorganisation") which comprised of the following steps:

- (i) On 15 May 2015, 淄博中海投資有限公司 ("COHL Zibo PM Holding") (as vendor), a wholly-owned subsidiary of COHL, and 北京中建物業管理有限公司 ("CSPM Beijing") (as purchaser), a wholly-owned subsidiary of COLI, entered into an agreement whereby COHL Zibo PM Holding agreed to transfer the entire equity interests of 淄博中海親頤物業服務有限公司 ("CSPM Zibo" or "COHL Acquired Company") to CSPM Beijing at a consideration of RMB1 (equivalent to approximately HK\$1). The consideration was settled in cash on 27 May 2015 and the aforesaid transfer was properly and legally completed on 28 May 2015.
- (ii) On 15 May 2015, 重慶中海興業建設有限公司 ("COLI Chongqing PM Holding") (as vendor), a wholly-owned subsidiary of COLI, and CSPM Beijing (as purchaser) entered into an agreement whereby COLI Chongqing PM Holding agreed to transfer the entire equity interests of 重慶海投物業管理有限公司 ("CSPM Chongqing") to CSPM Beijing at a consideration of RMB1 (equivalent to approximately HK\$1). The consideration was settled in cash on 27 May 2015 and the aforesaid transfer was properly and legally completed on 28 May 2015.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2015

2 REORGANISATION (CONTINUED)

(iii) On 15 May 2015, 中建國際建設有限公司 (“COLI Beijing PM Holding”) (as vendor), a wholly-owned subsidiary of COLI, and 中海物業管理有限公司 (“COPL PRC Holding”) (as purchaser) entered into an agreement whereby COLI Beijing PM Holding agreed to transfer the entire equity interests of CSPM Beijing to COPL PRC Holding at a consideration of RMB11,748,000 (equivalent to approximately HK\$14,884,000). The consideration was settled in cash on 27 May 2015 and the aforesaid transfer was properly and legally completed on 28 May 2015.

(i), (ii) and (iii) are collectively described as “internal transfers” under the listing document dated 14 October 2015.

(iv) On 18 May 2015, 中海宏洋地產集團有限公司 (“COGO Property”) (as vendor), a wholly-owned subsidiary of China Overseas Grand Oceans Group Limited (“COGO”), an associate of COLI, and COPL PRC Holding (as purchaser) entered into an agreement whereby COGO Property agreed to transfer the entire equity interests of 中海宏洋物業管理有限公司 (“COGOPM Holding”) to COPL PRC Holding at a consideration of approximately RMB50,000,000 (equivalent to approximately HK\$63,161,000) which was determined after arm’s length negotiations between the parties by reference to the fair value of COGOPM Holding. The consideration was settled in cash on 27 May 2015 and the aforesaid transfer was properly and legally completed on 28 May 2015 (see note 32).

Pursuant to the equity transfer agreement between COGO Property and COPL PRC Holding, profit and loss of COGOPM Holding is responsible by the purchaser after 31 March 2015.

For the period between 31 March 2015, the date when profit and loss of COGOPM Holding is responsible by the purchaser according to the equity transfer agreement, and 31 December 2015, COGOPM Holding and its subsidiaries had contributed to the Group’s revenue and profit amounting to approximately HK\$85,310,000 and HK\$39,906,000 respectively.

Had the acquisition of COGOPM Holding been completed on 1 January 2015, the Group’s revenue and profit for the year ended 31 December 2015 would have been approximately HK\$2,558,572,000 and HK\$111,552,000 respectively.

Upon completion of the above transfers, the Company became the holding company of the companies now comprising the Group.

Upon the Cash Capitalisation (Note 30), the company issued and allotted 3,286,860,360 shares to COLI at an aggregate subscription price of HK\$3,286,860 on 9 October 2015 and issued a listing document on 14 October 2015. The Company completed listing by way of introduction of the entire issued share capital of an aggregate of 3,286,860,460 shares of the Company on the Main Board of the Stock Exchange on 23 October 2015, which was satisfied wholly by way of a distribution in specie by COLI to the then qualifying shareholders of COLI (“COLI Distribution”).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2015

2 REORGANISATION (CONTINUED)

As at 31 December 2015, the Company has direct and indirect interests in the following subsidiaries:

Name of subsidiary	Place of incorporation/ establishment	Date of incorporation/ establishment	Registered/ issued and paid up capital	Attributable equity interest of the Group		Principal activities	Place of operations
				Direct %	Indirect %		
China Overseas Property Services Limited	Hong Kong	23 December 1986	HK\$100	100	–	Real estate management and investment holding	Hong Kong
Gold Court (Macau) Property Services Limited	Macau	8 September 2005	MOP25,000	96	4	Real estate management	Macau
中海物業管理有限公司	PRC	7 April 1995	RMB50,000,000	100	–	Real estate management and investment holding	PRC
China Overseas Property Management Trade Mark Limited (Formerly known as Fortune Opal Limited)	Hong Kong	10 April 2015	HK\$1	100	–	Holding of trademark	Hong Kong
China Overseas Building Management Limited	Hong Kong	16 May 1991	HK\$100	–	100	Real estate management	Hong Kong
China Overseas Security Services Limited	Hong Kong	28 May 2003	HK\$2	–	100	Provision of security services	Hong Kong
Mepork Services Limited	Hong Kong	30 May 1989	HK\$100	–	100	Provision of building cleaning and maintenance services	Hong Kong
上海中海物業管理有限公司	PRC	26 June 1995	RMB5,050,000	–	100	Real estate management	PRC
深圳市中海樓宇科技有限公司	PRC	29 June 1998	RMB5,000,000	–	100	Provision of repair and maintenance services	PRC
深圳市海惠萬家網絡信息技術有限公司 (Formerly known as 深圳市中海社區環境工程有限公司)	PRC	14 August 1998	RMB2,000,000	–	100	Provision of automation and other equipment upgrade services	PRC
深圳市中海電梯工程有限公司	PRC	28 December 1998	RMB5,000,000	–	100	Provision of repair and maintenance services of elevators	PRC
長春中海物業管理有限公司	PRC	14 November 2003	RMB1,000,000	–	100	Real estate management	PRC
成都中海物業管理有限公司	PRC	25 May 2001	RMB3,000,000	–	100	Real estate management	PRC
中海物業管理廣州有限公司	PRC	28 August 1995	RMB15,800,000	–	100	Real estate management	PRC
北京中海物業管理有限公司	PRC	21 January 1999	RMB5,000,000	–	100	Real estate management	PRC
廣州中海機電工程有限公司	PRC	23 December 1999	RMB1,000,000	–	100	Provision of repair and maintenance services	PRC
北京中建物業管理有限公司	PRC	23 August 2003	RMB25,000,000	–	100	Real estate management	PRC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2015

2 REORGANISATION (CONTINUED)

Name of subsidiary	Place of incorporation/ establishment	Date of incorporation/ establishment	Registered/ issued and paid up capital	Attributable equity interest of the Group		Principal activities	Place of operations
				Direct %	Indirect %		
重慶海投物業管理有限公司	PRC	21 September 2012	RMB500,000	–	100	Real estate management	PRC
淄博中海親頤物業服務有限公司 (Formerly known as 淄博中海 投資物業服務有限公司)	PRC	18 January 2013	RMB1,000,000	–	100	Real estate management	PRC
中海宏洋物業管理有限公司 [#]	PRC	8 October 1998	RMB50,000,000	–	100	Real estate management	PRC
廣州市光大花園物業管理有限 公司 [#]	PRC	15 February 2000	RMB3,000,000	–	100	Real estate management	PRC
呼和浩特市中海物業服務有限 公司 [#]	PRC	13 June 2010	RMB3,000,000	–	100	Real estate management	PRC
深圳市優你互聯網科技有限公司	PRC	18 November 2015	RMB-*	–	100	Provision of service through online to offline platform ("O2O platform")	PRC
深圳市優你家互聯網科技有限 公司	PRC	31 December 2015	RMB-*	–	100	Provision of service through O2O platform	PRC

[#] The subsidiaries were acquired by COPL PRC Holding on 28 May 2015.

* The registered capital of each of the subsidiaries amounted to RMB5,000,000, which was contributed after year ended 31 December 2015.

3 BASIS OF PRESENTATION

The companies now comprising the Group, excluding COGOPM Holding and its subsidiaries, were under common control of COHL immediately before and after the internal transfer within the Reorganisation. Accordingly, the internal transfer within the Reorganisation is regarded as a business combination under common control, and for the purpose of this report, the financial statements have been prepared using the principles of merger accounting, as prescribed in Hong Kong Accounting Guideline 5 "Merger Accounting for Common Control Combinations" issued by the Hong Kong Institute of Certified Public Accountants.

The financial statements have been prepared by including the financial statements of the Company and other companies now comprising the Group, excluding COGOPM Holding and its subsidiaries, under the common control of COHL immediately before and after the internal transfer within the Reorganisation as if the current group structure had been in existence throughout the year presented, or since the date when the companies first came under the control of COHL, whichever is a shorter period.

The net assets of CSPM Beijing, CSPM Chongqing and CSPM Zibo (together, the "Acquired Companies") were combined using the existing book values from COHL's perspective. No amount is recognised in consideration for goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of business combination under common control, to the extent of the continuation of the controlling party's interest.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2015

3 BASIS OF PRESENTATION (CONTINUED)

Inter-company transactions, balances and unrealised gains/losses on transactions between group companies are eliminated on consolidation.

The acquisition of COGOPM Holding and its subsidiaries was a business combination accounted for using the acquisition method (Note 32).

Accounting Adjustments under Common Control Combination

The following is a reconciliation of the effect arising from the common control combination on the consolidated statements of financial position.

The consolidated statement of financial position as at 31 December 2014:

	The Group HK\$'000	The Acquired Companies HK\$'000	Adjustments HK\$'000 (note)	Consolidated HK\$'000
Total assets less liabilities	525,340	993	–	526,333
Share capital	–	33,022	(33,022)	–
Translation reserve	37,360	(704)	–	36,656
PRC statutory reserve	34,938	–	–	34,938
Special reserve	–	–	33,022	33,022
Retained profits/(Accumulated losses)	453,042	(31,325)	–	421,717
Total equity	525,340	993	–	526,333

The consolidated statement of financial position as at 31 December 2015:

	The Group HK\$'000	The Acquired Companies HK\$'000	Adjustments HK\$'000 (note)	Consolidated HK\$'000
Investment in The Acquired Companies	14,884	–	(14,884)	–
Other assets less liabilities	604,197	26,164	–	630,361
Total assets less liabilities	619,081	26,164	(14,884)	630,361
Share capital	3,287	33,022	(33,022)	3,287
Translation reserve	321	401	–	722
PRC statutory reserve	35,771	–	–	35,771
Special reserve	–	–	18,138	18,138
Retained profits/(Accumulated losses)	579,702	(7,259)	–	572,443
Total equity	619,081	26,164	(14,884)	630,361

Note: The above adjustment represents an adjustment to eliminate the share capital of the combining entities against the investment cost. The difference of approximately HK\$33,022,000 and HK\$18,138,000 as at 31 December 2014 and 31 December 2015 have been made to the special reserve in the financial statements.

No other significant adjustments were made to the net assets and net profit or loss of any entities as a result of the common control combination to achieve consistency of accounting policies.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2015

4 APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has applied the following new and revised HKASs, HKFRSs, amendments and interpretations (hereinafter collectively referred to as the "new and revised HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

Amendments to HKAS 19	Employee Benefits: Defined Benefit Plans — Employee Contributions
Annual Improvements Project	Annual Improvements 2010–2012 Cycle
Annual Improvements Project	Annual Improvements 2011–2013 Cycle

The application of the above new and revised HKFRSs in the current year has had no material impact on the Group's results and financial position.

In addition, the requirements of Part 9 "Accounts and Audit" of the new Hong Kong Companies Ordinance (Cap. 622) come into operation during the financial year, as a result, there are changes to presentation and disclosures of certain information in the consolidated financial statements.

The following new and revised standards or amendments, potentially relevant to the Group's operations, have been issued, but not yet effective and have not been early adopted by the Group.

Amendments to HKAS 1	Disclosure Initiative ¹
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation ¹
Amendment to HKAS 27	Equity Method in Separate Financial Statements ¹
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ¹
Amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011)	Investment Entities: Applying the Consolidation Exception ¹
HKFRS 9 (2014)	Financial Instruments ³
HKFRS 15	Revenue from Contracts with Customers ²
Annual Improvements Project	Annual Improvements 2012–2014 Cycle ¹

¹ Effective for annual periods beginning on or after 1 January 2016

² Effective for annual periods beginning on or after 1 January 2017

³ Effective for annual periods beginning on or after 1 January 2018

The Group has already commenced an assessment of the impact of these new or revised standards and amendments and may give rise to changes in disclosure, recognition and remeasurement of certain items in the financial statements.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2015

5 SIGNIFICANT ACCOUNTING POLICIES

Basis of Preparation

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange and the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for investment properties, which are measured at fair values, as explained in the accounting policies set out below. Historical cost is generally based on the consideration given in exchange for goods.

The principal accounting policies are set out below.

Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries).

A subsidiary is an entity (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Business Combinations — common control combinations

The consolidated financial statements incorporate the financial statements of the combining entities or businesses in which the common control combination occurs as if they had been consolidated from the date when the combining entities or businesses first came under the control of the controlling party.

The net assets of the combining entities or businesses are consolidated using the existing book values from the controlling party's perspective. No amount is recognised in respect of goodwill or excess of acquirer's interest in the net fair value of acquirer's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest.

The consolidated financial statements include the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where this is a shorter period, regardless of the date of the common control combination.

The comparative amounts in the consolidated financial statements are presented as if the entities had been combined at the previous year end date or when they first came under common control, whichever is shorter.

A uniform set of accounting policies is adopted by those entities. All intra-group transactions, balances and unrealised gains on transactions between combining entities are eliminated on consolidation.

Transaction costs, including professional fees, registration fees, costs of furnishing information to shareholders, costs or losses incurred in combining operations of the previously separate businesses, etc., incurred in relation to the common control combination that is to be accounted for by using merger accounting is recognised as an expense in the period in which it is incurred.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2015

5 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Consolidation (Continued)

Business Combinations — acquisition method

Except for the acquisition of the Acquired Companies, which are accounted for using the merger basis of accounting, other business combinations are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 “Income Taxes” and HKAS 19 “Employee Benefits” respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 “Share-based Payment” at the acquisition date (see the accounting policy below); and
- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 “Non-current Assets Held for Sale and Discontinued Operations” are measured in accordance with that standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer’s previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after re-assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer’s previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity’s net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests’ proportionate share of the recognised amounts of the acquiree’s identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at their fair value or when applicable, on the basis specified in another standard.

Where the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination.

Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted, with the corresponding adjustments made against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the “measurement period” (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2015

5 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Consolidation (Continued)

Business Combinations — acquisition method (Continued)

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with HKAS 39, or HKAS 37 'Provisions, Contingent Liabilities and Contingent Assets', as appropriate, with the corresponding gain or loss being recognised in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control), and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest was disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as at the acquisition date that, if known, would have affected the amounts recognised as at that date.

Separate Financial Statements

Investments in subsidiaries are included in the Company's statement of financial position at cost less any identified impairment loss.

The results of subsidiaries are accounted for by the Company on the basis of dividend received or receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the financial statements of the investee's net assets including goodwill.

Interests in Associates

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

The results and assets and liabilities of associates are incorporated in those consolidated financial statements using the equity method of accounting. Under the equity method, interests in associates are initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associates. When the Group's share of losses of an associate equals or exceeds its interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2015

5 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Interests in Associates (Continued)

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognised at the date of acquisition is recognised as goodwill, which is included within the carrying amount of the investment.

Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

The requirements of HKAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 "Impairment of Assets" as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When a group entity transacts with its associate, profits and losses resulting from the transactions with the associate are recognised in the Group's financial statements only to the extent of interests in the associate that are not related to the Group.

Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Investment Properties

Investment properties are properties held to earn rentals and/or for capital appreciation (including properties under construction for such purposes). Investment properties include land held for undetermined future use, which is regarded as held for capital appreciation purpose.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at their fair values. Gains or losses arising from changes in the fair value of investment properties are included in profit or loss for the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the period in which the item is derecognised.

Property, Plant and Equipment

Property, plant and equipment including land (classified as finance leases) and buildings held for use in the production or supply of goods or services, or for administrative purposes, are stated in the financial statements at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Depreciation is provided to write off the cost of items of property, plant and equipment over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2015

5 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property, Plant and Equipment (Continued)

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Impairment Losses on Tangible Assets

At the end of the reporting period, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately.

Financial Instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2015

5 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Instruments (Continued)

Financial Assets

The Group's financial assets are classified into loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and other receivables, deposits, amounts due from fellow subsidiaries and related companies, and bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment of financial assets below).

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of the reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio, observable changes in national or local economic conditions that correlate with default on receivables and deteriorated value in collateral assets.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2015

5 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Instruments (Continued)

Financial Assets (Continued)

The carrying amount of the financial asset is reduced by the impairment loss directly recognised in profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial Liabilities and Equity Instruments

Financial liabilities and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue costs.

Financial liabilities (including trade and other payables, deposits, amounts due to fellow subsidiaries and bank borrowing) are measured at amortised cost, using the effective interest method.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that discounts estimated future cash payments (including all fees and points paid or received that form as integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group continues to recognise the asset to the extent of its continuing involvement and recognises an associated liability. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

The Group derecognises financial liability when, and only when, the Group's obligations are discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2015

5 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Instruments (Continued)

Offsetting Financial Instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

Inventories

Inventories, representing consumables, are stated at the lower of cost and net realisable value. Cost is calculated using the first-in, first-out method.

Cash and Cash Equivalents

In the consolidated statement of cash flows, cash and cash equivalents include cash in hand and deposits held at call with banks.

Trade Payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Borrowing Costs

All borrowing costs are recognised in profit or loss in the period in which they are incurred.

Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Group's management. The Group's management has been identified as the executive directors that makes strategic decisions.

Foreign Currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the year.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2015

5 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Foreign Currencies (Continued)

For the purposes of presenting the financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) at the rate of exchange prevailing at the end of the reporting period, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the year, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve (attributable to non-controlling interests as appropriate).

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss. In addition, in relation to a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. partial disposals of associates that do not result in the Group losing significant influence), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation are treated as assets and liabilities of that foreign operation and retranslated at the rate of exchange prevailing at the end of the reporting period. Exchange differences arising are recognised in equity under the heading of translation reserve.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the leasee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on a straight-line basis over the lease term.

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2015

5 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leasehold Land and Building

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases, in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments for land" in the financial statements and is amortised over the lease term on a straight-line basis except for those that are classified and accounted for as investment properties under the fair value model.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before tax as reported in the financial statements because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, associates and joint ventures except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2015

5 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Taxation (Continued)

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Current and deferred tax is recognised in profit or loss. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Revenue Recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold and services provided in the normal course of business, net of discounts.

Property management services and value-added services

Revenue from property management services (both under lump sum basis and under commission basis) and value-added services is recognised when services are rendered.

For property management service income from properties managed under lump sum basis, where the Group acts as principal, the Group entitles to revenue at the value of property management service fee received by the properties. For property management service income from properties managed under commission basis, where the Group acts as an agent of the property owner, the Group entitles revenue at a pre-determined percentage of the property management fee received by the properties.

Dividend Income

Dividend income from investments is recognised when the Group's rights to receive payment have been established.

Interest Income

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial assets to that asset's net carrying amount on initial recognition.

Government grants

Unconditional government grant is recognised in profit or loss of the period in which it becomes receivable.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2015

5 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Employee Benefits

Retirement Benefit Costs

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

Payments to the Mandatory Provident Fund Scheme and other state-managed retirement benefit schemes are charged as an expense when employees have rendered service entitling them to the contributions.

Bonus Plans

The Group recognises a liability and an expense for bonuses, based on a formula that takes into consideration the profit attributable to the owners of the Company after certain adjustments. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

Employee Leave Entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of the reporting period.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

Dividend Distribution

Dividend distribution of the Company's shareholders is recognised as a liability in the Group's and the Company's financial statements in the period in which the dividends are approved by the Company's shareholders or directors, where appropriate.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2015

6 KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 5, the Group is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below:

(a) Allowances on doubtful receivables

The Group makes allowances on doubtful receivables based on an assessment of the recoverability of the receivables. Allowances are provided on receivable where events or changes in circumstances indicate that the receivable may not be collectible. The identification of doubtful receivables requires the use of judgment and estimates.

To determine whether there is any objective evidence of doubtful receivables, the Group takes into consideration a number of indicators, including, among others, subsequent settlement status, historical write-off experience and management fee collection rate of the residents in estimating the future cashflows from the receivables.

Where the expectation is different from the original estimate, such difference will impact the carrying amount of trade and other receivables and doubtful debt expenses in the periods in which such estimate has been changed.

(b) Impairment of payments on behalf of property owners for properties managed under commission basis

The Group has receivables arising from the payments on behalf of property owners for properties managed under commission basis in the property management services business. It mainly relates to advances made to properties managed under commission basis and costs paid centrally and shared by these properties. Significant management estimation is required to determine whether the management offices have the ability to settle these receivables due to the Group on behalf of property owners.

To determine whether there is any objective evidence of impairment loss, the management takes into consideration a number of indicators, including, among others, subsequent settlement status, historical write-off experience, the financial performance of the properties and management fee collection rate of the properties in estimating the future cashflows from the properties.

Where the expectation is different from the original estimate, such difference will impact the carrying amount of payments on behalf of property owners for properties managed under commission basis and doubtful debt expenses in the periods in which such estimate has been changed.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2015

6 KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

(c) Fair value of investment properties

Investment properties are carried in the financial statements at their fair values of approximately HK\$70,576,000 (2014: HK\$70,402,000). The fair values were based on a valuation on these properties conducted by an independent firm of professional valuer using property valuation techniques which involve certain assumptions of market conditions. Favourable or unfavourable changes to these assumptions would result in changes in the fair values of the Group's investment properties and corresponding adjustments to the amount of gain or loss recognised in profit or loss.

(d) Useful lives and impairment assessment of property, plant and equipment

Property, plant and equipment are long-lived but may be subject to technical obsolescence. The annual depreciation charges are affected by the estimated useful lives that the Group allocates to each type of property, plant and equipment. Management performs annual reviews to assess the appropriateness of the estimated useful lives. Such reviews take into account the technological changes, prospective economic utilisation and physical condition of the assets concerned.

Management also regularly reviews whether there are any indications of impairment and will recognise an impairment loss if the carrying amount of an asset is higher than its recoverable amount which is the greater of its net selling price or its value in use. In determining the value in use, management assesses the present value of the estimated future cash flows expected to arise from the continuing use of the asset and from its disposal at the end of its useful life. Estimates and judgments are applied in determining these future cash flows and the discount rate. Management estimates the future cash flows based on certain assumptions, such as market competition and development and the expected growth in business.

(e) Current taxation and deferred taxation

The Group is subject to withholding tax in Mainland China and income tax in Mainland China, Hong Kong and Macau. Judgment is required in determining the amount of the provision for withholding and income taxes and the timing of payment of the related taxation. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the periods in which such determination are made.

Deferred tax assets relating to certain temporary differences and tax losses are recognised whenever management considers it is probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. Where the expectation is different from the original estimate, such differences will impact on the recognition of deferred taxation assets and taxation in the periods in which such estimate is changed.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2015

7 CAPITAL RISK MANAGEMENT

Capital risk

The Group manages its capital to ensure that it will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of debt, which mainly includes bank borrowing disclosed in note 29, cash and cash equivalents and equity of the Group, comprising issued share capital, retained profits and other reserves.

The directors of the Company review the capital structure periodically. As part of this review, the directors of the Company assess budgets of major projects taking into account of the provision of funding. Based on the operating budgets, the directors consider the cost of capital and the risks associated with each class of capital and balances its overall capital structure through the payment of dividends, new share issues as well as the issue of new debt or the redemption of existing debts.

The gearing ratio as at year end are as follows:

Financial metric	Formula	As at 31 December	
		2015	2014
Gearing ratio	Total borrowings divided by total equity attributable to owners of the Company	29.2%	N.A.

The Group was in a net cash position as at 31 December 2015.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2015

8 FINANCIAL INSTRUMENTS

Details of the significant accounting policies and methods adopted (including the criteria for recognition, the bases of measurement, and the bases for recognition of income and expenses), for each class of financial assets, financial liabilities and equity instruments are disclosed in note 5.

(a) Categories of financial instruments

	As at 31 December	
	2015 HK\$'000	2014 HK\$'000
Financial assets		
Loans and receivables at amortised cost (including bank balances and cash)	2,038,800	1,800,900
Financial liabilities		
Liabilities at amortised cost	(1,182,436)	(1,114,380)

(b) Financial risk management objectives and policies

The Group's major financial instruments include trade and other receivables, trade and other payables, deposits under current assets and current liabilities, amounts due from/to fellow subsidiaries and related companies, bank balances and cash, and bank borrowing. Details of the financial instruments are disclosed in respective notes.

Management monitors and manages the financial risks relating to the Group through internal risk assessment which analyses exposures by degree and magnitude of risks. These risks include market risk (including interest rate risk), credit risk and liquidity risk. The Group has no significant currency risk as it has no significant foreign denominated monetary assets and liabilities. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

The Group does not enter into or trade financial instruments, including derivative financial instruments, for hedging or speculative purpose.

There has been no change to the Group's exposure to these kinds of risks or the manner in which it manages and measures these risks.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2015

8 FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management objectives and policies (Continued)

(i) Market risk

The Group's activities expose it primarily to the financial risks of changes in interest rates.

Interest rate risk

The Group's cash flow interest rate risk relates primarily to its variable-rate bank balances amounting to approximately HK\$1,740,937,000 (2014: HK\$1,088,601,000), and variable-rate bank borrowing amounting to approximately HK\$184,000,000 (2014: Nil). Bank borrowing issued at variable rates exposes the Group to cash flow interest rate risk which is partially offset by cash at banks held at variable rates. Management monitors interest rate exposure on dynamic basis and will consider hedging significant interest rate exposure should the need arise.

Interest rate risk sensitivity analysis

The analysis is prepared assuming the amount of assets/liabilities outstanding at the end of the reporting period was outstanding for the whole year. A 100 basis point increase or decrease is used as it represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 100 basis points higher/lower and all other variables were held constant, the Group's profit before tax for the year end would increase/decrease by approximately HK\$15,569,000 (2014: HK\$10,886,000). This is mainly attributable to the Group's exposure to cash flow interest rates on its variable-rate bank balances and bank borrowing.

(ii) Credit risk

As at 31 December 2015, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the financial statements as at year end.

In order to minimise the credit risk, the management of the Group has monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade receivable balance at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The Group had no concentration of credit risk in respect of trade receivables, with exposure spread over a number of customers, e.g. property owners in the properties under the terms of lump sum basis managed by the Group and customers from value-added services. In order to enhance the timeliness of property management fee and other payments, the Group has undertaken effective measures aimed at boosting the collections of trade receivables.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2015

8 FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management objectives and policies (Continued)

(ii) Credit risk (Continued)

For the amounts due from fellow subsidiaries and related companies, the Group had not encountered any significant difficulties in collecting from the related party in the past, and is not aware of any significant financial difficulties experienced by the fellow subsidiaries and related companies. The details are disclosed in note 24.

The Group had no concentration of credit risk in respect of the payments on behalf of property owners for properties managed under commission basis in its property management services business, with exposure spread over a number of customers, e.g. property owners in the properties under commission basis managed by the Group.

The Group records payments on behalf of property owners for properties managed under commission basis as other receivables under current assets and record temporary receipts from properties managed under commission basis as other payables under current liabilities.

Under the Group's policy, such payments on behalf of property owners for properties managed under commission basis must be settled within a set period of time depending on the nature of the payment. For payments made on behalf of property owners due to the Group's centralised payment procedures, such payments are generally settled within the month that the payment is made. For payments made on behalf of property owners of properties at the pre-delivery stage, payments are generally settled within three months to a year after units are delivered to the property owners.

In addition, the Group assesses the estimated future cash flow in respect of recovering from payments on behalf of property owners for properties managed under commission basis at the end of the reporting period to determine that adequate impairment losses are made. In this regard, the directors of the Company consider that the credit risk in respect of the receivables from property owners is significantly reduced.

The Group's credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies or state-owned banks in the PRC.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2015

8 FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management objectives and policies (Continued)

(iii) Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

The following table analyses the contractual undiscounted cash flows of the Group's financial liabilities by relevant maturity groupings based on the remaining period from the year-end date to the earliest date the Group can be required to pay. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from flat rate at the end of the reporting period.

	Within 1 year or on demand HK\$'000	Total undiscounted cash flows HK\$'000	Carrying amount HK\$'000
As at 31 December 2015			
Trade and other payables	845,928	845,928	845,928
Other deposits	137,737	137,737	137,737
Amounts due to fellow subsidiaries	14,771	14,771	14,771
Bank borrowing	184,000	184,000	184,000
	1,182,436	1,182,436	1,182,436
As at 31 December 2014			
Trade and other payables	679,542	679,542	679,542
Other deposits	178,029	178,029	178,029
Amounts due to fellow subsidiaries	256,809	256,809	256,809
	1,114,380	1,114,380	1,114,380

(c) Fair value

The fair value of financial assets and financial liabilities for disclosure purpose are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities of the Group recorded at amortised cost in the financial statements approximate their fair values.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2015

9 REVENUE

Revenue comprises of revenue from property management services and value-added services. An analysis of the Group's revenue for the year is as follows:

	Year ended 31 December	
	2015	2014
	HK\$'000	HK\$'000
Property management services	2,364,832	2,035,470
Value-added services	179,566	128,254
	2,544,398	2,163,724

10 SEGMENT INFORMATION

The Group is organised into business segments based on the nature of services, and 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 management services

Provision of (i) services such as security, repairs and maintenance, cleaning and garden landscape maintenance provided to mid- to high-end residential communities (including mixed-use properties), commercial properties, government properties and construction sites and (ii) services to other enterprises, such as (for property developers) pre-delivery services, move-in assistance services, delivery inspection services, engineering service quality monitoring and (for other property management companies) consulting services.

Value-added services

Provision of (i) engineering services such as (for property developers) automation consulting and engineering product sales and (for property management companies) inspection services, repair and maintenance services and equipment upgrade services and (ii) community leasing, sales and other services where residents and tenants of the properties under our management are offered a diversified range of online and offline services (such as common area rental assistance, purchase assistance and rental assistance for properties that have been delivered to owners by developers and household assistance services) through the O2O platform.

Inter-segment revenue is charged at prevailing market rates and eliminated on consolidation.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2015

10 SEGMENT INFORMATION (CONTINUED)

Segment revenue and results

The following is an analysis of the Group's revenue and profit by reportable segments:

	Property management HK\$'000	Value-added services HK\$'000	Elimination HK\$'000	Consolidated HK\$'000
Year ended 31 December 2015				
Reportable segment revenue				
— from external customers	2,364,832	179,566	–	2,544,398
— Inter-segment revenue	–	64,691	(64,691)	–
	2,364,832	244,257	(64,691)	2,544,398
Reportable segment profit	142,594	70,969	–	213,563
Corporate expenses				(52,537)
Profit before tax				161,026
Year ended 31 December 2014				
Reportable segment revenue				
— from external customers	2,035,470	128,254	–	2,163,724
— Inter-segment revenue	–	26,353	(26,353)	–
	2,035,470	154,607	(26,353)	2,163,724
Reportable segment profit and profit before tax	92,065	40,401	–	132,466

The accounting policies of the reportable segments are the same as the Group's accounting policies described in note 5.

Segment profit included profits from the Company, the subsidiaries and share of profits of an associate whereas corporate expenses mainly representing professional fees in respect of the listing and director's emoluments. This is the measure reported to the management of the Group for the purposes of resource allocation and performance assessment.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2015

10 SEGMENT INFORMATION (CONTINUED)

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable segment:

	Property management HK\$'000	Value-added services HK\$'000	Unallocated HK\$'000	Consolidated HK\$'000
At 31 December 2015				
Segment assets	2,008,314	146,370	11,026	2,165,710
Segment liabilities	(1,415,869)	(107,179)	(12,301)	(1,535,349)
At 31 December 2014				
Segment assets	1,759,394	181,729	–	1,941,123
Segment liabilities	(1,363,162)	(51,628)	–	(1,414,790)

For the purposes of monitoring segment performances and allocating resources between segments,

- all assets are allocated to reportable segments other than corporate assets; and
- all liabilities are allocated to reportable segments other than corporate liabilities.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2015

10 SEGMENT INFORMATION (CONTINUED)

Other segment information

	Property management HK\$'000	Value-added services HK\$'000	Unallocated HK\$'000	Consolidated HK\$'000
Year ended 31 December 2015				
Amounts included in the measurement of segment results and segment assets:				
Addition to property, plant and equipment	12,911	148	216	13,275
Loss on disposals of property, plant and equipment	99	1	–	100
Impairment provision for trade and other receivables, amounts due from fellow subsidiaries and related companies — trade, net	9,818	–	–	9,818
Write back of trade and other receivables previously written off	18,755	–	–	18,755
Depreciation and amortisation	21,446	176	8	21,630
Gain arising from changes in fair value of investment properties	–	4,150	–	4,150
Share of profits of an associate	157	–	–	157
Year ended 31 December 2014				
Amounts included in the measurement of segment results and segment assets:				
Addition to property, plant and equipment	18,941	264	–	19,205
Loss on disposals of property, plant and equipment	151	8	–	159
Impairment provision for trade and other receivables, net	10,559	–	–	10,559
Depreciation and amortisation	14,581	143	–	14,724
Gain arising from changes in fair value of investment properties	–	5,177	–	5,177
Share of profits of an associate	157	–	–	157

Revenue by types of services

An analysis of the Group's revenue for the year by types of services is set out in note 9.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2015

10 SEGMENT INFORMATION (CONTINUED)

Information about geographical areas

The Group's property management and value-added services are carried out in Hong Kong, Macau and other regions in the PRC. The following table provides a geographical analysis of the Group's revenue from external customers (based on where the services are provided) and non-current assets (based on the location of assets).

	Revenue by geographical market	
	Year ended 31 December	
	2015	2014
	HK\$'000	HK\$'000
Hua Nan Region	610,560	442,113
Hua Dong Region	399,352	348,780
Hua Bei Region	441,053	427,144
Northern Region	254,880	219,081
Western Region	480,180	430,597
Hong Kong and Macau	358,373	296,009
	2,544,398	2,163,724

	Non-current assets by geographical market	
	As at 31 December	
	2015	2014
	HK\$'000	HK\$'000
Hua Nan Region	73,878	76,856
Hua Dong Region	18,599	19,744
Hua Bei Region	4,728	7,631
Northern Region	2,717	5,633
Western Region	4,682	8,363
Hong Kong and Macau	2,941	2,160
	107,545	120,387

Note: Non-current assets by geographical market exclude interest in an associate and deferred tax assets.

Information about major customers

Except for revenue from COLI, a fellow subsidiary of the Company, there was no individual customer who accounted for over 10% of the Group's revenue for both years. Revenue from fellow subsidiaries of the Company in aggregate is disclosed in note 35(b) to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2015

11 OTHER INCOME AND GAINS, NET

	Year ended 31 December	
	2015	2014
	HK\$'000	HK\$'000
Other income and gains, net include:		
Interest income on bank deposits	11,420	10,611
Unconditional government grants	5,694	5,935

12 FINANCE COSTS

	Year ended 31 December	
	2015	2014
	HK\$'000	HK\$'000
Interest on bank borrowing	1,988	–

13 INCOME TAX EXPENSES

	Year ended 31 December	
	2015	2014
	HK\$'000	HK\$'000
Current tax:		
Hong Kong profits tax	1,883	1,571
Macau complementary income tax	92	124
PRC Enterprise Income Tax ("EIT")	40,615	34,793
PRC withholding income tax	1,000	–
	43,590	36,488
Under/(over)-provision in prior years:		
Hong Kong profits tax	65	(2)
	65	(2)
Deferred tax (note 31):		
Current year	321	(1,108)
Total	43,976	35,378

Hong Kong profits tax is calculated at 16.5% of the estimated assessable profit for the year (2014: 16.5%).

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% (2014: 25%).

Macau complementary income tax is calculated at the prevailing tax rate of 12% in Macau (2014: 12%).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2015

13 INCOME TAX EXPENSES (CONTINUED)

Under the EIT Law of the PRC, withholding income tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards, charging at the prevailing tax rate applied in the PRC tax jurisdiction. Withholding income tax amounting to HK\$1.0 million (2014: Nil) for the year ended 31 December 2015 has been provided for in the consolidated financial statements in respect of dividends distributed from a PRC subsidiary to the Company during the year.

The income tax expenses for the year can be reconciled to the profit before tax per the consolidated income statement as follows:

	Year ended 31 December	
	2015	2014
	HK\$'000	HK\$'000
Profit before tax	161,026	132,466
Tax at the applicable tax rate of 25%	40,256	33,117
Tax effect of share of profits of an associate	(39)	(39)
Tax effect of expenses not deductible for tax purpose	7,871	1,346
Tax effect of income not taxable for tax purpose	(384)	(58)
Effect of different tax rates applicable to subsidiaries operating in Hong Kong and Macau	(1,252)	(867)
Income tax at concessionary tax rate	(2,050)	(687)
Tax effect of tax losses not recognised	5,396	3,349
Utilisation of tax losses previously not recognised	(7,727)	(263)
Under/(over)-provision in prior years	64	(2)
Withholding tax on dividend distributed from a PRC subsidiary	1,000	–
Others	841	(518)
Income tax expenses for the year	43,976	35,378

For certain branches engaged in property management services (the "PM Branches"), the Group has elected to file combined tax return for the property management entities incorporating assessable profit and tax losses attributable to the PM Branches as well as certain properties which are managed by the PM Branches under commission basis. As a result of such arrangement, the Group is able to temporarily utilise tax losses from managing properties, resulting in deferral of payment of certain provision. The utilisation of such tax losses of properties and the deferral of the Group's payment of EIT provision had no effect on the consolidated income statement during the year. For financial accounting purposes, the Group has made relevant provision by debiting the income tax expenses and crediting tax liabilities based on assessable profits at the applicable tax rates of our property management subsidiaries.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2015

14 PROFIT FOR THE YEAR

	Year ended 31 December	
	2015	2014
	HK\$'000	HK\$'000
Profit for the year has been arrived at after charging/(crediting):		
Auditors' remuneration		
— Audit services in respect of annual audit and the listing	3,757	1,300
— Non-audit services	1,630	–
Other professional fees in respect of the listing	26,809	–
Business tax and other levies	114,703	96,839
Write back of trade and other receivables previously written off	(18,755)	–
Impairment provision for trade and other receivables, amounts due from fellow subsidiaries and related companies — trade, net	9,818	10,559
Depreciation of property, plant and equipment, included in:		
— direct operating expenses	15,701	4,516
— administrative expenses	5,477	9,750
Amortisation of prepaid lease payments for land	452	458
Staff costs including directors' emoluments (Note)	1,463,280	1,165,328
Sub-contracting costs	295,068	256,045
Equipment repairs and maintenance costs	133,430	168,564
Rental expenses in respect of land and building under operating leases	17,320	15,045
Utility costs	156,939	137,360
Share of tax of an associate	25	31
Loss on disposals of property, plant and equipment	100	159
Cost of inventories recognised as expenses	64,402	69,384
Rental income in respect of investment properties under operating lease	(1,411)	(1,424)
Less: Outgoings	208	210
Rental income in respect of investment properties under operating lease, net	(1,203)	(1,214)

Note: The Group operates a Mandatory Provident Fund Scheme for all qualifying employees in Hong Kong. The assets of the scheme are held separately from those of the Group in funds under the control of the trustees.

The employees of the Company's subsidiaries established in the PRC are members of a state-managed retirement scheme operated by the PRC government. These subsidiaries are required to contribute certain percentage of payroll costs to the retirement benefit scheme.

The total cost recognised in the consolidated income statement of approximately HK\$93.9 million (2014: HK\$68.6 million), which has been included in staff costs disclosed above, represents contributions payable to the schemes by the Group in respect of the current accounting period.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2015

15 DIRECTORS' EMOLUMENTS

The emoluments paid or payable to the directors of the Company for the year ended 31 December 2015 are as follows:

	Year ended 31 December 2015					
	As directors					
	Note	Directors' fee HK\$'000	Basic salaries, allowances and benefits- in-kind HK\$'000	Performance related bonus (Note (a)) HK\$'000	Contributions to provident fund schemes HK\$'000	Total HK\$'000
Executive Directors						
Wang Qi	(b)	–	650	6,248	123	7,021
Luo Xiao		–	610	2,894	194	3,698
Shi Yong		–	385	2,146	114	2,645
Yang Ou		–	319	1,697	79	2,095
Kam Yuk Fai		–	750	600	9	1,359
Non-executive Director						
Hao Jian Min		521	–	–	–	521
Independent Non-executive Directors						
Lim Wan Fung, Bernard Vincent		58	–	–	–	58
Suen Kwok Lam		83	–	–	–	83
Yung Wing Ki, Samuel		83	–	–	–	83
		745	2,714	13,585	519	17,563

Notes:

- (a) Performance related bonuses are determined with reference to the remuneration policy of the Group and based on individual skills, knowledge, experience, performance and contribution, the overall performance of the Group, the prevailing economic environment and the market trend.
- (b) Ms. Wang held position as the Chief Executive Officer of the Company for the year ended 31 December 2015.

No emolument was paid or payable to any of the director during the year ended 31 December 2014.

No directors waived any emoluments in both years ended 31 December 2015 and 31 December 2014.

No directors received any emoluments as inducement to join or upon joining the Company or as compensation for loss of office in both years ended 31 December 2015 and 31 December 2014.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2015

16 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:

	Year ended 31 December	
	2015	2014
Earnings		
Earnings for the purpose of basic earnings per share (HK\$'000)	117,050	97,088
Number of shares		
Adjusted weighted average number of ordinary share for the purpose of basic earnings per share	3,283,533,589	3,282,539,080
Basic earnings per share (HK cents)	3.56	2.96

There are no dilutive potential ordinary shares as at 31 December 2015 and 31 December 2014.

The basic and diluted earnings per share as presented on the consolidated income statement have taken into account the Share Subdivision and Cash Capitalisation as described in note 30.

17 DIVIDENDS

No dividend has been paid by the Company for the year ended 31 December 2014. A dividend in respect of the year ended 31 December 2015 of HK1.2 cents, amounting to a total dividend of HK\$39,442,000, is to be proposed at the annual general meeting on 6 May 2016. These financial statements do not reflect this dividend payable.

18 INVESTMENT PROPERTIES

	Completed properties in the PRC HK\$'000
FAIR VALUE	
At 1 January 2014	65,441
Gain arising from changes in fair value of investment properties	5,177
Exchange realignment	(216)
At 31 December 2014	70,402
Gain arising from changes in fair value of investment properties	4,150
Exchange realignment	(3,976)
At 31 December 2015	70,576

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2015

18 INVESTMENT PROPERTIES (CONTINUED)

Valuation processes of the Group

The fair values of the investment properties, including both land and building elements held by the Group at the end of reporting period have been arrived on the basis of a valuation carried out on that date by DTZ Debenham Tie Leung Limited.

DTZ Debenham Tie Leung Limited is an independent firm of professional valuer not connected with the Group, who has appropriate qualification and recent experience in the valuation of similar properties in the relevant locations.

The Group's finance team reviews the valuations performed by the independent valuer for financial reporting purposes. This team reports directly to the senior management. Discussions of valuation processes and results are held between the management and valuers at least once a year.

At each financial year end the finance department:

- Verifies all major inputs to the independent valuation report;
- Assesses property valuations movements when compared to the prior year valuation report; and
- Holds discussions with the independent valuer.

All of the Group's investment properties held under operating leases to earn rentals or for capital appreciation purposes are measured using the fair value model and are classified and accounted for as investment properties.

Fair value measurements using significant unobservable inputs

Direct comparison method is based on comparing the properties to be valued directly with other comparable properties, which have recently asked/transacted. However, given the heterogeneous nature of properties, appropriate adjustments are usually required to allow for any qualitative differences that may affect the price likely to be achieved by the properties under consideration.

There were no changes to the valuation techniques during the year.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2015

18 INVESTMENT PROPERTIES (CONTINUED)

Fair value measurements using significant unobservable inputs (Continued)

Information about fair value measurements using significant unobservable inputs

Description	Fair value at 31 December 2015 HK\$'000	Valuation techniques	Unobservable inputs	Range of unobservable inputs
Completed investment properties in the PRC				
Office	17,986	Direct comparison	Unit price	RMB21,400 per square metre
Carparks	52,590	Direct comparison	Unit price	RMB129,500–RMB600,000 per carpark space
Total	70,576			

Description	Fair value at 31 December 2014 HK\$'000	Valuation techniques	Unobservable inputs	Range of unobservable inputs
Completed investment properties in the PRC				
Office	17,303	Direct comparison	Unit price	RMB19,500 per square metre
Carparks	53,099	Direct comparison	Unit price	RMB124,400–RMB580,000 per carpark space
Total	70,402			

Unit prices are estimated based on the independent valuer's view of recent sales asking or sales transactions within the subject properties and other comparable properties in close proximity, with prices adjusted for differences in key attributes such as location and environment, time and other relevant factors. The higher the price, the higher the fair value.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2015

19 PROPERTY, PLANT AND EQUIPMENT

	Buildings HK\$'000	Machinery and equipment HK\$'000	Motor vehicles HK\$'000	Furniture, fixtures, and office equipment HK\$'000	Total HK\$'000
COST					
At 1 January 2014	11,595	5,322	17,711	58,985	93,613
Exchange realignment	(40)	(17)	(50)	(159)	(266)
Additions	–	962	2,195	16,048	19,205
Disposals	–	(253)	(372)	(2,241)	(2,866)
At 31 December 2014	11,555	6,014	19,484	72,633	109,686
Exchange realignment	(607)	(662)	(1,129)	(2,895)	(5,293)
Additions	–	340	1,496	11,439	13,275
Acquisition of subsidiaries (note 32)	–	–	144	382	526
Disposals	–	(209)	(1,194)	(5,465)	(6,868)
Transfers (note)	–	(1,202)	(348)	(3,290)	(4,840)
At 31 December 2015	10,948	4,281	18,453	72,804	106,486
DEPRECIATION					
At 1 January 2014	4,950	2,978	9,449	35,239	52,616
Exchange realignment	(16)	(10)	(23)	(87)	(136)
Provided for the year	531	696	2,011	11,028	14,266
Eliminated on disposals	–	(211)	(348)	(1,941)	(2,500)
At 31 December 2014	5,465	3,453	11,089	44,239	64,246
Exchange realignment	(432)	(290)	(308)	(2,736)	(3,766)
Provided for the year	639	197	2,314	18,028	21,178
Eliminated on disposals	–	(150)	(1,159)	(5,040)	(6,349)
Transfers (note)	–	(547)	(153)	(1,226)	(1,926)
At 31 December 2015	5,672	2,663	11,783	53,265	73,383
CARRYING VALUES					
At 31 December 2015	5,276	1,618	6,670	19,539	33,103
At 31 December 2014	6,090	2,561	8,395	28,394	45,440

Note: The amounts represent property, plant and equipment originally held by properties managed under lump sum basis. During the year, the properties are converted to be managed under commission basis and these property, plant and equipment are transferred to the property owners of the respective properties at carrying values.

The above items of property, plant and equipment are depreciated on a straight-line basis at the following rates per annum:

Buildings	Over the shorter of the term of the relevant lease or 25 years
Machinery and equipment	3 to 10 years
Motor vehicles, furniture, fixtures and office equipment	3 to 8 years

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2015

20 PREPAID LEASE PAYMENTS FOR LAND

	HK\$'000
At 1 January 2014	5,479
Exchange realignment	(18)
Amortisation	(458)
At 31 December 2014	5,003
Exchange realignment	(252)
Amortisation	(452)
At 31 December 2015	4,299

Analysed for reporting purposes as:

	As at 31 December	
	2015	2014
	HK\$'000	HK\$'000
Non-current asset	3,866	4,545
Current asset	433	458
	4,299	5,003

21 INTEREST IN AN ASSOCIATE

	As at 31 December	
	2015	2014
	HK\$'000	HK\$'000
Cost of investments, unlisted	–	–
Share of post-acquisition profits and other comprehensive income, net of dividends received	330	173
	330	173

Set out below are the particulars of the associate as at 31 December 2015 and 2014.

Name of entity	Place of incorporation	Place of operation	As at 31 December		Principal activities
			2015	2014	
			%	%	
Windsor Heights Estate Management Company Limited	Hong Kong	Hong Kong	25	25	Property management

The associate is accounted for using the equity method in the consolidated financial statements.

There are no significant contingent liabilities relating to the Group's interest in an associate.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2015

22 INVENTORIES

	As at 31 December	
	2015	2014
	HK\$'000	HK\$'000
Consumables, at cost	585	6,882

23 TRADE AND OTHER RECEIVABLES

	As at 31 December	
	2015	2014
	HK\$'000	HK\$'000
Trade receivables (note (a))	259,304	224,642
Less: provision for impairment	(42,556)	(43,907)
	216,748	180,735
Payments on behalf of property owners for properties managed under commission basis (note (b))	44,776	51,572
Less: provision for impairment	(28,557)	(22,614)
	16,219	28,958
Payments on behalf of property owners for properties managed under lump sum basis, sub-contractors and staff	25,443	16,701
Other receivables	8,104	9,911
	33,547	26,612
	266,514	236,305

(a) Trade Receivables

The following is an ageing analysis of trade receivables based on invoice date presented at the end of the reporting period:

	As at 31 December	
	2015	2014
	HK\$'000	HK\$'000
Trade receivables, aged		
0–30 days	60,826	55,699
31–90 days	53,309	38,319
91–365 days	89,455	78,519
1–2 years	25,422	22,532
Over 2 years	30,292	29,573
	259,304	224,642
Less: provision for impairment	(42,556)	(43,907)
	216,748	180,735

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2015

23 TRADE AND OTHER RECEIVABLES (CONTINUED)

(a) Trade Receivables (Continued)

Trade receivables are mainly arisen from property management services income from properties managed under lump sum basis and value-added services.

Property management services income from properties managed under lump sum basis in the PRC are received in accordance with the terms of the relevant property service agreements. Service income from property management services is due for payment by the residents upon the issuance of demand note.

Property management services income from properties managed under lump sum basis in Hong Kong has average credit period of not exceeding 60 days.

Provision of repair and maintenance, automation and other equipment upgrade services income is received in accordance with the terms of the relevant contract agreements, normally within 60 days from the issuance of payment requests.

Other value-added services income is due for payment upon the issuance of demand note.

In determining the recoverability of trade receivables from the property management services, the Group takes into consideration a number of indicators, including, among others, subsequent settlement status, historical write-off experience and management fee collection rate of the residents in estimating the future cash flows from the receivables.

For the provision of repair and maintenance, automation and other equipment upgrade and other value-added services, before accepting any new customer, the Group would assess the potential customer's credit quality and define credit rating limits of each customer. Limits attributed to customers are reviewed once a year.

In determining the recoverability of trade receivables from provision of repair and maintenance, automation and other equipment upgrade and other value-added services, the Group considers any change in the credit quality of the trade receivable from the date on which the credit was initially granted up to the reporting date.

The following is an ageing of trade receivables which are past due but not impaired based on due date:

	As at 31 December	
	2015	2014
	HK\$'000	HK\$'000
1–30 days	27,905	54,694
31–90 days	28,358	36,791
91–365 days	83,038	80,743
1–2 years	14,960	14,814
	154,261	187,042

Included in the Group's trade receivable balance are debtors with carrying amounts of approximately HK\$42.6 million as at 31 December 2015 (2014: HK\$43.9 million), which are fully impaired. The Group did not hold any collateral over these balances.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2015

23 TRADE AND OTHER RECEIVABLES (CONTINUED)

(a) Trade Receivables (Continued)

Movements on the Group's provision for impairment of trade receivables are as follows:

	As at 31 December	
	2015	2014
	HK\$'000	HK\$'000
At the beginning of the reporting period	43,907	33,430
Provision for receivables impairment	21,336	18,451
Unused amounts reversed	(20,032)	(7,892)
Write off	(349)	–
Exchange realignment	(2,306)	(82)
At the end of the reporting period	42,556	43,907

(b) Payments on Behalf of Property Owners for Properties Managed Under Commission Basis

Payments on behalf of property owners for properties managed under commission basis represent the current amounts receivable from property owners through the property management offices of properties managed by the Group under the terms of commission basis.

In determining the recoverability of payments on behalf of property owners for properties managed under commission basis, the Group takes into consideration a number of indicators, including, among others, subsequent settlement status, historical write-off experience, the financial performance of the properties and management fee collection rate of the properties in estimating the future cash flows from the receivables.

Included in the Group's payments on behalf of property owners for properties managed under commission basis are balances with carrying amounts of approximately HK\$28.6 million as at 31 December 2015 (2014: HK\$22.6 million), which are fully impaired. The Group did not hold any collateral over these balances.

Movements on the Group's provision for impairment of payments on behalf of property owners for properties managed under commission basis are as follows:

	As at 31 December	
	2015	2014
	HK\$'000	HK\$'000
At the beginning of the reporting period	22,614	22,691
Provision for receivables impairment	28,716	–
Unused amounts reversed	(21,246)	–
Exchange realignment	(1,527)	(77)
At the end of the reporting period	28,557	22,614

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2015

24 AMOUNTS DUE FROM FELLOW SUBSIDIARIES AND RELATED COMPANIES

	As at 31 December	
	2015	2014
	HK\$'000	HK\$'000
Amounts due from fellow subsidiaries		
Trade nature	21,033	112,820
Less: provision for impairment	(536)	–
	20,497	112,820
Non-trade nature	–	357,408
	20,497	470,228
Amounts due from related companies		
Trade nature	4,764	2,617
Less: provision for impairment	(857)	–
	3,907	2,617

The following is an ageing analysis of amounts due from fellow subsidiaries (trade nature) based on invoice date presented at the end of the reporting period:

	As at 31 December	
	2015	2014
	HK\$'000	HK\$'000
0–30 days	1,506	28,399
31–90 days	1,771	16,855
91–365 days	17,006	52,324
1–2 years	219	4,603
Over 2 years	531	10,639
	21,033	112,820
Less: provision for impairment	(536)	–
	20,497	112,820

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2015

24 AMOUNTS DUE FROM FELLOW SUBSIDIARIES AND RELATED COMPANIES (CONTINUED)

The following is an ageing analysis of amounts due from related companies (trade nature) based on invoice date presented at the end of the reporting period:

	As at 31 December	
	2015	2014
	HK\$'000	HK\$'000
0-30 days	1,967	851
31-90 days	903	173
91-365 days	872	1,293
1-2 years	–	–
Over 2 years	1,022	300
	4,764	2,617
Less: provision for impairment	(857)	–
	3,907	2,617

The trade balances of amounts due from fellow subsidiaries and related companies are repayable based on normal trading terms.

The non-trade nature balances of amounts due from fellow subsidiaries are unsecured, interest-free and repayable on demand.

The related companies are joint ventures and associates of fellow subsidiaries.

During the year ended 31 December 2015, provision for impairment loss on amounts due from fellow subsidiaries and related companies amounted to HK\$536,000 (2014: Nil) and HK\$857,000 (2014: Nil) respectively.

25 BANK BALANCES AND CASH

All bank deposits of the Group carry interest at market rates which range from 0.01% to 3.30% (2014: 0.01% to 3.25%), per annum as at 31 December 2015.

26 TRADE AND OTHER PAYABLES

	As at 31 December	
	2015	2014
	HK\$'000	HK\$'000
Trade payables	180,126	169,134
Temporary receipts from properties managed under commission basis	135,825	79,921
Accrued staff costs	296,490	188,040
Temporary receipts from properties managed under lump sum basis	138,446	157,652
Payables for business tax and other levies	20,445	24,942
Other payables	74,596	59,853
	845,928	679,542

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2015

26 TRADE AND OTHER PAYABLES (CONTINUED)

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

	As at 31 December	
	2015	2014
	HK\$'000	HK\$'000
Trade payables, aged		
0–30 days	74,709	73,054
31–90 days	41,135	22,291
Over 90 days	64,282	73,789
	180,126	169,134

27 RECEIPTS IN ADVANCE AND OTHER DEPOSITS

	As at 31 December	
	2015	2014
	HK\$'000	HK\$'000
Receipts in advance	265,728	219,779
Other deposits	137,737	178,029
	403,465	397,808

28 AMOUNTS DUE TO FELLOW SUBSIDIARIES

	As at 31 December	
	2015	2014
	HK\$'000	HK\$'000
Trade nature	14,771	19,064
Non-trade nature	–	237,745
	14,771	256,809

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2015

28 AMOUNTS DUE TO FELLOW SUBSIDIARIES (CONTINUED)

The following is an ageing analysis of amounts due to fellow subsidiaries (trade nature) based on invoice date presented at the end of the reporting period:

	THE GROUP	
	As at 31 December	
	2015	2014
	HK\$'000	HK\$'000
0–30 days	4,316	54
31–90 days	4,406	355
91–365 days	–	18,655
1–2 years	6,049	–
	14,771	19,064

The trade nature balances of amounts due to fellow subsidiaries are repayable based on normal trading terms.

The non-trade balances of amounts due to fellow subsidiaries are unsecured, interest-free and repayable on demand.

29 BANK BORROWING

	As at 31 December	
	2015	2014
	HK\$'000	HK\$'000
Bank loan — unsecured	184,000	–

Borrowing of the Group as at 31 December 2015 is denominated in Hong Kong dollars, carries interest at the Hong Kong Interbank Offered Rates plus a specified margin and is repayable within one year.

30 SHARE CAPITAL AND RESERVES**(a) Share Capital***Authorised shares:*

The Company was incorporated on 26 June 2006 with authorised share capital of HK\$300,000,000, divided by 3,000,000,000 shares of HK\$0.1 each as at 31 December 2014 and before 9 October 2015.

Pursuant to the shareholder's resolutions dated 9 October 2015, every issued and unissued share of a par value of HK\$0.1 each in the share capital of the Company was subdivided into 100 shares of a par value of HK\$0.001 each (the "Share Subdivision"). As such, immediately after the Share Subdivision, the Company had an authorised share capital of HK\$300,000,000 divided into 300,000,000,000 shares of a par value of HK\$0.001 each.

Following the Share Subdivision, the authorised but unissued share capital of the Company was diminished by the cancellation of 270,000,000,000 unissued shares in the authorised share capital of the Company (the "Diminution of Authorised Share Capital"). The Company has an authorised share capital of HK\$30,000,000 divided into 30,000,000,000 shares since 9 October 2015 and as at 31 December 2015.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2015

30 SHARE CAPITAL AND RESERVES (CONTINUED)**(a) Share Capital (Continued)***Issued shares:*

	Number of shares issued and fully paid	Share capital HK\$'000
As at 26 June 2006 (date of incorporation), 31 December 2014 and 1 January 2015	1	–
Share Subdivision on 9 October 2015	99	–
Issue of share capital on 9 October 2015	3,286,860,360	3,287
As at 31 December 2015	3,286,860,460	3,287

Following the Diminution of Authorised Share Capital, the Company allotted and issued 3,286,860,360 shares to COLI at an aggregate subscription price of HK\$3,286,860 (the "Cash Capitalisation") on 9 October 2015. Immediately after the Cash Capitalisation, COLI held 3,286,860,460 shares, representing the entire issued share capital of the Company before COLI Distribution (Note 2). After COLI Distribution, the Company completed listing by way of introduction of the entire issued share capital of an aggregate of 3,286,860,460 shares of the Company on the Main Board of the Stock Exchange on 23 October 2015.

(b) Reserves

Details of the movement in the Group's reserves are set out in the consolidated statement of changes in equity on page 70. The nature and purpose of the reserves are as follows:

- (i) Translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations in accordance with accounting policy adopted in note 5.
- (ii) PRC statutory reserve of the Group represents general and development fund reserve applicable to subsidiaries which was established in accordance with the relevant PRC regulations.
- (iii) The Reorganisation as described in notes 2(i), (ii) and (iii) is regarded as a business combination under common control. The financial statements have been prepared using the principles of merger accounting and the excess of considerations over the net asset values of CSPM Beijing, CSPM Chongqing and CSPM Zibo as the result of Reorganisation is credited to special reserve.
- (iv) General reserve represented amount transferred from special reserve available for distribution (see note 36(a)).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2015

31 DEFERRED TAX

The following are the deferred tax assets and liabilities recognised by the Group and movements thereon during the current and prior years, without taking into consideration the offsetting of balances within the same taxation authority.

Deferred tax assets/(liabilities)

	Allowance on doubtful debts HK\$'000	Revaluation of investment properties HK\$'000	Accelerated tax depreciation HK\$'000	Total HK\$'000
As 1 January 2014	7,917	(11,142)	(1,934)	(5,159)
Credited/(charged) to profit or loss	2,639	(1,294)	(237)	1,108
Exchange realignment	(21)	36	7	22
As 31 December 2014	10,535	(12,400)	(2,164)	(4,029)
Credited/(charged) to profit or loss	828	(1,037)	(112)	(321)
Exchange realignment	(576)	713	121	258
As 31 December 2015	10,787	(12,724)	(2,155)	(4,092)

For the purpose of presentation in the consolidated financial statements, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

	As at 31 December	
	2015	2014
	HK\$'000	HK\$'000
Deferred tax assets	2,993	2,527
Deferred tax liabilities	(7,085)	(6,556)
	(4,092)	(4,029)

Under the EIT Law of the PRC, withholding income tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards, charging at the prevailing tax rate applied in the PRC tax jurisdiction. As at 31 December 2015, deferred taxation amounting to approximately HK\$55,632,000 (2014: HK\$35,048,000) has not been provided for in the financial statements in respect of temporary differences attributable to accumulated profits of the PRC subsidiaries as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

As at 31 December 2015, the Group had unused tax losses of approximately HK\$37,721,000 as at 31 December 2015 (2014: HK\$34,566,000) available for offsetting against future profits. No deferred tax asset has been recognised in respect of such tax losses due to the unpredictability of future profit streams. Included in the tax losses are losses of approximately HK\$7,317,000 as at 31 December 2015 (2014: HK\$24,604,000) that will expire within five years from the end of the reporting period. Other tax losses may be carried forward indefinitely.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2015

32 ACQUISITION OF SUBSIDIARIES

On 18 May 2015, COGO Property (as vendor) and COPL PRC Holding (as purchaser) entered into an equity transfer agreement whereby COGO Property agreed to transfer the entire equity interests of COGOPM Holding to COPL PRC Holding at a consideration of approximately RMB50,000,000 (equivalent of approximately HK\$63,161,000). COGOPM Holding, together with its wholly owned subsidiaries, 廣州市光大花園物業管理有限公司 and 呼和浩特市中海物業服務有限公司, are mainly engaged in property management business.

The acquisition-related costs have been expensed off and are included in administrative expenses in the consolidated financial statements.

The following table summarised the consideration for the acquisition as mentioned above, the fair value of aggregate assets acquired and liabilities assumed at the acquisition date.

	Fair value on acquisition HK\$'000
Recognised amounts of identifiable assets acquired and liabilities assumed:	
Property, plant and equipment	526
Inventories	100
Trade and other receivables, and prepayments	421
Amount due from a related company (note)	66,923
Cash and cash equivalents	29,535
Trade and other payables	(26,436)
Receipts in advance and deposits	(7,390)
Tax liabilities	(518)
Total identifiable net assets acquired	63,161
Net cash outflow arising from acquisition:	
Cash consideration paid	(63,161)
Cash and cash equivalents acquired of	29,535
	(33,626)

Note: The amount due from a related company was settled as at 31 December 2015.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2015

33 OPERATING LEASE COMMITMENT

The Group as lessor

Completed investment properties with carrying amounts of approximately HK\$70,576,000 as at 31 December 2015 (2014: HK\$70,402,000) were let out under operating leases.

Property rental income earned is approximately HK\$1,411,000 for the year ended 31 December 2015 (2014: HK\$1,424,000). The office leased out has committed tenants for six years without termination options granted to tenants.

At the end of the reporting period, the Group had contracted with tenants for the following future minimum lease payments:

	As at 31 December	
	2015	2014
	HK\$'000	HK\$'000
Within one year	144	228
In the second to fifth year inclusive	–	152
	144	380

The Group as lessee

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due:

	As at 31 December	
	2015	2014
	HK\$'000	HK\$'000
Within one year	14,181	11,822
In the second to fifth year inclusive	14,955	20,808
	29,136	32,630

Operating lease payments represent rentals payable by the Group for certain of its office properties. Leases are negotiated and rentals are fixed for 1 to 5 years.

The Company had no operating lease commitment at the end of each reporting period.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2015

34 PERFORMANCE GUARANTEES

As at 31 December 2015, the Group provided counter indemnities to a fellow subsidiary and a bank amounting to approximately HK\$64,819,000 (2014: HK\$43,517,000) for performance guarantees issued by the fellow subsidiary and the bank in respect of certain property management service contracts undertaken by the Group.

35 RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control.

The table set forth below summarises the name of the major related parties which are entities as defined in the HKAS 24 Revised "Related Party Disclosures" and the nature of their relationship with the Group as at 31 December 2015:

Related Party	Relationship with the Group
China State Construction Engineering Corporation Limited COHL*	Intermediate Holding Company Immediate Holding Company/ Intermediate Holding Company
COLI*	Fellow Subsidiary/ Immediate Holding Company
China State Construction International Holdings Limited (CSCIHL) COGO and other related companies	Fellow Subsidiary Joint ventures and associates of fellow subsidiaries

* Prior to the COLI Distribution (Note 2), COLI was the Company's immediate holding company, after that, COLI became a fellow subsidiary of the Group under common control of COHL.

Save as disclosed elsewhere in the consolidated financial statements, the following is a summary of the significant transactions carried out between the Group and its related parties during each of the reporting periods, and balances as at the end of each of the reporting periods.

(a) Year-end balances

Details of balances with fellow subsidiaries and related companies are disclosed in notes 24 and 28 respectively.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2015

35 RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Transactions with related parties

Nature of transaction	Notes	Year ended 31 December	
		2015 HK\$'000	2014 HK\$'000
Fellow subsidiaries/Immediate holding company/ Intermediate holding company			
Property management income	(i)	369,366	287,276
Engineering income	(i)	27,254	26,501
Management fees expense	(i)	–	3,083
Rental expense	(ii)	5,580	4,499
Related companies			
Property management income	(iii)	71,522	27,751

Notes:

- (i) Property management income, engineering income and management fees expense are charged at rates in accordance with respective contracts.
- (ii) Rental expense is charged in accordance with respective tenancy agreements.
- (iii) The property management income is charged at rates in accordance with respective contracts.

The related party transactions during the period from 1 June 2015 to 31 December 2015 in respect of items (i) to (iii) above for property management income, engineering income and rental expense also constitute continuing connected transactions subject to respective capped amounts as defined in Chapter 14A of the Listing Rule.

(c) Listing expenses

On each of 27 July 2015 and 9 October 2015, a directors' resolution was passed by COLI which resolved that all listing expenses relating to the listing of the Company amounting to approximately HK\$34,509,000 was borne by COLI.

(d) Indemnity in relation to non-compliance with the laws and regulations relating to the social insurance and housing provident fund

Prior to the public listing of the Company, some of the PRC subsidiaries and branches of the Group did not register for nor fully contribute to the social insurance and housing provident funds for certain employees. According to the Social Insurance Law of the PRC (中華人民共和國社會保險法) and the Regulations on Administration of Housing Fund (住房公積金管理條例), the Group may be subject to overdue contributions and applicable penalty. On 9 October 2015, COHL has entered into a deed of indemnity with and in favour of the Group that COHL has agreed to indemnify the Group against any costs, expenses, claims, liabilities, penalties, losses or damages incurred or suffered before the listing of the Company by the Group arising from any non-compliance incidents mentioned above. Before the listing of the Company, the non-compliance had been rectified by our Group and all of our relevant PRC subsidiaries/branches and employees had opened accounts for the social insurance and housing provident fund contributions, and we had commenced timely contributions for the social insurance and housing provident fund in accordance with relevant PRC laws and regulations.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2015

35 RELATED PARTY TRANSACTIONS (CONTINUED)

(e) Performance guarantees

As at 31 December 2014, COLI provided indemnities to a bank amounting to HK\$6,421,000 for performance guaranteed issued by the bank in respect of certain property management service contracts undertaken by the Group. None existed as at 31 December 2015.

As at 31 December 2015, the Group provided counter indemnities to a fellow subsidiary amounting to approximately HK\$50,027,000 (2014: HK\$37,096,000) for performance guarantees issued by the fellow subsidiary in respect of certain property management service contracts undertaken by the Group.

(f) Five highest paid individuals

Of the five individuals with the highest emoluments in the Group, four (2014: nil) were directors of the Company whose emoluments are included in note 15. The emolument of the remaining one (2014: five) individual was set out in below.

	Year ended 31 December	
	2015	2014
	HK\$'000	HK\$'000
Short-term benefits	2,480	11,336
Contribution to provident fund schemes	113	34
	2,593	11,370

Their emoluments were within the following bands:

	Year ended 31 December	
	2015	2014
HK\$1,000,001 to HK\$1,500,000	–	1
HK\$1,500,001 to HK\$2,500,000	–	2
HK\$2,500,001 to HK\$3,000,000	1	1
HK\$3,500,001 to HK\$4,000,000	–	1
	1	5

These individuals do not receive any emoluments as inducement to join or upon joining the Company or as compensation for loss of office during the year ended 31 December 2015 and 2014.

(g) Key management compensation

The remuneration of the Company's directors and members of key management of the Group during each of the reporting periods was as follows:

	Year ended 31 December	
	2015	2014
	HK\$'000	HK\$'000
Short-term benefits	24,459	11,932
Contribution to provident fund schemes	870	34
	25,329	11,966

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2015

35 RELATED PARTY TRANSACTIONS (CONTINUED)

(g) Key management compensation (Continued)

Other than the emoluments of the directors disclosed under note 15, those members of key management of the Group were within the following bands:

	Year ended 31 December	
	2015	2014
Nil to HK\$500,000	–	1
HK\$500,001 to HK\$1,000,000	–	1
HK\$1,000,001 to HK\$1,500,000	–	1
HK\$1,500,001 to HK\$2,500,000	3	2
HK\$2,500,001 to HK\$3,000,000	1	1
HK\$3,000,001 to HK\$3,500,000	–	–
HK\$3,500,001 to HK\$4,000,000	–	1
	4	7

The remuneration of directors and members of key management is determined by reference to the performance of individuals and market trends.

(h) Transactions with other state-controlled entities in the PRC

The Group is active in the provision of property management services and value-added services in various provinces in the PRC and the Group operates in an economic environment predominated by entities directly or indirectly owned or controlled by the PRC government. In addition, the Group is itself part of a larger group of companies under CSCEC which is controlled by the PRC government. Apart from the transactions already disclosed above, the Group also conducts business with other state-controlled entities ("State-controlled Entities"). The directors of the Company are of the opinion that it is impracticable to ascertain the identity of all the counterparties and accordingly whether the transactions are with State-controlled Entities. Moreover, the directors of the Company consider those State-controlled Entities are independent third parties so far as the Group's businesses with them are concerned and that the other transactions with those State-controlled Entities are not significant to the Group.

In addition, in the normal course of business, the Group has entered into various deposits with banks and financial institutions which are State-controlled Entities. In view of the nature of those transactions, the directors of the Company are of the opinion that quantitative information on the extent of transactions between the Group and the government related entities would not be meaningful.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2015

36 COMPANY STATEMENT OF FINANCIAL POSITION

	Notes	As at 31 December	
		2015 HK\$'000	2014 HK\$'000
Non-current assets			
Property, plant and equipment		208	–
Investment in subsidiaries		167,524	167,524
		167,732	167,524
Current assets			
Deposits and prepayments		1,208	–
Amounts due from subsidiaries		20,358	–
Bank balances and cash		9,610	–
		31,176	–
Current liabilities			
Other payables and accrued expenses		11,301	–
Amounts due to fellow subsidiaries		–	163,115
Amounts due to subsidiaries		141,618	–
Tax liabilities		1,000	–
		153,919	163,115
Net current liabilities		(122,743)	(163,115)
Total assets less current liabilities		44,989	4,409
Capital and reserves			
Share capital	30(a)	3,287	–
Reserves	36(a)	41,702	4,409
Total Equity		44,989	4,409

The statement of financial position of the Company was approved by the Board of Directors on 17 March 2016 and was signed on its behalf by:

Wang Qi
Director

Luo Xiao
Director

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2015

36 COMPANY STATEMENT OF FINANCIAL POSITION (CONTINUED)**(a) Reserves of the Company**

	Special reserve HK\$'000	General reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
THE COMPANY				
At 1 January 2014	–	–	4,463	4,463
Loss and total comprehensive income for the year	–	–	(54)	(54)
At 31 December 2014	–	–	4,409	4,409
Profit and total comprehensive income for the year	–	–	2,784	2,784
Capital contribution from COLI relating to listing expenses borne by COLI (Note 35(c))	34,509	–	–	34,509
Transfer to general reserve	(34,509)	34,509	–	–
At 31 December 2015	–	34,509	7,193	41,702

The Company's reserves available for distribution to shareholders at 31 December 2015 represent the balance of general reserve and retained profits of approximately HK\$41.7 million (2014: approximately HK\$4.4 million).

FOUR YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last four financial years, as extracted from the audited financial statements and the listing document dated 14 October 2015 is set out below:

(A) CONSOLIDATED RESULTS

	2012	2013	2014	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue	1,444,850	1,844,067	2,163,724	2,544,398
Direct operating expenses	(1,215,755)	(1,501,155)	(1,750,598)	(2,019,680)
Gross profit	229,095	342,912	413,126	524,718
Other income and gains, net	10,555	16,463	18,350	19,244
Gain arising from changes in fair value of investment properties	3,279	6,516	5,177	4,150
Administrative expenses	(159,122)	(247,062)	(304,344)	(385,255)
Operating profit	83,807	118,829	132,309	162,857
Share of profits of an associate	276	146	157	157
Finance costs	–	–	–	(1,988)
Profit before tax	84,083	118,975	132,466	161,026
Income tax expenses	(22,534)	(33,447)	(35,378)	(43,976)
Profit for the year attributable to owners of the Company	61,549	85,528	97,088	117,050
EARNINGS PER SHARE (HK cents)				
Basic and diluted	1.88	2.61	2.96	3.56

FOUR YEAR FINANCIAL SUMMARY (CONTINUED)

(B) CONSOLIDATED NET ASSETS

	As at 31 December			
	2012 HK\$'000	2013 HK\$'000	2014 HK\$'000	2015 HK\$'000
Non-current assets				
Investment properties	57,026	65,441	70,402	70,576
Property, plant and equipment	36,094	40,997	45,440	33,103
Prepaid lease payments for land	5,313	5,020	4,545	3,866
Interest in an associate	147	293	173	330
Deferred tax assets	1,850	3,147	2,527	2,993
	100,430	114,898	123,087	110,868
Current assets				
Inventories	4,521	9,208	6,882	585
Trade and other receivables	153,722	203,474	236,305	266,514
Deposits and prepayments	6,164	6,263	12,198	21,969
Prepaid lease payment for land	445	459	458	433
Amounts due from fellow subsidiaries	291,937	297,713	470,228	20,497
Amounts due from related companies	1,274	1,336	2,617	3,907
Tax prepaid	105	–	747	–
Bank balances and cash	751,632	1,081,914	1,088,601	1,740,937
	1,209,800	1,600,367	1,818,036	2,054,842
Current liabilities				
Trade and other payables	398,879	608,754	679,542	845,928
Receipts in advance and other deposits	298,619	334,764	397,808	403,465
Amounts due to fellow subsidiaries	264,776	280,249	256,809	14,771
Amount due to a related company	–	118	–	–
Tax liabilities	36,593	52,226	74,075	80,100
Bank borrowing	–	–	–	184,000
	998,867	1,276,111	1,408,234	1,528,264
Net current assets	210,933	324,256	409,802	526,578
Total assets less current liabilities	311,363	439,154	532,889	637,446
Non-current liabilities				
Deferred tax liabilities	7,164	8,306	6,556	7,085
	7,164	8,306	6,556	7,085
Net assets	304,199	430,848	526,333	630,361
Capital and reserves				
Share capital	–	–	–	3,287
Reserves	304,199	430,848	526,333	627,074
Total equity attributable to owners of the Company	304,199	430,848	526,333	630,361

GLOSSARY

Board	the board of Directors
CG Code	Corporate Governance Code in Appendix 14 to the Listing Rules
COHL	China Overseas Holdings Limited, a company incorporated in Hong Kong with limited liability and a controlling shareholder of our Company
COLI	China Overseas Land & Investment Limited, a company incorporated in Hong Kong with limited liability and whose shares are listed on the Main Board of the Stock Exchange (stock code: 688)
Companies Ordinance	Companies Ordinance, Chapter 622 of the Laws of Hong Kong
Company	China Overseas Property Holdings limited (Stock Code: 2669), a company incorporated in the Cayman Islands with limited liability and whose shares are listed on the Main Board of the Stock Exchange
COGO	China Overseas Grand Oceans Group Limited (stock code: 81), a company incorporated in Hong Kong with limited liability and whose shares are listed on the Main Board of the Stock Exchange
CSCEC	China State Construction Engineering Corporation (中國建築工程總公司), a state-owned corporation organized and existing under the laws of the PRC, which is the holding company of CSCECL
CSCECL	China State Construction & Engineering Corporation Limited (中國建築股份有限公司), a joint stock company incorporated in the PRC which is an intermediate holding company of COLI
CSCECL Group	CSCECL and its subsidiaries from time to time
Directors	the director(s) of the Company
GDP	gross domestic product
GFA	gross floor area
Group	the Company and its subsidiaries from time to time
HKFRSs	Hong Kong Financial Reporting Standards (including all applicable Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations) issued by HKICPA
HKICPA	Hong Kong Institute of Certified Public Accountants

GLOSSARY (CONTINUED)

Hong Kong	the Hong Kong Special Administrative Region of the PRC
Listing Rules	the Rules Governing the Listing of Securities on the Stock Exchange
Model Code	Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules
O2O platform	An online to offline platform which, in the context of our business, connects residents and tenants through online channels (as accessed through our mobile APP) to our products and services
PRC	the People's Republic of China
Share(s)	the ordinary share(s) of the Company
SFO	Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong
sq. m.	square meter
Stock Exchange	The Stock Exchange of Hong Kong Limited
%	per cent.

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