中海物業
CHINA OVERSEAS PROPERTY

CHINA OVERSEAS PROPERTY HOLDINGS LIMITED
中海物業集團有限公司
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 2669)

ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2016

FINANCIAL HIGHLIGHTS

1. For the year ended 31 December 2016, the GFA under our management increased by 13.1% to 93.5 million sq.m.. New property management contracts secured during the year amounted to a total contract sum of approximately HK$766.0 million.

2. Revenue increased by 0.7% to HK$2,563.4 million, comparing to HK$2,544.4 million in the last year. Gross profit increased by 21.3% against last year to HK$636.3 million for the year (2015: HK$524.7 million). Gross profit margin improved to 24.8% for the year from 20.6% in the last year.

3. Profit attributable to owners of the Company for the year ended 31 December 2016 increased by 93.3% to HK$226.3 million against last year (2015: HK$117.1 million). Basic and diluted earnings per share was HK6.88 cents (2015: HK3.56 cents), represented an increase of 93.3%. Average return on equity in 2016 was 33.3% (2015: 20.2%).

4. The Board recommended the payment of a final dividend of HK1.1 cents per share (2015: HK1.2 cents per share) for the year ended 31 December 2016.

The board of directors (the "Board") of China Overseas Property Holdings Limited (the "Company") is pleased to announce the annual consolidated results of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2016. In ongoing adherence to the customer-oriented business strategy of providing premium property management services, the Group continues to leverage the strong brand recognition of "China Overseas Property", as its dedicated management team seized business opportunities in an accurate and timely manner on the back of enhanced resource planning and allocation, while effectively addressing any business risks. Thanks to the trust and support of property developers and owners with whom we have developed longstanding partnerships, we are able to engage in business diversification with ongoing expansion in terms of geographic coverage and business volume.

As at 31 December 2016, the Group provided property management services to 470 properties located across 52 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 93.5 million sq.m., with the support of 22,637 employees. The categories of properties under management include mid- to high-end residential units/ commercial buildings, commercial complex, hotels and government properties.

The Group operates a diverse yet complementary range of inter-related businesses. Apart from providing premium basic property services, such as security, repair and maintenance, cleaning and landscape which would add value to properties and enhance their reputation, we have also fostered sound working relationships with property developers during the stage of property development by providing comprehensive, end-to-end property management services including consultation relating to product positioning, recommendations for the selection of equipment models, pre-delivery services, move-in assistance services, delivery inspection services, as well as engineering services quality control and consulting services. We provide a full solution for property services to the satisfaction of developers, who are more likely to recommend our appointment as property manager upon completion of the development in the future. Through the provision of sound property management services, we have also developed close relations with the communities we serve and have earned their trust. Such relationship is conducive to the expansion of our mobile internet-based operation of customers' assets and daily services and our effort to tap the immense potential spending powers of these communities.

RESULTS

For the year ended 31 December 2016, total GFA of the properties under our management increased by 13.1% or 10.9 million sq.m. to 93.5 million sq.m.. New property management contracts secured during this year amounted to a total contract sum of approximately HK$766.0 million, with a total contract sum (for property management contracts with fixed expiry dates) for services to be rendered of approximately HK$1,142.9 million as of 31 December 2016.

The annual turnover of the Group increased by 0.7% to HK$2,563.4 million against HK$2,544.4 million in the last year. Operating profit for the year raised by 104.5% to HK$333.1 million (2015: HK$162.9 million). The profit attributable to owners of the Company for the year ended 31 December 2016 increased by 93.3% to HK$226.3 million, comparing to HK$117.1 million in 2015. Basic and diluted earnings per share was HK6.88 cents (2015: HK3.56 cents), representing an increase of 93.3%. Average return on equity was 33.3% (2015: 20.2%).

REVENUE AND OPERATING RESULTS

The Group is one of the leading property management companies in the PRC, with operations covering Hong Kong and Macau, which 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 2016, the GFA under our management increased by 13.1% to 93.5 million sq.m. from 82.6 million sq.m. in the last year. This further strengthened our revenue base and improved our market position.

Despite the fact that our property management services revenue was promising with increasing GFA under our management, it was largely offset by (i) the effect of depreciation of Renminbi against Hong Kong dollar during the past twelve months; (ii) the extension of the pilot programme of replacing business tax with value-added tax in the domestic services industry in the PRC since 1 May 2016 (the “VAT Reform”); and (iii) increased proportion of commission-based property management contracts. Accordingly, taking into account of revenue generated from value-added services, total revenue only increased by 0.7% to HK$2,563.4 million for the year ended 31 December 2016, comparing to HK$2,544.4 million in the last year.

On the other hand, direct operating expenses decreased by 4.6% to HK$1,927.0 million for the year, mainly due to (i) newly-entered property management contracts mainly under commission basis; (ii) actions to reasonably strengthen cost controls over property management contracts; (iii) the effect of depreciation of Renminbi against Hong Kong dollar during the past twelve months; and (iv) the corresponding impact of the VAT Reform.

With the expansion of operating scale, gross profit increased by 21.3% against last year to HK$636.3 million for the year (2015: HK$524.7 million). Gross profit margin improved to 24.8% for the year from 20.6% in the last year, mainly due to (i) increase in proportion of segment revenue from property management services under commission basis; (ii) reasonably strengthened cost controls; and (iii) increase in proportion of revenue from value-added services out of total revenue.

Other income and gains, net, increased by 35.8% to HK$26.1 million for the year (2015: HK$19.2 million), of which, interest income on bank deposits and unconditional government grants amounted to HK$15.8 million and HK$8.3 million respectively (2015: HK$11.4 million and HK$5.7 million respectively).

Fair value gain on investment properties for the year was HK$0.8 million (2015: HK$4.2 million), and its effect to the carrying value was more than the offset of HK$4.7 million from the effect of depreciation of Renminbi since last year end which is recognized in the statement of comprehensive income.

After deducting administrative expenses of HK$330.1 million for the year (2015: HK$385.3 million), operating profit increased by 104.5% to HK$333.1 million for the year (2015: HK$162.9 million). The decrease in administrative expenses was mainly arisen from (i) net reversal of impairment of trade receivables and payments on behalf of property owners for properties managed under commission basis, amounted to a total of HK$33.4 million, upon improved management controls over the procedures to recover receivables and advances in timely manners; and (ii) absence of the one-off listing expenses of HK$30.6 million incurred in 2015 for the floatation of the Company.

Income tax expenses increased by 127.4% against last year to HK$100.0 million for the year (2015: HK$44.0 million), mainly due to increase in profit before tax while withholding income tax of HK$11.8 million (2015: HK$1.0 million) in respect of dividends distributed from a PRC subsidiary recognized during the year.

Overall, profit attributable to owners of the Company for the year ended 31 December 2016 increased by 93.3% to HK$226.3 million (2015: HK$117.1 million).

SEGMENT INFORMATION

For better reflection of revenue nature and performance result, revenue from consulting services provided to other property management companies of HK$25.3 million (2015: HK$17.7 million) has been reallocated to valued-added services segment in 2016 from property management services segment. The segment information in 2015 was restated accordingly.

PROPERTY MANAGEMENT SERVICES

During 2016, we increased our total GFA under management by approximately 10.9 million sq.m. to 93.5 million sq.m. from 82.6 million sq.m. as at last year end. Through providing one-stop shop property management solutions to properties under development (including product positioning consultation, facilities and equipments evaluation proposals, pre-delivery services, move-in assistance services, delivery inspection services and engineering service quality monitoring), we were able to enhance revenue, gain early access to those properties and maintain close business relationships with them, which would help us to secure those new property management engagements.

Revenue from property management services constituted 91.1% of total revenue for the year ended 31 December 2016 (2015: 92.3% (restated)), and slightly decreased by 0.5% from last year to HK$2,334.4 million (2015: HK$2,347.2 million (restated)). Despite the increase of GFA under our management during the year which has further strengthened the revenue base of our core property management services, the favorable effect was offset by (i) the effect of depreciation of Renminbi against Hong Kong dollar during the past twelve months (if presented in RMB, the revenue generated from the PRC amounted to RMB1,633.8 million for the year (2015: RMB1,605.5 million)); (ii) the impact of the VAT Reform; and (iii) increased proportion of commission-based property management contracts.

For the year ended 31 December 2016, approximately 84.1% and 7.7% of the segment revenue were generated from regular property management contracts under lump sum basis and commission basis respectively (2015: 85.7% (restated) and 5.3% (restated) respectively). Other property management services, including (for property developers) pre-delivery services and move-in assistance services, represented 8.2% of the remaining segment revenue (2015: 9.0% (restated)). Overall, the segment gross profit margin improved to 22.1% for the year against 18.5% (restated) in the last year. Accordingly, the gross profit of our property management services segment increased by 19.3% to HK$516.7 million for the year ended 31 December 2016 (2015: HK$433.3 million (restated)).

After deducting administrative expenses (including net reversal of impairment of trade receivables and that of payments on behalf of property owners for properties managed under commission basis for HK$33.2 million) and taking into account of other income, the segment profit of the property management services increased by 117.0% to HK$282.4 million for the current year (2015: HK$130.1 million (restated)).

VALUE-ADDED SERVICES

Customers' recognition of our traditional property management services facilitates the expansion of our community leasing, sales and other services to residents and tenants of the properties under our management, and promotes the life style quality of our customers. The services offered through our online-to-offline platform further diversifies our product offerings and marketing channels for our community leasing, sales and other services business. These services cover (i) basic services, including revenue from community services, which involved the 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.

For the year ended 31 December 2016, revenue from value-added services segment constituted 8.9% of total revenue (2015: 7.7% (restated)), and increased by 16.1% to HK$229.0 million (2015: HK$197.2 million (restated)). While the profit margin of this segment increased to 52.2% for the year (2015: 46.4% (restated)), the gross profit increased by 30.8% to HK$119.6 million in 2016 from HK$91.5 million (restated) in 2015. This was mainly due to changes in sales mix, with increasing importance in sub-segment revenue that commanded higher gross profit margin.

The segment profit from value-added services, having allowed for segment overhead, increased by 22.5% against last year to HK$102.2 million (2015: HK$83.5 million (restated)).

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 2016, net working capital amounted to HK$949.4 million (as at 31 December 2015: HK$526.6 million).

Bank balances and cash increased by 21.3% to HK$2,112.3 million (as at 31 December 2015: HK$1,740.9 million) of which 95.7% were denominated in Renminbi and 4.3% were denominated in Hong Kong Dollar/ Macau Pataca.

These were well above the total unsecured borrowings of HK$310.0 million from a HK$350.0 million three-year term revolving loan facility, and the Group was in a net cash position with a gearing ratio (total borrowings divided by total equity attributable to owners of the Company) of 42.6% as at 31 December 2016. Interest of such borrowing was charged at floating rates with a weighted average of 2.21% per annum.

CAPITAL EXPENDITURE

The capital expenditures, which mainly represent additions to motor vehicles, machinery and equipment, furniture, fixtures and office equipment, were HK$6.9 million for the year ended 31 December 2016.

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

The Group had no material acquisitions, disposals, significant investments and future plans of material investment during the year ended 31 December 2016.

PRINCIPAL RISK MANAGEMENT STRATEGIES

1. OPERATING EFFICIENCY

Our profit margins and results of operations may be materially affected by changes in our reasonable operating costs. Automation and standardisation are key elements amongst our strategies to increase operating efficiency and improve service quality. We have implemented and will continue the implementation of automation measures in our business processes and emphasis on 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 achieve operating efficiency.

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.

Customers are one of our key stakeholders. In order to continuously foster and maintain our customers' high satisfaction, our quality control department mainly focused on, among others, (i) the establishment and maintenance of our internal quality standards; (ii) the central management of customer complaints and customer satisfaction surveys and analysis. In addition, we provided structured and comprehensive trainings to our frontline staff, so as to ensure that they delivered attentive customer services with adequate skills and knowledge.

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

In order to ensure cost effectiveness and standardization of quality customer services to promote customers' satisfaction, our business strategies include 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 competitiveness 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 considers that a natural hedge mechanism existed. Meanwhile, fluctuations of exchange rates may impact our net assets value and financial results 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 and financial results. At present, we have not entered into or traded any financial instruments, including derivative financial instruments, for hedging or speculative purpose. Hence, other than the effect of currency translation as mentioned above, we have neither experienced nor expected any material adverse effect on our business and operations 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 and enter into such hedging arrangement, if and when appropriate.

COMPLIANCE WITH RELEVANT LAWS AND REGULATION

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 or 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.

CONTINGENT LIABILITIES

The Group provided counter-indemnities amounting to approximately HK$69.0 million as at 31 December 2016, 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 2016.

SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

The Group had no significant events occurred after the year ended 31 December 2016, which have material impact on the performance and the value of the Group.

EMPLOYEES

As at 31 December 2016, the Group had approximately 22,637 employees (as at 31 December 2015: 21,714).

The pay levels of these employees are commensurate with their responsibilities, performance and the prevailing market condition. The remuneration packages included basic salaries, discretionary bonus and provident fund contributions/ retirement pension scheme. Certain selected key personnel of the Group were also entitled to participate in a share incentive scheme of an intermediate holding company of the Group. The total staff costs incurred for the year ended 31 December 2016 was approximately HK$1,349.9 million (2015: HK$1,463.3 million).

As part of our comprehensive training programme, we have provided classroom and online trainings to our staff to enhance technical and service knowledge as well as knowledge of industry quality standards and workplace safety standards.

PROSPECTS

The Economy

Year 2016 will be remembered as a year of radical changes in the global scene. Following the surprising outcomes of the Brexit referendum and the U.S. presidential election, as well as the Federal Open Market Committee's decision at its last meeting in December to raise the federal fund rate (the benchmark interest rate for the U.S. capital market) by 0.25%, structural changes in major economies including Europe and the U.S. are expected, and the world economy will as a result be subject to significant uncertainties, while liquidity flow and exchange rate movements might also be regulated through the financial systems. In view of the above, the Central Economic Work Conference resolved towards the end of last year to adopt a "more proactive and effective" fiscal policy, while a "prudent and moderate" monetary policy would be maintained to ensure rigorous prevention against asset bubbles and other financial risks. Structural supply-side reforms would be enhanced by eliminating low-efficiency supplies and pooling resources to build supply channels for innovative and efficient new economic structures, in order to develop a new demand / supply balance under the New Normal.

China's economic growth for 2016, the first year of its 13th Five Year Plan, has been largely stable with an annual GDP of 6.7%, in line with its target set at the beginning of the year, despite having become the second largest economy in the world. Such growth has compared favourably against other major economies in quantitative as well as qualitative terms. The tertiary sector has been a stabilizing factor for economic development, as it has continued to account for more than 50% of China's GDP growth. Inflation has been relatively low at 2.0%, while per capita disposable income grew by 8.4% on a nominal basis or 6.3% after deducting the price factor, year-on-year. The fact that per capita disposable income has grown in tandem with the pace of economic development indicates that the people have been able to share economic prosperity and stability as China continues to build a society of affluence for the benefit of its people.

Property Management

The property management sector in China has been afforded ample opportunities for development in recent years following the implementation of the "National New-type Urbanisation Plan (2014－2020)" (《國家新型城鎮化規劃 (2014－2020年)》) and the ongoing growth of the nation's property market. The property management sector has gradually evolved from a labour-intensive business focused on traditional basic services, such as cleaning, security and maintenance, to an internet-driven operation with a high level of centralisation, automation and vigorous application of smart devices. The role of the property manager has transformed from a provider of basic property services to a connector and integrator of services and a platform operator. Through the upgrade of hardware equipment to smart devices and the application of the mobile internet technologies, property management companies have succeeded in improving the efficiency and effectiveness of their services while achieving cost reduction. The multi-dimensional daily needs of patrons under a shared economic environment have facilitated the development of a diverse range of value-added services. The property management business can extend vertically to the business chain of the property development sector, as well as horizontally to the integrated resources for daily services. Property management companies are embracing new prospects of profit growth on the back of an extended scope of property services with thanks to the introduction of innovations and upgrades in services. In the meantime, after the promulgation of the "Notice of the National Development and Reform Commission regarding the Opinion of Relaxing the Prices for Certain Services" (Fa Gai Jia Ge (2014) No. 2755) (《國家發展改革委關于放開部分服務價格意見的通知》 (發改價格 (2014) 2755號)), certain provinces / municipalities have started to relax their policies in connection with restrictions on property service fees. The development towards market-oriented pricing for property services will further drive the healthy development of the property management sector.

Driven by the advanced technologies and the influx of capital investments, the previous highly fragmented market of the property management sector has been undergoing a process of integration with increasing pace and magnitude. The sector has seen a significantly enhanced level of industry concentration in the midst of leapfrog development and large-scale, premium property management companies will secure greater opportunities for development leveraging strengths in reputation, economies of scale and profitability.

Group Strategy

The Group competes with its 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 positive brand image. With a proven track record of 30 years' services, we built up a comprehensive service quality monitoring system, and received international service standard certification. We have adopted information technology to improve our quality of service and to devote our best efforts to promote customer satisfaction continuously. We focus on market development for mid- to high–end residential and commercial properties, so as to maintain growth in our market share and operating scale. While endeavouring to maintain a high quality of service, we also strive to beef–up labour productivity, control management overhead cost and boost efficiency with the establishment of IT-driven smart platforms.

In view of the potential spending power of the huge population living in residential communities, we are committed to the ongoing development of diversified value-added services to meet the needs of owners, tenants and users across the board for different types of services. Meanwhile, we have been making vigorous efforts to develop our online platform by employing new technologies, such as the mobile internet and the Internet of Things, so that we can offer quicker and more intuitive experience to customers and enhance our overall competitiveness in the property management sector.

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, by providing perfect inhabitation enjoyment to our customers with high quality services, preserving and enhancing the assets value of clients' properties with comprehensive assets management programs, providing a pleasant working environment with opportunities for career development for our staff, building our brand image upon word–of–mouth credentials, and exploring 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 our leading ''China Overseas Property'' brand name to 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, we 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, while leveraging our experience in managing high-end properties in Hong Kong 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 enhance our cooperation with property developers whose profiles are consistent with our brand image and market positioning, especially in relation to the expansion of property management services for commercial properties. 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.

- 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 to devote our efforts in providing property management consultancy to the full phases of property development, and continue to expand our consulting services, professional and technical advisory services as well as one-stop property management consultation. We will provide bespoke services to meet our customers' demands, such as planning design assessments, engineering consultancy and design and equipment advisory services, to achieve the goal of lowering development costs and improving property offerings. Our management knowhow offerings include property management scheme design and modernised quality control techniques, which would help to enhance management efficiency and lower 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. providing leasing and operation services for offices and commercial properties.

- Ongoing promotion of online and offline services to offer superb experience in residential living

We have always been fully committed to the exploration of an online / offline service tailored to the characteristics of our business, services catering to the personalised and diversified requirements of patrons, such as property operating business, including property leasing and sale, household fitting and renovation; as well as daily operating services, including home services and merchandise sales, are being constantly enriched and improved, taking into account the actual needs of residents in different districts. As we amass capabilities in such offline services, a solid foundation is provided for creating synergies between online and offline services. We will continue to devote additional resources in the development of our online internet platform to meet the personalised and diversified requirements of patrons. Meanwhile, we will explore opportunities for business growth in connection with the operation of customers' assets and daily services, striving to add value for customers by enhancing their quality of life with richer experiences in convenient services, while also fostering a novel commercial service regime for residential 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 by assuring effective supervision over service quality, and improvement in management efficiency through innovations in management and technology.

Automation and standardisation are key factors in our strategy to increase cost efficiency and improve service quality. We will continue implementing measures based on smart devices in our processes and enhancing standardisation in our operations. The use of smart 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 standardised services. These would ensure the consistency of service quality and minimise the occurrence of human errors, thereby safeguarding our brand name and reputation. Through IT-based strategic planning, standardisation will apply in the customer-relations management, on-site quality supervision, equipment control and cost control systems, and an IT-based administration platform supporting our future development strategies will be built, thereby developing innovative capabilities compatible with business models of the future digital era. We also maintain close relationships with quality vendors and subcontractors in order to ensure consistency and reliability of our service quality.

Our technical engineering teams have been applying their expertise in the environmental and energy saving campaigns in the communities, as well as assisting vigorously in the proper maintenance of equipment and facilities, and project risk management. In this connection, we obtained three awards for energy saving initiatives from the government, six national patents and two computer authorships. 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, with a view to maximise service quality and cost benefits.

- 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. Over the past 30 years, we have developed a professional, dedicated and loyal management team to provide sufficient talent for business growth. We mainly select our management staff through internal promotion but will also externally recruit talents in the property management industry that befit our development strategy and corporate culture via the "Sons of the Sea" and "Sea's Recruits" schemes.

We tailor our training programmes to various levels of management from entry-level staff to senior management to address their needs 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, special contractual arrangements and collective operations, we incentivise our employees and boost productivity by ensuring that 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.

The "craftsmanship spirit" introduced by the Premier of the State Council in his government work report during the meetings of the National People's Congress and the Chinese People's Political Consultative Conference held earlier this year has resonated with the public. For our part, we have always persisted in a "craftsmanship spirit" underpinned by excellence and professionalism. In 2016, we were engaged vigorously in building a "craftsmen's regime" for our employees, aiming to foster the personality, mentality and skills of a good craftsman in day-to-day operations. Specific programmes included certification for technical experts, certification for job qualifications, "Skills Contests", nomination of "Outstanding Shift Leaders" and "Outstanding Security Management Coaches", as well as a number skill contests, such as the "Golden Screw" and "Golden Skilled Technician". We have also made strong efforts in team-building and the selection of high-calibre staff for promotion, in a bid to encourage innovation and institute exemplary models for good craftsmanship, thereby improving our competitiveness in the property management sector in terms of human resources.

In our daily operations, we at China Overseas Property are always mindful of our vocation: active participation in the betterment of community welfare. In this regard, exemplary cases of property management workforce who have put public interests above their personal concerns and taken honourable actions in line with their duties have been noted. Our Shenyang Security Management Team who saved the life of a charcoal-intoxicated owner; a repair technician at our Suzhou office who safeguarded the lives and properties of owners by catching a thief; our project manager who was awarded the “Capital City’s Labour Medal” by the Beijing General Labour Union, these are just a few examples of the spontaneous acts of excellence on the part of individual employees. What’s more, we have been actively involved in the charity programme known as “Village and Campus Walk”. For two consecutive years, the Company has visited primary and secondary schools in impoverished villages and provided assistance to upgrade their teaching facilities in a solid action to bridge up the gap in education between rural areas and cities in villages. This spirit of corporate social responsibility, which has been highly commended by the public, will continue to be fulfilled, promulgated and strengthened by our staff.

During 2016, we garnered numerous awards and honours on the back of our superior general strengths and excellent standards in service and management. In future, we will further improve our service quality with the application of information technologies and expedite the upgrade of smart applications through management innovation and the promotion of smart technologies. With ongoing enhancements in resource integration, complementary benefits and the capacity for mutual growth, we shall be well-positioned to meet customers’ increasing demand for different types of services and offer experience of better and more convenient services.

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2016

	Note	2016 HK$'000	2015 HK$'000
Revenue	*4*	**2,563,360**	2,544,398
Direct operating expenses		**(1,927,043)**	(2,019,680)
Gross profit		**636,317**	524,718
Other income and gains, net		**26,135**	19,244
Gain arising from changes in fair value of investment properties		**769**	4,150
Administrative expenses		**(330,114)**	(385,255)
Operating profit		**333,107**	162,857
Share of profit of an associate		**161**	157
Finance costs		**(6,963)**	(1,988)
Profit before tax	*6*	**326,305**	161,026
Income tax expenses	*7*	**(100,009)**	(43,976)
Profit for the year attributable to owners of the Company		**226,296**	117,050
		HK Cents	HK Cents
Earnings per share	*9*		
Basic and diluted		**6.88**	3.56

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2016

	2016	2015
	HK$'000	HK$'000
Profit for the year attributable to owners of the Company	**226,296**	117,050
Other comprehensive income		
Item that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of subsidiaries of the Company	**(52,931)**	(35,934)
Total comprehensive income for the year attributable to owners of the Company	**173,365**	81,116

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2016

	Note	**2016** **HK$'000**	2015 HK$'000
Non-current assets			
Investment properties		**66,641**	70,576
Property, plant and equipment		**26,978**	33,103
Prepaid lease payments for land		**3,206**	3,866
Interest in an associate		**191**	330
Deferred tax assets		**2,032**	2,993
		99,048	110,868
Current assets			
Inventories		**97**	585
Trade and other receivables	*10*	**289,988**	266,514
Deposits and prepayments		**26,514**	21,969
Prepaid lease payments for land		**404**	433
Amount due from immediate holding company		**57**	-
Amounts due from fellow subsidiaries		**32,885**	20,497
Amounts due from related companies		**6,936**	3,907
Tax prepaid		**871**	-
Bank balances and cash		**2,112,309**	1,740,937
		2,470,061	2,054,842
Current liabilities			
Trade and other payables	*11*	**1,030,432**	845,928
Receipts in advance and other deposits		**413,360**	403,465
Amount due to immediate holding company		**651**	-
Amounts due to fellow subsidiaries		**3,046**	14,771
Amounts due to related companies		**4,285**	-
Tax liabilities		**68,923**	80,100
Bank borrowing	*12*	**-**	184,000
		1,520,697	1,528,264
Net current assets		**949,364**	526,578
Total assets less current liabilities		**1,048,412**	637,446
Non-current liabilities			
Deferred tax liabilities		**10,283**	7,085
Bank borrowing	*12*	**310,000**	-
		320,283	7,085
Net assets		**728,129**	630,361
Capital and reserves			
Share capital	*13*	**3,287**	3,287
Reserves		**724,842**	627,074
Total equity attributable to owners of the Company		**728,129**	630,361

1. GENERAL INFORMATION

China Overseas Property Holdings 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.

The Company's immediate holding company is 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 of Hong Kong Limited (the "Listing Rules").

The financial statements which have been prepared for the year ended 31 December 2016 were approved for issue by the Board on 17 March 2017.

2. PRINCIPAL ACCOUNTING POLICIES

These financial statements have been prepared under the historical cost basis except for investment properties, which are stated at fair values.

Save as described in note 3 "Adoption of new and revised HKFRSs", the accounting policies used in preparing the consolidated financial statements are consistent with those of the annual financial statements for the year ended 31 December 2015.

3. ADOPTION OF NEW AND REVISED HKFRSs

The Group has not early applied any of the following applicable new and revised standards and interpretations that have been issued but are not yet effective for the current accounting period.

Amendment to HKAS 7	Disclosure Initiative[1]
Amendment to HKFRS 2	Classification and Measurement of Share-based Payment Transactions[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
HKFRS 9	Financial Instruments[2]
HKFRS 15	Revenue from Contracts with Customers[2]
Amendment to HKFRS 15	Clarifications to HKFRS 15[2]
HKFRS 16	Leases[3]

1 Effective for annual periods beginning on or after 1 January 2017
2 Effective for annual periods beginning on or after 1 January 2018
3 Effective for annual periods beginning on or after 1 January 2019
4 The mandatory effective date will be determined

3. ADOPTION OF NEW AND REVISED HKFRSs (CONTINUED)

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

4. REVENUE

For better reflection of revenue nature and performance result, revenue from consulting services provided for other property management companies of HK$25.3 million (2015: HK$17.7 million) under property management services segment was reallocated to value-added services segment (note 5). Revenue from the Group's principal activities recognized during the year is as follows:

	Year ended 31 December	
	2016	2015
	HK$'000	HK$'000
		(Restated)
Property management services	**2,334,400**	2,347,182
Value-added services	**228,960**	197,216
Total revenues	**2,563,360**	2,544,398

5. 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. During the year ended 31 December 2016, revenue from consulting services provided for other property management companies of HK$25.3 million (2015: HK$17.7 million) under property management services segment was reallocated to value-added services segment for better reflection of revenue nature and performance result. The segment information in 2015 was restated accordingly. 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 and engineering service quality monitoring.
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 online to offline platform and consulting services (for other property management companies).

5. SEGMENT INFORMATION (CONTINUED)

Revenue and expenses are allocated to the reportable segments with reference to revenue generated by those segments and the expenses incurred by those segments. Segment revenue represents revenue from both external customers and inter-segment revenue. Inter-segment revenue is charged at prevailing market rates and eliminated on consolidation. Segment profit included profits from the Company, the subsidiaries and share of profit of an associate. This is the measure reported to the management of the Group for the purposes of resource allocation and performance assessment.

Segment results, segment assets and segment liabilities

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

	Property management services HK$'000	**Value-added services HK$'000**	**Elimination HK$'000**	**Consolidated HK$'000**
Year ended 31 December 2016				
Reportable segment revenue				
- from external customers	2,334,400	228,960	-	2,563,360
- inter-segment revenue	-	46,879	(46,879)	-
	2,334,400	275,839	(46,879)	2,563,360
Reportable segment profit	282,373	102,207	-	384,580
Corporate expenses				(58,275)
Profit before tax				326,305

	Property management services HK$'000	Value-added services HK$'000	Elimination HK$'000	Consolidated HK$'000
Year ended 31 December 2015 (Restated)				
Reportable segment revenue				
- from external customers	2,347,182	197,216	-	2,544,398
- inter-segment revenue	-	64,691	(64,691)	-
	2,347,182	261,907	(64,691)	2,544,398
Reportable segment profit	130,107	83,456	-	213,563
Corporate expenses				(52,537)
Profit before tax				161,026

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

	Property management services HK$'000	**Value-added services HK$'000**	**Unallocated HK$'000**	**Consolidated HK$'000**
At 31 December 2016				
Segment assets	2,400,914	142,077	26,118	2,569,109
Segment liabilities	(1,426,854)	(75,381)	(338,745)	(1,840,980)

5. SEGMENT INFORMATION (CONTINUED)

Segment results, segment assets and segment liabilities (Continued)

	Property management services 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)

Other segment information

	Property management services HK$'000	**Value-added services HK$'000**	**Unallocated HK$'000**	**Consolidated HK$'000**
Year ended 31 December 2016				
Amounts included in the measurement of segment results and segment assets:				
Additions to property, plant and equipment	6,628	221	58	6,907
Gain on disposals of property, plant and equipment	163	8	-	171
Reversal of impairment provision for trade and other receivables, net	33,190	254	-	33,444
Reversal of impairment provision for amounts due from fellow subsidiaries and related companies - trade, net	1,074	-	-	1,074
Write back of trade and other receivables previously written off	1,121	-	-	1,121
Depreciation and amortisation	10,462	183	81	10,726
Gain arising from changes in fair value of investment properties	-	769	-	769
Share of profit of an associate	161	-	-	161

	Property management services 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:				
Additions 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, net	8,425	-	-	8,425
Impairment provision for amounts due from fellow subsidiaries and related companies - trade, net	1,393	-	-	1,393
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 profit of an associate	157	-	-	157

5. SEGMENT INFORMATION (CONTINUED)

Geographical information

The Group's property management and value-added services are carried out in Hong Kong, Macau and 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	
	2016	2015
	HK$'000	HK$'000
Hua Nan Region	**564,565**	610,560
Hua Dong Region	**390,466**	399,352
Hua Bei Region	**443,538**	441,053
Northern Region	**267,396**	254,880
Western Region	**469,617**	480,180
The PRC (Note (i))	**2,135,582**	2,186,025
Hong Kong and Macau	**427,778**	358,373
	2,563,360	2,544,398

Note (i): The Group's revenue from property management services and value-added services carried out in the PRC in 2016 amounted to HK$1,933.5 million and HK$202.1 million (equivalent to RMB1,633.8 million and RMB170.8 million) respectively (2015: HK$2,006.7 million and HK$179.3 million (equivalent to RMB1,605.5 million and RMB143.4 million) respectively).

	Non-current assets by geographical market (Note (ii))	
	As at 31 December	
	2016	2015
	HK$'000	HK$'000
Hua Nan Region	**67,479**	73,878
Hua Dong Region	**17,182**	18,599
Hua Bei Region	**3,724**	4,728
Northern Region	**3,299**	2,717
Western Region	**1,785**	4,682
The PRC	**93,469**	104,604
Hong Kong and Macau	**3,356**	2,941
	96,825	107,545

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

Information about major customers

Except for revenue from China Overseas Land & Investment Limited, a fellow subsidiary of the Company, there was no individual customer who accounted for over 10% of the Group's revenue for both years.

6. PROFIT BEFORE TAX

	Year ended 31 December	
	2016	2015
	HK$'000	HK$'000
Profit before tax is arrived at after charging:		
Staff costs including directors' emoluments	**1,349,911**	1,463,280
Sub-contracting costs	**282,538**	295,068
Equipment repairs and maintenance costs	**222,032**	133,430
Utility costs	**174,433**	156,939

7. INCOME TAX EXPENSES

	Year ended 31 December	
	2016	2015
	HK$'000	HK$'000
Income tax expenses comprise:		
Current tax for the year:		
Hong Kong profits tax	**1,184**	1,883
Macau complementary income tax	**198**	92
PRC enterprise income tax	**82,109**	40,615
PRC withholding income tax	**11,785**	1,000
	95,276	43,590
Under-provision in prior years:		
Hong Kong profits tax	**17**	65
Deferred tax:		
Current year	**4,716**	321
	100,009	43,976

Hong Kong profits tax is calculated at 16.5% of the estimated assessable profit for the year (2015: 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% (2015: 25%).

Macau complementary income tax is calculated at the prevailing tax rate of 12% in Macau (2015: 12%).

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$11.8 million (2015: HK$1.0 million) for the year ended 31 December 2016 has been provided for in the consolidated financial statements in respect of dividends distributed from a PRC subsidiary to the Company during the year.

8. DIVIDENDS

The dividend paid in 2016 was HK$75,597,000 (HK2.3 cents per share) and no dividend has been paid by the Company for the year ended 31 December 2015. A dividend in respect of the year ended 31 December 2016 of HK1.1 cents, amounting to a total dividend of HK$36,155,000, is to be proposed at the annual general meeting on 23 May 2017. These financial statements do not reflect this dividend payable.

8. DIVIDENDS (CONTINUED)

	Year ended 31 December	
	2016	2015
	HK$'000	HK$'000
Interim dividend paid of HK1.1 cents (2015: Nil) per ordinary share	**36,155**	-
Proposed final dividend of HK1.1 cents (2015: HK1.2 cents) per ordinary share	**36,155**	39,442
	72,310	39,442

9. 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:

Earnings

	Year ended 31 December	
	2016	2015
	HK$'000	HK$'000
Earnings for the purpose of basic earnings per share	**226,296**	117,050

Weighted average number of ordinary shares

	'000	'000
Adjusted weighted average number of ordinary share for the purpose of basic earnings per share	**3,286,860**	3,283,534

As there are no dilutive potential ordinary shares as at 31 December 2016 and 2015, the diluted earnings per share is equal to the basic earnings per share.

10. TRADE AND OTHER RECEIVABLES

	As at 31 December	
	2016	2015
	HK$'000	HK$'000
Trade receivables	**253,197**	259,304
Less: Impairment of trade receivables	**(21,583)**	(42,556)
Trade receivables, net	**231,614**	216,748
Other receivables, net	**58,374**	49,766
	289,988	266,514

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	
	2016	2015
	HK$'000	HK$'000
0–30 days	**57,872**	60,826
31–90 days	**45,875**	53,309
91–365 days	**84,290**	89,455
1–2 years	**30,910**	25,422
Over 2 years	**34,250**	30,292
	253,197	259,304

10. TRADE AND OTHER RECEIVABLES (CONTINUED)

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

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.

At the end of each reporting period, management reviews receivables for evidence of impairment on both an individual and collective basis.

11. TRADE AND OTHER PAYABLES

	As at 31 December	
	2016	2015
	HK$'000	HK$'000
Trade payables	**336,857**	180,126
Temporary receipts from properties managed under commission basis	**137,035**	135,825
Temporary receipts from properties managed under lump sum basis	**148,319**	138,446
Accrued staff costs	**295,575**	296,490
Payables for value-added tax, business tax and other levies	**18,494**	20,445
Other payables	**94,152**	74,596
	1,030,432	845,928

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

	As at 31 December	
	2016	2015
	HK$'000	HK$'000
0–30 days	**105,253**	74,709
31–90 days	**82,870**	41,135
Over 90 days	**148,734**	64,282
	336,857	180,126

12. BANK BORROWING

	As at 31 December	
	2016	2015
	HK$'000	HK$'000
Bank loan - unsecured	**310,000**	184,000

12. BANK BORROWING (CONTINUED)

	As at 31 December	
	2016	2015
	HK$'000	HK$'000
The bank loan is repayable as follows:		
Within 1 year	**-**	184,000
Between 1 and 2 years	**-**	-
Between 2 and 5 years	**310,000**	-
	310,000	184,000
Less: Amounts classified as current liabilities	**-**	(184,000)
Amounts classified as non-current liabilities	**310,000**	-

Bank borrowing of the Group, amounting to HK$310.0 million (2015: HK$184.0 million), is denominated in Hong Kong dollars and bears interest at the Hong Kong Interbank Offered Rates plus a specified margin.

13. SHARE CAPITAL

	Number of shares issued and fully paid	**Share capital HK$'000**
As at 31 December 2015, 1 January 2016 and 31 December 2016	**3,286,860,460**	**3,287**

PROPOSED FINAL DIVIDEND

The Board has recommended the declaration of a final dividend of HK1.1 cents per share for the year ended 31 December 2016 (for the year ended 31 December 2015: a final dividend of HK1.2 cents per share) representing a total amount of approximately HK$36,155,000, subject to the approval of shareholders of the Company (the "Shareholders") at the forthcoming annual general meeting to be held on 23 May 2017 (the "2017 AGM"). The proposed final dividend will be paid to the Shareholders on 30 June 2017 whose names appear on the Company's registers of members on 1 June 2017.

CLOSURE OF REGISTERS OF MEMBERS

(a) Entitlement to attend and vote at the 2017 AGM

The main and branch registers of members of the Company will be closed from 17 May 2017 to 23 May 2017 (both days inclusive) for the purpose of determining the right to attend and vote at the 2017 AGM. During that period, no transfer of shares will be registered. In order to be entitled to attend and vote at the 2017 AGM, all share transfer documents accompanied with corresponding share certificates must be lodged with the branch share registrar of the Company in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on 16 May 2017.

(b) Entitlement to the proposed final dividend

The main and branch registers of members of the Company will also be closed from 31 May 2017 to 1 June 2017 (both days inclusive) for the purpose of determining the Shareholders' entitlement to the proposed final dividend which is subject to the Shareholders' approval at the 2017 AGM. During that period, no transfer of shares will be registered. In order to be qualified for entitlement to the final dividend, all share transfer documents accompanied with the corresponding share certificates must be lodged with the branch share registrar of the Company in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on 29 May 2017.

REVIEW OF THIS FINAL RESULTS ANNOUNCEMENT

The figures in respect of the Group's consolidated statement of financial position, consolidated income statement, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2016 as set out in the preliminary announcement have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on the preliminary announcement.

AUDIT COMMITTEE AND REVIEW OF ACCOUNTS

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

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

The Company had 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.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") as its own code for dealing in the securities of the Company by the Directors of the Company. The Company has also established written guidelines on terms whereof being no less exacting than the Model Code (the "Employees Written Guidelines") governing securities transactions by relevant employees who are likely to possess inside information of the Company and/or its securities.

After specific enquiries by the Company, all Directors of the Company have confirmed that they have complied with the requirements set out in the Model Code during the year. No incident of non-compliance of the Employees Written Guidelines by relevant employees was noted by the Company during the year.

CORPORATE GOVERNANCE PRACTICE

The Company acknowledges the important roles of the Board in providing effective leadership and direction to the Group's business, and ensuring transparency and accountability of the Group's operations and the Board recognizes that good corporate governance leads to the success of the Group 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.

During the year ended 31 December 2016, the Company has adopted and complied with all the code provisions of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules.

APPRECIATION

I would like to take this opportunity to express sincere appreciation for my fellow directors, our dedicated staff and our loyal Shareholders for their relentless support.

By Order of the Board
China Overseas Property Holdings Limited
Xiao Xiao
Chairman and Non-executive Director

Hong Kong, 17 March 2017

As at the date of this announcement, the Board comprises eight Directors, of which one is Non-executive Director, namely Mr. Xiao Xiao (Chairman); four are Executive Directors, namely Ms. Wang Qi (Vice Chairman and Chief Executive Officer), Mr. Luo Xiao (Vice President), Mr. Shi Yong (Vice President) and Mr. Kam Yuk Fai (Deputy Chief Financial Officer); and three are Independent Non-executive Directors, namely Mr. Lim Wan Fung, Bernard Vincent, Mr. Suen Kwok Lam and Mr. Yung Wing Ki, Samuel.