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

Stock Code: 2669

2016 ANNUAL REPORT

CHINA Overseas
PROPERTY HOLDINGS LIMITED

Contents

Corporate Information

CHAIRMAN AND NON-EXECUTIVE DIRECTOR

Xiao Xiao *(Chairman)*

EXECUTIVE DIRECTORS

Wang Qi *(Vice Chairman and Chief Executive Officer)*
Luo Xiao
Shi Yong
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

Xiao Xiao *(Chairman)*
Lim Wan Fung, Bernard Vincent
Suen Kwok Lam
Yung Wing Ki, Samuel

REMUNERATION COMMITTEE

Suen Kwok Lam *(Chairman)*
Xiao Xiao
Lim Wan Fung, Bernard Vincent
Yung Wing Ki, Samuel

COMPANY SECRETARY

Ko Hiu Fung

AUTHORISED REPRESENTATIVES

Xiao Xiao
(Luo Xiao as his alternate)
Wang Qi
(Kam Yuk Fai as her alternate)

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,
No.139 Hennessy Road and
No.138 Lockhart Road,
Wanchai, Hong Kong
Telephone : (852) 2823 7088
Facimile : (852) 3102 0683
Website : www.copl.com.hk

Corporate Information (Continued)

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
Facimile : (852) 2988 0606
Email : copl.ir@cohl.com

PUBLIC RELATIONS

Corporate Communications Department
Telephone : (852) 2988 0600
Facimile : (852) 2988 0606
Email : copl.pr@cohl.com

SHARE LISTING

The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited
(Stock Code: 2669)

FINANCIAL CALENDAR

Final Results Announcement:
17 March 2017

Closure of Registers of Members:

(i) 2017 Annual General Meeting

Latest time to lodge transfer documents for registration:
not later than 4:30 p.m. on 16 May 2017

Closure of registers of members:
17 May 2017 to 23 May 2017

(ii) Proposed Final Dividend

Latest time to lodge transfer documents for registration:
not later than 4:30 p.m. on 29 May 2017

Closure of registers of members:
31 May 2017 to 1 June 2017

Annual General Meeting:
23 May 2017

Proposed Final Dividend Payment Date:
30 June 2017

Business and Financial Highlights

	Formula	2016	2015	Change
Operating Scale:				
Gross floor area under management as at year end (million square meter)		**93.5**	82.6	+13.1%
Employee headcount		**22,637**	21,714	+4.3%
Revenue (HK$ million)		**2,563.4**	2,544.4	+0.7%
Profitability & Rates of Return:				
Net profit (HK$ million)		**226.3**	117.1	+93.3%
Earnings per share (HK cents)		**6.88**	3.56	+93.3%
Average return on equity	Profit attributable to owners of the Company/ Average capital and reserves attributable to owners of the Company	**33.3%**	20.2%	N/A
Liquidity:				
Bank balances and cash (HK$ million)		**2,112.3**	1,740.9	+21.3%
Bank borrowing (HK$ million)		**310.0**	184.0	+68.5%
Current ratio	Total current assets/Total current liabilities	**1.6**	1.3	+23.1%
Gearing ratio	Total borrowings/ Equity attributable to owners of the Company	**42.6%**	29.2%	N/A

N/A: Not applicable

Company Introduction

PROFILE OF CHINA OVERSEAS PROPERTY HOLDINGS LIMITED

China Overseas Property Holdings Limited ("COPL" or the "Company") is a subsidiary of China Overseas Holdings Limited under China State Construction Engineering Corporation and an avant garde of the property management industry in China obtaining first-class qualifications. Leveraged with advanced property management knowledge and experience in Hong Kong since 1986, COPL expanded into Mainland China since 1991. With years of proven track record, COPL was listed in 2015 on the Main Board of The Stock Exchange of Hong Kong Limited (Stock Code: 2669).

In 2016, COPL was selected as a constituent of the Hang Seng Family of Indexes*, which is a recognition of the Company's performance. In addition, the Company was awarded the "CarbonCare® ESG Label" by CarbonCare InnoLab to recognize COPL's efforts to build a sound foundation for environmental policies and KPIs, which is not only an essential step for compliance with the Hong Kong Listing Rules, but also makes it a company that implements credible plans for further reporting improvements.

Currently, COPL has established its presence in 52 major cities in China across the Mainland, Hong Kong and Macau, managing 470 projects with an aggregate gross floor area of approximately 93.5 million sq.m., which include a wide range of property types, such as mid- to high-end residences, grade A office buildings, commercial complexes, hotels and government properties.

* Hang Seng Consumer Goods & Services Index; Hang Seng Global Composite Index; Hang Seng Composite Index Series: Hang Seng Composite Index, Hang Seng Composite Industry Index (Consumer Services), Hang Seng MidCap & SmallCap Index, Hang Seng SmallCap Index

COPL is committed to realising its vision of becoming a benchmark enterprise with excellence in China's property sector and honouring its undertaking to be a trusted manager of property assets in line with its corporate values underpinned by attention to details, professionalism, integrity and harmony. Backed by 30 years of hands-on experience and brand-building efforts, we continue to enhance the level of professionalism and refinement in our property management operations with our best endeavours, seeking to realise perfection in residential living by providing quality services and add value to customers' assets by offering sound asset management services. As a result of our dedication and effort, we have grown into a leading brand name of the sector underpinned by a nationwide strategic network and a global management vision.

Upholding the principle of quality services, the Company has obtained the ISO 9001:2008, ISO 10002:2004 and ISO 14001:2004 certifications for quality management, customer satisfaction and environmental management and occupational health and safety management systems, respectively, as well as the OHSAS 18001:2007 certification for occupational health and safety management systems.

Company Introduction (Continued)

HONOURS AND AWARDS

Over the past 30 years, COPL received hundreds of acclaimed honours and awards. As at the end of 2016, COPL had been awarded more than 400 honours by national, provincial, ministerial, municipal or district authorities, which include the following:

Top 10

Property Management Companies in China by Brand Value

Top 10

2016 China Top 10 Property Management Companies in terms of Service Quality

Top 10

in Business Size among Top 100 Property Management Companies of China

Top 10

in Consolidated Strengths among Top 100 Property Management Companies of China

Top 10

in Social Responsibility among Top 100 Property Service Enterprises in China Notable Property Service Enterprises in the Capital Market

Leading Property Management Company

2016 China Leading Property Management Companies in terms of Customer Satisfaction

User Satisfaction Award

of China Association for Quality Nationwide

Leading Brands

in Specialised Operations for Property Services in China

Blue Chip Ranking

for Properties in China, Outstanding Investment Value Ranking

Company Introduction (Continued)

KEY AWARDS IN 2016

2016 China Leading Property Management Companies in terms of Customer Satisfaction

Top 10

in Consolidated Strengths among Top 100 Property Management Companies of China

Top 10 in Business Size among Top 100 Property Management Companies of China 2016

Top 10

2016 China Top 100 Property Management Companies in terms of Service Quality

Leading Brands

in Specialised Operations for Property Services in China 2016

Top 100

Property Service Enterprises in China 2016

Company Introduction (Continued)

BUSINESS MODEL

The Group operates a diverse and yet complementary range of businesses which are inter-related. Apart from providing premium basic property services, such as professional services in security, repair and maintenance, cleaning and landscape which would add value to the property and enhance its reputation, we also develop sound working relationships with developers during the stage of property development by providing comprehensive property management services for this stage, such as consulting services relating to product positioning, recommendations for models of equipment and facilities, pre-delivery services, occupation services, pre-delivery inspection services, as well as engineering quality control and consulting services, etc. We provide a full solution for property services to the satisfaction of the developers, which are more likely to appoint us as property manager in future upon completion of the development. Through the provision of sound property management services, we have also developed close relations with the communities we serve and 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.

Company Introduction (Continued)

VISION, CORE VALUES AND BUSINESS PHILOSOPHY

BUSINESS PHILOSOPHY

Always adding value for customers through honourable and progressive business practices

VISION

To become a benchmark enterprise with excellence in China's property sector

CORE VALUES

Attention to details, professionalism, integrity and harmony

Company Introduction (Continued)

MAJOR EVENTS IN 2016

COPL received further honours as Top 100 Property Service Enterprises in China

At the "Presentation of Research Reports on Top 100 Property Service Enterprises in China 2016" held in Beijing on 21 June 2016, COPL was named among the "Top 100 Property Management Companies in China" for the 8th year in a row (2009-2016), "6th Ranking of Top 10 in Consolidated Strengths among Top 100 Property Management Companies in China 2016", "2nd Ranking in Leading Enterprise in terms of Customer Satisfaction among Top 100 Property Management Companies in China 2016" and "3rd Ranking in Service Quality among Top 100 Property Management Companies in China 2016" on the back of its superior consolidated strengths and outstanding service and management standards.

COPL received honours as China's leading brand name in property services

At the "Presentation of Research on Real Estate Brand Value in China 2016 and the 13th Summit Forum for Real Estate Brand Development in China" jointly hosted by the Development Research Center of the State Council, Institute of Real Estate Studies of Tsing Hua University and China Index Academy in Beijing on 6 September 2016, COPL was awarded 3rd Ranking in "Leading Brands in Specialised Operations for Property Services in China 2016" with a brand value of RMB3,860 million, thanks to its consolidated strengths, strong brand recognition and extensive brand influence.

中海物業
CHINA OVERSEAS PROPERTY

Company Introduction (Continued)

MAJOR EVENTS IN 2016

COPL honoured with "Best Contribution Award" in Earth Station Charity Venture Project

At the commencement ceremony of "Earth Station Charity Venture Project 2016", a social group exemplary project supported by central treasury, held at the Ministry of Environmental Protection on 22 April 2016, Beijing China Overseas Property Management Limited, Windsor Pavilion in Beijing and Zhonghai Fuyuan in Beijing were honoured with the "Best Contribution Award".

Chairman's STATEMENT

Chairman's Statement

"The Group continues to leverage the strong brand recognition of "China Overseas Property", as its dedicated management team seizes business opportunities in an accurate and timely manner.

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..

The annual turnover of the Group increased by 0.7% to HK$2,563.4 million. The profit attributable to owners of the Company increased by 93.3% to HK$226.3 million. Basic earnings per share was HK6.88 cents and average return on equity was 33.3%."

Mr. Xiao Xiao
Chairman and Non-executive Director

Chairman's Statement (Continued)

INTRODUCTION

I am 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 seizes 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 square meter ("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%).

Chairman's Statement (Continued)

PROPOSED FINAL DIVIDEND

Taking into account the Group's business results for the year and its future plans for expansion, the board of directors recommended the payment of a final dividend of HK1.1 cents per share (2015: HK1.2 cents) for the year ended 31 December 2016. Together with the interim dividend of HK1.1 cents paid in October 2016 (2015: Nil), total dividend for the year amounts to HK2.2 cents (2015: HK1.2 cents).

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 23 May 2017 (the "2017 AGM").

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 gross domestic product ("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.

Chairman's Statement (Continued)

PROSPECTS (Continued)

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 previously 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.

Chairman's Statement (Continued)

PROSPECTS (Continued)

Group Strategy (Continued)

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.

Chairman's Statement (Continued)

PROSPECTS (Continued)

Group Strategy (Continued)

- 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.

Chairman's Statement (Continued)

PROSPECTS (Continued)

Group Strategy (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. 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.

Chairman's Statement (Continued)

PROSPECTS (Continued)

Group Strategy (Continued)

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 (please refer to "Company Introduction" section in this Annual Report for details) 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.

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.

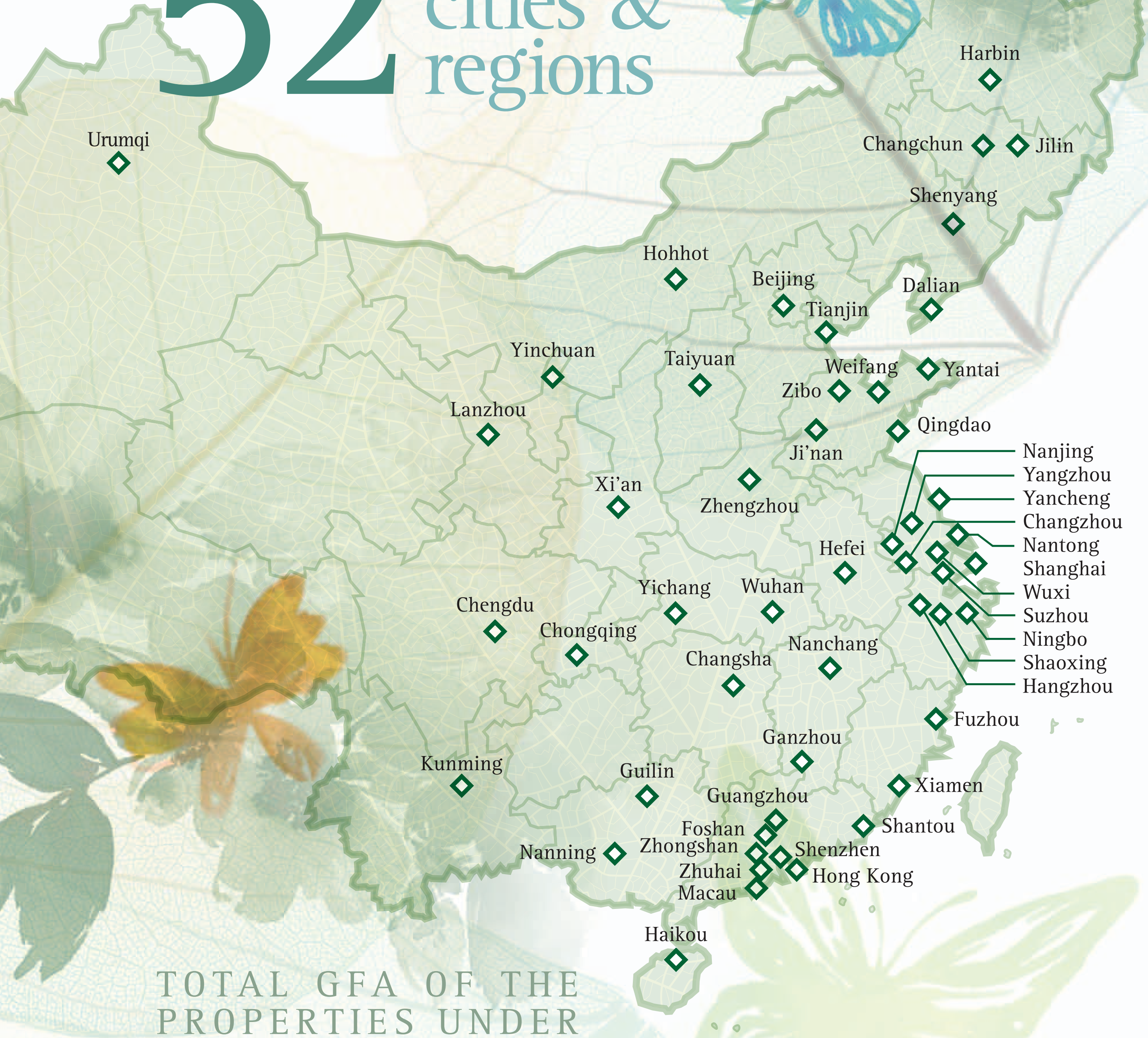
Xiao Xiao
Chairman and Non-executive Director

Management

DISCUSSION & ANALYSIS

Management Discussion and Analysis

52 cities & regions



TOTAL GFA OF THE PROPERTIES UNDER OUR MANAGEMENT

93.5 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, 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) the increase in 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.

Management Discussion and Analysis (Continued)

BUSINESS REVIEW (Continued)

Revenue and Operating Results (Continued)

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 was 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).

Management Discussion and Analysis (Continued)

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 value-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.

Management Discussion and Analysis (Continued)

SEGMENT INFORMATION (Continued)

Property Management Services (Continued)

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 accounts 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)).

Management Discussion and Analysis (Continued)

SEGMENT INFORMATION (Continued)

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.

Management Discussion and Analysis (Continued)

CAPITAL EXPENDITURES

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 our raw materials and sub-contractors who provide cleaning and garden landscape maintenance services to the properties we manage.

Management Discussion and Analysis (Continued)

PRINCIPAL RISK MANAGEMENT STRATEGIES (Continued)

2. Customers and Suppliers Relationship Management (Continued)

In order to ensure cost effectiveness and standardization quality customer services 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 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 REGULATIONS

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.

Management Discussion and Analysis (Continued)

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.

Management Discussion and Analysis (Continued)

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 training to our staff to enhance technical and service knowledge as well as knowledge of industry quality standards and workplace safety standards.

Project Highlights

(1) Shenzhen – Zhonghai Dynasty Court

Zhonghai Dynasty Court is a multi-functional complex providing residential, commercial and office space. Located at the heart of Shenzhen, it provides GFA of 115,835 sq.m. over a site area of 32,568 sq.m.. The building has a see-through first floor which serves to increase green space by nearly 30,000 sq.m.. Other first-of-its-kind features include the outdoor viewing escalator and the mini-highrise viewing elevator. The "people-oriented" design philosophy is illustrated by, among others, a high efficiency of 87%.

Zhonghai Dynasty Court renders a warm and blissful experience of quality to residents through smiling faces, sincerity, professionalism, efficiency and satisfaction in services. These include: the "Heartfelt Services" – a family-like atmosphere at the complex; "Safe Living" – home safety as top priority; "Green Homes" – exquisitely decorated garden areas; "Artisan's Guild" – professional technical teams providing various services. "Joyous Community" – a wide range of community cultural activities tailored to different customer groups enhancing social interaction; "Smart Management" – timely identification of customers' needs ensuring proper management backed by sound servicers. In our daily management services, our staff seek improvements in every detail based on customers' feedback.

COPL renders a warm and blissful experience to residents

Honorary titles garnered by Zhonghai Dynasty Court include: "Outstanding Exemplary Residential Complex" of Shenzhen, "Garden Complex" of Shenzhen, "Outstanding Exemplary Residential Complex" of Futian District, Shenzhen, "Complex as Herald of Safety Culture" in Shenzhen, "Outstanding Exemplary Residential Complex" of Guangdong Province, "National Outstanding Exemplary Residential Complex", ""National Residential Complex with Customer Satisfaction" and "Advanced Unit in Security Measures".

Project Highlights (Continued)

(2) Lake Lantern I, Foshan

Lake Lantern I is located on the bank of Lake Lantern in Nanhai, Foshan. All buildings of the project are constructed with a North-south direction, as the complex runs from north to south and from west to east in descending elevation. The lake stretches into the complex at certain points, as the blocks on the east and the west enjoy unobstructed garden and lake views. The project provides 2,837 residential units with a total GFA of 800,000 sq.m. over a site of 154,780 sq.m.. The development has won the gold prize in the Most Influential Property Developments of Foshan and the honorary title of Foshan Property Management Exemplary Complex.

Signature environmental facilities: the green spray irrigation system

In view of the increasing tension in water supply, the project applies automated control technologies to implement precision irrigation based on actual requirements of the plants and accurately determined with the help of information technologies (e.g. sensory technologies), such that a more reasonable irrigation system is deployed to increase accuracy in irrigation and thereby the utilisation ratio of water. Smart automated controls in irrigation allow us to improve the management standards of green irrigation and reduce the randomness associated with manual operation. Moreover, the application of smart controls in irrigation can also reduce the need for manual labour, thereby lowering administrative costs and substantially increasing efficiency. It is also an essential measure for effective water conservation in green irrigation.

At present, the green spray irrigation system of COPL is operated through the combination of lawn-covered spraying and swing-arm sprinkler. The green spray nozzle and water pipe in a lawn-covered irrigation system are installed beneath the lawn in accordance with calculations of distances based on actual volume requirements. The swing-arm sprinkler features automated changes in spraying direction, angle and distance and is useful for effective prevention of wasteful water consumption and a lower damage rate. This irrigation system has facilitated the landscape development of the garden area.

Signature Environmental Facilities: The Green Spray Irrigation System

Human Resources and Sustainable Development

EMPLOYEE TRAINING AND DEVELOPMENT

Upholding the principle of people-oriented, the Group emphasised staff training and encouraged personal growth 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. Through organising a series of training activities, we actively created a harmonious and healthy team climate and a positive learning atmosphere to boost morale and the sense of belonging to the Group.

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.

During the year, the Group held over 11,000 training programmes for different types of staff at all levels and recorded more than 128,000 enrollments. Those programmes effectively enhanced 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.

The 1st Internal Competition for Technical Staff

Training Camp for Customer Service Staff

Orientation Camp for the Fresh Graduates

On the Job Training for Security Staff

Human Resources and Sustainable Development (Continued)

DIVERSITY RECRUITMENT

We acknowledged that human resources are the most precious resources of the Group. During the year, in order to cope with the Group's rapid development, we launched a talent development platform through campus elite and social elite recruitment plans, and successfully recruited talents to join the Group as a new force for our sustainable development. In order to attract mid- to high-level calibre 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.

Online Training for Employees

Diversified Recruitment and Talent Retention Plan

EMPLOYEE CARE

The Group emphasised the building of good interpersonal relationship and positive working climate, and assisted employees in achieving work-life balance. Through abundant staff activities, we effectively relieved employee stress and improved their sense of satisfaction and belonging to the Group.


Company Sports Day

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 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 (the "CG Code") as set out in Appendix 14 to the Rules (the "Listing Rules") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

A. Board

A1. Board's Role and Delegation

The primary role of the Board is to maximize long-term shareholders value. It assumes the responsibility for providing effective and responsible leadership and control of the Group, and directing and supervising the Group'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. 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 during the year ended 31 December 2016 and up to the date of this Annual Report is as follows:

Non-executive Directors:

Mr. Xiao Xiao	*(Chairman, appointed on 15 November 2016)*
Mr. Hao Jian Min	*(Chairman, resigned on 15 November 2016)*

Executive Directors:

Ms. Wang Qi	*(Vice Chairman and Chief Executive Officer)*
Mr. Luo Xiao	*(Vice President)*
Mr. Shi Yong	*(Vice President)*
Dr. Yang Ou	*(Vice President, retired on 6 May 2016)*
Mr. Kam Yuk Fai	*(Deputy Chief Financial Officer)*

Independent Non-executive Directors:

Mr. Lim Wan Fung, Bernard Vincent
Mr. Suen Kwok Lam
Mr. Yung Wing Ki, Samuel

The Board has met the requirements of Rules 3.10 and 3.10(A) of the Listing Rules 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.

The Directors' biographical information (including their gender, age, educational background, professional experience and knowledge, culture and length of service) are set out at A5 – Board Diversity of this Corporate Governance Report (the "CG Report") and the section headed "Directors and Senior Management" of this Annual Report and on the Company's website (www.copl.com.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 and the Chief Executive Officer in order to ensure a balance of power and authority and preserve a balanced judgement of views. Mr. Hao Jian Min served as the Chairman of the Board until his resignation on 15 November 2016. Currently, Mr. Xiao Xiao is the Chairman of the Board and is responsible for giving strategic advice and formulating development plans of the Group. Ms. Wang Qi, the Vice Chairman of the Board and Chief Executive Officer, is responsible for the overall strategic direction, management and business operations of the Group.

A4. Appointment, Re-election and Removal of Directors

The procedures and process of appointment, re-election 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 meetings in accordance with the provisions of the Articles. The procedures for appointment, election and removal of Directors is posted on the website of the Company (www.copl.com.hk).

Pursuant to the articles 84(1) & 84(2) of the Articles, Ms. Wang Qi, Mr. Kam Yuk Fai and Mr. Yung Wing Ki, Samuel will retire by rotation at the forthcoming annual general meeting (the "2017 AGM") and pursuant to the article 83(3) of the Articles, Mr. Xiao Xiao shall hold office until the 2017 AGM. Mr. Xiao Xiao, Ms. Wang Qi, Mr. Kam Yuk Fai and Mr. Yung Wing Ki, Samuel, being eligible, will offer themselves for re-election at the 2017 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 recognizes and embraces the benefits of having a diverse Board to enhance its effectiveness as well as improve the quality of its performance. The Board has adopted a Board Diversity Policy effective on October 2015, a copy of which is available on the Company's website (www.copl.com.hk). Under the policy, all Board appointments will be based on merit and selection of candidates will be based on a range of diversity factors, including but not limited to education background, professional experience and knowledge. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board. As at the date of this Annual Report, the Board comprises eight Directors and three of them are Independent Non-executive Directors, thereby promoting critical review and giving independent advice in the decision-making process. Details of the Board's composition under diversified perspectives are set out below:

	Number of directors
Age:	
35-45	1
45-55	3
55-65	3
Above 65	1
Gender:	
Male	7
Female	1
Education background (highest):	
Bachelor degree	3
Master degree	4
Professional experience and knowledge*:	
Financial and Accounting	3
Architecture	1
Engineering	2
Economics	3
Property/Business Management	4
Legal	1

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

Corporate Governance Report (Continued)

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 policy on an annual basis to ensure the continued effectiveness of the policy and will make recommendations to the Board of any amendment of the policy where necessary.

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 still considered all Independent Non-executive Directors are independent.

A6. Directors Training

Pursuant to the code provision A.6.5, the Company has received from the Directors of the Company below a record of the type(s) of training they received for the year ended 31 December 2016.

Directors	Type(s) of training (see remarks)
Mr. Xiao Xiao *(appointed on 15 November 2016)*	B
Mr. Hao Jian Min *(resigned on 15 November 2016)*	B
Ms. Wang Qi	A
Mr. Luo Xiao	A
Mr. Shi Yong	A
Mr. Kam Yuk Fai	A
Mr. Lim Wan Fung, Bernard Vincent	A
Mr. Suen Kwok Lam	A, B
Mr. Yung Wing Ki, Samuel	A

Remarks:

A: attending seminars or trainings that are relevant to the Directors' professional knowledge and skills and in performing their duties and responsibilities as Directors

B: reading materials that are relevant to the Directors' professional knowledge and skills and in performing their duties and responsibilities as Directors

Corporate Governance Report (Continued)

A7. Attendance at Board Meetings, Committee Meetings and Shareholders' Meetings

Details of Directors' attendance at the Board Meetings, Meetings of Board committees and Shareholders' Meetings held in 2016 are set out in the table below:

Directors	Board Meetings	Audit Committee Meetings	Remuneration Committee Meetings	Nomination Committee Meetings	Annual General Meeting
Non-executive Directors:					
Mr. Xiao Xiao (appointed on 15 November 2016)	N/A	N/A	N/A	N/A	N/A
Mr. Hao Jian Min (resigned on 15 November 2016)	4/4	N/A	2/2	1/1	1/1
Executive Directors:					
Ms. Wang Qi	5/5	N/A	N/A	N/A	1/1
Mr. Luo Xiao	5/5	N/A	N/A	N/A	1/1
Mr. Shi Yong	5/5	N/A	N/A	N/A	1/1
Dr. Yang Ou (retired on 6 May 2016)	1/2	N/A	N/A	N/A	0/1
Mr. Kam Yuk Fai	5/5	N/A	N/A	N/A	1/1
Independent Non-executive Directors:					
Mr. Lim Wan Fung, Bernard Vincent	5/5	4/4	3/3	2/2	1/1
Mr. Suen Kwok Lam	4/5	4/4	2/3	1/2	1/1
Mr. Yung Wing Ki, Samuel	5/5	4/4	3/3	2/2	1/1

Note: The attendance figure represents actual attendance/the number of meetings the relevant Director is entitled to attend.

In addition, during the year ended 31 December 2016, Mr. Hao Jian Min, the former chairman of the Company, has held a meeting with the Independent Non-executive Directors to discuss corporate governance and other matters 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 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 the 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 the relevant employees was noted by the Company during the year.

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 terms of reference in code provision D.3.1 (including the implementation of the corporate governance policy of the Company) and supervising the work of the management and reviewing the performance of the Company.

For the year ended 31 December 2016, the Board has reviewed the training and continuous professional development of Directors, the compliance of the Model Code and the Company's compliance with the CG Code and disclosures in this Annual Report.

Corporate Governance Report (Continued)

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. Each committee has its own specific delegated authorities and operates within 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

During the year, the Remuneration Committee comprises a total of four members, being the Chairman of the Board and three Independent Non-executive Directors, namely, Mr. Xiao Xiao (appointed as the Chairman of the Board on 15 November 2016 following the resignation of Mr. Hao Jian Min as the Chairman of the Board on the same date), Mr. Suen Kwok Lam, Mr. Yung Wing Ki, Samuel and Mr. Lim Wan Fung, Bernard Vincent. 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 Group's remuneration policy and structure for all Directors' and senior management's remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy;

– 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, including 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.

Corporate Governance Report (Continued)

For the year ended 31 December 2016, the Remuneration Committee has held three meetings during which the Remuneration Committee has reviewed the Group's policy of remuneration and benefit and the remuneration packages (including bonus and benefits) of all Directors and senior management.

The attendance record of each committee member at the meetings is set out at A7 – Attendance at Board Meetings, Committee Meetings and Shareholders' Meetings of this CG Report.

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 2016 are disclosed in note 13 and note 32(g) respectively to the financial statements contained in this Annual Report.

B2. Audit Committee

During the year, the Audit Committee comprises a total of 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.

The main duties and responsibilities of the Audit Committee include:

– To make recommendations to the Board on the appointment, re-appointment and removal of the external auditor;

– To review the financial information and reports of the Group;

– To oversee the Group's financial reporting system, risk management and internal control systems;

– 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.

For the year ended 31 December 2016, the Audit Committee has held four meetings during which the Audit Committee has performed the following major works:

– reviewed and approved the audit plan for the year ended 31 December 2016;

– discussed and considered the recommended disclosures in the 2015 CG Report regarding the Company's risk management and internal control systems;

Corporate Governance Report (Continued)

– reviewed, discussed and recommended to the Board for approval of the Group's financial statements, results announcement, Chairman's statement and business review for the year ended 31 December 2015 and for the six months ended 30 June 2016 and the quarterly financial information for the year ended 31 December 2016;

– reviewed the annual compliance status of the Deeds of Non-competition between the Group and China State Construction Engineering Corporation and China State Construction Engineering Corporation Limited;

– reviewed and discussed the internal audit and risk management reports of internal audit department, the progress and the effectiveness of the risk management and internal control systems and the internal audit implemented by the Group;

– reviewed the continuing connected transactions of the Group for the year ended 31 December 2015;

– recommended the re-appointment of PricewaterhouseCoopers as external auditor and the proposed audit fee to the Board for approval; and

– reviewed and approved the engagement of PricewaterhouseCoopers to conduct an overall review on the Group's risk management system in terms of design, implementation and risk identification, assessment and mitigation measures.

The attendance record of each committee member at the meetings is set out at A7 – Attendance at Board Meetings, Committee Meetings and Shareholders' Meetings of this CG Report.

B3. Nomination Committee

During the year, the Nomination Committee comprises a total of four members, being the Chairman of the Board and three Independent Non-executive Directors, namely, Mr. Xiao Xiao (appointed as the Chairman of the Board on 15 November 2016 following the resignation of Mr. Hao Jian Min as the Chairman of the Board on the same date), Mr. Suen Kwok Lam, Mr. Yung Wing Ki, Samuel and Mr. Lim Wan Fung, Bernard Vincent. The chairman of the Committee is currently Mr. Xiao Xiao.

The main duties and responsibilities of the Nomination Committee include:

– To review the structure, size and diversity (including the education background, skills, knowledge and professional and industry experience) of the Board at least annually and make recommendations 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;

– 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; and

Corporate Governance Report (Continued)

– To review the Board Diversity Policy to ensure its continued effectiveness and make recommendation to the Board of any amendment of the policy where necessary.

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.

For the year ended 31 December 2016, the Nomination Committee has held two meetings during which the Nomination Committee has performed the following major works:

– recommended to the Board on the appointment of Mr. Xiao Xiao as the Chairman of the Board and Non-executive Director;

– 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.

The attendance record of each committee member at the meetings is set out at A7 – Attendance at Board Meetings, Committee Meetings and Shareholders' Meetings of this CG Report.

C. Directors' Responsibilities for Financial Reporting in Respect of the Financial Statements

Directors acknowledged their responsibilities for preparing the financial statements of the Company for the year ended 31 December 2016.

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.

D. Risk Management and Internal Control

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.

Risk Management

1. Managing Risks to Achieve Goals of Sustainable Growth

Sustainable growth of the Company relies on the Group's full awareness of various risks faced by the Group when making decisions. The Group's risk management framework has been enhanced on an ongoing basis in order to ensure a sound and comprehensive management of risks at different stages.

2. Our Responsibilities for Risk Management

The Group adopts a systematic approach to risk management, constructs a risk management structure with division of responsibility and reporting procedures clearly defined, in order that risks be identified and their impact on our business be alleviated and to ensure the requirements of relevant code provisions relating to risk management as amended by the Stock Exchange are complied. In particular, in recognition of the efficiency integrating risk management with internal control, the Group acknowledges the following responsibilities:

2.1 **the Board** is responsible for assessing the nature and level of risks that the Company is willing to take to achieve the Company's goals, and ensuring that an appropriate and effective risk management and internal control systems are in place. The Board, through the Audit Committee, reviews the design, implementation and monitoring of the risk management and internal control systems by the Management.

2.2 **the Audit Committee** is responsible for overseeing the finances, internal control and risk management of the Company, as well as monitoring the implementation of the relevant code provisions relating to risk management as amended.

Corporate Governance Report (Continued)

2.3 **the Management** is responsible for the design, implementation and monitoring of the risk management and internal control systems and evaluation on the effectiveness of the risk management and internal control systems which are subsequently reported to the Board.

2.4 **the Internal Audit Department** is responsible for the follow-up inspection, audit and oversight of the risk management and internal control systems through performing independent assessment of internal audit.

The risk management and internal control systems are only reasonable but not absolute guarantee to protect against major risks, aiming at managing those risks rather than eliminating them when achieving business objectives.

3. Risk Management Structure

The Company's risk management system is implemented in a hierarchical system. The Group combines Top-down and Bottom-up approaches to identify risk management procedures, conduct assessment and prioritise risks level, in order to deploy suitable measures to handle risks (see Diagram 1).

Top-down risk management approach:

Strategic and risk preference

Combined with the Company's actual situation, risk management strategies are formulated with a view to safeguard the realisation of the operating goals of the Company.

Risk management process

A standardised framework is established for the risk management process, including the procedures of risk management, its implementation and tools, which are beneficial for enhancing our compliance level and operation efficiency as these processes are integrated into each step in the course of business.

Bottom-up risk management approach:

Supporting element: Basis of the system

Integration of risk management into the personnel force, organisation structure and information technology are necessary in order to provide company-wide support for risk management and proceed with such work so as to ensure sustainable development of the business. A unified risk management culture is the basis of the system.

Corporate Governance Report (Continued)

Major business processes

To achieve risk control within major business processes.

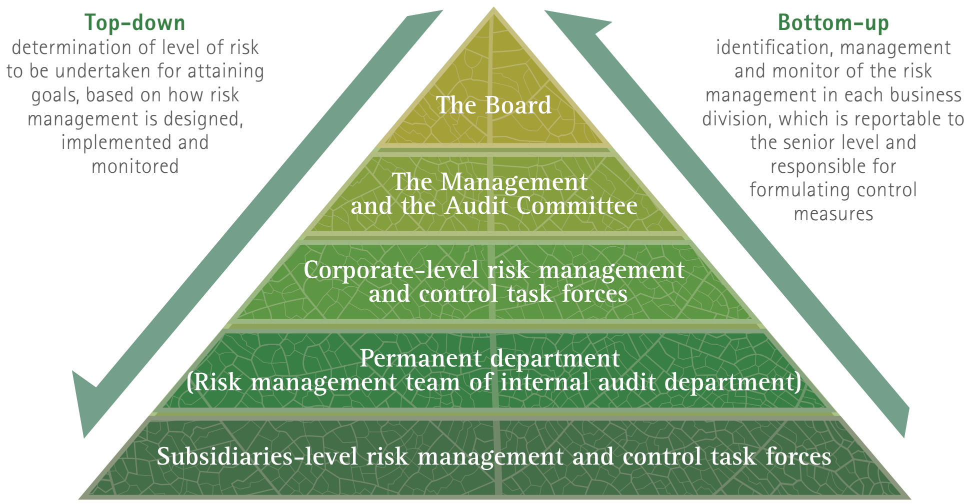


Diagram 1 Risk Management Structure

4. The "Three Lines of Defence" of Risk Management

A "Three Lines of Defence" model is adopted by the Group to clearly define the roles and responsibilities (see Diagram 2).

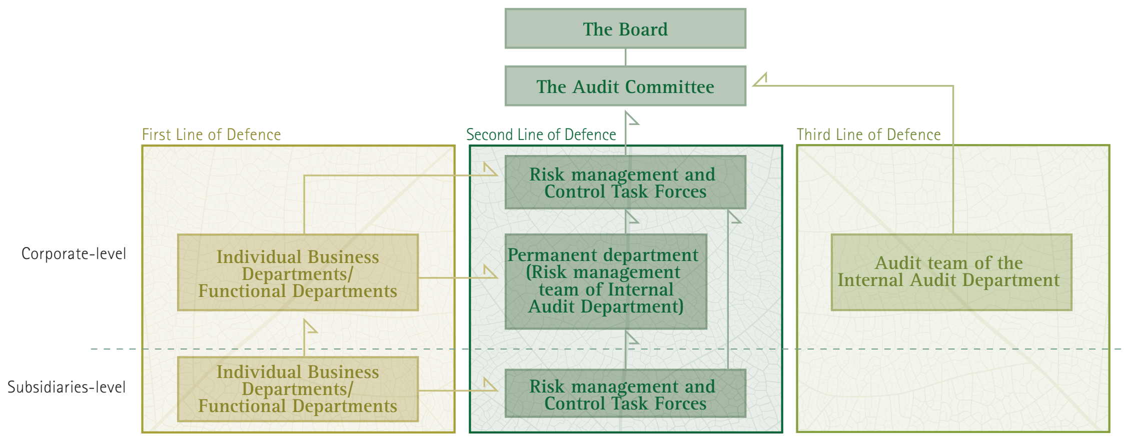


Diagram 2 The Group's Risk Management as guided by the "Three Lines of Defence" Model

Corporate Governance Report (Continued)

4.1 *First Line of Defence — each business/functional department/unit as the person-in-charge of risks*

- Responsible for risk management. Identify, assess and formulate measures to monitor risks;
- Responsible for providing materials based on how risk sub-reports are drafted for its designated field, and communicating the effectiveness of risk management;
- Responsible for providing materials for evaluation and issuing acknowledgement for risk control commitments; and
- Responsible for implementing risk control measures and monitoring their effectiveness, reporting major risk summaries and handling impending risks.

4.2 *Second Line of Defence — Risk Control Task Forces of the Company*

- Oversees the risk management works performed by the First Line of Defence;
- Organises and initiates the identification and analysis of corporate-level major risks on an annual basis;
- Prepares risk assessment reports on a regular or ad hoc basis and reports findings to the Board or the Audit Committee; and
- Summarises and reports on the major risks handled.

4.3 *Third Line of Defence — Audit Department*

- Conducts follow-up investigation, audit and monitoring of the risk management works performed by the First and Second Lines of Defence;
- Conducts follow-up audits on the major management inadequacies identified in the annual risk assessment report; and
- Conducts and initiates independent evaluation through the internal audit department.

Corporate Governance Report (Continued)

5. Work Processes of Risk Management

Step 1: *Risk Identification — To identify current risks faced by the Company at corporate-level and subsidiaries–level and the current control measures.*

Step 2: *Risk Analysis and Control — To analyse risks based on possibility of occurrence, potential impact and current control measures. Risk exposures are identified and further control measures are proposed.*

Step 3: *Risk Monitoring — To monitor identified risks periodically in order to ensure effective implementation of risk coping strategies.*

Step 4: *Risk Reporting — To conclude on the findings of risk management analysis, formulate action plans and report to the corporate-level risk management and control task forces, the Audit Committee and the Board.*

During the year under review, through the Audit Committee, the Board has reviewed once the risk management and internal control systems of the Group and the management confirmed that the risk management and internal control systems of the Group were effective and adequate. The Group has implemented each of the proposals reviewed by the Audit Committee and approved by the Board in order to further regularise the risk management program, including regular submission of the Group's Risk Management Report to be reviewed by the Board, which contains details of the major risks and management measures.

The Group will continue to strengthen the risk management framework and its implementation in order to meet the best practice in the industry.

Corporate Governance Report (Continued)

Internal Control

The Group has formulated policies on Risk Management and Internal Control. During the year, Internal Audit Department has conducted reviews on the implementation and compliance of these policies and has submitted reports of their findings to the Audit Committee.

Internal Audit Department is responsible for performing regular audit review on the Group's business operations, the review covers all material controls including operational, financial, compliance and risk management. Internal Audit Department submits an annual audit plan to the Audit Committee for review and endorsement. In addition to the planned audit schedule, it also carries out other review and audit works on an ad hoc basis. The Internal Audit Department reviews and evaluates the control process and monitors any significant risk factors or internal control failures on a regular basis and reports to the Audit Committee on any findings and measures to address the variances and identified risks while relevant department heads/general managers will be notified of control deficiencies for rectification.

The Board has also adopted an Inside Information Disclosure Policy with an aim to set out the practices and procedures to regulate the dissemination of inside information within the Group. This Policy can be viewed at the Company's website (www.copl.com.hk).

E. Company Secretary

According to the Rule 3.29 of the Listing Rules, the Company Secretary of the Company has taken not less than 15 hours of relevant professional training for the year ended 31 December 2016.

F. 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 2016 is set out in the section headed "Independent Auditor's Report" of this Annual Report.

Corporate Governance Report (Continued)

The fees paid/payable to PricewaterhouseCoopers, the Company's auditor, in respect of audit services and non-audit services (represented professional services rendered in connection with the Group's preliminary results announcement and continuing connected transactions) for the year ended 31 December 2016 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	2,010
Non-audit services	112
TOTAL:	2,122

G. Constitutional Documents

There was no change in the Company's constitutional documents during the year ended 31 December 2016. A copy of the latest version is available on the websites of the Company (www.copl.com.hk) and the Stock Exchange (www.hkexnews.hk).

H. 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 has adopted a Shareholders Communication Policy with an aim of promoting and maintaining an on-going dialogue with shareholders and the investment community, procedures for shareholders sending enquiries and concerns to the Board and other policies concerning communication with shareholders and investors have been established in the policy. The policy can be viewed at the Company's website (www.copl.com.hk).

Corporate Governance Report (Continued)

General meetings serve as a communication platform where the Board can maintain a face-to-face dialogue with shareholders and investors. During the year, the Chairman of the Board and the Chairman of the respective Audit, Remuneration and Nomination Committees and other Board members attended the 2016 annual general meeting to respond to any questions from shareholders.

The Company maintains a website (www.copl.com.hk) where information on the Group's businesses and projects, key corporate governance policies and announcements, financial reports 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

I. 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:

I.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 on the date of deposit of the requisition not less than one-tenth of the paid-up capital of the Company carrying the right of voting at general meetings of the Company 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 to the requisitionist(s) by the Company.

Corporate Governance Report (Continued)

I.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 Companies 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.

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

The Company has established various and 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 on the Company's website (www.copl.com.hk).

For the avoidance of doubt, shareholder(s) must provide his/her/their full name(s), contact details and identifications, 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. Xiao Xiao

Chairman and Non-executive Director

Aged 60, was appointed as Chairman and Non-executive Director, Chairman and member of the Nomination Committee, member of the Remuneration Committee and authorised representative of the Company with effect from 15 November 2016. Mr. Xiao was a Director of the Company for the period from 3 May 2011 to 25 June 2015. Mr. Xiao is responsible for giving strategic advice and formulating development plans of the Group. Mr. Xiao graduated from Chongqing Architectural University. He joined China State Construction Engineering Corporation (中國建築工程總公司) ("CSCEC") in 1982 and joined the group of China Overseas Land & Investment Limited ("COLI") (Stock Code: 688, a company listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange")) in 1990. He was appointed Director of certain subsidiaries of COLI since 1994. Mr. Xiao has about 35 years' management experience in construction and property business.

Mr. Xiao was appointed Executive Director of COLI from 1 February 2005, Vice Chairman of COLI from 22 March 2007 and the Senior Vice President of COLI in August 2009. With effect from 15 November 2016, Mr. Xiao has been elected as the Chairman and ceased to be the Senior Vice President of COLI. Mr. Xiao was appointed as the Chief Executive Officer of COLI for the period from 15 November 2016 to 31 December 2016. Mr. Xiao has also been appointed as the Chairman and Non-executive Director of China Overseas Grand Oceans Group Limited ("COGO") (Stock Code: 81, a company listed on the Main Board of the Stock Exchange) on 15 November 2016. Mr. Xiao is currently a Director of China Overseas Holdings Limited (the controlling shareholder of the Company) and certain of its subsidiaries.

Executive Directors

Ms. Wang Qi

Vice Chairman, Executive Director and Chief Executive Officer

Aged 51, was appointed as Vice Chairman, Executive Director and Chief Executive Officer of the Company on 25 June 2015. She is also a Director of certain subsidiaries of the Company. She is responsible for the overall strategic direction, management and business operations of the 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 the "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 China Overseas Property Management Limited (中海物業管理有限公司) (the "CO Property Management"), 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 28 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 44, was appointed as Executive Director and Vice President of the Company on 25 June 2015. Mr. Luo is also a Director of certain subsidiaries of the Company. He is responsible for supervision, financial and information management of the 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 the 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 China Overseas Holdings Limited, 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, mainly responsible for supervision and audit of its business, and the general manager of the client relationship department of COLI. Mr. Luo became a supervisor of CO Property Management 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 the Group in the PRC. Mr. Luo has approximately 20 years of experience in finance, auditing and corporate governance.

Mr. Shi Yong

Executive Director and Vice President

Aged 48, was appointed as Executive Director and Vice President of the Company on 25 June 2015. Mr. Shi is also a Director of certain subsidiaries of the Company. He is responsible for human resources and administrative management of the Group. Mr. Shi graduated from Tianjin University in the PRC with a dual Bachelor degree in Civil Engineering and Technical Economics and is a qualified senior economist. Prior to joining the Group, he worked for the human resources department of CSCEC, he held various positions in China Overseas Holdings Limited 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 the Group since May 2015. Mr. Shi has approximately 24 years of experience in corporate human resources management.

Mr. Kam Yuk Fai

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

Aged 53, has been appointed as an Executive Director and Deputy Chief Financial Officer of the Company since June 2015. He is also a Director of certain subsidiaries of the Company. He is responsible for the financial management of the 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 the 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 29 years of experience in the fields of accounting, auditing and finance.

Directors and Senior Management (Continued)

Independent Non-executive Directors

Mr. Lim Wan Fung, Bernard Vincent

JP, PPHKIA, MHKIUD, Independent Non-executive Director

Aged 59, was appointed as Independent Non-executive Director of the Company on 9 October 2015. He is responsible for giving independent strategic advice and guidance on the business and operations of the 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 70, was appointed as Independent Non-executive Director of the Company on 9 October 2015. He is responsible for giving independent strategic advice and guidance on the business and operations of the Group. He has over 41 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 was 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) until 2016, 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 the Company on 9 October 2015. He is responsible for giving independent strategic advice and guidance on the business and operations of the Group. Mr. Yung has over 35 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 was an independent non-executive director of Camsing International Holding Limited (formerly known as "Fittec International Group Limited") (stock code: 2662, a company listed on the Main Board of the Stock Exchange) from January 2016 to May 2016. 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, a member cum Chairperson of Finance Committee of The Board of Management of the Chinese Permanent Cemeteries, a member of Court of the Open University of Hong Kong. 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, Chartered Life 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 62, was appointed as Senior Vice President of the Company on 25 June 2015. He is also a Director of certain subsidiaries of the Company. Mr. Wong is responsible for the supervision of the overall operation and business development of the property management business of the 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 27 years of property management experience in Hong Kong.

Mr. Liu Zhonghua

Vice President

Aged 52, was appointed as Vice President of the Company on 25 June 2015. Mr. Liu is currently the general manager of the Group's companies in Foshan and responsible for the business operations of the Group in Foshan. 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 in 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 became an 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 for the period from October 1995 to August 2016 and had held positions including assistant general manager, director and deputy general manager and was a Director of certain subsidiaries of the Company. Mr. Liu has approximately 28 years of experience in electrical and mechanical engineering project management and 21 years of experience in property management in Hong Kong.

Directors and Senior Management (Continued)

Mr. Wang Zhigang

Assistant President

Aged 44, was appointed as Assistant President of the Company on 25 June 2015. He is also a Director of certain subsidiaries of the Company. He is responsible for the operation of the Group's property management business in Hong Kong and Macau. 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 has been a Chartered Member of the Chartered Institute of Housing since March 2015. Mr. Wang joined the 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 CO Property Management 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 CO Property Management. He has been the deputy general manager of CO Property Management since August 2013. Mr. Wang has approximately 21 years of property management experience in the PRC.

Ms. Li Xiaohua

Assistant President

Aged 42, was appointed as Assistant President of the Company on 25 June 2015. Ms. Li is also a Director of certain subsidiaries of the Company. She is responsible for the human resources and administrative management of the property management business of the 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 CO Property Management and other PRC subsidiaries of the Group from December 2010 to September 2012. Served as deputy general manager of CO Property Management from August 2012 onwards. Ms. Li has approximately 18 years of human resources experience in the PRC.

Mr. Li Zhen Xi

Assistant President

Aged 43, was appointed as Assistant President of the Company on 18 August 2015. He is responsible for the operation of the Group's property management business in the PRC. Mr. Li graduated from Harbin University of Civil Engineering and Architecture with a Bachelor degree of Industrial Automation in June 1996. Mr. Li obtained his Master degree in Project Management from Harbin Institute of Technology in June 2010. Mr. Li joined COLI Group in July 1996 and served different positions in various subsidiaries of COLI Group including the general manager of West China region of CO Property Management in November 2010 and general manager of Beijing branch office of China Overseas Property (Commercial Property) Management Company in May 2013. Mr. Li served as the deputy general manager of Wanda Business Management Centre between February 2012 and October 2012. Mr. Li became the deputy general manager of CO Property Management in October 2014. He has approximately 21 years of experience in operation of property management.

Directors and Senior Management (Continued)

Ms. Han Fang

Assistant President

Aged 44, was appointed as Assistant President of the Company on 10 May 2016. She is responsible for the operation of the Group's value-added property services and online services in the PRC. Ms. Han graduated from Jiang Su University with a Bachelor degree in Economics in July 1992. Ms. Han joined COLI Group in February 2002 and served different positions in various subsidiaries of COLI including the general manager of Quality Management and Corporate Communication Department of CO Property Management in September 2012 and deputy general manager of Shenzhen branch office of CO Property Management in August 2014. Ms. Han has approximately 14 years of experience in operation of property management.

Company Secretary

Mr. Ko Hiu Fung

Aged 43, was appointed as Company Secretary of the Company on 25 June 2015. He is responsible for company secretarial matters of the 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 19 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 board of directors (the "Directors") of the Company present the annual report and the audited financial statements of China Overseas Property Holdings Limited (the "Company") and its subsidiaries (together the "Group") for the year ended 31 December 2016.

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 the 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 online to offline 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 2016 is set out in note 8 to the financial statements.

Results and Appropriations

The results of the Group for the year ended 31 December 2016 are set out in the consolidated income statement and consolidated statement of comprehensive income on pages 86 and 87 respectively.

An interim dividend of HK1.1 cents per share was paid to Shareholders in October 2016 (2015: Nil).

The Directors have 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.

Report of Directors (Continued)

(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.

Reserves

Movements in the reserves of the Group and of the Company during the year are set out in note 28(c) and note 34(a) to the financial statements.

Distributable Reserves

Distributable reserves of the Company at 31 December 2016 were approximately HK$131.6 million (2015: approximately HK$41.7 million).

Financial Summary

A summary of the results, assets and liabilities of the Group for the past five financial years is set out on pages 147 and 148.

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 2016 are set out in note 28(a) to the financial statements.

Purchase, Sale or Redemption of the Listed Securities of the Company

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.

Borrowing

Analysis of bank borrowing is set out in note 27 to the financial statements.

Directors

The Directors of the Company during the year and up to the date of this Annual Report were:

Non-executive Directors

Mr. Xiao Xiao *(Chairman and Non-executive Director, appointed on 15 November 2016)*
Mr. Hao Jian Min *(Chairman and Non-executive Director, resigned on 15 November 2016)*

Executive Directors

Ms. Wang Qi *(Vice Chairman and Chief Executive Officer)*
Mr. Luo Xiao *(Vice President)*
Mr. Shi Yong *(Vice President)*
Dr. Yang Ou *(Vice President, retired on 6 May 2016)*
Mr. Kam Yuk Fai *(Deputy Chief Financial Officer)*

Independent Non-executive Directors

Mr. Lim Wan Fung, Bernard Vincent
Mr. Suen Kwok Lam
Mr. Yung Wing Ki, Samuel

In accordance with articles 84(1) and 84(2) of the Company's articles of association, Ms. Wang Qi, Mr. Kam Yuk Fai and Mr. Yung Wing Ki, Samuel will retire by rotation at the 2017 AGM and in accordance with article 83(3) of the Company's articles of association, Mr. Xiao Xiao will hold office until the 2017 AGM. Mr. Xiao Xiao, Ms. Wang Qi, Mr. Kam Yuk Fai and Mr. Yung Wing Ki, Samuel, being eligible, will offer themselves for re-election at the 2017 AGM.

Confirmation of Independence on Independent Non-executive Directors

The Company confirms 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 still considers that all Independent Non-executive Directors are independent.

Directors' Service Contracts

No Director proposed for re-election at the 2017 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 Group's Business

There was no transaction, arrangement and contract of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party and in which any Director of the Company or an entity connected with any Director has a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

Report of Directors (Continued)

Contracts of Significance with Controlling Shareholder

Save as disclosed under the section headed "Continuing Connected Transactions", there was no contract of significance entered into between the Company, or any of its subsidiaries, and a controlling shareholder of the Company, or any of its subsidiaries, during the year.

Directors' Interest in Competing Business

During the year, China Overseas Land & Investment Limited ("COLI"), a connected person of the Company (as defined under the Listing Rules), has acquired certain companies from CITIC Group including 14 companies (the "Entrusted Companies") that are engaged in property management business in the PRC (the "Competing Business"). On 18 October 2016, a wholly-owned subsidiary of COLI and the Company entered into an Entrusted Management Agreement whereas the Company was entrusted to manage the business operation and administration of the Entrusted Companies. Since Mr. Hao Jian Min, the former Chairman and Non-executive Director of the Company, and Mr. Xiao Xiao, the current Chairman and Non-executive Director of the Company, were also acting as the Chairman and Executive Director of COLI (up to the date Mr. Hao ceased to be the Director and since Mr. Xiao was appointed as the Director both effective from 15 November 2016) respectively, they were considered to have interest in the Competing Business.

Save as disclosed above, all Directors (except Independent Non-executive Directors) of the Company have confirmed that they did not have any interests in business which competed or was likely to compete, either directly or indirectly, with the business of the Group during the year as required to be disclosed pursuant to Rule 8.10 of the Listing Rules.

Emoluments of Directors and Senior Management

Information regarding directors' emoluments and senior management's emoluments are set out in notes 13 and 32(g) to the financial statements.

Permitted Indemnity Provision

The articles of association of the Company provides that, amongst others, the Directors and other officers of the Company being acting in relation to any of the affairs of the Company shall be indemnified and secured harmless out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which they shall or may incur or sustain by or by reason of any act done, concurred in or omitted in or about the execution of their duty, or supposed duty, in their respective offices provided that this indemnity shall not extend to any matter in respect of any fraud or dishonesty which may attach to any said persons. Such provision and the Directors and Officers Liability Insurance Policy maintained by the Company which provides insurance coverage for liabilities of the Directors and officers of the Company and its subsidiaries were in force during the year ended 31 December 2016 and remained in force as of the date of this Annual 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 58 to 64 of this Annual Report.

Report of Directors (Continued)

Directors' and Chief Executive's Interests in Securities

As at 31 December 2016, the Directors and the chief executive of the Company and their respective associates had the following interests in the shares of the Company's 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 (the "Model Code"):

(a) Long Positions in Shares of the Company's Associated Corporations

Name of Director	Name of associated corporation	Nature of interest	Number of ordinary shares held	Approximate percentage of issued share capital (%)
Xiao Xiao	China State Construction International Holdings Limited ("CSCIHL")	Beneficial owner	2,838,525	0.06 (Note 1)
Wang Qi	China State Construction Engineering Corporation Limited ("CSCECL")	Beneficial owner	210,000 A Shares (Note 2)	0.0007 (Note 3)
Wang Qi	Far East Global Group Limited ("Far East Global")	Beneficial owner	46,000	0.002 (Note 4)
Luo Xiao	CSCECL	Beneficial owner	150,000 A Shares (Note 2)	0.0005 (Note 3)
Shi Yong	CSCECL	Beneficial owner	150,000 A Shares (Note 2)	0.0005 (Note 3)
Shi Yong	Far East Global	Beneficial owner	1,000,000	0.046 (Note 4)

Notes:

1. The percentage represents the number of shares interested divided by the number of issued shares of CSCIHL as at 31 December 2016 (i.e. 4,488,139,261 shares).

2. The A shares (ordinary shares) are restricted shares granted under the A-shares Restricted Stock Incentive Plan (Phase II) of CSCECL subject to a lock-up period of 2 years from the date of grant (i.e. 29 December 2016) ("Lock-up Period"). During the Lock-up Period, these shares are not transferrable, nor subject to any guarantee, indemnity or pledge. After the Lock-up Period, these shares, upon the fulfillment of certain conditions, can be transferrable in equal tranche in three years.

3. The percentage represents the number of shares interested divided by the number of issued shares of CSCECL as at 31 December 2016 (i.e. 30,000,000,000).

4. The percentage represents the number of shares interested divided by the number of issued shares of Far East Global as at 31 December 2016 (i.e. 2,155,545,000 shares).

Report of Directors (Continued)

Save as disclosed above, as at 31 December 2016, 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 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 2016, 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.

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 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

As at 31 December 2016, the following parties (other than Directors or the chief executive of the Company) were the substantial shareholders of the Company (as defined under 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 ordinary shares held	Approximate percentage of issued share capital (%)
Silver Lot Development Limited ("Silver Lot")	Beneficial owner	169,712,309	5.16 (Note 3)
China Overseas Holdings Limited ("COHL") (Note 1)	Beneficial owner	1,841,328,751	56.02 (Note 3)
COHL	Interest of controlled corporation	169,712,309	5.16 (Note 3)
CSCECL (Note 2)	Interest of controlled corporation	2,011,041,060	61.18 (Note 3)
China State Construction Engineering Corporation ("CSCEC") (Note 2)	Interest of controlled corporation	2,011,041,060	61.18 (Note 3)

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.

(3) The percentage represents the number of shares interested divided by the number of issued shares of the Company as at 31 December 2016 (i.e. 3,286,860,460).

Save as disclosed above, as at 31 December 2016, 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.

Continuing Connected Transactions

Prior to 23 October 2015 (the "Listing Date"), the date on which the shares of the Company were listed on the Main Board of the Stock Exchange, and during the year ended 31 December 2016, the Group has entered into certain transactions on a continuing basis with connected persons (as defined under the Listing Rules) and such transactions constituted continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

Continuing Connected Transactions with China Overseas Land & Investment Limited ("COLI" and its Subsidiaries, Together, "COLI Group")

The Group has entered into a number of transactions with members of COLI Group. Since COLI is a subsidiary of China Overseas Holdings Limited ("COHL", and its subsidiaries, together "COHL Group"), the controlling shareholder (as defined under the Listing Rules) of the Company, members of COLI Group were regarded as connected persons of the Group upon the Listing Date.

Master COLI Property Management Services Agreement

On 9 October 2015, the Company and COLI entered into a framework agreement (the "Master COLI Property Management Services Agreement") pursuant to which the Group agreed to provide property management services to COLI Group's residential communities and commercial properties in the PRC, Hong Kong and Macau on terms set out therein for the period from 1 June 2015 and ending on 31 May 2018 provided that the maximum total amounts payable to the Group by COLI Group for property management services under the Master COLI Property Management Services Agreement for the period between 1 June 2015 and 31 December 2015 shall not exceed HK$264,400,000, for each of the two years ending 31 December 2017 shall not exceed HK$405,000,000 and HK$462,500,000 respectively, and for the period between 1 January 2018 and 31 May 2018 shall not exceed HK$210,000,000.

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.

Report of Directors (Continued)

On 30 June 2016, the Company and COLI entered into a Supplemental Agreement to the Master COLI Property Management Services Agreement (the "Supplemental Agreement – COLI Property Management Services") pursuant to which the caps for each of the two years ending 31 December 2017 were reduced to HK$402,363,000 and HK$457,541,000 respectively, and the cap for the period between 1 January 2018 and 31 May 2018 was reduced to HK$207,459,000. The aforesaid reduction of caps was attributable to (i) the transfer of the entire issued share capital of Precious Deluxe Global Limited ("Precious Deluxe") from COLI Group to CSCIHL Group ("Precious Deluxe Share Transfer") and (ii) the transfer of the entire issued share capital of Treasure Trinity Limited ("Treasure Trinity") from COLI Group to COHL Group ("Treasure Trinity Share Transfer") and the Group was currently providing property management services to Precious Deluxe and its subsidiaries ("Precious Deluxe Group") and Treasure Trinity and its subsidiaries ("Treasure Trinity Group") respectively. The reduction of caps represented the expected total amounts of reduction in property management services fees payable from COLI Group to the Group as a result of the completion of Precious Deluxe Share Transfer and Treasure Trinity Share Transfer. Save for the aforesaid reduction of caps, all other terms and conditions of the Master COLI Property Management Services Agreement remained unchanged. Details of the Supplemental Agreement – COLI Property Management Services had been disclosed in the Company's announcement dated 30 June 2016.

For the year ended 31 December 2016, the total amount paid to the Group by COLI Group for the property management services under the Master COLI Property Management Services Agreement and the Supplemental Agreement – COLI Property Management Services was HK$291,817,000 which did not exceed the revised cap of HK$402,363,000.

Master Engineering Services Agreement

On 9 October 2015, the Company and COLI entered into a framework agreement (the "Master Engineering Services Agreement") pursuant to which the Group agreed to provide 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 terms set out therein for the period from 1 June 2015 and ending on 31 May 2018 provided that the maximum total amounts payable to the 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$25,500,000, for each of the two years ending 31 December 2017 shall not exceed HK$29,800,000 and HK$31,600,000 respectively, and for the period between 1 January 2018 and 31 May 2018 shall not exceed HK$14,000,000.

As the applicable percentage ratios 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 year ended 31 December 2016, the total amount paid to the Group by COLI Group under the Master Engineering Services Agreement was HK$14,885,000 which did not exceed the cap of HK$29,800,000.

Report of Directors (Continued)

Master COLI Lease Agreement

On 9 October 2015, the Company and COLI entered into a framework agreement (the "Master COLI Lease Agreement") pursuant to which the Group might lease properties from COLI Group on terms set out therein for the period from 1 June 2015 and ending on 31 May 2018 provided that the maximum total rent payable to COLI Group by the Group for the lease of properties under the Master COLI Lease Agreement for the period between 1 June 2015 and 31 December 2015 shall not exceed HK$3,900,000, for each of the two years ending 31 December 2017 shall not exceed HK$6,600,000 and HK$6,700,000 respectively, and for the period between 1 January 2018 and 31 May 2018 shall not exceed HK$2,900,000.

As the applicable percentage ratios in respect of the caps under the Master COLI 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 COLI 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.

On 30 June 2016, the Company and COLI entered into a Supplemental Agreement to the Master COLI Lease Agreement (the "Supplemental Agreement – COLI Lease") pursuant to which the caps for each of the two years ending 31 December 2017 were reduced to HK$4,129,000 and HK$1,850,000 respectively, and the cap for the period between 1 January 2018 and 31 May 2018 was reduced to HK$750,000. The aforesaid reduction of caps were attributable to the Precious Deluxe Share Transfer and the Group was leasing property from Precious Deluxe Group. The reduction of caps represented the expected total amounts of reduction in rent payable from the Group to COLI Group for the lease of property as a result of the completion of Precious Deluxe Share Transfer. Save for the aforesaid reduction of caps, all other terms and conditions of the Master COLI Lease Agreement remained unchanged. Details of the Supplement Agreement – COLI Lease had been disclosed in the Company's announcement dated 30 June 2016.

For the year ended 31 December 2016, the total amount paid to the COLI Group by the Group for the lease of properties under the Master COLI Lease Agreement and the Supplemental Agreement – COLI Lease was HK$3,682,000 which did not exceed the revised cap of HK$4,129,000.

Entrusted Management Agreement

On 18 October 2016, the Company and Hainan Ruler Limited ("Hainan"), a wholly-owned subsidiary of COLI, entered into an entrusted management agreement ("Entrusted Management Agreement") pursuant to which Hainan agreed to entrust the Company to manage 14 companies established in the PRC ("Entrusted Companies") which are principally engaged in property management businesses in PRC owned by COLI Group in respect of their business operation and administration for a term of one year, with monthly entrusted management fee of RMB500,000. Accordingly, the entrusted management fee for the year ended 31 December 2016 shall not exceed RMB1,750,000 and for the year ending 31 December 2017 shall not exceed RMB4,250,000. The total amounts of entrusted management fees payable to the Group by COLI Group under the Entrusted Management Agreement were RMB6,000,000.

Report of Directors (Continued)

Since the highest applicable percentage ratio is 0.1% or more but less than 5%, the Entrusted Management Agreement and the transactions contemplated thereunder are subject to annual review, reporting and announcement requirements but exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

Details of the Entrusted Management Agreement had been disclosed in the Company's announcement dated 18 October 2016.

For the year ended 31 December 2016, the total amount payable to the Group by COLI Group for managing the Entrusted Companies under the Entrusted Management Agreement was RMB1,750,000 (equivalent to approximately HK$2,071,000) which did not exceed the cap of RMB1,750,000.

Continuing Connected Transactions with China State Construction International Holdings Limited ("CSCIHL" and its Subsidiaries, Together, "CSCIHL Group")

The Group has entered into a number of transactions with members of CSCIHL Group. Since CSCIHL is a subsidiary of COHL, members of CSCIHL Group were regarded as connected persons of the Group upon the Listing Date.

Master Security Services Agreement

On 26 June 2015, the 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 for the work sites of CSCIHL Group in Hong Kong by the 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 the 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$10,000,000, for each of the two years ending 31 December 2017 shall not exceed HK$20,000,000 and HK$20,000,000 respectively, and for the period between 1 January 2018 and 30 June 2018 shall not exceed HK$10,000,000.

As the applicable percentage ratios 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 year ended 31 December 2016, the total contract sum awarded to the Group by CSCIHL Group under the Master Security Services Agreement was HK$8,834,000 which did not exceed the cap of HK$20,000,000.

Report of Directors (Continued)

Master CSCIHL Property Management Services Agreement

The Group has been providing property management services to certain office premises in Hong Kong leased by CSCIHL Group in the ordinary and usual course of business of the Group from time to time. After the Listing Date, the Group continued to provide property management services to CSCIHL Group and the estimated total fees payable to the Group by CSCIHL Group for the property management services for each of the two years ending 31 December 2017 shall not exceed HK$141,000 and HK$141,000 respectively and for the period between 1 January 2018 and 31 May 2018 shall not exceed HK$59,000 (as disclosed in the listing document issued by the Company on 14 October 2015) which were regarded as de minimis continuing connected transactions exempt from reporting, announcement, annual review and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

On 30 June 2016, the Group and CSCIHL entered into a framework agreement (the "Master CSCIHL Property Management Services Agreement") pursuant to which the Group agree to provide property management services to CSCIHL Group's commercial properties in Hong Kong for the period from 25 June 2016 and ending on 31 May 2018 provided that the maximum total amounts payable to the Group by CSCIHL Group for the property management services under the Master CSCIHL Property Management Services Agreement for the period between 25 June 2016 and 31 December 2016 shall not exceed HK$2,331,000, for the year ending 31 December 2017 shall not exceed HK$4,300,000 and for the period between 1 January 2018 and 31 May 2018 shall not exceed HK$2,100,000. The increase of caps represented the expected total amounts payable to the Group by Precious Deluxe Group for the property management services after the completion of the Precious Deluxe Share Transfer. Details of the Master CSCIHL Property Management Services Agreement had been disclosed in the Company's announcement dated 30 June 2016.

For the period from 25 June 2016 to 31 December 2016, the total amount paid to the Group by CSCIHL Group for the property management services under the Master CSCIHL Property Management Services Agreement was HK$1,565,000 which did not exceed the cap of HK$2,331,000.

Master CSCIHL Lease Agreement

The Group has been leasing properties from CSCIHL Group in the ordinary and usual course of business of the Group from time to time. After the Listing Date, the Group continued to lease properties from CSCIHL Group and the estimated total rent payable to CSCIHL Group by the Group for the leasing of properties for each of the two years ending 31 December 2017 shall not exceed HK$48,000 and HK$50,000 respectively and for the period between 1 January 2018 and 31 May 2018 shall not exceed HK$50,000 (as disclosed in the listing document issued by the Company on 14 October 2015) which were regarded as de minimis continuing connected transactions exempt from reporting, announcement, annual review and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Report of Directors (Continued)

On 30 June 2016, the Group and CSCIHL entered into a framework agreement (the "Master CSCIHL Lease Agreement") pursuant to which the Group might lease properties from CSCIHL Group for the period from 25 June 2016 and ending on 31 May 2018 provided that the maximum total rent payable to CSCIHL Group by the Group for the period between 25 June 2016 and 31 December 2016 shall not exceed HK$2,519,000, for the year ending 31 December 2017 shall not exceed HK$4,900,000 and for the period between 1 January 2018 and 31 May 2018 shall not exceed HK$2,200,000. The increase of caps represented the expected total amounts of rent payable to Precious Deluxe Group for leasing of property after the completion of the Precious Deluxe Share Transfer. Details of the Master CSCIHL Lease Agreement had been disclosed in the Company's announcement dated 30 June 2016.

For the period from 25 June 2016 to 31 December 2016, the amount of total rent paid to the CSCIHL Group for the leasing of properties under the Master CSCIHL Lease Agreement was HK$1,853,000 which did not exceed the annual cap of HK$2,519,000.

Continuing Connected Transactions with China Overseas Grand Oceans Group Limited ("COGO" and its Subsidiaries, Together, "COGO Group")

The Group has entered into a number of transactions in relation to property management services with members of COGO Group. Since COGO is an associate (as defined under the Listing Rules) of COHL, members of COGO Group were regarded as connected persons of the Group upon the Listing Date.

Master COGO Property Management Services Agreement

On 1 June 2015, the Company and COGO entered into a framework agreement (the "Master COGO Property Management Services Agreement") to govern the provision of property management services by the Group to COGO Group for the period from 1 June 2015 and ending on 31 May 2018 provided that the maximum total amounts payable to the 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 RMB30,000,000, for each of the two years ending 31 December 2017 shall not exceed RMB50,000,000 and RMB60,000,000 respectively, and for the period between 1 January 2018 and 31 May 2018 shall not exceed RMB35,000,000.

As the applicable percentage ratios 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 year ended 31 December 2016, the total amount paid to the Group by COGO Group for property management services under the Master COGO Property Management Services Agreement was RMB36,602,000 (equivalent to approximately HK$43,316,000) which did not exceed the cap of RMB50,000,000.

Report of Directors (Continued)

Aggregation of Continuing Connected Transactions

Aggregation of leasing transactions

The Directors of the Company are of the view that the Master COLI Lease Agreement and the Master CSCIHL Lease Agreement 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 in respect of the caps (after taking into account the reduction of caps under the Supplemental Agreement – COLI Lease and the corresponding increase of caps of same magnitude under the Master CSCIHL Lease Agreement) 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.

For the year ended 31 December 2016, the transaction amount of the aforesaid continuing connected transactions was, in aggregate, HK$5,535,000, 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

The Directors of the Company 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 CSCIHL Property Management Services Agreement; (v) the Master COGO Property Management Services Agreement; and (vi) other de minimis transactions of same nature are entered into by the 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 in respect of the caps/estimated future transaction amount (after taking into account of the increase of caps under the Master CSCIHL Property Management Services Agreement and the estimated total fees payable to the Group from COHL Group for the provision of property management services attributable to the Treasure Trinity Group, and the corresponding reduction of caps of same magnitude under the Master COLI Property Management Services Agreement) 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 year ended 31 December 2016, the transaction amount of the aforesaid continuing connected transactions and other de minimis transactions of same nature was, in aggregate, HK$364,203,000, the applicable percentage ratios of which are more than 5%. Such continuing connected transactions are subject to the annual review, reporting, announcement and the independent shareholders' approval requirements 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.

Report of Directors (Continued)

Review and Approval

Pursuant to Rule 14A.55 of the Listing Rules, the above continuing connected transactions 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) on normal commercial terms or better; 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.

The auditor has issued his unqualified letter containing his findings and conclusions in respect of the continuing connected transactions disclosed by the Group on pages 71 to 76 of this 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 Company's board of directors.

(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.

Report of Directors (Continued)

Retirement Benefit Scheme

The Group has joined a mandatory provident fund scheme (the "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

There is no contracts relating to the management and/or administration of the whole or any substantial part of the business of the Company was 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 Annual Report as required under the Listing Rules.

Pre-Emptive Rights

There are no provisions for pre-emptive rights under the articles of association of the Company and 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.

Corporate Governance

Principal corporate governance practices adopted by the Company are set out in the Corporate Governance Report on pages 38 to 57 of this Annual Report.

Report of Directors (Continued)

Business Review

The business review of the Group including the information below are set out in the Management Discussion and Analysis on pages 23 to 33 of this Annual Report:

(a) A fair review of the Group's business;

(b) A description of the principal risk management strategies of the Group;

(c) An analysis using financial key performance indicators;

(d) 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

(e) An account of the Group's key relationships with its employees, customers and suppliers that have a significant impact on the Group and on which the Group's success depends.

Auditor

PricewaterhouseCoopers has acted as auditor of the Company since the year of 2012. The financial statements have been audited by PricewaterhouseCoopers who will retire and, being eligible, offer themselves for re-appointment at the 2017 AGM.

A resolution will be proposed at the 2017 AGM to re-appoint PricewaterhouseCoopers as auditor of the Company.

On behalf of the Board

Xiao Xiao
Chairman and Non-executive Director

Hong Kong, 17 March 2017

Independent Auditor's Report

pwc 羅兵咸永道

TO THE SHAREHOLDERS OF CHINA OVERSEAS PROPERTY HOLDINGS LIMITED
(incorporated in the Cayman Islands with limited liability)

Opinion

What we have audited

The consolidated financial statements of China Overseas Property Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 86 to 146, which comprise:

- the consolidated statement of financial position as at 31 December 2016;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2016, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

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

Independence

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

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Independent Auditor's Report (Continued)

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

A key audit matter identified in our audit is summarised as follows:

Key Audit Matter	How our audit addressed the Key Audit Matter
Recoverability of trade receivables from property management services under lump sum basis and payments on behalf of property owners for properties managed under commission basis *Refer to notes 3, 4 and 21 to the consolidated financial statements.* As at 31 December 2016, the Group had gross trade receivables of HK$253.2 million, which are mainly arisen from property management services under lump sum basis ("Trade Receivables under Lump Sum Basis"), and HK$33.2 million of gross payments on behalf of property owners for properties managed under commission basis ("Other Receivables under Commission Basis") (collectively "Receivables"). Management has assessed the recoverability of the Receivables and impairment provision of HK$21.6 million and HK$13.2 million were made, respectively, against the Trade Receivables under Lump Sum Basis and Other Receivables under Commission Basis as at 31 December 2016. The assessment of the recoverability and impairment provision of the Receivables involves significant management judgments and estimates as it involves the consideration of a number of factors, including, among others, reasons behind the outstanding settlements, aging profile, subsequent settlement, and repayment ability of the property owners in respect of properties managed.	Our audit procedures in relation to the recoverability of the Trade Receivables under Lump Sum Basis included: • We evaluated the design and operating effectiveness of key internal controls with particular focus on the monitoring and assessment of the recoverability of Trade Receivables under Lump Sum Basis; • We obtained management's assessment on the recoverability of Trade Receivables under Lump Sum Basis, assessed its reasonableness with reference to the reasons behind the outstanding settlement, aging profile and historical settlement patterns, and corroborated management's explanation to underlying documentation and correspondence with the property owners; • We tested, on a sample basis, the aging of Trade Receivables under Lump Sum Basis as at 31 December 2016 to invoices and the settlement pattern of long-aged Trade Receivables under Lump Sum Basis during the year to cash receipts and the related supporting documentation; • We also tested, on a sample basis, the subsequent settlement of Trade Receivables under Lump Sum Basis to cash receipts and the related supporting documentation.

Independent Auditor's Report (Continued)

Key Audit Matters (Continued)

Key Audit Matter	How our audit addressed the Key Audit Matter
	Our audit procedures in relation to the recoverability of Other Receivables under Commission Basis included: • We evaluated the design and operating effectiveness of key internal controls with particular focus on the monitoring and assessment of the recoverability of Other Receivables under Commission Basis; • We obtained management's assessment on the recoverability of Other Receivables under Commission Basis, assessed its reasonableness with reference to the reasons behind making payments on behalf of property owners and the repayment history/ability of property owners, and corroborated management's explanation to underlying documentation and correspondence with the property owners; • We tested, on a sample basis, the key assumptions (including the property management fee and collection rates, staff costs and sub-contracting fees) used in the assessment of repayment ability of property owners against supporting evidences (including the property management contracts, historical collection rates and budgets). We found the judgments and assumptions used by management in determining the recoverable amounts of the Receivables are supportable by the available evidences.

Other Information

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Independent Auditor's Report (Continued)

Responsibilities of Directors and the Audit Committee for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA 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.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The audit committee is responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We 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. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

Independent Auditor's Report (Continued)

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (Continued)

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the audit committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the audit committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the audit committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Mr. Ho Chi Keung.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 17 March 2017

Consolidated Income Statement

For the year ended 31 December 2016

	Note	Year ended 31 December 2016 HK$'000	2015 HK$'000
Revenue	7	**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	9	**26,135**	19,244
Gain arising from changes in fair value of investment properties	16	**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	10	**(6,963)**	(1,988)
Profit before tax		**326,305**	161,026
Income tax expenses	11	**(100,009)**	(43,976)
Profit for the year attributable to owners of the Company	12	**226,296**	117,050
EARNINGS PER SHARE (HK cents)			
Basic and diluted	14	**6.88**	3.56

The notes on pages 92 to 146 are an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2016

	Year ended 31 December 2016 HK$'000	2015 HK$'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

The notes on pages 92 to 146 are an integral part of these consolidated financial statements.

Consolidated Statement of Financial Position

As at 31 December 2016

	Note	As at 31 December 2016 HK$'000	2015 HK$'000
Non-current assets			
Investment properties	16	**66,641**	70,576
Property, plant and equipment	17	**26,978**	33,103
Prepaid lease payments for land	18	**3,206**	3,866
Interest in an associate	19	**191**	330
Deferred tax assets	29	**2,032**	2,993
		99,048	110,868
Current assets			
Inventories	20	**97**	585
Trade and other receivables	21	**289,988**	266,514
Deposits and prepayments		**26,514**	21,969
Prepaid lease payments for land	18	**404**	433
Amount due from immediate holding company	22	**57**	–
Amounts due from fellow subsidiaries	22	**32,885**	20,497
Amounts due from related companies	22	**6,936**	3,907
Tax prepaid		**871**	–
Bank balances and cash	23	**2,112,309**	1,740,937
		2,470,061	2,054,842
Current liabilities			
Trade and other payables	24	**1,030,432**	845,928
Receipts in advance and other deposits	25	**413,360**	403,465
Amount due to immediate holding company	26	**651**	–
Amounts due to fellow subsidiaries	26	**3,046**	14,771
Amounts due to related companies	26	**4,285**	–
Tax liabilities		**68,923**	80,100
Bank borrowing	27	**–**	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	29	**10,283**	7,085
Bank borrowing	27	**310,000**	–
		320,283	7,085
Net assets		**728,129**	630,361
Capital and reserves			
Share capital	28(a)	**3,287**	3,287
Reserves	28(c)	**724,842**	627,074
Total equity attributable to owners of the Company		**728,129**	630,361

The financial statements on pages 86 to 146 were approved by the Board of Directors on 17 March 2017 and were signed on its behalf by:

Wang Qi
Director

Luo Xiao
Director

The notes on pages 92 to 146 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2016

	Attributable to owners of the Company						
	Share capital HK$'000 (Note 28(a))	Translation reserve HK$'000 (Note 28(c)(i))	PRC statutory reserve HK$'000 (Note 28(c)(ii))	Special reserve HK$'000 (Note 28(c)(iii))	General reserve HK$'000 (Note 28(c)(iv))	Retained profits HK$'000	Total HK$'000
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 28 (c)(iii))	–	–	–	(14,884)	–	–	(14,884)
Capital contribution from China Overseas Land & Investment Limited ("COLI") relating to listing expenses borne by COLI (Note 32 (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
At 1 January 2016	**3,287**	**722**	**35,771**	**18,138**	**34,509**	**537,934**	**630,361**
Profit for the year	–	–	–	–	–	226,296	226,296
Exchange differences on translation of subsidiaries of the Company	–	(52,931)	–	–	–	–	(52,931)
Total comprehensive income for the year	–	(52,931)	–	–	–	226,296	173,365
Transfer to PRC statutory reserve	–	–	12	–	–	(12)	–
2015 final dividend approved (Note 15)	–	–	–	–	(34,509)	(4,933)	(39,442)
2016 interim dividend declared (Note 15)	–	–	–	–	–	(36,155)	(36,155)
	–	–	12	–	(34,509)	(41,100)	(75,597)
At 31 December 2016	**3,287**	**(52,209)**	**35,783**	**18,138**	**–**	**723,130**	**728,129**

The notes on pages 92 to 146 are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2016

	Note	Year ended 31 December 2016 HK$'000	2015 HK$'000
OPERATING ACTIVITIES			
Profit before tax		**326,305**	161,026
Adjustments for:			
Share of profit of an associate		**(161)**	(157)
Finance costs		**6,963**	1,988
Write back of trade and other receivables previously written off		**(1,121)**	(18,755)
(Reversal of impairment provision)/impairment provision for trade and other receivables, net		**(33,444)**	8,425
(Reversal of impairment provision)/impairment provision for amounts due from fellow subsidiaries and related companies — trade, net		**(1,074)**	1,393
Depreciation and amortisation		**10,726**	21,630
Gain arising from changes in fair value of investment properties		**(769)**	(4,150)
Interest income		**(15,847)**	(11,420)
(Gain)/loss on disposals of property, plant and equipment, net		**(171)**	100
Operating cash flows before movements in working capital		**291,407**	160,080
Decrease in inventories		**476**	6,282
Increase in trade and other receivables, deposits and prepayments		**(9,817)**	(36,065)
Increase in amount due from immediate holding company — trade		**(57)**	–
(Increase)/decrease in amounts due from fellow subsidiaries — trade		**(13,450)**	89,986
Increase in amounts due from related companies — trade		**(2,722)**	(1,484)
Increase in trade and other payables, receipts in advance and other deposits		**282,333**	235,384
Increase in amount due to immediate holding company		**651**	–
Decrease in amounts due to fellow subsidiaries — trade		**(11,388)**	(3,437)
Increase in amounts due to related companies — trade		**4,515**	–
Cash generated from operations		**541,948**	450,746
Income taxes paid		**(102,471)**	(33,050)
NET CASH FROM OPERATING ACTIVITIES		**439,477**	417,696
INVESTING ACTIVITIES			
Interest received		**18,014**	9,131
Dividend received from an associate		**300**	–
Purchase of property, plant and equipment		**(6,907)**	(13,275)
Acquisition of subsidiaries (net of cash and cash equivalents acquired)		**–**	(33,626)
Acquisition of acquired companies in connection with the Reorganisation		**–**	(14,884)
Repayment from fellow subsidiaries — non-trade		**–**	356,910
Repayment from a related company — non-trade		**–**	66,923
Net proceeds on disposals of property, plant and equipment		**771**	419
NET CASH FROM INVESTING ACTIVITIES		**12,178**	371,598

Consolidated Statement of Cash Flows (Continued)

For the year ended 31 December 2016

	Note	Year ended 31 December 2016 HK$'000	2015 HK$'000
FINANCING ACTIVITIES			
Interest paid		(6,704)	(1,974)
Issue of share capital	28(a)	–	3,287
Repayment to fellow subsidiaries — non-trade		–	(237,745)
New bank borrowing		336,000	184,000
Repayment of bank borrowing		(210,000)	–
Dividends paid to owners of the Company	15	(75,597)	–
NET CASH FROM/(USED IN) FINANCING ACTIVITIES		43,699	(52,432)
NET INCREASE IN CASH AND CASH EQUIVALENTS		495,354	736,862
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		1,740,937	1,088,601
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		(123,982)	(84,526)
CASH AND CASH EQUIVALENTS AT END OF YEAR		2,112,309	1,740,937

The notes on pages 92 to 146 are an integral part of these consolidated financial statements.

Notes to the Financial Statements

For the year ended 31 December 2016

1 General

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

2 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").

Amendment to HKAS 1	Disclosure Initiative
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendment to HKAS 27	Equity Method in Separate Financial Statements
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception
Annual Improvements Project	Annual Improvements 2012–2014 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.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2016

2 Application of new and revised Hong Kong Financial Reporting Standards (Continued)

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective.

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

The Group has already commenced an assessment of the impact of these new or 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.

3 Significant accounting policies

Basis of Preparation

The consolidated financial statements have been prepared in accordance with all applicable HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Listing Rules 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.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2016

3 Significant accounting policies (Continued)

Basis of Consolidation (Continued)

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.

Business Combinations — acquisition method

Except for the acquisition of the acquired companies (note 28(c)(iii)), 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.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2016

3 Significant accounting policies (Continued)

Basis of Consolidation (Continued)

Business Combinations – acquisition method (Continued)

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.

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.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2016

3 Significant accounting policies (Continued)

Basis of Consolidation (Continued)

Business Combinations — acquisition method (Continued)

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 2016

3 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 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 2016

3 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 2016

3 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 immediate holding company, 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 2016

3 Significant accounting policies (Continued)

Financial Instruments (Continued)

Financial Assets (Continued)

Impairment of 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 loss 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 immediate holding company, fellow subsidiaries and related companies, 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 2016

3 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, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

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.

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are removed from the statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2016

3 Significant accounting policies (Continued)

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.

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.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2016

3 Significant accounting policies (Continued)

Leases

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

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.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2016

3 Significant accounting policies (Continued)

Taxation (Continued)

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.

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.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2016

3 Significant accounting policies (Continued)

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 value-added taxes and 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.

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.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2016

3 Significant accounting policies (Continued)

Employee Benefits (Continued)

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.

Share-based payments

Share-based payment transactions among group entities

Incentive shares granted by an intermediate holding company to the employees of the Group is treated as capital contribution. The fair value of employee services received, measured by reference to the fair value of incentive shares on the date of grant, is recognised as an expense over the vesting period, with a corresponding credit to equity.

At the end of each reporting period, the Group revises its estimates of the number of incentive shares that are expected to be vested. The impact of the revision of the original estimates, if any, is recognised in profit or loss, with a corresponding adjustment to equity.

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 to 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 2016

4 Key sources of estimation uncertainty

In the application of the Group's accounting policies, which are described in note 3, 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 the 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 management takes into consideration a number of factors, including, among others, reasons behind the outstanding settlements, aging profile, subsequent settlement and repayment ability of the property owners in respect of properties managed.

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 factors, including, among others, reasons behind the outstanding settlements, aging profile, subsequent settlement and repayment ability of the property owners in respect of properties managed.

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 2016

4 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$66,641,000 (2015: HK$70,576,000). 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 2016

5 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 27, bank balances and cash 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 balance 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:

		As at 31 December	
Financial metric	**Formula**	**2016**	2015
Gearing ratio	Total borrowings divided by total equity attributable to owners of the Company	**42.6%**	29.2%

The Group was in a net cash position as at 31 December 2015 and 2016.

6 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 3.

(a) Categories of financial instruments

	As at 31 December	
	2016	2015
	HK$'000	HK$'000
Financial assets		
Loans and receivables at amortised cost (including bank balances and cash)	**2,448,221**	2,038,800
Financial liabilities		
Liabilities at amortised cost	**(1,505,146)**	(1,182,436)

Notes to the Financial Statements (Continued)

For the year ended 31 December 2016

6 Financial instruments (Continued)

(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 immediate holding company, 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.

(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$2,112,309,000 (2015: HK$1,740,937,000), and variable-rate bank borrowing amounting to approximately HK$310,000,000 (2015: HK$184,000,000). 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$18,023,000 (2015: HK$15,569,000). This is mainly attributable to the Group's exposure to cash flow interest rates on its variable-rate bank balances and bank borrowing.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2016

6 Financial instruments (Continued)

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

(ii) Credit risk

As at 31 December 2016, 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.

For the amounts due from immediate holding company, 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 immediate holding company, fellow subsidiaries and related companies. The details are disclosed in note 22.

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 the terms of 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 records 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 flows 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 2016

6 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 bank balances and cash 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. The undiscounted amounts are subject to changes if change in variable rates differ to these estimates of interest rates determined at the end of the reporting period.

	Within 1 year or on demand HK$'000	Between 1 and 2 years HK$'000	Between 2 and 5 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount HK$'000
As at 31 December 2016					
Trade and other payables	**1,030,432**	**–**	**–**	**1,030,432**	**1,030,432**
Other deposits	**156,732**	**–**	**–**	**156,732**	**156,732**
Amount due to immediate holding company	**651**	**–**	**–**	**651**	**651**
Amounts due to fellow subsidiaries	**3,046**	**–**	**–**	**3,046**	**3,046**
Amounts due to related companies	**4,285**	**–**	**–**	**4,285**	**4,285**
Bank borrowing	**7,468**	**7,468**	**313,416**	**328,352**	**310,000**
	1,202,614	**7,468**	**313,416**	**1,523,498**	**1,505,146**
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

(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 flows 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 2016

7 Revenue

Revenue comprises of revenue from property management services and value-added services. 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 8). An analysis of the Group's revenue for 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 revenue	**2,563,360**	2,544,398

8 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 ("O2O") platform and consulting services (for other property management companies).

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 2016

8 Segment information (Continued)

Segment revenue and results

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
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 accounting policies of the reportable segments are the same as the Group's accounting policies described in note 3.

Segment profit included profits from the Company, the subsidiaries and share of profit of an associate whereas corporate expenses mainly representing professional fees, directors' emoluments and other corporate expenses. 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 2016

8 Segment information (Continued)

Segment assets and liabilities

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

	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)**
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)

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.

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**

Notes to the Financial Statements (Continued)

For the year ended 31 December 2016

8 Segment information (Continued)

Other segment information (Continued)

	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

Revenue by types of services

An analysis of the Group's revenue for the year by types of services is set out in note 7.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2016

8 Segment information (Continued)

Geographical information

The Group's property management services 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 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 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 32(b) to the financial statements.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2016

9 Other income and gains, net

	Year ended 31 December 2016 HK$'000	2015 HK$'000
Other income and gains, net include:		
Interest income on bank deposits	**15,847**	11,420
Unconditional government grants	**8,260**	5,694

10 Finance costs

	Year ended 31 December 2016 HK$'000	2015 HK$'000
Interest and initial cost on bank borrowing	**6,963**	1,988

11 Income tax expenses

	Year ended 31 December 2016 HK$'000	2015 HK$'000
Current tax:		
Hong Kong profits tax	**1,184**	1,883
Macau complementary income tax	**198**	92
PRC enterprise income tax ("EIT")	**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
	17	65
Deferred tax (note 29):		
Current year	**4,716**	321
Total	**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%).

Notes to the Financial Statements (Continued)

For the year ended 31 December 2016

11 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$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.

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	
	2016	2015
	HK$'000	HK$'000
Profit before tax	**326,305**	161,026
Tax at the applicable tax rate of 25%	**81,576**	40,256
Tax effect of share of profit of an associate	**(40)**	(39)
Tax effect of expenses not deductible for tax purpose	**3,430**	7,871
Tax effect of income not taxable for tax purpose	**(3,853)**	(384)
Effect of different tax rates applicable to subsidiaries operating in Hong Kong and Macau	**(705)**	(1,252)
Income tax at concessionary tax rate	**(2,180)**	(2,050)
Tax effect of tax losses not recognised	**10,340**	5,396
Utilisation of tax losses previously not recognised	**(1,019)**	(7,727)
Under-provision in prior years	**17**	64
Withholding tax on dividends distributed from a PRC subsidiary	**11,785**	1,000
Others	**658**	841
Income tax expenses for the year	**100,009**	43,976

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 payment of EIT provision of the Group is affected by the assessable profit and tax losses attributable to the PM Branches under commission basis. For financial accounting purposes, the Group has made relevant provision based on assessable profit at the applicable tax rates of our PM Branches under lump sum basis.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2016

12 Profit for the year

	Year ended 31 December 2016 HK$'000	2015 HK$'000
Profit for the year has been arrived at after charging/(crediting):		
Auditor's remuneration		
— Audit services in respect of annual audit and the listing	2,010	3,757
— Non-audit services	112	1,630
Other professional fees in respect of the listing	–	26,809
Business tax and other levies	44,704	114,703
Write back of trade and other receivables previously written off	(1,121)	(18,755)
(Reversal of impairment provision)/impairment provision for trade and other receivables, net	(33,444)	8,425
(Reversal of impairment provision)/impairment provision for amounts due from fellow subsidiaries and related companies — trade, net	(1,074)	1,393
Depreciation of property, plant and equipment, included in:		
— direct operating expenses	4,953	15,701
— administrative expenses	5,346	5,477
Amortisation of prepaid lease payments for land	427	452
Staff costs including directors' emoluments (Note)	1,349,911	1,463,280
Sub-contracting costs	282,538	295,068
Equipment repairs and maintenance costs	222,032	133,430
Rental expenses in respect of land and building under operating leases	21,109	17,320
Utility costs	174,433	156,939
Share of tax of an associate	26	25
(Gain)/loss on disposals of property, plant and equipment	(171)	100
Cost of inventories recognised as expenses	44,700	64,402
Rental income in respect of investment properties under operating lease	(1,381)	(1,411)
Less: Outgoings	169	208
Rental income in respect of investment properties under operating lease, net	(1,212)	(1,203)

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$92.0 million (2015: HK$93.9 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 2016

13 Directors' emoluments

The emoluments paid or payable to the directors of the Company for the years ended 31 December 2016 and 2015 are as follows:

		Year ended 31 December 2016				
		As directors				
	Note	Directors' fees HK$'000	Basic salaries, allowances and benefits-in-kind HK$'000	Performance-related bonuses (Note (a)) HK$'000	Contributions to provident fund schemes HK$'000	Total HK$'000
Executive Directors						
Wang Qi	(b)	–	1,401	6,013	239	7,653
Luo Xiao		–	708	3,429	203	4,340
Shi Yong		–	897	2,693	221	3,811
Yang Ou	(c)	–	254	–	54	308
Kam Yuk Fai		–	1,519	650	18	2,187
Non-executive Directors						
Xiao Xiao	(d)	128	–	–	–	128
Hao Jian Min	(e)	872	–	–	–	872
Independent Non-executive Directors						
Lim Wan Fung, Bernard Vincent		250	–	–	–	250
Suen Kwok Lam		360	–	–	–	360
Yung Wing Ki, Samuel		360	–	–	–	360
		1,970	4,779	12,785	735	20,269

Notes to the Financial Statements (Continued)
For the year ended 31 December 2016

13 Directors' emoluments (Continued)

	Note	Year ended 31 December 2015 As directors Directors' fees HK$'000	Basic salaries, allowances and benefits-in-kind HK$'000	Performance-related bonuses (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

(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 years ended 31 December 2016 and 2015.

(c) Mr. Yang retired from the position as the Executive Director of the Company on 6 May 2016.

(d) Mr. Xiao was appointed as the Chairman and Non-executive Director of the Company on 15 November 2016.

(e) Mr. Hao resigned from the positions as the Chairman and Non-executive Director of the Company on 15 November 2016.

No directors waived any emoluments in both years ended 31 December 2016 and 2015.

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 2016 and 2015.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2016

14 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 2016	2015
Earnings		
Earnings for the purpose of basic earnings per share (HK$'000)	**226,296**	117,050
Number of shares		
Adjusted weighted average number of ordinary share for the purpose of basic earnings per share	**3,286,860,460**	3,283,533,589
Basic earnings per share (HK cents)	**6.88**	3.56

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.

15 Dividends

The dividend paid in 2016 was HK$75,597,000 (HK2.3 cents per share) and no dividend was paid by the Company in 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.

		Dividend paid Year ended 31 December 2016	2015
	HK$'000	HK$'000	HK$'000
2015:			
Final dividend of HK1.2 cents per ordinary share	39,442	**39,442**	
	39,442		
2016:			
Interim dividend of HK1.1 cents per ordinary share	36,155	**36,155**	
Final dividend of HK$1.1 cents per ordinary share	36,155		
	72,310	**75,597**	–

Notes to the Financial Statements (Continued)

For the year ended 31 December 2016

16 Investment properties

	Completed properties in the PRC HK$'000
Fair value	
At 1 January 2015	70,402
Gain arising from changes in fair value of investment properties	4,150
Exchange realignment	(3,976)
At 31 December 2015	70,576
Gain arising from changes in fair value of investment properties	769
Exchange realignment	(4,704)
At 31 December 2016	66,641

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 the 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 2016

16 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 2016 HK$'000	Valuation techniques	Unobservable inputs	Range of unobservable inputs
Completed investment properties in the PRC				
Office	**16,798**	**Direct comparison**	**Unit price**	**RMB21,600 per square metre**
Carparks	**49,843**	**Direct comparison**	**Unit price**	**RMB129,900-RMB600,000 per carpark space**
Total	**66,641**			

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			

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 2016

17 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 2015	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	–	–	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
Exchange realignment	(724)	(290)	(852)	(2,184)	(4,050)
Additions	–	730	1,140	5,037	6,907
Disposals	–	(430)	(837)	(2,101)	(3,368)
Transfers (note)	–	(47)	(11)	(476)	(534)
At 31 December 2016	10,224	4,244	17,893	73,080	105,441
DEPRECIATION					
At 1 January 2015	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
Exchange realignment	(337)	(203)	(518)	(1,194)	(2,252)
Provided for the year	427	908	2,632	6,332	10,299
Eliminated on disposals	–	(371)	(768)	(1,629)	(2,768)
Transfers (note)	–	(4)	(4)	(191)	(199)
At 31 December 2016	5,762	2,993	13,125	56,583	78,463
CARRYING VALUES					
At 31 December 2016	4,462	1,251	4,768	16,497	26,978
At 31 December 2015	5,276	1,618	6,670	19,539	33,103

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 2016

18 Prepaid lease payments for land

	HK$'000
At 1 January 2015	5,003
Exchange realignment	(252)
Amortisation	(452)
At 31 December 2015	4,299
Exchange realignment	(262)
Amortisation	(427)
At 31 December 2016	3,610

Analysed for reporting purposes as:

	As at 31 December	
	2016 HK$'000	2015 HK$'000
Non-current asset	3,206	3,866
Current asset	404	433
	3,610	4,299

19 Interest in an associate

	As at 31 December	
	2016 HK$'000	2015 HK$'000
Cost of investments, unlisted	–	–
Share of post-acquisition profits and other comprehensive income, net of dividends received	191	330
	191	330

Set out below are the particulars of the associate as at 31 December 2016 and 2015.

Name of entity	Place of incorporation	Place of operation	As at 31 December 2016 %	2015 %	Principal activity
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 2016

20 Inventories

	As at 31 December 2016 HK$'000	2015 HK$'000
Consumables, at cost	**97**	585

21 Trade and other receivables

	As at 31 December 2016 HK$'000	2015 HK$'000
Trade receivables (note (a))	**253,197**	259,304
Less: provision for impairment	**(21,583)**	(42,556)
	231,614	216,748
Payments on behalf of property owners for properties managed under commission basis (note (b))	**33,189**	44,776
Less: provision for impairment	**(13,222)**	(28,557)
	19,967	16,219
Payments on behalf of property owners for properties managed under lump sum basis, sub-contractors and staff	**31,992**	25,443
Other receivables	**6,415**	8,104
	38,407	33,547
	289,988	266,514

(a) Trade Receivables

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

	As at 31 December 2016 HK$'000	2015 HK$'000
Trade receivables, aged		
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
Less: provision for impairment	**(21,583)**	(42,556)
	231,614	216,748

Notes to the Financial Statements (Continued)

For the year ended 31 December 2016

21 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 management takes into consideration a number of factors, including, among others, reasons behind the outstanding settlements, aging profile, subsequent settlement and repayment ability of the property owners in respect of properties managed.

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 aging of trade receivables which are past due but not impaired based on due date:

	As at 31 December	
	2016	2015
	HK$'000	HK$'000
1–30 days	**11,155**	27,905
31–90 days	**22,933**	28,358
91–365 days	**84,290**	83,038
1–2 years	**25,986**	14,960
Over 2 years	**17,590**	–
	161,954	154,261

Included in the Group's trade receivable balances are debtors with carrying amounts of approximately HK$21.6 million as at 31 December 2016 (2015: HK$42.6 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 2016

21 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	
	2016	2015
	HK$'000	HK$'000
At the beginning of the reporting period	42,556	43,907
Provision for receivables impairment	1,862	21,336
Unused amounts reversed	(21,094)	(20,032)
Write off	–	(349)
Exchange realignment	(1,741)	(2,306)
At the end of the reporting period	21,583	42,556

(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 management takes into consideration a number of factors, including, among others, reasons behind the outstanding settlements, aging profile, subsequent settlement and repayment ability of the property owners in respect of properties managed.

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$13.2 million as at 31 December 2016 (2015: HK$28.6 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	
	2016	2015
	HK$'000	HK$'000
At the beginning of the reporting period	28,557	22,614
Provision for receivables impairment	7,205	28,716
Unused amounts reversed	(21,417)	(21,246)
Exchange realignment	(1,123)	(1,527)
At the end of the reporting period	13,222	28,557

Notes to the Financial Statements (Continued)

For the year ended 31 December 2016

22 Amounts due from immediate holding company, fellow subsidiaries and related companies

	As at 31 December 2016 HK$'000	2015 HK$'000
Amount due from immediate holding company		
Trade nature	57	–
Less: provision for impairment	–	–
	57	–
Amounts due from fellow subsidiaries		
Trade nature	32,885	21,033
Less: provision for impairment	–	(536)
	32,885	20,497
Amounts due from related companies		
Trade nature	6,936	4,764
Less: provision for impairment	–	(857)
	6,936	3,907

The following is an aging analysis of amount due from immediate holding company based on invoice date presented at the end of the reporting period:

	As at 31 December 2016 HK$'000	2015 HK$'000
0–30 days	20	–
31–90 days	37	–
Over 90 days	–	–
	57	–

Notes to the Financial Statements (Continued)

For the year ended 31 December 2016

22 Amounts due from immediate holding company, fellow subsidiaries and related companies (Continued)

The following is an aging analysis of amounts due from fellow subsidiaries 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	**8,893**	1,506
31–90 days	**5,864**	1,771
91–365 days	**11,752**	17,006
1–2 years	**5,221**	219
Over 2 years	**1,155**	531
	32,885	21,033
Less: provision for impairment	**–**	(536)
	32,885	20,497

The following is an aging analysis of amounts due from related companies 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	**2,840**	1,967
31–90 days	**1,692**	903
91–365 days	**1,298**	872
1–2 years	**1,004**	–
Over 2 years	**102**	1,022
	6,936	4,764
Less: provision for impairment	**–**	(857)
	6,936	3,907

The amounts due from immediate holding company, fellow subsidiaries and related companies are repayable based on normal trading terms.

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

No provision for impairment loss on amounts due from immediate holding company, fellow subsidiaries and related companies was recognised during the year ended 31 December 2016 (2015: Nil, HK$536,000 and HK$857,000 respectively).

Notes to the Financial Statements (Continued)

For the year ended 31 December 2016

23 Bank balances and cash

All bank deposits of the Group carry interest at market rates which range from 0.01% to 3.25% (2015: 0.01% to 3.30%) per annum as at 31 December 2016.

24 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 aging analysis of trade payables presented 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

25 Receipts in advance and other deposits

	As at 31 December	
	2016	2015
	HK$'000	HK$'000
Receipts in advance	**256,628**	265,728
Other deposits	**156,732**	137,737
	413,360	403,465

Notes to the Financial Statements (Continued)

For the year ended 31 December 2016

26 Amounts due to immediate holding company, fellow subsidiaries and related companies

	As at 31 December	
	2016	2015
	HK$'000	HK$'000
Amount due to immediate holding company		
Non-trade nature	**651**	–
Amounts due to fellow subsidiaries		
Trade nature	**3,046**	14,771
Amounts due to related companies		
Trade nature	**4,285**	–

The following is an aging analysis of amounts due to fellow subsidiaries 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	**170**	4,316
31–90 days	**–**	4,406
91–365 days	**2,293**	–
1–2 years	**583**	6,049
	3,046	14,771

The following is an aging analysis of amounts due to related companies 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	**–**	–
31–90 days	**–**	–
91–365 days	**4,285**	–
	4,285	–

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

The non-trade balance of amount due to immediate holding company is unsecured, interest-free and repayable on demand.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2016

27 Bank borrowing

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

	As at 31 December 2016 HK$'000	2015 HK$'000
The bank borrowing 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.

28 Share capital and reserves

(a) Share Capital

	2016 Number of shares '000	2016 Value HK$'000	2015 Number of shares '000	2015 Value HK$'000
Issued and fully paid:				
At beginning of the year	**3,286,860,460**	**3,287**	1	–
Share subdivision	**–**	**–**	99	–
Issue of share capital	**–**	**–**	3,286,860,360	3,287
At end of the year	**3,286,860,460**	**3,287**	3,286,860,460	3,287

Notes to the Financial Statements (Continued)

For the year ended 31 December 2016

28 Share capital and reserves (Continued)

(b) Share-based Payments

Pursuant to the A-shares Restricted Stock Incentive Plan (Phase II) of China State Construction Engineering Corporation Limited ("CSCECL"), an intermediate holding company of the Company, 1,110,000 incentive shares were granted to certain employees of the Company (the "Employees", including three directors and certain senior management) on 29 December 2016 (the "Grant Date") with an exercise price of RMB4.866 per share (the "Exercise Price"), subject to a lock-up period of two years' service from the Grant Date (the "Lock-up Period"). During the Lock-up Period, these shares are not transferrable, nor subject to any guarantee, indemnity or pledge. One-third of the awards are vested each year starting from the beginning of the third year on a time-apportionment basis since the Grant Date. Subject to CSCECL's achievement of performance conditions and individual's key performance indicators, the restriction over these shares will be removed, otherwise, CSCECL has constructive obligation to repurchase the ordinary shares in cash if the performance conditions of CSCECL or individual's key performance indicators are not achieved.

The fair value of incentive shares on the date of grant determined using the Black-Scholes valuation model was RMB2.21 per share. The significant inputs into the model include closing price of RMB9.16 per share on the Grant Date, the Exercise Price, share-based payments cap at 40% of respective Employees' remuneration, average volatility of 44%, average dividend yield of 3.32% and an average annual risk-free interest rate of 2.84%. The volatility measured at the standard deviation of continuously compounded share returns is calculated based on statistical analysis of historical daily share prices.

(c) Reserves

Details of the movement in the Group's reserves are set out in the consolidated statement of changes in equity on page 89. 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 3.

(ii) PRC statutory reserve of the Group represents general and development fund reserve applicable to subsidiaries which were established in accordance with the relevant PRC regulations.

(iii) The Company has undergone the reorganisation (the "Reorganisation") before its listing on the Main Board of The Stock Exchange of Hong Kong Limited on 23 October 2015, including the acquisition of entire equity interests of 北京中建物業管理有限公司 ("CSPM Beijing"), 重慶海投物業管理有限公司 ("CSPM Chongqing") and 淄博中海親頤物業服務有限公司 ("CSPM Zibo"). The internal transfers within the Reorganisation 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 represents amount transferred from special reserve available for distribution (see note 34(a)).

Notes to the Financial Statements (Continued)

For the year ended 31 December 2016

29 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$'000	Provision for unused annual leave HK$'000	Total HK$'000
As 1 January 2015	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)
(Charged)/credited to profit or loss	(5,072)	(193)	(283)	832	(4,716)
Exchange realignment	(435)	850	142	–	557
As 31 December 2016	5,280	(12,067)	(2,296)	832	(8,251)

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	
	2016 HK$'000	2015 HK$'000
Deferred tax assets	**2,032**	2,993
Deferred tax liabilities	**(10,283)**	(7,085)
	(8,251)	(4,092)

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 2016, deferred taxation amounting to approximately HK$27,615,000 (2015: HK$55,632,000) 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 2016, the Group had unused tax losses of approximately HK$71,732,000 (2015: HK$37,721,000) 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$2,944,000 as at 31 December 2016 (2015: HK$7,317,000) 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 2016

30 Operating lease commitment

The Group as lessor

Completed investment properties with carrying amounts of approximately HK$66,641,000 as at 31 December 2016 (2015: HK$70,576,000) were let out under operating leases.

Property rental income earned is approximately HK$1,381,000 for the year ended 31 December 2016 (2015: HK$1,411,000). The office leased out has committed tenants for five 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	
	2016	2015
	HK$'000	HK$'000
Within one year	**807**	144
In the second to fifth year inclusive	**2,236**	–
	3,043	144

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	
	2016	2015
	HK$'000	HK$'000
Within one year	**17,133**	14,181
In the second to fifth year inclusive	**9,720**	14,955
	26,853	29,136

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

The Company had commitments for future minimum lease payment under non-cancellable operating lease which falls due within one year of HK$3,109,000 (2015: Nil) and in the second to fifth year inclusive of HK$1,296,000 (2015: Nil). It represents rental payable by the Company for its office property, lease is negotiated and rental is fixed for 2 years.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2016

31 Performance guarantees

As at 31 December 2016, the Group provided counter indemnities to a fellow subsidiary and a bank amounting to approximately HK$69,010,000 as at 31 December 2016 (2015: HK$64,819,000) for performance guarantees issued by the fellow subsidiary and the bank in respect of certain property management service contracts undertaken by the Group.

32 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 2016:

Related Party	Relationship with the Group
CSCEC	Ultimate holding company
CSCECL	Intermediate holding company
COHL*	Immediate holding company/Intermediate holding company
COLI*	Fellow subsidiary/Immediate holding company
China State Construction International Holdings Limited	Fellow subsidiary
China Overseas Grand Oceans Group Limited and other related companies	Joint ventures and associates of fellow subsidiaries

* Prior to the listing of the Company, 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 immediate holding company, fellow subsidiaries and related companies are disclosed in notes 22 and 26.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2016

32 Related party transactions (Continued)

(b) Transactions with related parties

Nature of transaction	Note	Year ended 31 December 2016 HK$'000	2015 HK$'000
Intermediate holding company/Immediate holding company/ Fellow subsidiaries			
Property management income	(i)	**281,816**	369,366
Engineering income	(i)	**16,171**	27,254
Rental expense	(ii)	**5,535**	5,580
Entrusted management income	(iii)	**2,071**	–
Related companies			
Property management income	(iv)	**71,161**	71,522

Notes:

(i) Property management income and engineering income are charged at rates in accordance with respective contracts.

(ii) Rental expense is charged in accordance with respective tenancy agreements.

(iii) Entrusted management income is charged at the rate in accordance with the relevant contract.

(iv) Property management income is charged at rates in accordance with respective contracts.

The related party transactions during the year ended 31 December 2016 and the period from 1 June 2015 to 31 December 2015 in respect of items (i) to (iv) above for property management income, engineering income, rental expense and entrusted management income also constitute continuing connected transactions as defined in Chapter 14A of the Listing Rules subject to respective capped amounts.

(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 2016

32 Related party transactions (Continued)

(e) Performance guarantees

As at 31 December 2016, the Group provided counter indemnities to a fellow subsidiary amounting to approximately HK$49,049,000 (2015: HK$50,027,000) 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, three (2015: four) were directors of the Company whose emoluments are included in note 13. The emoluments of the remaining two (2015: one) individuals were set out below.

	Year ended 31 December	
	2016	2015
	HK$'000	HK$'000
Basic salaries, allowances and benefits-in-kinds	**1,470**	1,030
Performance-related bonus	**3,765**	1,450
Contribution to provident fund schemes	**279**	113
	5,514	2,593

Their emoluments were within the following bands:

	Year ended 31 December	
	2016	2015
HK$2,500,001 to HK$3,000,000	**2**	1
	2	1

These individuals did not receive any emoluments as inducement to join or upon joining the Company or as compensation for loss of office during the years ended 31 December 2016 and 2015.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2016

32 Related party transactions (Continued)

(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	
	2016	2015
	HK$'000	HK$'000
Short-term benefits	**32,690**	24,459
Contribution to provident fund schemes	**1,294**	870
	33,984	25,329

Other than the emoluments of the directors disclosed under note 13, the emoluments of those members of key management of the Group were within the following bands:

	Year ended 31 December	
	2016	2015
HK$1,500,001 to HK$2,500,000	**3**	3
HK$2,500,001 to HK$3,000,000	**3**	1
	6	4

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 2016

33 Particulars of subsidiaries

As at 31 December 2016, 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	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	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

Notes to the Financial Statements (Continued)

For the year ended 31 December 2016

33 Particulars of subsidiaries (Continued)

As at 31 December 2016, the Company has direct and indirect interests in the following subsidiaries: (Continued)

Name of subsidiary	Place of incorporation/ establishment	Date of incorporation/ establishment	Registered/ issued and paid up capital	Attributable equity interest of the Group Direct %	Attributable equity interest of the Group Indirect %	Principal activities	Place of operations
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
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	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
深圳市優你家互聯網科技有限公司	PRC	31 December 2015	RMB5,000,000/ RMB2,000,000	–	100	Provision of service through O2O platform	PRC
濟南中海物業管理有限公司	PRC	10 November 2016	RMB500,000*	–	100	Real estate management	PRC

* The registered capital of the subsidiary is amounted to RMB500,000, which is yet to be paid up.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2016

34 Company statement of financial position

	Note	As at 31 December 2016 HK$'000	2015 HK$'000
Non-current assets			
Property, plant and equipment		184	208
Investment in subsidiaries		167,524	167,524
		167,708	167,732
Current assets			
Deposits and prepayments		695	1,208
Amounts due from subsidiaries		279,970	20,358
Bank balances and cash		25,239	9,610
		305,904	31,176
Current liabilities			
Other payables and accrued expenses		16,579	11,301
Amounts due to subsidiaries		–	141,618
Tax liabilities		12,133	1,000
		28,712	153,919
Net current assets/(liabilities)		277,192	(122,743)
Total assets less current liabilities		444,900	44,989
Non-current liability			
Bank borrowing		310,000	–
		310,000	–
Net assets		134,900	44,989
Capital and reserves			
Share capital	28(a)	3,287	3,287
Reserves	34(a)	131,613	41,702
Total equity		134,900	44,989

The statement of financial position of the Company was approved by the Board of Directors on 17 March 2017 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 2016

34 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 2015	–	–	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 32(c))	34,509	–	–	34,509
Transfer to general reserve	(34,509)	34,509	–	–
At 31 December 2015	–	34,509	7,193	41,702
Profit and total comprehensive income for the year	–	–	165,508	165,508
2015 final dividend approved (Note 15)	–	(34,509)	(4,933)	(39,442)
2016 interim dividend declared (Note 15)	–	–	(36,155)	(36,155)
At 31 December 2016	–	–	131,613	131,613

The Company's reserves available for distribution to shareholders at 31 December 2016 represent the balance of general reserve and retained profits of approximately HK$131.6 million (2015: approximately HK$41.7 million).

Five Year Financial Summary

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out below:

(A) Consolidated results

	2012 HK$'000	2013 HK$'000	2014 HK$'000	2015 HK$'000	**2016** **HK$'000**
Revenue	1,444,850	1,844,067	2,163,724	2,544,398	**2,563,360**
Direct operating expenses	(1,215,755)	(1,501,155)	(1,750,598)	(2,019,680)	**(1,927,043)**
Gross profit	229,095	342,912	413,126	524,718	**636,317**
Other income and gains, net	10,555	16,463	18,350	19,244	**26,135**
Gain arising from changes in fair value of investment properties	3,279	6,516	5,177	4,150	**769**
Administrative expenses	(159,122)	(247,062)	(304,344)	(385,255)	**(330,114)**
Operating profit	83,807	118,829	132,309	162,857	**333,107**
Share of profit of an associate	276	146	157	157	**161**
Finance costs	–	–	–	(1,988)	**(6,963)**
Profit before tax	84,083	118,975	132,466	161,026	**326,305**
Income tax expenses	(22,534)	(33,447)	(35,378)	(43,976)	**(100,009)**
Profit for the year attributable to owners of the Company	61,549	85,528	97,088	117,050	**226,296**
EARNINGS PER SHARE (HK cents)					
Basic and diluted	1.88	2.61	2.96	3.56	**6.88**

Five Year Financial Summary (Continued)

(B) Consolidated net assets

	As at 31 December				
	2012 HK$'000	2013 HK$'000	2014 HK$'000	2015 HK$'000	**2016** **HK$'000**
Non-current assets					
Investment properties	57,026	65,441	70,402	70,576	**66,641**
Property, plant and equipment	36,094	40,997	45,440	33,103	**26,978**
Prepaid lease payments for land	5,313	5,020	4,545	3,866	**3,206**
Interest in an associate	147	293	173	330	**191**
Deferred tax assets	1,850	3,147	2,527	2,993	**2,032**
	100,430	114,898	123,087	110,868	**99,048**
Current assets					
Inventories	4,521	9,208	6,882	585	**97**
Trade and other receivables	153,722	203,474	236,305	266,514	**289,988**
Deposits and prepayments	6,164	6,263	12,198	21,969	**26,514**
Prepaid lease payment for land	445	459	458	433	**404**
Amount due from immediate holding company	–	–	–	–	**57**
Amounts due from fellow subsidiaries	291,937	297,713	470,228	20,497	**32,885**
Amounts due from related companies	1,274	1,336	2,617	3,907	**6,936**
Tax prepaid	105	–	747	–	**871**
Bank balances and cash	751,632	1,081,914	1,088,601	1,740,937	**2,112,309**
	1,209,800	1,600,367	1,818,036	2,054,842	**2,470,061**
Current liabilities					
Trade and other payables	398,879	608,754	679,542	845,928	**1,030,432**
Receipts in advance and other deposits	298,619	334,764	397,808	403,465	**413,360**
Amount due to immediate holding company	–	–	–	–	**651**
Amounts due to fellow subsidiaries	264,776	280,249	256,809	14,771	**3,046**
Amounts due to related companies	–	118	–	–	**4,285**
Tax liabilities	36,593	52,226	74,075	80,100	**68,923**
Bank borrowing	–	–	–	184,000	**–**
	998,867	1,276,111	1,408,234	1,528,264	**1,520,697**
Net current assets	210,933	324,256	409,802	526,578	**949,364**
Total assets less current liabilities	311,363	439,154	532,889	637,446	**1,048,412**
Non-current liabilities					
Deferred tax liabilities	7,164	8,306	6,556	7,085	**10,283**
Bank borrowing	–	–	–	–	**310,000**
	7,164	8,306	6,556	7,085	**320,283**
Net assets	304,199	430,848	526,333	630,361	**728,129**
Capital and reserves					
Share capital	–	–	–	3,287	**3,287**
Reserves	304,199	430,848	526,333	627,074	**724,842**
Total equity attributable to owners of the Company	304,199	430,848	526,333	630,361	**728,129**

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