中海物業
CHINA OVERSEAS PROPERTY

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

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 2669)

ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2017

FINANCIAL HIGHLIGHTS

1. During 2017, the Group extended its geographic coverage and business volumes through the acquisition of the subsidiaries of China Overseas Land & Investment Limited, engaged in property management businesses with approximately 120 property management contracts in the PRC at a consideration of RMB190.0 million (equivalent to approximately HK$228.9 million) (the "Acquisition"). Therefore, the GFA under our management increased by 37.3% to 128.3 million sq.m. from 93.5 million sq.m. in the last year, including the new business volumes from the Acquisition of 24.1 million sq.m.. New/renewed property management contracts secured during the year amounted to a total contract sum of approximately HK$828.4 million.

2. As a result of the Acquisition, the consolidated financial statements would be presented using the merger basis of accounting. The comparative figures of last year would be restated accordingly. Revenue increased by 1.9% to HK$3,357.8 million for the year ended 31 December 2017, comparing to HK$3,296.7 million (restated) in the last year. Stripping out the effect of the Acquisition under merger accounting, total revenue for the year would be HK$2,714.2 million, with an increase of 5.9% against last year.

3. With the business volumes from the Acquisition, the gross profit further increased by 4.6% on the new foundation against the restated amount in last year to HK$802.4 million (affected by merger accounting, the gross profit in 2016 increased by 20.6% to HK$767.2 million (restated)). Gross profit margin improved to 23.9% for the year from 23.3% (restated) in the last year.

4. Profit attributable to owners of the Company for the year ended 31 December 2017 increased by 29.1% to HK$306.8 million against last year (2016: HK$237.5 million (restated)). Basic and diluted earnings per share was HK9.33 cents (2016: HK7.23 cents (restated)), represented an increase of 29.0%. Average return on equity in 2017 was 36.7% (2016: 30.6% (restated)).

5. The Board recommended the payment of a final dividend of HK1.5 cents per share (2016: HK1.1 cents per share) for the year ended 31 December 2017.

The board of directors (the "Board") of China Overseas Property Holdings Limited (the "Company") is pleased to announce the annual consolidated results of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2017. In our ongoing adherence to the customer-oriented business strategy, we have provided premium property management services in Mainland China, Hong Kong and Macau on the back of the recognition and support of property developers and owners with whom we have developed longstanding partnerships. By leveraging on the strong brand recognition of "China Overseas Property", the Group seized business opportunities in a timely manner and effectively addressed business risks by strengthening our control over resources application and allocation, while pursuing business diversification with ongoing expansion in terms of geographic coverage and business volume. On 20 October 2017, the Group entered into a sale and purchase agreement with China Overseas Land & Investment Limited ("COLI") to acquire its subsidiaries engaged in property management businesses over approximately 120 property management contracts located mainly in Beijing, Tianjin, Changsha, Shenzhen, Guangzhou, Huizhou, Shantou, Qingdao, Suzhou, Zhongshan, Foshan, Dongguan, Chengdu, Chongqing, Dalian, Haikou, Huangshan, Lushan, Sanya and Zhuhai at a consideration of RMB190.0 million (equivalent to approximately HK$228.9 million), adding 24.1 million sq.m. to our management portfolio. These property management companies had already entrusted the Group to manage their business operation since 15 September 2016. The transaction was completed on 21 December 2017. The acquisition will broaden the Group's market coverage, provide prospective synergy effect and allow the Group to capture additional market share of the property management market in Mainland China.

As at 31 December 2017, the Group provided property management services to up to 646 properties located across 73 cities and regions in Hong Kong, Macau, and the People's Republic of China (the "PRC"), with a total gross floor area ("GFA") under management of approximately 128.3 million sq.m., supported by 30,014 employees. The type 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 closely inter-related businesses. Apart from providing premium basic property management services, such as security, repair and maintenance, cleaning and landscape which would preserve and add value to properties and enhance their reputation, we have also fostered sound working relationships with property developers during the property development stage by providing comprehensive, end-to-end property management services including consultation relating to product positioning, recommendations for equipment models selection, services prior to delivery, move-in assistance services, delivery inspection services, as well as engineering services quality control and consulting services. We provide 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 relationship with the communities we serve and have earned their trust. Such relationship is conducive to the expansion of our operation from mobile application for 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 2017, taking into account the acquiring of the property management contracts, total GFA of the properties under our management increased by 37.3% or 34.8 million sq.m. to 128.3 million sq.m., comparing with last year end before the acquisition. New/renewed property management contracts secured during this year amounted to a total contract sum of approximately HK$828.4 million, with a total contract sum (for property management contracts with fixed expiry dates) for services to be rendered of approximately HK$1,530.5 million as of 31 December 2017.

As a result of the acquisition, the consolidated financial statements would be presented using the merger basis of accounting. The comparative figures of last year would be restated accordingly. The annual turnover of the Group increased by 1.9% to HK$3,357.8 million against HK$3,296.7 million (restated) in the last year. Operating profit for the year raised by 26.6% to HK$437.5 million (2016: HK$345.7 million (restated)). The profit attributable to owners of the Company for the year ended 31 December 2017 increased by 29.1% to HK$306.8 million, comparing to HK$237.5 million (restated) in 2016. Basic and diluted earnings per share was HK9.33 cents (2016: HK7.23 cents (restated)), representing an increase of 29.0%. Average return on equity was 36.7% (2016: 30.6% (restated)).

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 2017, the Group extended its geographic coverage and business volumes through the acquisition of property management businesses of approximately 120 property management contracts in the PRC from COLI at a consideration of RMB190.0 million (equivalent to approximately HK$228.9 million) (the "Acquisition"). The GFA under our management increased by 37.3% to 128.3 million sq.m. from 93.5 million sq.m. in the last year, including the new business volumes from the Acquisition of 24.1 million sq.m.. This further strengthened our revenue base and improved our market position. According to the accounting standards, the consolidated financial statements would be presented using the principles of merger accounting, as if the Group had been combined with the acquired companies in the Acquisition at the outset. The 2016's comparative figures were restated accordingly.

Despite the fact that our property management services revenue was promising with increasing GFA under our management, it was partly offset by: (i) 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"); (ii) the average effect of depreciation of Renminbi against Hong Kong dollar during the past twelve months; (iii) increased proportion of commission-based property management contracts; and (iv) the decrease in preliminary revenue from property management projects under the Acquisition. Accordingly, total revenue only increased by 1.9% to HK$3,357.8 million for the year ended 31 December 2017, comparing to HK$3,296.7 million (restated) in the last year. Stripping out the effect of the Acquisition, total revenue for the year would be HK$2,714.2 million, with an increase of 5.9% against last year.

On the other hand, direct operating expenses increased by 1.0% to HK$2,555.4 million for the year from HK$2,529.5 million (restated) in 2016, and was in line with the increase in revenue.

In 2017, with the business volumes from the Acquisition, the gross profit further increased by 4.6% on the new foundation against the restated amount in last year to HK$802.4 million (affected by merger accounting, the gross profit in 2016 increased by 20.6% to HK$767.2 million (restated)). Gross profit margin improved to 23.9% for the year from 23.3% (restated) 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, significantly increased by 61.2% to HK$47.8 million for the year (2016: HK$29.7 million (restated)), of which, interest income and unconditional government grants amounted to HK$38.5 million and HK$6.9 million respectively (2016: HK$18.0 million (restated) and HK$8.6 million (restated) respectively). The increase in interest income mainly benefited from a higher level of cash balances against last year together with more effective treasury management.

During the year, to streamline assets allocation, certain properties held for own-use were changed for rental purpose, the carrying value of investment properties thus increased to HK$106.1 million for the year from HK$66.6 million at last year. Accordingly, fair value gain on investment properties for the year was HK$6.9 million (2016: HK$0.8 million).

After deducting administrative expenses of HK$419.6 million for the year (2016: HK$451.9 million (restated)), operating profit increased by 26.6% to HK$437.5 million for the year (2016: HK$345.7 million (restated)). The decrease in administrative expenses was mainly arisen from (i) reduced cost upon efficiency enhancement; (ii) affected by the Acquisition, an one-off provision for severance payment (a total of approximately HK$23.0 million; of which HK$14.0 million was charged into administrative expenses) made in 2016 upon re-alignment of the management structure of the acquired projects and establishment of staff redundancy plan; and (iii) exchange gain of HK$21.2 million arisen from the appreciation of Renminbi at year end on dividend received/ receivable from a PRC subsidiary (2016: exchange loss of HK$8.6 million). However, the above favorable effects were partly offset by the one-off net reversal of impairment in 2016, amounted to a total of HK$33.4 million, upon improved management controls over the procedures to recover receivables and advances in timely manners.

Income tax expenses increased by 16.2% against last year to HK$121.6 million for the year

(2016: HK$104.6 million (restated)), mainly due to increase in profit before tax. Withholding income tax of HK$8.7 million (2016: HK$11.8 million) in respect of dividends distributed from a PRC subsidiary was recognised during the year.

Overall, profit attributable to owners of the Company for the year ended 31 December 2017 increased by 29.1% to HK$306.8 million (2016: HK$237.5 million (restated)).

SEGMENT INFORMATION

PROPERTY MANAGEMENT SERVICES

During 2017, the GFA under our management increased by 37.3% to 128.3 million sq.m. from 93.5 million sq.m. in the last year, including the new business volumes from the Acquisition of 24.1 million sq.m.. 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.

For the year ended 31 December 2017, revenue from property management services constituted 92.2% of total revenue (2016: 93.1% (restated)), and slightly increased by 0.9% against last year to HK$3,094.7 million (with the business volumes from the Acquisition, affected by the merger accounting, the revenue from property management services in 2016 increased by 31.4% to HK$3,067.7 million (restated)). The slowdown of revenue increase was partly due to the significant increase on the base figure due to the effect of merger accounting. Stripping out the effect of the Acquisition, total revenue for the property management service segment would increase by 5.0% to HK$2,451.1 million. In addition, part of the revenue was offset by (i) the impact of the VAT Reform; (ii) the average effect of depreciation of Renminbi against Hong Kong dollar during the past twelve months; (iii) increased proportion of commission-based property management contracts; and (iv) the decrease in preliminary revenue from property management projects under the Acquisition.

For the year ended 31 December 2017, approximately 86.1% and 7.3% of the segment revenue were generated from regular property management contracts under lump sum basis and commission basis respectively (2016: 84.5% (restated) and 6.3% (restated) respectively). Other property management services, including (for property developers) pre-delivery services and move-in assistance services, represented 6.6% of the remaining segment revenue (2016: 9.2% (restated)). Overall, the segment gross profit margin slightly increased to 21.3% for the year against 21.1% (restated) in the last year. Accordingly, the gross profit of our property management services segment increased by 2.0% to HK$660.6 million for the year ended 31 December 2017 (with the business volumes from the Acquisition, affected by the merger accounting, the gross profit from property management services in 2016 increased by 25.3% to HK$647.6 million (restated)).

After deducting administrative expenses and taking into accounts of other income, the segment profit of the property management services increased by 11.5% to HK$328.9 million for the current year (2016: HK$295.0 million (restated)). The improvement of segment result was mainly due to reduced administrative expenses upon efficiency enhancement, together with increase in interest income upon a higher level of cash balances against last year together with more effective treasury management. In addition, in current year, there were absence of the one-off net reversal of impairment on receivables and advances and the one-off provision for severance payment made upon re-alignment of the management structure of the acquired projects and establishment of staff redundancy plan in 2016 as a result of the Acquisition.

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 2017, revenue from value-added services segment constituted

7.8% of total revenue (2016: 6.9% (restated)), and increased by 14.9% to HK$263.1 million (2016: HK$229.0 million). While the profit margin of this segment increased to 53.9% for the year (2016: 52.2%), the gross profit increased by 18.6% to HK$141.8 million in 2017 from HK$119.6 million in 2016. This was mainly due to the continue development of O2O business and 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 segment profit from value-added services, having allowed for segment overhead and taking into accounts of fair value gain of investment properties, increased by 27.6% against last year to HK$130.4 million (2016: HK$102.2 million).

LIQUIDITY, FINANCIAL RESOURCES AND DEBT STRUCTURE

The Group adopts prudent financial policies, with effective financial and cash management under centralized supervision, and maintains appropriate leverage with adequate cash balances. As at 31 December 2017, net working capital amounted to HK$873.9 million (as at 31 December 2016: HK$1,008.5 million (restated)).

Bank balances and cash increased by 12.2% to HK$2,711.0 million (as at 31 December 2016: HK$2,417.3 million (restated)) of which 92.4% were denominated in Renminbi and 7.6% were denominated in Hong Kong Dollar/ Macau Pataca.

These were well above the total unsecured borrowings of HK$265.0 million from HK$550.0 million long-term revolving loan facilities. Of which, HK$160.0 million and HK$105.0 million were repayable between 1 and 2 years and between 2 and 5 years respectively. 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 31.0% as at 31 December 2017. Interest of such borrowings was charged at floating rates with a weighted average of 2.56% per annum.

CAPITAL EXPENDITURE

The capital expenditures, which mainly represent additions to motor vehicles, machinery and equipment, furniture, fixtures, office equipment and software systems, were HK$17.2 million for the year ended 31 December 2017.

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

On 20 October 2017, China Overseas Property Management Company Limited（中海物業管理有限公司）, a wholly-owned subsidiary of the Company, as the purchaser (the “Purchaser”) entered into a sale and purchase agreement (the “Sale and Purchase Agreement”) with CITIC Real Estate Group Company Limited（中信房地產集團有限公司）and Beijing CITIC Real Estate Company Limited（北京中信房地產有限公司）, the wholly-owned subsidiaries of COLI, as the sellers (the “Sellers”) whereas the Purchaser agreed to acquire the entire equity interests of CITIC Property Services Company Limited（中信物業服務有限公司, hereinafter referred to as “CITIC Property Services”）from the Sellers (the “Acquisition”) for a total consideration of RMB190.0 million (equivalent to approximately HK$228.9 million) subject to the terms and conditions of the Sale and Purchase Agreement.

CITIC Property Services and its subsidiaries are principally engaged in property management business in the PRC which currently providing property management services to around 120 properties across 20 cities in the PRC.

The Acquisition and the transactions contemplated thereunder has been duly approved by the independent shareholders of the Company at an extraordinary general meeting held on 12 December 2017 and the transfer of the entire issued shares of CITIC Property Services from the Sellers to the Purchaser has been duly completed on 21 December 2017.

Details of the Acquisition have been disclosed in the Company’s announcement dated 20 October 2017 and circular dated 24 November 2017.

Save as disclosed above, the Group had no material acquisitions, disposals, significant investments and future plans of material investment during the year ended 31 December 2017.

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 and the monitoring on implementation of group strategies. 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 and to enhance our overall competitiveness in the property management sector.

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 solidification of our strong brand recognition as a property management service provider for mid- to high-end properties; (ii) the establishment and maintenance of our internal quality standards and community safety management systems; (iii) 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.

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 REGULATION

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

ENVIRONMENTAL POLICIES AND PERFORMANCE

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

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

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

CONTINGENT LIABILITIES

The Group provided counter-indemnities amounting to approximately HK$70.6 million as at 31 December 2017, 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 2017.

SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

The Group had no significant events occurred after the year ended 31 December 2017, which have material impact on the performance and the value of the Group.

EMPLOYEES

As at 31 December 2017, the Group had approximately 30,014 employees (as at 31 December 2016: 28,478 (restated)).

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 2017 was approximately HK$1,842.4 million (2016: HK$1,812.6 million (restated)).

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.

PROSPECTS

The Economy

Morning twilight began to emerge by the end of 2017 after years of gloomy economic performance. The global major economies showed signs of recovery and geopolitics tension was also mitigated during the year. The Brexit negotiation was progressing smoothly and the

EU economy looked relatively optimistic after the bombardment of uncertain variables had withered away. On the other hand, after the economic indicators became stable, the U.S. Federal Reserve raised interest rate by 1/4% at Hong Kong local time 2:00a.m. today further to its interest rate increase for the third time in December during last year as expected, and had also implied the likely hike in future. Augmented by the tax reform of reducing the profits tax of U.S. enterprise significantly as advocated by Donald Trump, the U.S. President, it will drive the return of capital fund back to the States and pose certain pressure on inflation. In China, however, the Central Economic Working Conference held at the end of last year had already set out the tune of its economic directions in 2018, i.e., to maintain a proactive fiscal policy and a prudent and moderate monetary policy. The meeting also emphasized that the focus in next three years is to prevent and reconcile major financial risks, enable the effective control of macroeconomic leveraging, so as to maintain the Renminbi exchange rate basically stable and at a reasonable and balanced level.

Currently, in terms of middle-income group, China has the world’s largest population. Its GDP growth rate for the year was 6.9%, which was slightly higher than the yearly target of 6.5% set out by the government. Inflation has been relatively low at 1.6%, while per capita disposable income grew by a nominal 9.0% year-on-year or 7.3% after deducting the pricing factor, reflecting that the per capita disposable income had grown in line with the economic development. In 2018, as the inaugurated year of the 19th CPC National Congress, China will adhere to progressing positively while maintaining stability, taking structural supply-side reforms as the principal line of its economic works, allowing the market to play a decisive role in resources allocation, facilitating the balance of supply and demand, eliminating their imbalance, lowering the costs of real economy and institutional transactions, motivating the vitality of various market players, enhancing technological innovation and optimizing traditional enterprises, advocating a new housing system that encourages both renting and purchasing to promote the stable and healthy development of the real estate market. China’s economic development will enter into a new era of transiting from high-speed growth to high-quality development. While accelerating the pace of stable growth, China will strive to promote reform, adjust structure, benefit people’s livelihood and prevent risks to maintain a continuous and healthy economic development, strengthen and improve people’s livelihood, strive to achieve the goal of building a moderately well-off society in an all-round manner.

Property Management

Ample opportunities for development have been provided to the property management sector in China 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 continuous development of the nation's property market. The property management sector has gradually evolved from a labour-intensive business focusing on traditional basic services to an internet-driven operation charaterised by centralisation, automation and 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, thanks to the introduction of innovations and upgrades in services. The gradual improvement and relaxation of relevant policies of the government and the industry, as well as the development towards market-oriented pricing for property services will further drive the healthy development of the property management sector.

Driven by the information technologies relating to the Internet, the Internet of Things and the influx of capital investments, the previously highly fragmented market of the property management sector has been undergoing a process of integration with accelerating 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 enjoying sound reputation, economies of scale and profitability will secure greater opportunities for development.

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 their different needs so as to establish a positive brand image. With a proven track record of 30 years of service, 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 strive to promote customer satisfaction continuously. While endeavouring to maintain a high quality of service, we also strive to enhance labour productivity, control management overhead cost and boost efficiency through establishing our IT-driven smart platforms.

We focus on market development for mid-to high-end residential and commercial properties to maintain our growth in market share and operating scale. In 2017, apart from organic growth, by synthetic growth, the Group acquired a total of approximately 120 property management projects adding an aggregate of 34.8 million square meters under our management, such activities had consolidated our position as one of the leading property management companies in the PRC.

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 applying 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 keep on leading the industry development through 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 programmes, 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 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 more comprehensive and differentiated service solutions to customers, while leveraging on our experience in managing high-end properties in Hong Kong to develop actively 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 would endeavor to engage in asset holdings and its long-term operations, aiming at fulfilling diverse customer requirements and enhancing customer satisfaction, in an attempt to develop a diversified portfolio of value-added services.

- 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 the 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, achieve the goal of lowering development costs and optimizing property functions. Our management knowhow offerings include property management scheme design and modernised quality control techniques, which would help to enhance management efficiency and lower the costs of property management services. Meanwhile, we would leverage on the business platform to integrate resources across the value-chain horizontally and vertically, and collaborate with business partners to explore new business opportunities, such as providing leasing and the operating of offices and commercial properties.

- Improve experience in residential living through diversified value-added services and online and offline platforms

Apart from providing high-quality basic services, we have always been committed to providing personalized, diversified and professional value-added services to owners to cater for their ever-increasing consuming demand. In facing owners' demand, we provide services such as property leasing and sale, house proprietary certificate agency, new property renovation, refurbishment and daily housing and home appliances maintenance services. We offer services such as car cleaning, repair and maintenance. We also provide shopping services covering food and household supplies retailing and periodic delivery, home services such as cleaning and housekeeping as well as entertainment services like tourism and leisure. We also cater for the new consumption trends such as providing elderly care, education and other innovative services, aiming to meet owners' diversified living needs comprehensively.

To enable owners to have convenient and precise access to various services, enhance the relationship between owners and China Overseas Property (as a professional property administrator) and the connection among owners and foster a harmonious and symbiotic community atmosphere, we developed and rolled out a mobile app platform specially tailored for owners to capacitate them to enjoy basic services such as fee payment, repair, door opening, visitors call, carpark drive-in and exiting and property notice checking, and social intercourse with neighbours, activity participation, access to news information as well as commercial services such as shopping and consumption using their phones.

- Further enhance our service quality while maximising our cost efficiency

In close tandem with customers' requirements, we assure effective supervision over service quality and improvements in management efficiency through innovations in management and technology, thereby enhancing our core competency in the business.

Automation and standardisation are key factors in our strategy to improve cost efficiency and enhance service quality. We will continue to implement measures based on smart devices in our processes and enhance standardisation in our operations. The use of smart systems, such as the smart visitor-access control system for residential buildings and car-park management system, would reduce dependence on manual operations in favour of 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. By adhering to the corporate values of "attention to details" and "professionalism", we make unremitting efforts to improve basic property service management standard and service specifications. We promoted the standard sample projects of machine rooms to set an example of property management locally and for the entire industry, aiming to make China Overseas Property as a symbol of "quality service". Through IT-based strategic planning, standardisation will apply in 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 constructed, thereby developing innovative capabilities compatible with business models of the future digital era. We also maintain close relationships with quality vendors and subcontractors to ensure consistency and reliability of our service quality.

Our technical engineering teams have been applying their expertise to provide vigorous assistance in the environmental and energy saving campaigns, maintenance of equipment and facilities, and project risk management. In this connection, we obtained three awards for energy saving initiatives and two awards for clean production from the government, six national patents and two computer authorships. In future, we would continue to strengthen our cost control and resources planning, and carry on the establishment of China Overseas Property intelligent communities and its intelligent management, with a view to maximising service quality and cost benefits.

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

We have adopted a series of human resources strategies to attract, nurture and retain talents. Over the past three decades, 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 recruit talents that befit our development strategy and corporate culture via the "Sons of the Sea" and "Sea's Recruits" schemes.

We tailor our training programmes for managers at various levels (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 online college. To supplement our recruiting and training efforts, we will continue to develop long-term partnerships with vocational 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, allowances for special positions, bonuses for key assignments, special contractual arrangements and job sub-contracting, we incentivise our employees and boost productivity by ensuring that compensation is tied to performance. Furthermore, our continuous adoption of multi-dimensional performance assessment and competitive recruitment allows us to offer wider career development opportunities to our staff.

We have always been persisting our "craftsmanship spirit" underpinned by excellence and professionalism, and engaged vigorously in building a "craftsmen's regime" for our employees, aiming to foster the personality, mentality and skills of a good craftsman and develop China Overseas Property's own teams with 18 crafts. The building of junior staff teams is facilitated through the 18-Craft Lecture Hall and training programmes such as "Dream Dandelion" and "Seahawks". The "18-Craft Contest" serves to encourage innovation and facilitate selection of technical personnel by way of competition. Through the "18-Craft" certification and registration process, we provide qualified professionals. At the first national professional property management skills contest held in May 2017, all our representatives made it to the finals and two of them were placed among the top 10 in the property manager group and in the electrician group respectively, and awarded the title of "Able Technician in National Residential and Urban/ Rural Construction", providing an exemplary model for other craftsmen and highlighting our competitive edge in human resources in the property management industry.

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 saved the life of a charcoal-intoxicated flat owner; a repair technician at our Suzhou office safeguarded the lives and properties of flat owners by risking his own safety to catch a thief; and our project manager was awarded the "Capital City's Labour Medal" by Beijing General Labour Union. What's more, we have been actively involved in the charity programme known as "Village and Campus Walk". The Company has visited primary and secondary schools in impoverished villages and provided assistance to upgrade their teaching facilities earnestly to bridge up the gap in education between rural areas and cities. The spirit underpinning the countless examples of spontaneous acts of excellence on the part of individual employees and our well-recognised commitment to corporate social responsibility will continue to be fulfilled, promulgated and strengthened by our staff.

During 2017, we garnered numerous awards and honours on the back of our superior general strengths and excellent standards in service and management. Such recognition from industry and property owners have further testified the reputation of China Overseas Property. In future, we will further improve our service quality with the application of information technologies and expedite the upgrade of smart applications through management innovation and the promotion of smart technologies. With ongoing enhancements in resource integration, complementary benefits and the capacity for mutual growth, we shall be well-positioned to meet customers' increasing demand for different types of services and offer experience of better and more convenient services.

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2017

	Note	**2017** **HK$'000**	2016 HK$'000 (Restated)
Revenue	*5*	**3,357,800**	3,296,695
Direct operating expenses		**(2,555,385)**	(2,529,479)
Gross profit		**802,415**	767,216
Other income and gains, net		**47,795**	29,650
Gain arising from changes in fair value of investment properties		**6,930**	769
Administrative expenses		**(419,603)**	(451,914)
Operating profit		**437,537**	345,721
Share of profit of an associate		**161**	161
Finance costs		**(8,910)**	(6,963)
Profit before tax	*7*	**428,788**	338,919
Income tax expenses	*8*	**(121,599)**	(104,607)
Profit for the year		**307,189**	234,312
Attributable to:			
Owners of the Company		**306,760**	237,529
Non-controlling interests		**429**	(3,217)
		307,189	234,312
		HK Cents	HK Cents
Earnings per share	*10*		
Basic and diluted		**9.33**	7.23

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2017

	2017 HK$'000	2016 HK$'000 (Restated)
Profit for the year	**307,189**	234,312
Other comprehensive income		
Item that will not be reclassified subsequently to profit or loss:		
Surplus on revaluation of investment properties transferred from self-use properties, net of tax	**17,433**	-
Item that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of subsidiaries of the Company	**63,633**	(59,249)
	81,066	(59,249)
Total comprehensive income for the year	**388,255**	175,063
Total comprehensive income attributable to:		
Owners of the Company	**387,463**	178,604
Non-controlling interests	**792**	(3,541)
	388,255	175,063

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2017

	Note	**2017** **HK$'000**	2016 HK$'000 (Restated)
Non-current assets			
Investment properties		**106,083**	66,641
Property, plant and equipment		**34,924**	38,744
Intangible assets		**5,419**	-
Prepaid lease payments for land		**1,965**	3,206
Interest in an associate		**352**	191
Available-for-sale financial assets		**-**	1,120
Amount due from a related company		**90,393**	-
Deferred tax assets		**29,510**	23,144
		268,646	133,046
Current assets			
Inventories		**9,664**	9,899
Trade and other receivables	*11*	**467,253**	371,307
Deposits and prepayments		**40,486**	29,599
Prepaid lease payments for land		**301**	404
Amount due from immediate holding company		**96**	57
Amounts due from fellow subsidiaries		**49,486**	117,285
Amounts due from related companies		**11,056**	107,887
Tax prepaid		**39**	871
Bank balances and cash		**2,711,015**	2,417,288
		3,289,396	3,054,597
Current liabilities			
Trade and other payables	*12*	**1,592,755**	1,355,079
Receipts in advance and other deposits		**651,660**	505,696
Amount due to immediate holding company		**1,417**	651
Amounts due to fellow subsidiaries		**57,488**	47,102
Amounts due to related companies		**3,794**	26,238
Tax liabilities		**108,346**	111,365
		2,415,460	2,046,131
Net current assets		**873,936**	1,008,466
Total assets less current liabilities		**1,142,582**	1,141,512

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

As at 31 December 2017

	Note	2017 HK$'000	2016 HK$'000 (Restated)
Non-current liabilities			
Deferred tax liabilities		**16,029**	10,283
Bank borrowings	*13*	**265,000**	310,000
		281,029	320,283
Net assets		**861,553**	821,229
Capital and reserves			
Share capital	*14*	**3,287**	3,287
Reserves		**852,888**	813,356
Equity attributable to owners of the Company		**856,175**	816,643
Non-controlling interests		**5,378**	4,586
Total equity		**861,553**	821,229

1. GENERAL INFORMATION

China Overseas Property Holdings Limited (the "Company") was incorporated in the Cayman Islands on 26 June 2006 as an exempted company with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands and its principal place of business is Suite 703, 7/F, Three Pacific Place, 1 Queen's Road East, 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 Group Limited (formerly known as China State Construction Engineering Corporation) ("CSCGL"), an entity established in the People's Republic of China (the "PRC") and the PRC government is a substantial shareholder of CSCGL.

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

The financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), Hong Kong Accounting Standards ("HKASs") and Interpretations (hereinafter collectively referred to "HKFRS"). These financial statements also complied with the disclosure requirements of the Hong Kong Companies Ordinance (Cap. 622) and the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

The financial statements which have been prepared for the year ended 31 December 2017 were approved for issue by the Board on 22 March 2018.

2. APPLICATION OF BUSINESS COMBINATION UNDER COMMON CONTROL

The COLI Acquisition

On 15 September 2016, China Overseas Land & Investment Limited ("COLI"), a fellow subsidiary of the Company which incorporated in Hong Kong and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), has completed the acquisition of the entire equity interest of 中信房地產集團有限公司 (CITIC Real Estate Group Company Limited*) ("CITIC Real Estate" or "CITIC Acquired Group") pursuant to the acquisition agreement entered into between COLI as the purchaser, and CITIC Corporation Limited and CITIC Pacific Limited as the sellers (the "COLI Acquisition"). These CITIC entities as the sellers are collectively referred as the CITIC Seller Group. CITIC Acquired Group is principally engaged in property development and property management businesses.

2. APPLICATION OF BUSINESS COMBINATION UNDER COMMON CONTROL (CONTINUED)

The CITIC Reorganisation

In preparation for the transfer of the property management business held by CITIC Real Estate to 中信物業服務有限公司 (CITIC Property Service Company Limited*) ("CITIC Property Service"), CITIC Real Estate has undergone a series transfer of equity interests, in which the equity interests of all other companies engaging in the property management business under CITIC Real Estate were transferred to CITIC Property Service (the "Property Management Business Acquisition") at an aggregated consideration of RMB31,150,000 (equivalent to approximately HK$36,461,000).

Upon completion of the above transfers, on 13 July 2017, CITIC Property Service became the holding company of all the CITIC Acquired Group companies engaging in property management business (the "CITIC Reorganisation").

The COP Acquisition

On 20 October 2017, the Company (through its wholly-owned subsidiary) (the "Purchaser") entered into the acquisition agreement with CITIC Real Estate and 北京中信房地產有限公司 (Beijing CITIC Real Estate Company Limited*), which were wholly-owned subsidiaries of COLI, pursuant to which the Purchaser agreed to acquire the entire equity interest of CITIC Property Service and its subsidiaries (together, the "CITIC Acquired Property Management Group") at a consideration of RMB190.0 million (equivalent to approximately HK$228.9 million) (the "COP Acquisition"). The entire equity interest of CITIC Property Service was transferred to the Group on 21 December 2017.

* *The English name of the companies are translations from their Chinese names and are for identification purposes only. If those are any inconsistencies, the Chinese names shall prevail.*

Basis of Presentation

For the COLI Acquisition, as COLI and CITIC Seller Group were state-owned entities and were under common control of the State Council of the PRC before and after the COLI Acquisition, the COLI Acquisition was accounted for as a business combination under common control. The assets and liabilities of the entities are consolidated by COLI using the existing book values from the controlling parties' perspective from the earliest date when the CITIC Acquired Group first came under the control of the State Council of the PRC.

For the Property Management Business Acquisition, the companies now comprising the CITIC Acquired Property Management Group were under common control of CITIC Real Estate immediately before and after the CITIC Reorganisation, which CITIC Real Estate's ultimate controlling party is the State Council of the PRC. Pursuant to the CITIC Reorganisation, the entities included in the CITIC Acquired Property Management Group are transferred to and held by the CITIC Property Service. The Property Management Business Acquisition is merely a reorganisation of the CITIC Acquired Property Management Group's property management business with no change in management of such business and the ultimate owner of CITIC Acquired Property Management Group remain the same. Accordingly, the CITIC Acquired Property Management Group resulting from the Property Management Business Acquisition is regarded as a continuation of its property management business under the ultimate controlling party and the Property Management Business Acquisition is regarded as a capital reorganisation.

2. APPLICATION OF BUSINESS COMBINATION UNDER COMMON CONTROL (CONTINUED)

Basis of Presentation (Continued)

For the purpose of these consolidated financial statements, the companies now comprising the CITIC Acquired Property Management Group were under common control of COHL immediately before and after the COP Acquisition, which COHL's ultimate controlling party is the State Council of the PRC, therefore it is accounted for as a business combination under common control. The assets and liabilities of the entities are consolidated by the Group using the existing book values from the controlling parties' perspective, as if the current CITIC Acquired Property Management Group structure had been in existence throughout the periods presented, or since the date when the companies first came under the control of ultimate controlling party, whichever is a shorter period.

No amount is recognised in consideration for goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of business combination under common control, to the extent of the continuation of the ultimate controlling party's interest.

Inter-company transactions, balances and unrealised gains/losses on transactions between CITIC Acquired Property Management Group companies and the group companies are eliminated on consolidation.

2. APPLICATION OF BUSINESS COMBINATION UNDER COMMON CONTROL (CONTINUED)

The following is a reconciliation of the effect arising from the business combination under common control of the CITIC Acquired Property Management Group on the consolidated income statement and the consolidated statement of financial position.

Consolidated income statement

For the year ended 31 December 2016

	The Group (before business combination under common control) HK$'000	Effects of business combination under common control of the CITIC Acquired Property Management Group HK$'000	Consolidated HK$'000
Revenue	2,563,360	733,335	3,296,695
Direct operating expenses	(1,927,043)	(602,436)	(2,529,479)
Gross profit	636,317	130,899	767,216
Other income and gains, net	26,135	3,515	29,650
Gain arising from changes in fair value of investment properties	769	-	769
Administrative expenses	(330,114)	(121,800)	(451,914)
Operating profit	333,107	12,614	345,721
Share of profit of an associate	161	-	161
Finance costs	(6,963)	-	(6,963)
Profit before tax	326,305	12,614	338,919
Income tax expenses	(100,009)	(4,598)	(104,607)
Profit for the year	226,296	8,016	234,312
Attributable to:			
Owners of the Company	226,296	11,233	237,529
Non-controlling interests	-	(3,217)	(3,217)
	226,296	8,016	234,312

2. APPLICATION OF BUSINESS COMBINATION UNDER COMMON CONTROL (CONTINUED)

Consolidated income statement (Continued)

For the year ended 31 December 2017

	The Group (before business combination under common control) HK$'000	Effects of business combination under common control of the CITIC Acquired Property Management Group HK$'000	Consolidated HK$'000
Revenue	2,714,223	643,577	3,357,800
Direct operating expenses	(2,001,760)	(553,625)	(2,555,385)
Gross profit	712,463	89,952	802,415
Other income and gains, net	44,011	3,784	47,795
Gain arising from changes in fair value of investment properties	6,930	-	6,930
Administrative expenses	(345,685)	(73,918)	(419,603)
Operating profit	417,719	19,818	437,537
Share of profit of an associate	161	-	161
Finance costs	(8,910)	-	(8,910)
Profit before tax	408,970	19,818	428,788
Income tax expenses	(111,311)	(10,288)	(121,599)
Profit for the year	297,659	9,530	307,189
Attributable to:			
Owners of the Company	297,659	9,101	306,760
Non-controlling interests	-	429	429
	297,659	9,530	307,189

2. APPLICATION OF BUSINESS COMBINATION UNDER COMMON CONTROL (CONTINUED)

Consolidated statement of financial position

At 31 December 2016

	The Group (before business combination under common control) HK$'000	Effects of business combination under common control of the CITIC Acquired Property Management Group HK$'000	Adjustments HK$'000 (Note)	Consolidated HK$'000
Non-current assets				
Investment properties	66,641	-	-	66,641
Property, plant and equipment	26,978	11,766	-	38,744
Prepaid lease payments for land	3,206	-	-	3,206
Interest in an associate	191	-	-	191
Available-for sale financial assets	-	1,120	-	1,120
Deferred tax assets	2,032	21,112	-	23,144
	99,048	33,998	-	133,046
Current assets				
Inventories	97	9,802	-	9,899
Trade and other receivables	289,988	81,319	-	371,307
Deposits and prepayments	26,514	3,085	-	29,599
Prepaid lease payments for land	404	-	-	404
Amount due from immediate holding company	57	-	-	57
Amounts due from fellow subsidiaries	32,885	84,400	-	117,285
Amounts due from related companies	6,936	100,951	-	107,887
Tax prepaid	871	-	-	871
Bank balances and cash	2,112,309	304,979	-	2,417,288
	2,470,061	584,536	-	3,054,597
Current liabilities				
Trade and other payables	1,030,432	324,647	-	1,355,079
Receipts in advance and other deposits	413,360	92,336	-	505,696
Amount due to immediate holding company	651	-	-	651
Amounts due to fellow subsidiaries	3,046	44,056	-	47,102
Amounts due to related companies	4,285	21,953	-	26,238
Tax liabilities	68,923	42,442	-	111,365
	1,520,697	525,434	-	2,046,131

2. APPLICATION OF BUSINESS COMBINATION UNDER COMMON CONTROL (CONTINUED)

Consolidated statement of financial position (Continued)

At 31 December 2016 (Continued)

	The Group (before business combination under common control) HK$'000	Effects of business combination under common control of the CITIC Acquired Property Management Group HK$'000	Adjustments HK$'000 (Note)	Consolidated HK$'000
Net current assets	949,364	59,102	-	1,008,466
Total assets less current liabilities	1,048,412	93,100	-	1,141,512
Non-current liabilities				
Deferred tax liabilities	10,283	-	-	10,283
Bank borrowing	310,000	-	-	310,000
	320,283	-	-	320,283
Net assets	728,129	93,100	-	821,229
Capital and reserves				
Share capital	3,287	63,597	(63,597)	3,287
Reserves	724,842	24,917	63,597	813,356
Equity attributable to owners of the Company	728,129	88,514	-	816,643
Non-controlling interests	-	4,586	-	4,586
Total equity	728,129	93,100	-	821,229

2. APPLICATION OF BUSINESS COMBINATION UNDER COMMON CONTROL (CONTINUED)

Consolidated statement of financial position (Continued)

At 31 December 2017

	The Group (before business combination under common control) HK$'000	Effects of business combination under common control of the CITIC Acquired Property Management Group HK$'000	Adjustments HK$'000 (Note)	Consolidated HK$'000
Non-current assets				
Investment in the CITIC Acquired Property Management Group	228,916	-	(228,916)	-
Investment properties	106,083	-	-	106,083
Property, plant and equipment	26,523	8,401	-	34,924
Intangible assets	5,419	-	-	5,419
Prepaid lease payments for land	1,965	-	-	1,965
Interest in an associate	352	-	-	352
Amount due from a related company	-	90,393	-	90,393
Deferred tax assets	6,387	23,123	-	29,510
	375,645	121,917	(228,916)	268,646
Current assets				
Inventories	-	9,664	-	9,664
Trade and other receivables	349,811	117,442	-	467,253
Deposits and prepayments	36,897	3,589	-	40,486
Prepaid lease payments for land	301	-	-	301
Amount due from immediate holding company	96	-	-	96
Amounts due from fellow subsidiaries	23,416	26,070	-	49,486
Amounts due from related companies	9,688	1,368	-	11,056
Tax prepaid	39	-	-	39
Bank balances and cash	2,378,677	332,338	-	2,711,015
	2,798,925	490,471	-	3,289,396

2. APPLICATION OF BUSINESS COMBINATION UNDER COMMON CONTROL (CONTINUED)

Consolidated statement of financial position (Continued)

At 31 December 2017 (Continued)

	The Group (before business combination under common control) HK$'000	Effects of business combination under common control of the CITIC Acquired Property Management Group HK$'000	Adjustments HK$'000 (Note)	Consolidated HK$'000
Current liabilities				
Trade and other payables	1,232,281	360,474	-	1,592,755
Receipts in advance and other deposits	529,653	122,007	-	651,660
Amount due to immediate holding company	1,417	-	-	1,417
Amounts due to fellow subsidiaries	57,429	59	-	57,488
Amounts due to related companies	3,794	-	-	3,794
Tax liabilities	52,199	56,147	-	108,346
	1,876,773	538,687	-	2,415,460
Net current assets/ (liabilities)	922,152	(48,216)	-	873,936
Total assets less current liabilities	1,297,797	73,701	(228,916)	1,142,582
Non-current liabilities				
Deferred tax liabilities	16,029	-	-	16,029
Bank borrowings	265,000	-	-	265,000
	281,029	-	-	281,029
Net assets	1,016,768	73,701	(228,916)	861,553
Capital and reserves				
Share capital	3,287	63,597	(63,597)	3,287
Reserves	1,013,481	4,726	(165,319)	852,888
Equity attributable to owners of the Company	1,016,768	68,323	(228,916)	856,175
Non-controlling interests	-	5,378	-	5,378
Total equity	1,016,768	73,701	(228,916)	861,553

Note:

The adjustments represent adjustments for elimination of share capital and investment cost. The differences have been accounted for in the special reserve.

2. APPLICATION OF BUSINESS COMBINATION UNDER COMMON CONTROL (CONTINUED)

Note: (Continued)
No other significant adjustments were made by the Group during the year to the net assets and net profit or loss of any entities as a result of the business combination under common control to achieve consistency of accounting policies.

3. PRINCIPAL ACCOUNTING POLICIES

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

Save as described in note 4 "Adoption of new and revised HKFRSs", the accounting policies used in preparing the consolidated financial statements are consistent with those of the annual financial statements for the year ended 31 December 2016.

4. ADOPTION OF NEW AND REVISED HKFRSs

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

Annual Improvements Project	Annual Improvements 2014-2016 Cycle [1]
Annual Improvements Project	Annual Improvements 2015-2017 Cycle [2]
HKFRS 2 (Amendments)	Classification and Measurement of Share-based Payment Transactions [1]
HKFRS 9	Financial Instruments [1]
HKFRS 9 (Amendments)	Prepayment Features with Negative Compensation [2]
HKFRS 15	Revenue from Contracts with Customers [1]
HKFRS 15 (Amendments)	Clarifications to HKFRS 15 [1]
HKAS 28 (Amendments)	Long-term Interests in Associates and Joint Ventures [2]
HKAS 40 (Amendments)	Transfers of Investment Property [1]
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration [1]
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments [2]
HKFRS 16	Leases [2]
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture [3]

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

The Group's preliminary assessment of the relevant impact of these new or revised standards and amendments is set out below.

HKFRS 9 Financial Instruments

HKFRS 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. The Group has reviewed its financial assets and liabilities and did not expect significant impact on the classification, measurement and derecognition. Hedge accounting is not applicable to the Group.

4. ADOPTION OF NEW AND REVISED HKFRSs (CONTINUED)

HKFRS 9 Financial Instruments (Continued)

Under the standard, a new impairment model for financial assets requires the recognition of impairment provisions based on expected credit losses (ECL) rather than only incurred credit losses as is the case under HKAS 39. It applies to financial assets classified at amortised cost, debt instruments measured at fair value through other comprehensive income, contract assets under HKFRS 15 Revenue from Contracts with Customers, lease receivables, loan commitments and certain financial guarantee contracts.

The new impairment model mainly affect the impairment assessment of trade receivables from property management services under lump sum basis and payments on behalf of property owners for properties managed under commission basis of the Group. The Group is in the process of making an assessment of the potential impact on consolidated statement of financial position and consolidated income statement.

HKFRS 15 Revenue from Contracts with Customers

The HKICPA has issued a new standard for the recognition of revenue. This will replace HKAS 18 which covers contracts for goods and services and HKAS 11 which covers construction contracts and the related literature. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer.

The standard permits either a full retrospective or a modified retrospective approach for the adoption.

The Group is mainly engaged in provision of property management and value-added services, services is mainly rendered over time. The Group did not expect significant impact on application of the standard.

HKFRS 16 Leases

HKFRS 16 will result in almost all leases being recognised on the statement of financial position, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised and initially measured on a present value basis that virtually balance of each other while total assets and total liabilities would be increased accordingly. The only exceptions are short-term and low-value leases. Accordingly, a lessee should recognise depreciation of the right-of use asset and interest on the financial liability instead of rental expenses, and also classifies cash repayments on the financial liability into a principal portion and an interest portion and presents them in the statement of cash flows.

The accounting for lessors will not significantly change.

The standard will affect primarily the accounting for the Group's operating leases, and the Group is in the process of making an assessment of the potential impact on consolidated statement of financial position and consolidated income statement.

For other new or revised standards and amendments, the Group has already commenced an assessment of their impact, certain of which may be relevant to the Group's operations and may give rise to changes in accounting policies, changes in disclosures and remeasurement of certain items in the consolidated financial statements.

5. REVENUE

Revenue from the Group's principal activities recognised during the year is as follows:

	Year ended 31 December	
	2017	2016
	HK$'000	HK$'000
		(Restated)
Property management services	**3,094,681**	3,067,735
Value-added services	**263,119**	228,960
Total revenue	**3,357,800**	3,296,695

6. SEGMENT INFORMATION

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

Property management services	—	Provision of (i) services such as security, repairs and maintenance, cleaning and garden landscape maintenance provided to mid- to high-end residential communities (including mixed-use properties), commercial properties, government properties and construction sites; and (ii) services to other enterprises, such as (for property developers) pre-delivery services, move-in assistance services, delivery inspection services and engineering service quality monitoring.
Value-added services	—	Provision of (i) engineering services such as (for property developers) automation consulting and engineering product sales and (for property management companies) inspection services, repair and maintenance services and equipment upgrade services; and (ii) community leasing, sales and other services where residents and tenants of the properties under our management are offered a diversified range of online and offline services (such as common area rental assistance, purchase assistance and rental assistance for properties that have been delivered to owners by developers and household assistance services) through the online to offline platform and consulting services (for other property management companies).

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

6. SEGMENT INFORMATION (CONTINUED)

Segment results, segment assets and segment liabilities

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

	Property management services HK$'000	**Value-added services HK$'000**	**Elimination HK$'000**	**Consolidated HK$'000**
Year ended 31 December 2017				
Reportable segment revenue				
- from external customers	3,094,681	263,119	-	3,357,800
- inter-segment revenue	-	59,818	(59,818)	-
	3,094,681	322,937	(59,818)	3,357,800
Reportable segment profit	328,860	130,397	-	459,257
Corporate expenses, net			(i)	(30,469)
Profit before tax				428,788

	Property management services HK$'000	Value-added services HK$'000	Elimination HK$'000	Consolidated HK$'000
Year ended 31 December 2016 (Restated)				
Reportable segment revenue				
- from external customers	3,067,735	228,960	-	3,296,695
- inter-segment revenue	-	46,879	(46,879)	-
	3,067,735	275,839	(46,879)	3,296,695
Reportable segment profit	294,987	102,207	-	397,194
Corporate expenses, net			(i)	(58,275)
Profit before tax				338,919

(i) Including net exchange gain mainly arising from dividend received/ receivable from a subsidiary of the Group of HK$21,199,000 (2016: net exchange loss of HK$8,597,000).

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

	Property management services HK$'000	**Value-added services HK$'000**	**Unallocated HK$'000**	**Consolidated HK$'000**
At 31 December 2017				
Segment assets	3,205,412	222,125	130,505	3,558,042
Segment liabilities	(2,325,223)	(82,175)	(289,091)	(2,696,489)

6. SEGMENT INFORMATION (CONTINUED)

Segment results, segment assets and segment liabilities (Continued)

	Property management services HK$'000	Value-added services HK$'000	Unallocated HK$'000	Consolidated HK$'000
At 31 December 2016 (Restated)				
Segment assets	3,019,448	142,077	26,118	3,187,643
Segment liabilities	(1,952,288)	(75,381)	(338,745)	(2,366,414)

Other segment information

	Property management services HK$'000	**Value-added services HK$'000**	**Unallocated HK$'000**	**Consolidated HK$'000**
Year ended 31 December 2017				
Amounts included in the measurement of segment results and segment assets:				
Interest income	38,454	77	12	38,543
Additions to property, plant and equipment	11,089	259	3	11,351
Additions to intangible assets	3,001	2,874	-	5,875
Gain/ (loss) on disposals of property, plant and equipment	1,471	(13)	-	1,458
Gain on disposals of available-for-sale financial assets	471	-	-	471
Impairment provision for trade and other receivables, net	16,466	-	-	16,466
Depreciation and amortisation	15,958	214	122	16,294
Gain arising from changes in fair value of investment properties	-	6,930	-	6,930
Share of profit of an associate	161	-	-	161

6. 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 2016 (Restated)				
Amounts included in the measurement of segment results and segment assets:				
Interest income	17,928	38	-	17,966
Additions to property, plant and equipment	9,109	221	58	9,388
Additions to intangible assets	775	-	-	775
Gain on disposals of property, plant and equipment	163	8	-	171
Written off on intangible assets	1,091	-	-	1,091
Reversal of impairment provision for trade and other receivables, net	14,021	254	-	14,275
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
Provision for severance payment	22,991	-	-	22,991
Depreciation and amortisation	15,976	183	81	16,240
Gain arising from changes in fair value of investment properties	-	769	-	769
Share of profit of an associate	161	-	-	161

Geographical information

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

	Revenue by geographical market	
	Year ended 31 December	
	2017	2016
	HK$'000	HK$'000
		(Restated)
Hua Nan Region	**1,029,812**	1,118,797
Hua Dong Region	**448,078**	390,466
Hua Bei Region	**607,867**	617,485
Northern Region	**278,442**	272,552
Western Region	**541,738**	469,617
The PRC	**2,905,937**	2,868,917
Hong Kong and Macau	**451,863**	427,778
	3,357,800	3,296,695

6. SEGMENT INFORMATION (CONTINUED)

Geographical information (Continued)

	Non-current assets by geographical market (Note (i)) **As at 31 December**	
	2017	2016
	HK$'000	HK$'000
		(Restated)
Hua Nan Region	**95,346**	76,867
Hua Dong Region	**37,489**	17,182
Hua Bei Region	**5,954**	6,076
Northern Region	**4,520**	3,325
Western Region	**2,207**	1,785
The PRC	**145,516**	105,235
Hong Kong and Macau	**2,875**	3,356
	148,391	108,591

Note (i): Non-current assets by geographical market exclude available-for-sale financial assets, interest in an associate, amount due from a related company and deferred tax assets.

7. PROFIT BEFORE TAX

	Year ended 31 December	
	2017	2016
	HK$'000	HK$'000
		(Restated)
Profit before tax is arrived at after charging:		
Staff costs including directors' emoluments, provision for severance payment and share-based payment	**1,842,425**	1,812,615
Sub-contracting costs	**397,796**	378,267
Equipment repairs and maintenance costs	**236,014**	257,725
Utility costs	**191,503**	213,689

8. INCOME TAX EXPENSES

	Year ended 31 December	
	2017	2016
	HK$'000	HK$'000
		(Restated)
Income tax expenses comprise:		
Current tax for the year:		
Hong Kong profits tax	**1,818**	1,184
Macau complementary income tax	**93**	198
PRC enterprise income tax	**116,729**	98,851
PRC withholding income tax	**8,665**	11,785
	127,305	112,018
(Over)/under-provision in prior years:		
Hong Kong profits tax	**(60)**	17
Macau complementary income tax	**(14)**	-
	(74)	17
Deferred tax:		
Current year and prior years	**(5,632)**	(7,428)
	121,599	104,607

Hong Kong profits tax is calculated at 16.5% of the estimated assessable profit for the year (2016: 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% (2016: 25%).

Macau complementary income tax is calculated at the prevailing tax rate of 12% in Macau (2016: 12%).

Under the EIT Law of the PRC, withholding income tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards, charging at the prevailing tax rate applied in the PRC tax jurisdiction. Withholding income tax amounting to HK$8.7 million (2016: HK$11.8 million) for the year ended 31 December 2017 has been provided for in the consolidated financial statements in respect of dividends declared or distributed from a PRC subsidiary to the Company during the year.

9. DIVIDENDS

The dividend paid in 2017 and 2016 was HK$85,458,000 (HK2.6 cents per share) and HK$75,597,000 (HK2.3 cents per share) respectively. A dividend in respect of the year ended 31 December 2017 of HK1.5 cents, amounting to a total dividend of HK$49,303,000, is to be proposed at the annual general meeting on 7 June 2018. These financial statements do not reflect this dividend payable.

9. DIVIDENDS (CONTINUED)

		Dividend paid Year ended 31 December	
		2017	2016
	HK$'000	**HK$'000**	HK$'000
2015:			
Final dividend of HK1.2 cents per ordinary share	39,442		39,442
2016:			
Interim dividend of HK1.1 cents per ordinary share	36,155		36,155
Final dividend of HK1.1 cents per ordinary share	36,155	**36,155**	
	72,310		
2017:			
Interim dividend of HK1.5 cents per ordinary share	49,303	**49,303**	
Final dividend of HK1.5 cents per ordinary share	49,303		
	98,606	**85,458**	75,597

10. EARNINGS PER SHARE

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

Earnings

	Year ended 31 December	
	2017	2016
	HK$'000	HK$'000 (Restated)
Earnings for the purpose of basic earnings per share	**306,760**	237,529

Weighted average number of ordinary shares

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

As there are no dilutive potential ordinary shares as at 31 December 2017 and 2016, the diluted earnings per share is equal to the basic earnings per share.

11. TRADE AND OTHER RECEIVABLES

	As at 31 December	
	2017	2016
	HK$'000	HK$'000 (Restated)
Trade receivables	**422,273**	328,007
Less: Impairment of trade receivables	**(47,902)**	(27,435)
Trade receivables, net	**374,371**	300,572
Other receivables, net	**92,882**	70,735
	467,253	371,307

11. TRADE AND OTHER RECEIVABLES (CONTINUED)

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

	As at 31 December	
	2017	2016
	HK$'000	HK$'000
		(Restated)
0–30 days	**96,662**	66,632
31–90 days	**70,674**	60,109
91–365 days	**118,546**	116,043
1–2 years	**68,587**	41,231
Over 2 years	**67,804**	43,992
	422,273	328,007

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.

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

12. TRADE AND OTHER PAYABLES

	As at 31 December	
	2017	2016
	HK$'000	HK$'000
		(Restated)
Trade payables	**468,169**	363,139
Special fund (Note)	**171,717**	150,666
Temporary receipts from properties managed under commission basis	**180,681**	137,034
Temporary receipts from properties managed under lump sum basis	**180,437**	209,064
Accrued staff costs	**474,003**	401,935
Payables for value-added tax and other levies	**35,125**	23,178
Other payables	**82,623**	70,063
	1,592,755	1,355,079

Note:

It mainly represents special maintenance fund held on custody of property owners for future settlement of construction costs for certain properties being managed by the Group.

12. TRADE AND OTHER PAYABLES (CONTINUED)

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

	As at 31 December	
	2017	2016
	HK$'000	HK$'000
		(Restated)
0–30 days	**148,891**	109,893
31–90 days	**70,777**	97,834
Over 90 days	**248,501**	155,412
	468,169	363,139

13. BANK BORROWINGS

	As at 31 December	
	2017	2016
	HK$'000	HK$'000
Bank loans - unsecured	**265,000**	310,000

	As at 31 December	
	2017	2016
	HK$'000	HK$'000
The bank borrowings are repayable as follows:		
Between 1 and 2 years	**160,000**	-
Between 2 and 5 years	**105,000**	310,000
	265,000	310,000

Bank borrowings of the Group, amounting to HK$265.0 million (2016: HK$310.0 million), are denominated in Hong Kong dollars and bears interest at the Hong Kong Interbank Offered Rates plus a specified margin, with weighted average effective interest rate of 2.56% per annum (2016: 2.21%).

14. SHARE CAPITAL

	Number of shares issued and fully paid	**Share capital HK$'000**
As at 31 December 2016, 1 January 2017 and 31 December 2017	**3,286,860,460**	**3,287**

PROPOSED FINAL DIVIDEND

After taking into account the Group's business results for the year and its future business development plans, the Board has recommended the declaration of a final dividend of HK1.5 cents per share for the year ended 31 December 2017 (for the year ended 31 December 2016: a final dividend of HK1.1 cents per share) representing a total amount of approximately HK$49,303,000, subject to the approval of shareholders of the Company (the "Shareholders") at the forthcoming annual general meeting to be held on 7 June 2018 (the "2018 AGM"). The proposed final dividend will be paid to the Shareholders on 29 June 2018 whose names appear on the Company's register of members on 15 June 2018.

CLOSURE OF REGISTER OF MEMBERS

(a) Entitlement to attend and vote at the 2018 AGM

The register of members of the Company will be closed from 1 June 2018 to 7 June 2018 (both days inclusive) for the purpose of determining the right to attend and vote at the 2018 AGM. During that period, no transfer of shares will be registered. In order to be entitled to attend and vote at the 2018 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 31 May 2018.

(b) Entitlement to the proposed final dividend

The register of members of the Company will also be closed from 13 June 2018 to 15 June 2018 (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 2018 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 12 June 2018.

AUDIT COMMITTEE AND REVIEW OF ACCOUNTS

The audit committee of the Company has discussed and reviewed with management the annual results and consolidated accounts of the Group for the year ended 31 December 2017.

SCOPE OF WORK OF PRICEWATERHOUSECOOPERS

The figures in respect of the Group's consolidated statement of financial position, consolidated income statement, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2017 as set out in the preliminary announcement have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on the preliminary announcement.

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

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

MODEL CODE FOR SECURITIES TRANSACTIONS

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

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

CORPORATE GOVERNANCE PRACTICE

The Company acknowledges the important roles of the Board in providing effective leadership and direction to the Group's business, and ensuring transparency and accountability of the Group's operations and the Board recognizes that good corporate governance leads to the success of the Group and enhances its shareholders' value. As such, the Board is committed to maintaining high standard of business ethics, healthy corporate culture and good corporate governance at all times by establishing and implementing corporate governance policies and practices appropriate to the conduct and growth of the Group's business.

During the year ended 31 December 2017, the Company has adopted and complied with all the code provisions of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules.

APPRECIATION

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

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

Hong Kong, 22 March 2018

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