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 ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2018

FINANCIAL HIGHLIGHTS

1. For the year ended 31 December 2018, the gross floor area ("GFA") under our management increased by 9.8% to 140.9 million sq.m. from 128.3 million sq.m. in the last year. New/renewed property management contracts secured during the year amounted to a total contract sum of approximately HK$838.3 million.

2. Revenue increased by 23.7% to HK$4,154.7 million for the year ended 31 December 2018, comparing to HK$3,357.8 million in the last year.

3. Gross profit increased by 5.8% against last year to HK$848.8 million (2017: HK$802.4 million) for the year ended 31 December 2018. Gross profit margin decreased to 20.4% for the year from 23.9% in the last year.

4. Profit attributable to owners of the Company for the year ended 31 December 2018 increased by 31.1% to HK$402.1 million against last year (2017: HK$306.8 million). Basic and diluted earnings per share was HK12.23 cents (2017: HK9.33 cents), represented an increase of 31.1%. Average return on equity in 2018 was 40.7% (2017: 36.7%).

5. The Board recommended the payment of a final dividend of HK2.0 cents per share (2017: HK1.5 cents per share) for the year ended 31 December 2018.

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 2018. In 2018, the annual turnover of the Group increased by 23.7% to HK$4,154.7 million from the last year. Operating profit rosed by 27.5% to HK$558.0 million. The profit attributable to owners of the Company increased by 31.1% to HK$402.1 million. Basic and diluted earnings per share was HK12.23 cents (2017: HK9.33 cents). Average return on equity was 40.7% (2017: 36.7%). After taking into account the business results for the year and future business development plans, the Board recommended the declaration of a final dividend of HK2.0 cents per share (2017: HK1.5 cents) for the year 2018. Together with the interim dividend of HK2.0 cents per share distributed in October 2018 (2017: HK1.5 cents), total dividends for the year will amount to HK4.0 cents per share (2017: HK3.0 cents). The proposed final dividend is subject to the approval by the shareholders of the Company at the annual general meeting to be held on 5 June 2019 (the "2019 AGM").

In 2018, the Group established the overall development strategy of "continuously improving customer satisfaction and enlarging the scale of operations to shore up the weakness of basic property management services, and utilizing the Internet of Things ("IoT") platform and mobile Internet platform as marketing channels to increase the proportion of non-core service revenues to turnover", so as to face the market and expand our business.

During the year, newly secured or renewed property management contracts of the Group amounted to approximately HK$838.3 million. As at the end of December, the Group's total GFA of properties under management increased by 9.8% or 12.6 million square meters to 140.9 million square meters from the end of last year, among which, the additional management area reached 2.3 million square meters in 2018 by promoting the expansion of commercial and government projects. We provided professional facilities management services to Xiong'an Citizen Service Center, the first start-up development project in Xiong'an New District, Beijing, Shenzhen Museum of Contemporary Art and City Planning Museum. At the same time, the Group has further obtained a number of large-scale and landmark facilities management contracts in Hong Kong and Macau, including well-known landmark projects such as the Hong Kong-Zhuhai-Macau Bridge Port and the West Kowloon High

Speed Rail Station. As a result, the Group was able to secure 12 service contracts out of the 15 entry and exit ports in Hong Kong. In addition, the Group has also obtained management contracts for all properties under the Hong Kong Judiciary. The above property management services will help to enhance and consolidate the Group's competitive advantages in commercial buildings and government properties.

Based on the Group's over 30 years of experience and professional capabilities in property management, we provide quality basic property management services, such as security, repair and maintenance, cleaning and landscaping which are professional services to preserve and add value to properties and enhance their reputation, and full-scale property consulting management services for developers during the development phase of real estate, including product positioning consulting, construction drawings review, equipment and facility selection recommendations, pre-delivery services, assisted delivery services, delivery inspection services and construction service quality monitoring. At present, we have the capability to expand to cover the entire industry value chain. In terms of value-added services, after three years of business viability exploration work, the Group's "UN+" platform has built up a variety of business systems that cover "community asset operations, customer asset operations, and living service operations" through online and offline channels to cultivate a sustainable community business environment, foster industry-leading asset operation capability, and gradually establish another core market competitiveness for the Group.

The Group adheres to the service tenet of "customer first and service best", and is always faithful to its customers with the service promise of "Property Assets to be Entrusted", while sticking to our purpose and moving forward through adversities and challenges. In the past year, we focused on our customers' needs to improve customer satisfaction and actively improved service product design, reinforced complaint management and strengthened customer service team building. Through the "customer satisfaction survey" conducted by independent third parties and "mystery customer's inspection" etc., we established a rectification and verification mechanism to deal with persisting problems and invited customers to participate in the establishment of comprehensive, open and transparent supervision mechanisms by conducting customer interviews, on-site visits and the engagement of quality inspector. After one year of vigorous work, according to the results of the third parties' survey at the end of the year, customer satisfaction significantly improved this year, reaching the industry's excellent benchmark.

In 2018, China's GDP exceeded RMB90,000 billion for the first time, representing an increase of 6.6% year-on-year, and its growth rate ranked first among the top five economies in the world. The floor space of commercial buildings sold in the Mainland was 1.7 billion square meters and the sales amount was about RMB15,000 billion. The sales area and sales amount of commercial buildings all reached new highs and there remained a strong domestic demand in the real estate market. Looking into the future, after the challenges of multiple rounds of economic and real estate cycles, it is even more plausible that China's economy is going to remain in a crucial period of strategic opportunities in the long run and we are more confident about the Chinese economy and the Group's development strategy.

In the wake of thriving development of the national economy, people have seen a rise in their disposable income. An influential group of consumers mainly comprising new bourgeois is emerging, providing excellent development opportunities for the property management industry. As a gateway to social networking, our residential community offers abundant business opportunities and is manifesting its economic value, with unique and indispensable advantages. The right to community management of property management enterprises presents ample opportunities for them to have frequent contacts with their customers in the usual course of their business, enabling them to closely understand their customers' needs and gain their trust, thus creating plenty of opportunities. In 2018, property services thrived diversely and the industry developed in all front. Value-added services continued to expand into areas including elderly care, finance, lease, education, travel and retail, bringing new income and profit growth points into the property industry.

In addition, the property management industry experienced rapid development, introducing new opportunities for development. More and more property service enterprises utilize new technologies including the Internet, the IoT, big data, cloud computing, artificial intelligence and virtual reality to carry out cross-border integration, continuing to quicken the steps of smart platform construction and facilitating the gradual process of transformation of the property service mode from low-level labour intensive output to efficient and focused modern service mode.

Through our efforts and commitment over the last three decades, the Group attained a well-renowned brand and achieved a market leading position. Given the development opportunities arising from urbanization and modernization, sustained robust performance in the real estate and infrastructure sector, coupled with a gradual improvement and liberation in the policies, the Group strongly believes that, we will achieve the goal of sustained business growth and maintaining the market leading position with the meticulous strategic planning as set forth below:

1. <u>Proactively expand, realizing rapid growth of size and efficiency</u>

According to the Group's new "Thirteenth Five-Year" strategic plan, we will actively commence market expansion and enlarge operating scale by way of securing external and joint venture projects as well as through mergers and acquisitions, with a view to maintain the Group's size advantage. However, the Group will not blindly pursue size or expansion without cost consideration. Instead, we will adhere to a strategy that emphasizes prudent and moderate progress. The Group will insist on focusing our resources on projects that are high-quality and highly cost-effective.

2. <u>Enhance service quality to improve and set industry benchmark for customer satisfaction</u>

The Group regards quality control as our key corporate competitive advantage and, therefore, has made continuous efforts in establishing a service value creation system based on customer research and oriented by customer satisfaction. Customer satisfaction is the strategic resource of a property management company. Providing quality services to customers is the cornerstone of the property management industry, as well as a prerequisite for receiving customer orders. It is imperative to maintain our endurance, focus our attention and fully committing ourselves to providing quality services for our customers. The Group will continue to strengthen our foundation, forge ahead towards the industry benchmark and set a higher standard. We will create China Overseas Property brand image as a high-quality service provider and enhance the influence of the brand.

3. <u>Make inroads into asset management from basic property management</u>

The Group will establish the Commercial Property Management Department to achieve vertical management and build the brands of our commercial properties in a professional manner. Backed by the high-end business resources of our parent company, we are well-positioned to capitalise on the good relationship between the government and the business sector as a state-owned enterprise. By actively undertaking various governmental and public construction projects, we push back the frontiers of our management and strive to develop as a top brand of services for commercial and government buildings. With the ever-increasing amount of assets under management, we cooperate with asset management institutions in various areas and stages of investment of real estate, in order to integrate and optimise asset structure and maximise the value of clients' assets.

4. Steadily develop value-added business and form new profit growth

While continuing to expand its property management size, the Group will also increase investment in the value-added business and steadily advance the development of the value-added business. The Group will gain foothold in businesses with bright market prospects, and focus on businesses with sufficient resource support to satisfy various aspects of customers' daily consumption needs, including clothing, food, housing, transportation, medical care, education, elderly care and entertainment. By developing signature products in the value-added business, we will build our unique product portfolio with core market competitiveness, which could serve as a new impetus for the Group's future business development.

5. Utilize new technology and informationalised means to enhance quality and raise effectiveness

The Group strives to keep up with the trends in technology by utilizing the IoT and smart hardware technology to develop smart communities. With technologies of the Internet, we have established online and offline business collaborations for owners to connect with property management companies, neighbours and various kinds of service resources, shaping an intelligent life for the owners. We utilize intelligent energy technologies to change the energy consumption mode in our projects to minimize energy consumption and costs and protect our ecological environment. We enhance the effectiveness of our business management and communication with the aid of informationalised means, which indirectly contributes to the reduction of our operating expenses. The achievements in the research and development of the Group have laid a solid technological foundation for the construction of informationalised development and enhanced service of the enterprise. In 2018, the Group has signed a strategic cooperation agreement with a sizeable multinational telecommunications company. We will work collaboratively with it to comprehensively and deeply facilitate the construction of intelligent community, and build a more intelligent property value-added platform.

6. <u>Strong assurance of human resources for the long-term development of the Group</u>

We play an active role in constructing and continuously optimising and improving our system for selection, deployment, cultivation and retention of talents, enabling the Group to unceasingly supplement our workforce with outstanding talents and nurture them in support of the long-term healthy development of our business. With regard to recruitment, the Group has been strengthening the brand-building effort from the employer's side. We actively attract talents, for instance, through our management trainee programme, recruitment of talents from the community and head-hunting programme for top-notch talents. We also recruit veterans under the military-business collaboration, which not only addresses social issues but also fulfils the need to enhance the quality of our personnel. On top of that, our cultivation of property management elite is achieved through school-enterprise cooperative models such as education programmes jointly offered by schools and enterprises in Xiongan and "China Overseas' Class", a customised course offered by professional institutions. In terms of nurturing talents, the Group has built a multi-level and comprehensive talent cultivation system. From the beginner programme for identifying potential talents, the training programme for developing our staff echelon, the career enhancement programme for our reserve talents as well as the leadership programme for the senior management, to a professional system for developing high-calibre staff in their specialised field, a cultivation system addressing the full lifecycle of our employees' careers has been designed to drive them to achieve career advancements.

7. <u>Fulfilling social responsibilities</u>

The Group has profound understanding of its own social responsibilities, endeavouring to meet the expectations from the society and actively participating in community welfare initiatives. The Group has recruited over 35,000 grassroots employees who work as cleaning workers, security guards, greening workers and maintenance staff. Targeting organisations in underprivileged communities in our recruitment exercise, we offered job opportunities, protected labour safety, enhanced capabilities on providing services and promoting poverty alleviation by employment. We also exclusively purchased agricultural products from impoverished districts. The Company has established a long-term charity sales programme in its management project. Ongoing publicity effort has been made to help raising the income of families in impoverished communities. In 2018, the Group organised a major charity event called “Green China Overseas • Green Carnival”, joining hands with the property owners in living a green lifestyle. We, together with social work organisations, nursing homes, hope primary schools, and maternity and child health centers, have played an active role in hosting volunteer activities such as “Flowers and the Youth”, “My Dream Summer Vacation” and “Celebrate Chong Yang Festival with China Overseas”. Apart from these, we have also donated teaching materials and textbooks to a number of schools and offered rehabilitation equipment to breast cancer patients. When fighting against typhoon “Mangkhut”, we “put ourselves in the owners’ shoes and cared about their concerns as if they were ours”. We took precautions actively and dealt with problems in a timely manner. After the passage of the typhoon, 288 communities in 11 affected cities suffered no casualties and material property damage. We fulfilled our service promises and social responsibilities with concrete actions.

Looking forward, we believe that the industry has ushered in a historical opportunity of vigorous development. Ten central enterprises, including the Group's controlling shareholder, China State Construction Engineering Corporation, have been identified by the State-owned Assets Supervision and Administration Commission of the State Council to develop as world-class model enterprises, which will bring more development opportunities to the Group.

REVENUE AND OPERATING RESULTS

The Group is one of the leading property management companies in the People’s Republic of China (“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 2018, the GFA under our management increased by 9.8% to 140.9 million sq.m. from 128.3 million sq.m. in the last year. This continuously strengthened our revenue base and improved our market position.

Total revenue increased by 23.7% to HK$4,154.7 million for the year ended 31 December 2018, comparing to HK$3,357.8 million in the last year. The increase was primarily due to (i) increasing GFA under our management; (ii) further expansion in the scope of our value-added services; and (iii) the effect of average appreciation of Renminbi against Hong Kong dollar during the past twelve months.

During the year, striving to improve our services quality and enhance customers' satisfaction continuously, the Group realigned the human resources allocation structure, such that certain back office supporting staff were assigned to front line projects to beef-up the capabilities to deal with matters, activate production capacity and enhance cost-effectiveness. Meanwhile, the Group also increased the deployment of direct project-level management personnel. These help us to solidify our strong brand recognition as a property management service provider for mid-to high-end properties. Accordingly, direct operating expenses increased relatively faster by 29.4%, to HK$3,305.9 million for the year from HK$2,555.4 million in 2017.

Nevertheless, with the expansion of operating scale, gross profit was not diminished by the decrease in marginal profit, and still increased by 5.8% against last year to HK$848.8 million for the year (2017: HK$802.4 million). Gross profit margin dropped to 20.4% for the year from 23.9% in the last year, mainly due to (i) realignment of the human resources allocation structure during the year that certain back office supporting staff were assigned to front line projects; (ii) increase in direct deployment of project-level management personnel; and (iii) decrease in average gross profit margin of community assets and services operating platform sub-segment under value-added services as a result of the expansion of the service and product range.

Other income and gains, net, slightly increased by 1.7% to HK$48.6 million for the year (2017: HK$47.8 million), mainly represented by interest income which amounted to HK$38.7 million (2017: HK$38.5 million).

During the year, to continue streamlining assets allocation, additional properties held for own-use were changed for rental purpose and fair value gain on investment properties for the year was HK$4.3 million (2017: HK$6.9 million). Accordingly, the carrying value of investment properties thus increased to HK$132.6 million for the year from HK$106.1 million at last year.

According to newly revised Hong Kong Accounting Standard 1, the net impairment of trade receivables and payments on behalf of property owners for properties is separately presented since 2018. The administrative expenses in 2017 was restated accordingly. After deducting selling and administrative expenses of HK$336.8 million (2017: HK$403.1 million) and net impairment of trade receivables and payments on behalf of property owners for properties of HK$7.0 million for the year (2017: HK$16.5 million), operating profit increased by 27.5% to HK$558.0 million for the year (2017: HK$437.5 million). The decrease in selling and administrative expenses was mainly arisen from (i) the synergies achieved after the acquisition of the property management projects in last year; (ii) saving on realignment of the human resources allocation structure that certain back office supporting staff were assigned to front line projects, so as to activate production capacity and enhance cost-effectiveness. However, the above favorable effects were partly offset by exchange gain of HK$21.2 million in 2017 arisen from the appreciation of Renminbi at last year end on dividend received/ receivable from a PRC subsidiary. The decrease in net impairment of trade receivables and payments on behalf of property owners for properties was mainly arisen from the continuously strengthening of the controls and recovery of receivables and advances.

Income tax expenses increased by 22.2% against last year to HK$148.6 million for the year (2017 HK$121.6 million), mainly due to increase in profit before tax. Withholding income tax of HK$7.9 million (2017: HK$8.7 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 2018 increased by 31.1% to HK$402.1 million (2017: HK$306.8 million).

SEGMENT INFORMATION

PROPERTY MANAGEMENT SERVICES

During 2018, the continuous improvement of service quality and customer satisfaction would help us solidifying our strong brand recognition as a property management service provider for mid-to high-end properties. At the same time, possessing a diversified and one-stop business capability, including 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. These would help us to secure those new property management engagements. The GFA under our management increased by 9.8% to 140.9 million sq.m. from 128.3 million sq.m. in the last year.

For the year ended 31 December 2018 revenue from property management services constituted 90.1% of total revenue (2017: 92.2%), and increased by 21.0% from last year to HK$3,745.1 million (2017: HK$3,094.7 million). The increase in revenue from property management services was mainly arisen from (i) increasing GFA under our management; and (ii) the effect of average appreciation of Renminbi against Hong Kong dollar during the past twelve months.

For the year ended 31 December 2018, approximately 84.1% and 7.6% of the segment revenue were generated from regular property management contracts under lump sum basis and commission basis respectively (2017: 86.1% and 7.3% respectively). Other property management services, including (for property developers) pre-delivery services and move-in assistance services, represented 8.3% of the remaining segment revenue (2017: 6.6%).

During the year, the segment gross profit margin from regular property management contracts under lump sum basis and commission basis was 10.6% and 100.0% respectively (2017: 14.7% and 100.0% respectively), and those from other property management services was 18.4% (2017: 21.6%). Overall, the segment gross profit margin dropped to 18.0% for the year against 21.3% in the last year mainly due to (i) realignment of the human resources allocation structure that certain back office supporting staff were assigned to front line projects to beef-up the capabilities to deal with matters, in order to activate production capacity and enhance cost-effectiveness; (ii) increase in direct deployment of project-level management personnel, which help us to solidify our strong brand recognition as a property management service provider for mid-to high-end properties. Nevertheless, benefiting from continuously increase in segment revenue, the gross profit of our property management services segment increased by 2.2% to HK$674.9 million for the year ended 31 December 2018 (2017: HK$660.6 million).

The synergies achieved after the acquisition of the property management projects in last year and realignment of internal back office supporting staff to front line would help us to alleviate the segment administrative expenses. In addition, strengthening the controls and recovery of receivables and advances continuously results in the decrease in net impairment of trade receivables and payments on behalf of property owners for properties. Accordingly, after deducting administrative expenses, the above impairment provision and taking into accounts of other income, the segment profit of the property management services increased substantially by 40.0% to HK$460.3 million for the current year (2017: HK$328.9 million).

VALUE-ADDED SERVICES

For the year ended 31 December 2018, the proportion of revenue from value-added services segment out of total revenue increased to 9.9% (2017: 7.8%), and largely increased by 55.7% to HK$409.6 million (2017: HK$263.1 million), of which, sub-segment revenue from engineering services spearheaded by "Xinghai Wulian" and community assets and services operating platform leaded by "U+" service increased substantially by 73.8% and 44.9% to HK$170.9 million and HK$238.7 million respectively (2017: HK$98.3 million and HK$164.8 million respectively).

For engineering services sub-segment, the services cover automation consulting and engineering product sales provided for property developers and inspection services, repair and maintenance services and equipment upgrade services provided for property management companies. Through beef-up the sales and marketing team resources and penetrating the market sub-segments, the PRC operation expanded the intelligent building & construction and technical support for specific engineering business during the year, which help to reduce costs in the underlying development projects. The Hong Kong and Macau operation has also made in-roads towards large-scale property repair and maintenance engineering business, resulting in a substantial increase in revenue.

In respect of community assets and services operating platform sub-segment, both of the customers' recognition of our traditional property management services, and diversification of our product offerings and marketing channels through services offered with our online-to-offline platform 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 and satisfaction of our customers. We rely on a multi-businesses model to create greater profit margins, to meet the consumer needs on the living, medical, education and entertainment aspects. The services cover (i) self-owned asset management, including management of self-owned properties and car parks; (ii) customer asset management services, including owner asset agency services, public resource leasing assistance services etc.; and (iii) living service operations and commercial service operations, including housing ecology, home improvement, new retail, home services, tourism and leisure, education and training, health care, automotive services, platform services, commercial office services, etc.

In respect of the profitability, the gross profit margin of the value-added services segment for the year was 42.4% (2017: 53.9%), of which, (i) that of engineering services sub-segment slightly increased to 32.1% (2017: 30.3%) mainly due to the increased profit margin through centralized bulk purchasing and subcontracting during the year, which offset the impact on gross profit margin when expanding into large-scale engineering business; (ii) the gross profit margin of community assets and services operating platform sub-segment decreased to 49.9% (2017: 68.0%) as a result of the expansion of the service and product range.

Overall, driven by increasing revenue, the gross profit of value-added services increased by 22.6% to HK$173.9 million (2017: HK$141.8 million). Of which, (i) the gross profit of engineering services sub-segment increased substantially by 83.8% to HK$54.9 million (2017: HK$29.8 million) mainly arisen from expansion of the intelligent development, specific technical support and large-scale property repair and maintenance engineering business; (ii) the gross profit of community assets and services operating platform sub-segment increased by 6.3% to HK$119.0 million (2017: HK$112.0 million), due to satisfied performance on customer life services and customer asset management services, which compensated the decrease in average gross profit margin as a result of the expansion of the service and product range.

All in all, the segment profit from value-added services, having allowed for segment overhead (including IoT platform technology and intelligent hardware upgrade costs, promotional selling expenses on online-to-offline platform and development cost on other intelligence measures) and taking into accounts of fair value gain of investment properties, increased by 12.4% against last year to HK$146.6 million (2017 HK$130.4 million).

LIQUIDITY, FINANCIAL RESOURCES AND DEBT STRUCTURE

The Group adopts prudent financial policies, with effective financial and cash management under centralized supervision, and maintains appropriate and sufficient cash balances. As at 31 December 2018, net working capital amounted to HK$857.2 million (as at 31 December 2017: HK$873.9 million).

During the year, the Group has fully settled all bank borrowings of HK$265.0 million, and interest of such borrowings was charged at floating rates with a weighted average of 2.88% per annum. Accordingly, bank balances and cash decreased by 11.5% to HK$2,398.3 million from last year (as at 31 December 2017: HK$2,711.0 million), in which, 96.2% were denominated in Renminbi and 3.8% were denominated in Hong Kong Dollar/Macau Pataca.

CAPITAL EXPENDITURE

The capital expenditures, which mainly represent additions to leasehold improvement, motor vehicles, machinery and equipment, furniture, fixtures, office equipment and software systems, were HK$28.4 million for the year ended 31 December 2018.

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

On 11 July 2018, Shenzhen Xinghai Investment Co., Ltd.（深圳市興海投資有限公司）(“Shenzhen Xinghai”), a wholly-owned subsidiary of the Company, as the purchaser entered into sale and purchase agreements (the “Sale and Purchase Agreements”) with Qingdao Zhonghai Shengxing Real Estate Co., Ltd.（青島中海盛興房地產有限公司）(“Qingdao Zhonghai”) and Dalian Zhonghai Xiangye Real Estate Development Co., Ltd.（大連中海興業房地產開發有限公司）(“Dalian Zhonghai”), as the sellers. Each of Qingdao Zhonghai and Dalian Zhonghai is a subsidiary of China Overseas Land & Investment Limited (“COLI”). Pursuant to the Sale and Purchase Agreements, Shenzhen Xinghai agreed to acquire the right to use of 244 car parking spaces in total from Qingdao Zhonghai and Dalian Zhonghai for a consideration of approximately RMB10.5 million (equivalent to approximately HK$12.4 million) and RMB15.2 million (equivalent to approximately HK$18.0 million), respectively, which has been duly completed during the year. The car parking spaces are located in residential development projects developed by Qingdao Zhonghai in Qingdao, China and the Dalian Zhonghai in Dalian, China, respectively.

Details of the above transactions have been disclosed in the Company's announcement dated 11 July 2018.

On 29 November 2018, car parking space agreements and Chongqing housing title agreements were entered into by and between the subsidiaries of the Company (as the purchasers) and the subsidiaries of COLI. Pursuant to which, the Group have conditionally agreed to acquire the right to use of 3,101 car parking spaces in total in Shanghai and Guangzhou at a total consideration of approximately RMB182.8 million (equivalent to approximately HK$206.6 million) and to acquire the housing title of office premises at 28/F., Block A, International Business Building, Chongqing at a total consideration of approximately RMB8.6 million (equivalent to approximately HK$9.7 million) respectively.

Details of the transactions have been disclosed in the Company's announcement dated 29 November 2018 and circular dated 10 January 2019, and have been duly approved by the independent shareholders of the Company at an extraordinary general meeting held on 29 January 2019.

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 2018.

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$94.5 million as at 31 December 2018 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 2018.

SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

Except as disclosed aforesaid, the Group had no significant events occurred after the year ended 31 December 2018, which have material impact on the performance and the value of the Group.

EMPLOYEES

As at 31 December 2018, the Group had approximately 36,115 employees (as at 31 December 2017: 30,014).

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 2018 was approximately HK$2,161.5 million (2017: HK$1,842.4 million).

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

CONSOLIDATED INCOME STATEMENT
For the year ended 31 December 2018

	Note	2018 HK$'000	2017 HK$'000
Revenue	4	**4,154,670**	3,357,800
Direct operating expenses		**(3,305,880)**	(2,555,385)
Gross profit		**848,790**	802,415
Other income and gains, net		**48,606**	47,795
Gain arising from changes in fair value of investment properties		**4,345**	6,930
Selling and administrative expenses		**(336,781)**	(403,137)
Net impairment losses on financial assets – trade and other receivables		**(6,987)**	(16,466)
Operating profit		**557,973**	437,537
Share of profit of an associate		**200**	161
Finance costs		**(3,239)**	(8,910)
Profit before tax	6	**554,934**	428,788
Income tax expenses	7	**(148,573)**	(121,599)
Profit for the year		**406,361**	307,189
Attributable to:			
Owners of the Company		**402,058**	306,760
Non-controlling interests		**4,303**	429
		406,361	307,189
		HK Cents	HK Cents
Earnings per share	9		
Basic and diluted		**12.23**	9.33

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2018

	2018 **HK$'000**	2017 HK$'000
Profit for the year	**406,361**	307,189
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	**21,503**	17,433
Item that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of subsidiaries of the Company	**(43,935)**	63,633
	(22,432)	81,066
Total comprehensive income for the year	**383,929**	388,255
Total comprehensive income attributable to:		
Owners of the Company	**380,063**	387,463
Non-controlling interests	**3,866**	792
	383,929	388,255

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2018

	Note	**2018 HK$'000**	2017 HK$'000
Non-current assets			
Investment properties		**132,586**	106,083
Property, plant and equipment		**40,935**	34,924
Intangible assets		**6,232**	5,419
Prepaid lease payments for land		**1,458**	1,965
Interest in an associate		**552**	352
Amount due from a related company		**85,842**	90,393
Deferred tax assets		**26,427**	29,510
		294,032	268,646
Current assets			
Inventories		**37,142**	9,664
Trade and other receivables	*10*	**585,937**	467,253
Deposits and prepayments		**61,476**	40,486
Prepaid lease payments for land		**226**	301
Amount due from immediate holding company		**384**	96
Amounts due from fellow subsidiaries		**146,665**	49,486
Amounts due from related companies		**32,806**	11,056
Tax prepaid		**-**	39
Bank balances and cash		**2,398,334**	2,711,015
		3,262,970	3,289,396
Current liabilities			
Trade and other payables	*11*	**1,604,413**	1,592,755
Receipts in advance and other deposits		**670,591**	651,660
Amount due to immediate holding company		**1,547**	1,417
Amounts due to fellow subsidiaries		**8,822**	57,488
Amounts due to related companies		**2,496**	3,794
Tax liabilities		**117,924**	108,346
		2,405,793	2,415,460
Net current assets		**857,177**	873,936
Total assets less current liabilities		**1,151,209**	1,142,582

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

As at 31 December 2018

	Note	2018 HK$'000	2017 HK$'000
Non-current liabilities			
Deferred tax liabilities		**22,249**	16,029
Bank borrowings	*12*	**-**	265,000
		22,249	281,029
Net assets		**1,128,960**	861,553
Capital and reserves			
Share capital	*13*	**3,287**	3,287
Reserves		**1,116,466**	852,888
Equity attributable to owners of the Company		**1,119,753**	856,175
Non-controlling interests		**9,207**	5,378
Total equity		**1,128,960**	861,553

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 Engineering Corporation （中國建築集團有限公司）("CSCEC"), an entity established in the People's Republic of China (the "PRC") and the PRC government is a substantial shareholder of CSCEC.

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

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

The financial statements which have been prepared for the year ended 31 December 2018 were approved for issue by the Board on 19 March 2019.

2. PRINCIPAL ACCOUNTING POLICIES

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

Save as described in note 3 "Adoption of new and revised HKFRSs", the accounting policies used in preparing the consolidated financial statements are consistent with those of the annual financial statements for the year ended 31 December 2017.

3. ADOPTION OF NEW AND REVISED HKFRSs

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

Annual Improvements Project	Annual Improvements 2014–2016 Cycle
HKFRS 2 (Amendments)	Classification and Measurement of Share-based Payment Transactions
HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers
HKFRS 15 (Amendments)	Clarifications to HKFRS 15
HKAS 40 (Amendments)	Transfers of Investment Property
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration

3. ADOPTION OF NEW AND REVISED HKFRSs (CONTINUED)

Except for HKFRS 9 and HKFRS 15, the adoption of the other new and revised HKFRSs in the current year had no material impact on the Group's results and financial position. The impact from the adoption of HKFRS 9 and HKFRS 15 is disclosed as follow.

HKFRS 15 Revenue from Contracts with Customers

The HKICPA has issued a new standard for the recognition of revenue. This has replaced 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. Depending on the terms of the contract and laws that apply to the contract, control of the goods or services may transfer over time or at a point in time.

The Group is mainly engaged in provision of property management and value-added services, services are mainly rendered over time. The Group adopted a modified retrospective approach for transition of HKFRS 15, while the Group did not have significant impact on application of the standard.

As at 1 January 2018 and 31 December 2018, receipts in advance (including those presented in amounts due to fellow subsidiaries and related companies) amounting to HK$411,753,000 and HK$402,076,000 respectively, represented contract liabilities in relation to advance payments made by the customers while the underlying services are yet to be provided under HKFRS 15.

HKFRS 9 Financial Instruments

The Group has adopted HKFRS 9 Financial Instruments with effective from 1 January 2018, which resulted in changes in accounting policies that 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 there was no significant impact on the classification, measurement and derecognition. Hedge accounting is not applicable to the Group.

Under HKFRS 9, a new impairment model for financial assets carried at amortised cost 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. The new impairment model mainly affects the impairment assessment of trade receivables from property management services under lump sum basis. The Group applies the simplified approach to provide for ECL, which requires the use of the lifetime expected loss provision for all trade receivables.

In accordance with the transitional provisions in HKFRS 9, any adjustments related to the provision for impairment of trade receivables and related deferred taxation are recognised at 1 January 2018 with the difference recognised in opening retained profits. The consolidated statement of financial position as at 31 December 2017 and provisions for impairment for the year then ended were not restated accordingly.

The following is a reconciliation of the opening effect on adoption of HKFRS 9 as at 1 January 2018:

	Trade receivables- provision for impairment HK$'000	Deferred taxation HK$'000	Non-controlling interests HK$'000	Retained profits HK$'000
At 31 December 2017	(47,902)	13,481	(5,378)	(925,394)
Adjustment on adoption of HKFRS 9	(2,512)	530	37	1,945
At 1 January 2018	(50,414)	14,011	(5,341)	(923,449)

3. ADOPTION OF NEW AND REVISED HKFRSs (CONTINUED)

HKFRS 9 Financial Instruments (Continued)

Although comparative figures should not be restated, the Group has reclassified net impairment losses on financial assets – trade and other receivables of HK$16,466,000 in 2017 from selling and administrative expenses in consolidated income statement to conform with current year presentation and as a result of consequential changes made to HKAS 1 Presentation of Financial Statements.

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 2015-2017 Cycle [1]
HKFRS 3 (Amendments)	Definition of a Business [2]
HKFRS 9 (Amendments)	Prepayment Features with Negative Compensation [1]
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture [3]
HKFRS 16	Leases [1]
HKAS 1 and HKAS 8 (Amendments)	Definition of Material [2]
HKAS 19 (Amendments)	Plan Amendment, Curtailment or Settlement [1]
HKAS 28 (Amendments)	Long-term Interests in Associates and Joint Ventures [1]
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments [1]

[1] Effective for annual periods beginning on or after 1 January 2019
[2] Effective for annual periods beginning on or after 1 January 2020
[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 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. 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 consolidated statement of cash flows.

The accounting for lessors will not significantly change.

The Group's activities as a lessor are not material and hence the Group does not expect any significant impact on the financial statements. However, some additional disclosures will be required from next year.

The Group will apply the standard from its mandatory adoption date of 1 January 2019. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption. Right-of-use assets for leases will be measured on transition as if the new standard had always been applied.

As at 31 December 2018, the Group has non-cancellable operating lease commitments of HK$39,161,000. Of these commitments, approximately HK$9,616,000 related to either short-term leases or low-value leases, which will be continued to recognise on a straight-line basis as expense in profit or loss, as the Group will select the exemption for short-term and low-value leases.

3. ADOPTION OF NEW AND REVISED HKFRSs (CONTINUED)

HKFRS 16 Leases (Continued)

For the remaining lease commitments, the Group expects to recognise right-of-use assets and leases liabilities of approximately HK$25,398,000 and HK$26,862,000 respectively on 1 January 2019 with the difference recognised in opening retained profits on 1 January 2019.

For other new or revised standards or 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 consolidated financial statements.

4. REVENUE

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

	Year ended 31 December	
	2018	2017
	HK$'000	HK$'000
Property management services	**3,745,067**	3,094,681
Value-added services	**409,603**	263,119
Total revenue	**4,154,670**	3,357,800

5. SEGMENT INFORMATION

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

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

5. SEGMENT INFORMATION (CONTINUED)

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

Segment results, segment assets and segment liabilities

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

	Property management services HK$'000	**Value-added services HK$'000**	**Elimination HK$'000**	**Consolidated HK$'000**
Year ended 31 December 2018				
Reportable segment revenue				
- from external customers	3,745,067	409,603	-	4,154,670
- inter-segment revenue	7,115	95,937	(103,052)	-
	3,752,182	505,540	(103,052)	4,154,670
Timing of revenue recognition of reportable segment revenue from external customers				
- at a point of time	-	120,473	-	120,473
- over time	3,745,067	286,687	-	4,031,754
	3,745,067	407,160	-	4,152,227
Revenue from other sources from external customers				
- rental income	-	2,443	-	2,443
	3,745,067	409,603	-	4,154,670
Reportable segment profit	460,317	146,608	-	606,925
Corporate expenses, net			(i)	(51,991)
Profit before tax				554,934

	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

(i) Including net exchange gain mainly arising from dividend received/ receivable from a subsidiary of the Group of HK$472,000 (2017: HK$21,199,000).

5. SEGMENT INFORMATION (CONTINUED)

Segment results, segment assets and segment liabilities (Continued)

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 2018				
Segment assets	3,211,850	307,277	37,875	3,557,002
Segment liabilities	(2,340,220)	(66,487)	(21,335)	(2,428,042)

	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)

Other segment information

	Property management services HK$'000	**Value-added services HK$'000**	**Unallocated HK$'000**	**Consolidated HK$'000**
Year ended 31 December 2018				
Amounts included in the measurement of segment results and segment assets:				
Interest income	37,665	137	935	38,737
Additions to property, plant and equipment	22,427	893	1,240	24,560
Additions to intangible assets	3,862	-	-	3,862
Loss on disposals of property, plant and equipment	218	-	-	218
Net impairment losses on financial assets – trade and other receivables	6,987	-	-	6,987
Depreciation and amortisation	16,333	1,355	193	17,881
Gain arising from changes in fair value of investment properties	-	4,345	-	4,345
Share of profit of an associate	200	-	-	200

5. 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 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
Net impairment losses on financial assets – trade and other receivables	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

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	
	2018	2017
	HK$'000	HK$'000
Hua Nan Region	**1,284,443**	1,029,812
Hua Dong Region	**550,559**	448,078
Hua Bei Region	**748,453**	607,867
Northern Region	**362,120**	278,442
Western Region	**642,735**	541,738
The PRC	**3,588,310**	2,905,937
Hong Kong and Macau	**566,360**	451,863
	4,154,670	3,357,800

5. SEGMENT INFORMATION (CONTINUED)

Geographical information (Continued)

	Non-current assets by geographical market (Note (i)) As at 31 December	
	2018	2017
	HK$'000	HK$'000
Hua Nan Region	**95,638**	95,346
Hua Dong Region	**65,592**	37,489
Hua Bei Region	**7,534**	5,954
Northern Region	**3,351**	4,520
Western Region	**5,329**	2,207
The PRC	**177,444**	145,516
Hong Kong and Macau	**3,767**	2,875
	181,211	148,391

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

6. PROFIT BEFORE TAX

	Year ended 31 December	
	2018	2017
	HK$'000	HK$'000
Profit before tax is arrived at after charging:		
Staff costs including directors' emoluments and share-based payment	**2,161,478**	1,842,425
Sub-contracting costs	**542,752**	397,796
Equipment repairs and maintenance costs	**236,143**	236,014
Utility costs	**304,153**	191,503

7. INCOME TAX EXPENSES

	Year ended 31 December	
	2018	2017
	HK$'000	HK$'000
Income tax expenses comprise:		
Current tax for the year:		
Hong Kong profits tax	**2,300**	1,818
Macau complementary income tax	**239**	93
PRC enterprise income tax	**135,622**	116,729
PRC withholding income tax	**7,851**	8,665
	146,012	127,305
Under /(Over) - provision in prior years:		
Hong Kong profits tax	**195**	(60)
Macau complementary income tax	**252**	(14)
	447	(74)
Deferred tax:		
Current year and prior years	**2,114**	(5,632)
	148,573	121,599

Hong Kong profits tax is calculated at 16.5% of the estimated assessable profit for the year (2017: 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% (2017: 25%).

Macau complementary income tax is calculated at the prevailing tax rate of 12% in Macau (2017: 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$7.9 million (2017: HK$8.7 million) for the year ended 31 December 2018 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.

8. DIVIDENDS

The dividend paid in 2018 and 2017 was HK$115,040,000 (HK3.5 cents per share) and HK$85,458,000 (HK2.6 cents per share) respectively. A dividend in respect of the year ended 31 December 2018 of HK2.0 cents, amounting to a total dividend of HK$65,737,000, is to be proposed at the annual general meeting on 5 June 2019. These financial statements do not reflect this dividend payable.

8. DIVIDENDS (CONTINUED)

		Dividend paid Year ended 31 December	
		2018	2017
	HK$'000	**HK$'000**	HK$'000
2016:			
Final dividend of HK1.1 cents per ordinary share	36,155		36,155
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	**49,303**	
	98,606		
2018:			
Interim dividend of HK2.0 cents per ordinary share	65,737	**65,737**	
Final dividend of HK2.0 cents per ordinary share	65,737		
	131,474	**115,040**	85,458

9. EARNINGS PER SHARE

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

Earnings

	Year ended 31 December	
	2018	2017
	HK$'000	HK$'000
Earnings for the purpose of basic earnings per share	**402,058**	306,760

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 2018 and 2017, the diluted earnings per share is equal to the basic earnings per share.

10. TRADE AND OTHER RECEIVABLES

	As at 31 December	
	2018	2017
	HK$'000	HK$'000
Trade receivables	**475,623**	422,273
Less: Impairment of trade receivables	**(64,778)**	(47,902)
Trade receivables, net	**410,845**	374,371
Other receivables, net	**175,092**	92,882
	585,937	467,253

10. 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	
	2018	2017
	HK$'000	HK$'000
0–30 days	**126,106**	96,662
31–90 days	**91,276**	70,674
91–365 days	**103,317**	118,546
1–2 years	**62,870**	68,587
Over 2 years	**92,054**	67,804
	475,623	422,273

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. The Group applies the simplified approach to provide for ECL, which requires the use of the lifetime expected loss provision for all trade and other receivables.

11. TRADE AND OTHER PAYABLES

	As at 31 December	
	2018	2017
	HK$'000	HK$'000
Trade payables	**432,691**	468,169
Special fund (Note)	**112,059**	171,717
Temporary receipts from properties managed under commission basis	**176,369**	180,681
Temporary receipts from properties managed under lump sum basis	**277,037**	180,437
Accrued staff costs	**501,761**	474,003
Payables for value-added tax and other levies	**32,554**	35,125
Other payables	**71,942**	82,623
	1,604,413	1,592,755

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.

11. 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	
	2018	2017
	HK$'000	HK$'000
0–30 days	**127,315**	148,891
31–90 days	**48,650**	70,777
Over 90 days	**256,726**	248,501
	432,691	468,169

12. BANK BORROWINGS

	As at 31 December	
	2018	2017
	HK$'000	HK$'000
Bank loans - unsecured	-	265,000

	As at 31 December	
	2018	2017
	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
	-	265,000

As at 31 December 2017, bank borrowings of the Group were denominated in Hong Kong dollars and bore interest at the Hong Kong Interbank Offered Rates plus a specified margin. The weighted average effective interest rate was 2.88% per annum during the year ended 31 December 2018 (2017: 2.56%). The bank borrowings were early settled during the year.

13. SHARE CAPITAL

	Number of shares issued and fully paid	**Share capital HK$'000**
As at 31 December 2017, 1 January 2018 and 31 December 2018	**3,286,860,460**	**3,287**

14. EVENTS AFTER THE REPORTING PERIOD

On 29 January 2019, independent shareholders of the Company approved the sale and purchase agreements dated 29 November 2018, between three wholly-owned subsidiaries of the Group, as the purchasers, and subsidiaries of China Overseas Land & Investment Limited, as the sellers, whereas the purchasers agreed to acquire the right of use of car parking spaces located in community projects in Shanghai and Guangzhou, and housing title of office premises in Chongqing, at a total consideration of RMB 191.4 million (equivalent to approximately HK$216.2 million).

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 HK2.0 cents per share for the year ended 31 December 2018 (for the year ended 31 December 2017: a final dividend of HK1.5 cents per share) representing a total amount of approximately HK$65,737,000, subject to the approval of shareholders of the Company (the "Shareholders") at the forthcoming annual general meeting to be held on 5 June 2019 (the "2019 AGM"). The proposed final dividend will be paid to the Shareholders on 5 July 2019 whose names appear on the Company's register of members ("Register of Members") on 18 June 2019.

CLOSURE OF REGISTERS OF MEMBERS

For the purposes of determining the eligibility of the Shareholders to attend and vote at the 2019 AGM of the Company, and the eligible shareholders' entitlement to the proposed final dividend, the Register of Members will be closed as appropriate as set out below:

(i) For determining the Shareholders' eligibility to attend and vote at the 2019 AGM:

Latest time to lodge transfer documents for registration with the Company's branch share registrar and transfer office in Hong Kong	At 4:30 p.m. on 30 May 2019
Closure of the Register of Members	31 May 2019 to 5 June 2019 (both days inclusive)
Record Date	5 June 2019

(ii) Subject to the passing of the final dividend proposal agenda at the 2019 AGM, for determining the eligible shareholders' entitlement to the proposed final dividend:

Latest time to lodge transfer documents for registration with the Company's branch share registrar and transfer office in Hong Kong	At 4:30 p.m. on 14 June 2019
Closure of the Register of Members	17 June 2019 to 18 June 2019 (both days inclusive)
Record Date	18 June 2019

For purposes mentioned above, all properly completed transfer forms accompanied by the relevant share certificates must be lodged for registration with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong no later than the aforementioned latest time.

AUDIT COMMITTEE AND REVIEW OF ACCOUNTS

The audit committee of the Company (the "Audit Committee") assists the Board in providing an independent review of the effectiveness of the financial reporting process, internal control and risk management systems of the Group, overseeing the audit process, and performing other duties and responsibilities as may be assigned by the Board from time to time. The members of the Audit Committee are all independent non-executive Directors, namely Mr. Yung Wing Ki, Samuel, Mr. So, Gregory Kam Leung and Mr. Lim Wan Fung Bernard Vincent. Mr. Yung Wing Ki, Samuel is the chairman of the Audit Committee.

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 2018.

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 2018 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.

COMPLIANCE WITH THE MODEL CODE

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 "Stock Exchange") (the "Listing rules") as its own code for dealing in securities of the Company by the Directors. After specific enquiry, all Directors confirmed that they have complied with the required standard regarding securities transactions set out therein throughout the year ended 31 December 2018. No incident of non-compliance was noted by the Company for the year ended 31 December 2018. Relevant employees who are likely to be in possession of inside information of the Group are also subject to compliance with written guidelines on no less exacting terms than the Model Code.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Board and the management of the Company are committed to the principles of good corporate governance consistent with prudent management and enhancement of shareholder value. These principles emphasise transparency, accountability and independence.

During the year ended 31 December 2018, 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 on the Stock Exchange。

PUBLICATION OF ANNUAL RESULTS

The annual results announcement is published on the Company's website (http://www.copl.com.hk) and the Stock Exchange's designated website (http://www.hkexnews.hk).

APPRECIATION

I would like to take this opportunity to express sincere appreciation to my fellow directors and our entire staff for their efforts and our business partners and shareholders for their longstanding support.

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

Hong Kong, 19 March 2019

As at the date of this announcement, the Board comprises seven Directors, of which one is Non-executive Director, namely Mr. Yan Jianguo (Chairman); three are Executive Directors, namely Dr. Yang Ou (Chief Executive Officer), Mr. Pang Jinying (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. Yung Wing Ki, Samuel and Mr. So, Gregory Kam Leung.