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

Stock Code : 2669

Creating More Beautiful Spaces to Embrace a Better Life

2018 ANNUAL REPORT

China Overseas Property Holdings Limited

COPL Official Wechat

UN+ Official Wechat

Contents

Corporate Information

Board of Directors

Chairman and Non-executive Director

Yan Jianguo *(Chairman)*

Executive Directors

Yang Ou *(Chief Executive Officer)*
(appointed on 22 March 2018)
Wang Qi *(Vice Chairman and Chief Executive Officer)*
(resigned on 22 March 2018)
Pang Jinying *(appointed on 22 August 2018)*
Luo Xiao *(resigned on 22 August 2018)*
Shi Yong *(resigned on 22 August 2018)*
Kam Yuk Fai

Independent Non-executive Directors

Yung Wing Ki, Samuel
So, Gregory Kam Leung
(appointed on 9 October 2018)
Suen Kwok Lam *(resigned on 9 October 2018)*
Lim Wan Fung, Bernard Vincent

Committees

Audit Committee

Yung Wing Ki, Samuel *(Chairman)*
So, Gregory Kam Leung
(appointed on 9 October 2018)
Suen Kwok Lam
(resigned on 9 October 2018)
Lim Wan Fung, Bernard Vincent

Nomination Committee

Yan Jianguo *(Chairman)*
Yung Wing Ki, Samuel
So, Gregory Kam Leung
(appointed on 9 October 2018)
Suen Kwok Lam
(resigned on 9 October 2018)
Lim Wan Fung, Bernard Vincent

Remuneration Committee

So, Gregory Kam Leung *(Chairman)*
(appointed on 9 October 2018)
Suen Kwok Lam *(Chairman)*
(resigned on 9 October 2018)
Yan Jianguo
Yung Wing Ki, Samuel
Lim Wan Fung, Bernard Vincent

Authorised Representatives

Yan Jianguo
Yang Ou *(appointed on 22 March 2018)*
Pang Jinying *(alternate to Yan Jianguo)*
(appointed on 22 August 2018)
Luo Xiao *(alternate to Yan Jianguo)*
(resigned on 22 August 2018)
Kam Yuk Fai *(alternate to Yang Ou)*

Company Secretary

Sin Lai Lan

Independent Auditor

PricewaterhouseCoopers
Certified Public Accountants

Registered Office

Cricket Square, Hutchins Drive,
PO Box 2681, Grand Cayman KY1-1111,
Cayman Islands

Head Office and Principal Place of Business in Hong Kong

Suite 703, 7/F., Three Pacific Place,
1 Queen's Road East,
Hong Kong
Telephone : (852) 2988 0600
Facsimile : (852) 2988 0606
Website : www.copl.com.hk

Branch Office in Hong Kong

19th Floor, China Overseas Building,
No.139 Hennessy Road and
No.138 Lockhart Road, Wanchai,
Hong Kong
Telephone : (852) 2823 7088
Facsimile : (852) 3102 0683
Website : www.copl.com.hk

Principal Share Registrar and Transfer Office

Conyers Trust Company (Cayman) Limited
Cricket Square, Hutchins Drive,
PO Box 2681, Grand Cayman KY1-1111,
Cayman Islands

Hong Kong Branch Share Registrar and Transfer Office

Tricor Investor Services Limited
Level 22, Hopewell Centre,
183 Queen's Road East, Hong Kong

Legal Advisors

As to Hong Kong laws:

Mayer Brown JSM
Woo Kwan Lee & Lo

As to Cayman Islands laws:

Conyers Dill & Pearman

Principal Bankers

(In Alphabetical Order)
Bank of Communications Co., Ltd., Hong Kong Branch
China Construction Bank Corporation
DBS Bank Ltd., Hong Kong Branch
The Hongkong and Shanghai Banking Corporation Limited

Stock Codes

The Stock Exchange of Hong Kong*	2669
Bloomberg	2669: HK
Reuters	2669.HK

* *Currently one of the eligible securities for Southbound Trading under the Shenzhen-Hong Kong Stock Connect*

Financial Calendar 2019

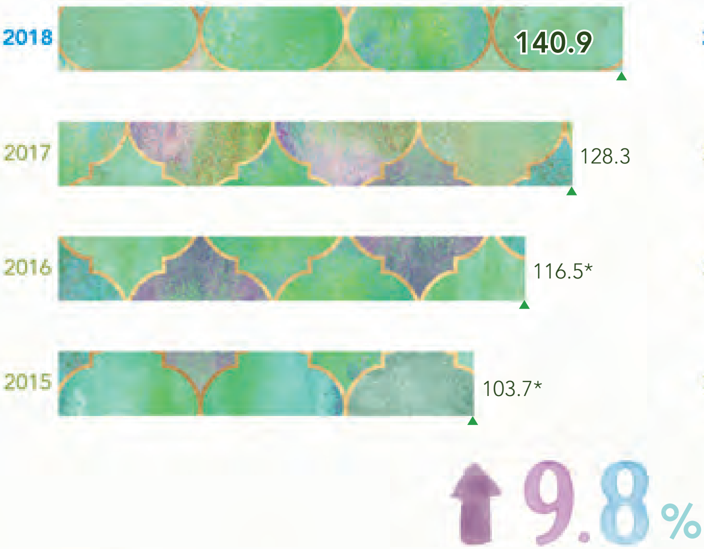
Annual Results Announcement	19 March
AGM Voting and Attending Eligibility Record Date	5 June
Annual General Meeting	5 June
Final Dividend Ex-dividend Date	13 June
Final Dividend Entitlement Record Date	18 June
Final Dividend Payment Date	5 July

Investor and Public Relations

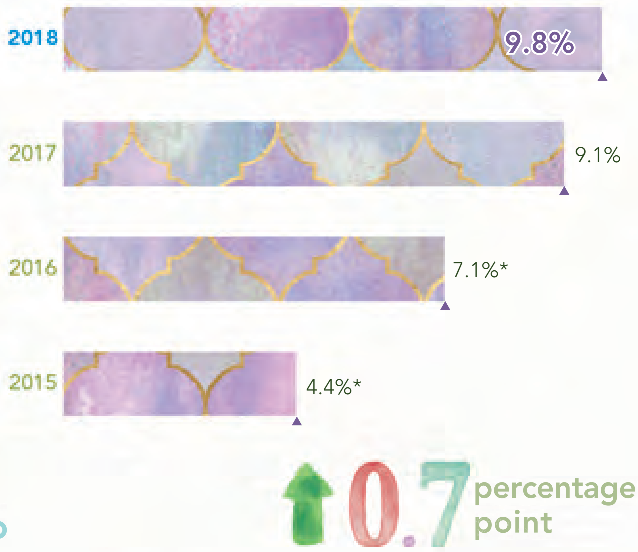
Corporate Communications Department
Telephone : (852) 2988 0600
Facsimile : (852) 2988 0606
Email : copl.ir@cohl.com

Business and Financial Highlights

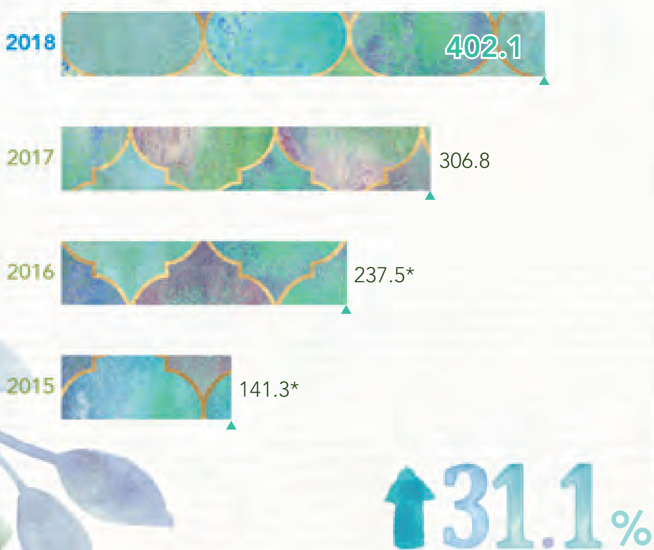
Gross Floor Area under Management as at Year Ended
(Million sq.m.)



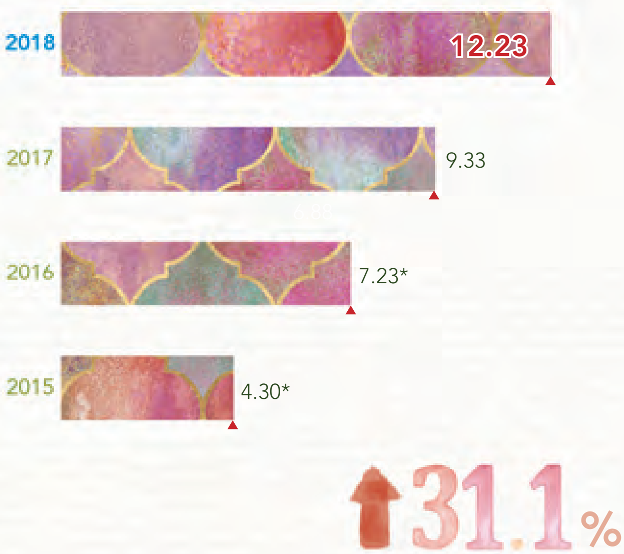
Net Profit Margin
(%)



Profit Attributable to Owners of the Company
(HK$ Million)



Earnings per Share
(HK Cents)



* *Restated under merger accounting. For details, please refer to note 30(c)(iv) of the "Notes to the Financial Statements".*

	Formula	2018	2017	Change
Operating Scale:				
Gross floor area under management as at year ended (million sq.m.)		**140.9**	128.3	+9.8%
Employee headcount		**36,115**	30,014	+20.3%
Revenue (HK$ million)		**4,154.7**	3,357.8	+23.7%
Profitability & Rates of Return:				
Gross profit (HK$ million)		**848.8**	802.4	+5.8%
Profit attributable to owners of the Company (HK$ million)		**402.1**	306.8	+31.1%
Net Profit Margin	Profit for the year÷Revenue	**9.8%**	9.1%	+0.7ppt
Earnings per share (HK cents)		**12.23**	9.33	+31.1%
Dividends per share (HK cents)		**4.0**	3.0	+33.3%
Payout ratio	Dividends per share÷Earnings per share	**32.7%**	32.2%	+0.5ppt
Average return on equity	Profit attributable to owners of the Company÷Average capital and reserves attributable to owners of the Company	**40.7%**	36.7%	+4.0ppt
Liquidity:				
Bank balances and cash (HK$ million)		**2,398.3**	2,711.0	-11.5%
Bank borrowings (HK$ million)		**—**	265.0	-100.0%
Current ratio	Total current assets÷Total current liabilities	**1.4**	1.4	—
Debt-to-assets ratio	Total liabilities÷Total assets	**68.3%**	75.8%	-7.5ppt

ppt: percentage points

Company Profile

Our Vision

To be an Outstanding Global Service Provider in Asset Management

Our Mission

Creating More Beautiful Spaces to Embrace a Better Life

Core Values

Attention to Details
Professionalism
Integrity
Harmony

Company Introduction

China Overseas Property Holdings Limited ("COPL" or the "Group") is a subsidiary of China Overseas Holdings Limited under China State Construction Engineering Corporation and an avant garde in the property management industry in China with first-class qualifications. The development of COPL can be traced back to its establishment in Hong Kong in 1986 when it assisted and strategically coordinated the real estate development of China Overseas Land & Investment Limited ("COLI") in Hong Kong. COPL commenced its property management business in Mainland China since 1991. On 23 October 2015, COPL was listed on the Main Board of the Hong Kong Stock Exchange (Stock Code: 2669.HK), indicating its formal entrance into the international capital market.

COPL has committed to realising its corporate vision of "To be an Outstanding Global Service Provider in Asset Management" and honouring its service undertaking to be a "Trusted Manager of Property Assets" in line with its corporate values underpinned by "Attention to Details, Professionalism, Integrity and Harmony". Backed by many years of hands-on experience and brand-building efforts, it continues to raise the level of professionalism and refinement in its property management operations with the greatest endeavours, aiming to achieve perfection by focusing on its principal business of property management services and value-added services. The Group has obtained the ISO 9001:2008, ISO 10002:2004 and ISO 14001:2004 certifications for quality management, customer satisfaction, environmental management and occupational health and safety management respectively, as well as the OHSAS 18001:2007 certification for occupational health and safety management systems.

Currently, the Group has a footprint spanning over 74 major cities across China with a workforce of over 36,000 employees. The properties under its management include residential properties, commercial properties and government properties. The Group has 705 contracted property projects with a GFA of over 140 million sq.m.. It has become a reputable brand name in the sector underpinned by a nationwide strategic network and a global management vision.

Highlights in 2018

January

Since January 2018, COPL has followed China Oversea Consortium (中海聯合體) to participate in a project of Xiong'an Citizen Service Center (雄安市民服務中心) to provide technical support for the application of intelligence and information technology in the community. Our technical support team comprised of 4 members stationed in Xiong'an project. They have participated in the whole process of the project, including IP planning, delivery, operation and maintenance of the community's information network construction, coordination and advancement of the implementation and commissioning of intelligent construction, delivery training and acceptance.

March

In early March 2018, COPL has conducted successive rounds of projects discussions and technological exchanges with a number of delegates from different colleges. Up to now, our professional companies have established joint R&D teams with five universities, including Nanjing University, Xiamen University, Peking University Shenzhen Graduate School (北大深圳研究院), Chongqing University of Posts and Telecommunications, and Rochester University in the U.S. The joint R&D teams will utilize technological resources provided by the universities to further expand technical research and development capabilities while maintaining an access to a pool of talents and professionals.

April

In April 2018, a community sports training program called "Good and Interesting Life — One Hour After School" was put into action to bring a new look to community sports training for the youth. 15 projects have been successfully piloted in Beijing and the program has extended to Chengdu in July. Adhering to the concept of emphasizing education, companionship and charity, we have turned a new page in assisting the quality enhancement of property services.

May

COPL successfully won the hygiene and disease prevention monitoring service contract for the Hong Kong Port of the Hong Kong-Zhuhai-Macau Bridge.

On 29 May 2018, COPL was selected as one of the "Top 10 Exemplary Listed Enterprises" in the Research Report of Capital, Listings, Mergers and Acquisitions about China Property Management in 2018 in a summit organised by the China Property Management Magazine, with "In tribute to the empowerment of exemplary enterprises all through the 40 years" as its theme.

On 28 May 2018, the third "COPL Cup — Skill & Technique Tournament" themed on "Grasping the skills and technique of basic services and promoting the spirit of craftsmanship in COPL" was successfully concluded in Shenzhen.

July

While COPL positively responded to the national strategy of integration of military and civilian development by establishing a "Logistical Support Taskforce for the Army", it also reached out to the army through a wide range of channels to build a platform for veterans to start their own businesses. We paid visits to a total of 16 units nationwide, including a division of the Armed Police Force of Xinjiang, 10 offices under the Ministry of Armed forces in Hunan, Guangxi and Yunnan, 2 offices of the Civil Affairs Bureau, the People's Liberation Army Hong Kong Garrison, a Group Army in Zhangjiakou, a brigade of the Frontier Defence Unit in Yunnan, and signed over 10 letters of intent on military-business collaboration.

COPL's annual report was awarded the "Vision Awards — Platinum Award" and ranked 18th in the global annual report selection by League of American Communications Professionals LLC ("LACP"). This was the first time COPL garnered an LACP award for its annual reports, evidencing our continuous improvement on the preparation of our annual reports which have been highly recognised by international institutions. Our Corporate Communication Department communicates with printers proactively every year to keep improving the quality of our annual reports with a view to bringing out the overall narrative of our reports with a design that best suits our corporate image, thereby enhancing the strength and accuracy of our messages.

August

COPL's UN+ (優你互聯) and Huawei (as distributor) entered into a cooperation agreement in respect of the consignment of end products and obtained the qualification as a Grade A agent. Through both online and offline platforms as well as our connection with China Overseas Property Group and business customers, special discounts on popular products were offered to employees of China Overseas, their family members and friends and our partnered enterprises.

The Summit for China Top 100 Community Service Providers 2018 hosted by Yihan Think Tank was held in Shanghai from 8 to 11 August 2018, where the research output of China Top 100 Community Service Providers 2018 was officially released. With an excellent reputation among its customers and a rapidly growing potential for development, COPL has received a number of honours including the ranking of the fifth among the "China Top 100 Community Service Providers 2018", "Top 10 Companies with Highest Profile in the Capital Market" and "China Top 50 Exemplary Community Service Providers with Highest Customer Satisfaction".

September

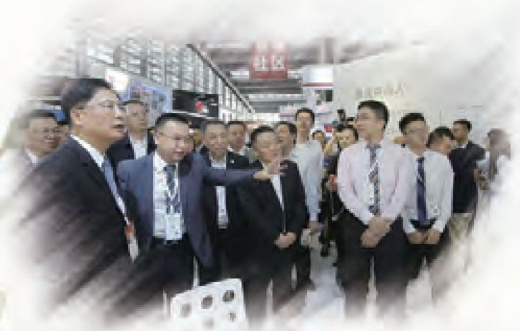
On 11 September, COPL was honoured as one of the "China Top 30 Blue Chip Property Enterprises" once again in the Annual Meeting of China Blue Chip Property Enterprises 2018 hosted by the Economic Observer.

On 27 September, the "China Top 100 Property Management Companies with Highest Brand Value Campaign 2018" jointly organised by China Real Estate News, China Real Estate Web and Zhongfang Think Tank was held in Beijing. COPL ranked first among the "China Top 100 Property Management Enterprises 2018".

October

The 2nd International Property Management Industry Expo hosted by China Property Management Institute was held from 15 to 17 October in Shenzhen Convention and Exhibition Center, Guangdong. COPL was invited to the Expo with a theme of "Integrated Development, Creates a Beautiful Future". On all three days of the Expo, COPL had an excellent performance. Its booth attracted significant traffic and had a great atmosphere, receiving compliments from both the external parties and internal staff.

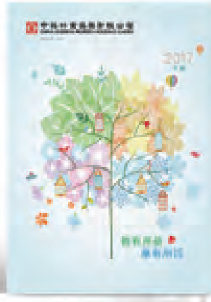
On 24 October 2018, COPL and Huawei entered into a strategic cooperation agreement. Xinghai Wulian as the implementors of the smart community of China Overseas, had been responsible for communicating with Huawei since May in relation to the technological structure of the smart community and the core middle stage construction work. Through the strategic cooperation with Huawei and its technology capability, the Group will speed up the development, construction and application of the middle stage internet of things and the corresponding operating platform of the internet of things, thereby establishing the Group's core competitive advantage in the industry.



November

In November 2018, an elderly care and health service "Good and Interesting Life, Enjoy the Nourishment" commenced trial operation. Over 10 events of the themed activity "Warm Community, Filial World", including talks about elderly care knowledge, charity medical consultation, checkup of potential threats for elderly safety, were launched in Dongguan with over 500 participants. The activity gained the recognition and confidence of the property owners regarding COPL's elderly care services.

From 12 to 16 November 2018, COPL organized a 5-day commercial expedition to London with a hectic yet productive schedule in the short stay. The expedition team visited and communicated with enterprises including BOC International (London), the London headquarter of Cushman & Wakefield, Projects of COLI, CBRE, Savills and First Capital Education, from which we learnt a lot.



December

COPL's annual report for the 2017 financial year won the Bronze Award in the category of Annual Report – Print: Residential Properties in the 2018 Galaxy Awards for its creativity and philosophy in design.

On 4 December 2018, COPL was awarded the "CarbonCare ESG Label" by Hong Kong Carbon Care InnoLab, which is a recognition and approval of the Group's emphasis on environmental protection and eagerness to implement relevant measures. The Group not only complies with the requirements of the Listing Rules of the Hong Kong Stock Exchange, but also sets up reliable plans to improve reporting standards in the future.

ESG
CARBONCARE® ESG LABEL
Best Practice in ESG Reporting - Level 2
Awarded Year 2018 (CCEL-2018-2-039)

In December 2018, the community network platform extended to 506 items, with 620,000 registered users, a monthly online payment amount of over RMB20 million and a monthly activity rate of over 25%. The network platform has become an important communication channel among property owners.

Honours and Awards in 2018

Award	Organiser
China Top 5 Community Service Provider 2018	Yihan Think Tank (億翰智庫)
Ranked 1st in China Top 100 Property Management Enterprises 2018	China Real Estate News (中國房地產報)
Best ESG Report - Mid cap	HERA - Merit Award
Innovative Frontrunner	HERA - Merit Award
Caring Company	Hong Kong Council of Social Service
Bronze Award for Printing of Annual Report: Residential Properties category	MerComm, Inc

Honours and Awards in 2018 (Continued)

Award	Organiser
CarbonCare® ESG Label 2018	CarbonCare InnoLab
Top 100 Property Service Enterprises with Strongest Comprehensive Strengths 2018	China Property Management Institute, Shanghai E-house China R&D Institute, China Real Estate Appraisal Centre
China Top 30 Blue Chip Property Enterprises	The Economic Observer
Selected in the Research Report of Capital, Listings, Mergers and Acquisitions about China Property Management	China Property Management Institute Magazine
"Vision Awards" Platinum Award	League of American Communications Professionals LLC
Ranked 18th globally	League of American Communications Professionals LLC

Chairman's Statement

Chairman's Statement

I am 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 rose 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. Proactively expand, realizing rapid growth of size and efficiency

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. Enhance service quality to improve and set industry benchmark for customer satisfaction

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 an 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. Make inroads into asset management from basic property management

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. Strong assurance of human resources for the long-term development of the Group

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. Fulfilling social responsibilities

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.

Finally, 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.

Yan Jianguo
Chairman and Non-executive Director

Hong Kong, 19 March 2019

Management Discussion and Analysis

Management Discussion and Analysis

Total GFA of the properties under our management

140.9

million sq.m.

↑ **9.8%**

In 32 Years Expand to 74 cities

Business Review

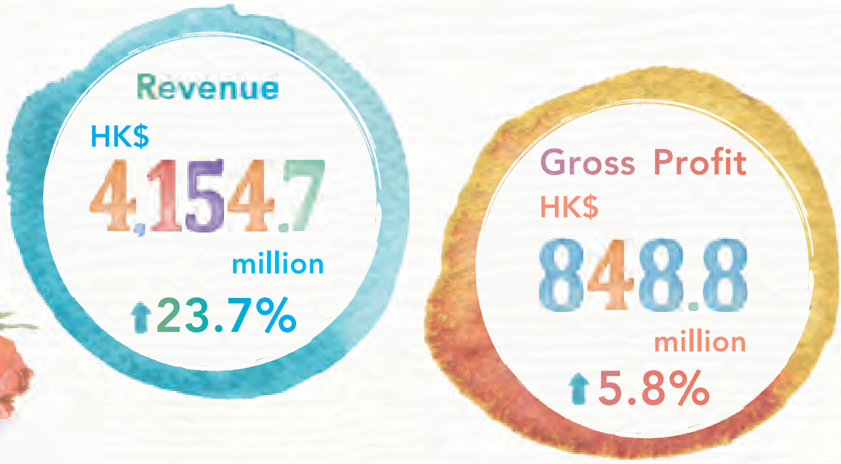
Revenue and Operating Results

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.



Selling and Administrative Expenses
HK$ 336.8 million
↓16.5%

Operating Profit
HK$ 558.0 million
↑27.5%

Profit Attributable to Owners of the Company
HK$ 402.1 million
↑31.1%

Business Review (Continued)

Revenue and Operating Results (Continued)

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

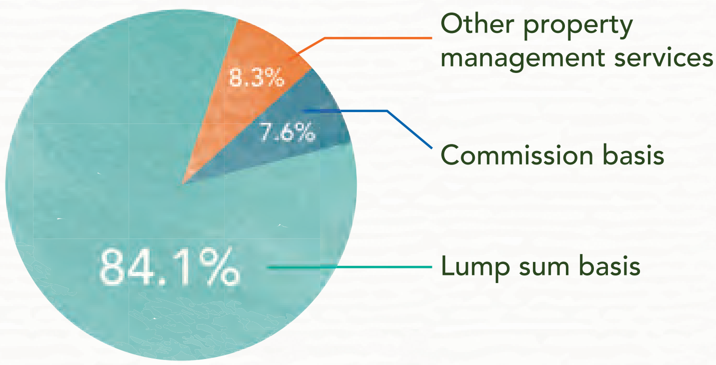
Property Management Services

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%).

Revenue from Property Management Services



Segment Information (Continued)

Property Management Services (Continued)

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).

Segment Information (Continued)

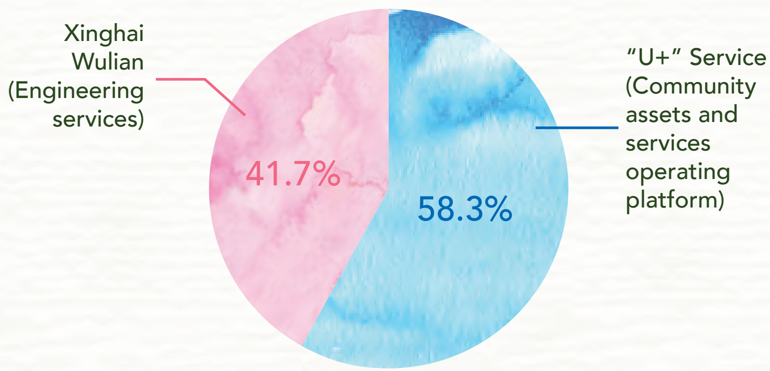
Value-Added Services

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"(興海物聯) and community assets and services operating platform leaded by "U+"(優你互聯) 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 a nd 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.

Revenue from Value-added Services



Value-Added Services Segment Profit

HK$ 146.6 million

↑12.4%

Segment Information (Continued)

Value-Added Services (Continued)

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 Expenditures

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 Xingye 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 have 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 property ownership 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 property ownership 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.

Material Acquisitions, Disposals, Significant Investment and Future Plans of Material Investment (Continued)

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 front line 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.

Principal Risk Management Strategies (Continued)

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.

Human Resources
and Sustainable Development

Human Resources and Sustainable Development

Talent Recruitment

The Group has always maintained the concept of "Employees are its greatest wealth and the key to achieve its sustainable development". In 2018, the Group further strengthened the bringing in of high calibre talents through different channels. For examples, we held the "Sea's Recruits" brand recruitment event to attract elites from the industry and society, organized the "trainee management" campus recruitment, and visited armies to recruit retired soldiers and re-designated officers. We successfully recruited a considerable number of talents to cater for our need in manpower supplement of our headquarters and companies at all levels, while providing talent teams for the rapid development of the Group in the future. Furthermore, we have built a long-term and stable staff echelon mechanism to lay a sound foundation for the sustainable development of the Company.

Social Recruitment of "Sea's Recruits"

Recruiting Retired Soldiers from Army Units

Recruitment of Fresh Graduates

Reserve Navigation Plan

Employee Training and Development

Maintaining our people-oriented principle, the Group has always emphasized on employee training. Through varied enriching and systematic employee training activities, we foster the development of both employees and the Group. We designed different training programmes for management staff at all levels, including back up talents, echelon talents, potential talents and front-line backbone staff, to equip them with different skills so as to build our team core competitiveness and improve the all-round ability, management skills and professional skills of employees. Through organizing a series of training activities, we actively created a harmonious and healthy working atmosphere and a positive learning atmosphere to boost morale and the sense of belonging to the Group.

New Employee Induction Programme for Fresh Graduates

Property Housekeeping Training Camp

Human Resources and Sustainable Development (Continued)

The Group organized various kinds of training activities with different forms, including various training camps, quality development training, short-term offsite exchange, video conferences and seminars for our staff members. We also evaluated the training results and provided feedback to attendants by online training assessment system and on-site training assessment system.

Project Manager Training Camp

Echelon Voyage Plan

In 2018, the Group held about 600 focused training programmes for different types of staff at all levels with more than 24,700 participants. We also conducted ordinary training of 31,490 hours. These well-planned and regular training and learning activities effectively facilitated the learning and growth of our employees, raised their abilities to perform duties, ensured the quality of service output and provided sufficient and high-quality human resources for the Group's business development.

Employee's Care

The Group has always fulfilled our people-oriented principles and cared about employees' satisfaction. The Group's headquarters and its entities specifically set up fraternity clubs and different kinds of employee interest groups. Through abundant staff activities, we build a team atmosphere with unity, energy and motivation and enhance work efficiency.

Team Building Activities for Employees

Employee Sports Day

Outdoor Enhancing Experience

Corporate Governance Report

Corporate Governance Report

Corporate Governance Practices

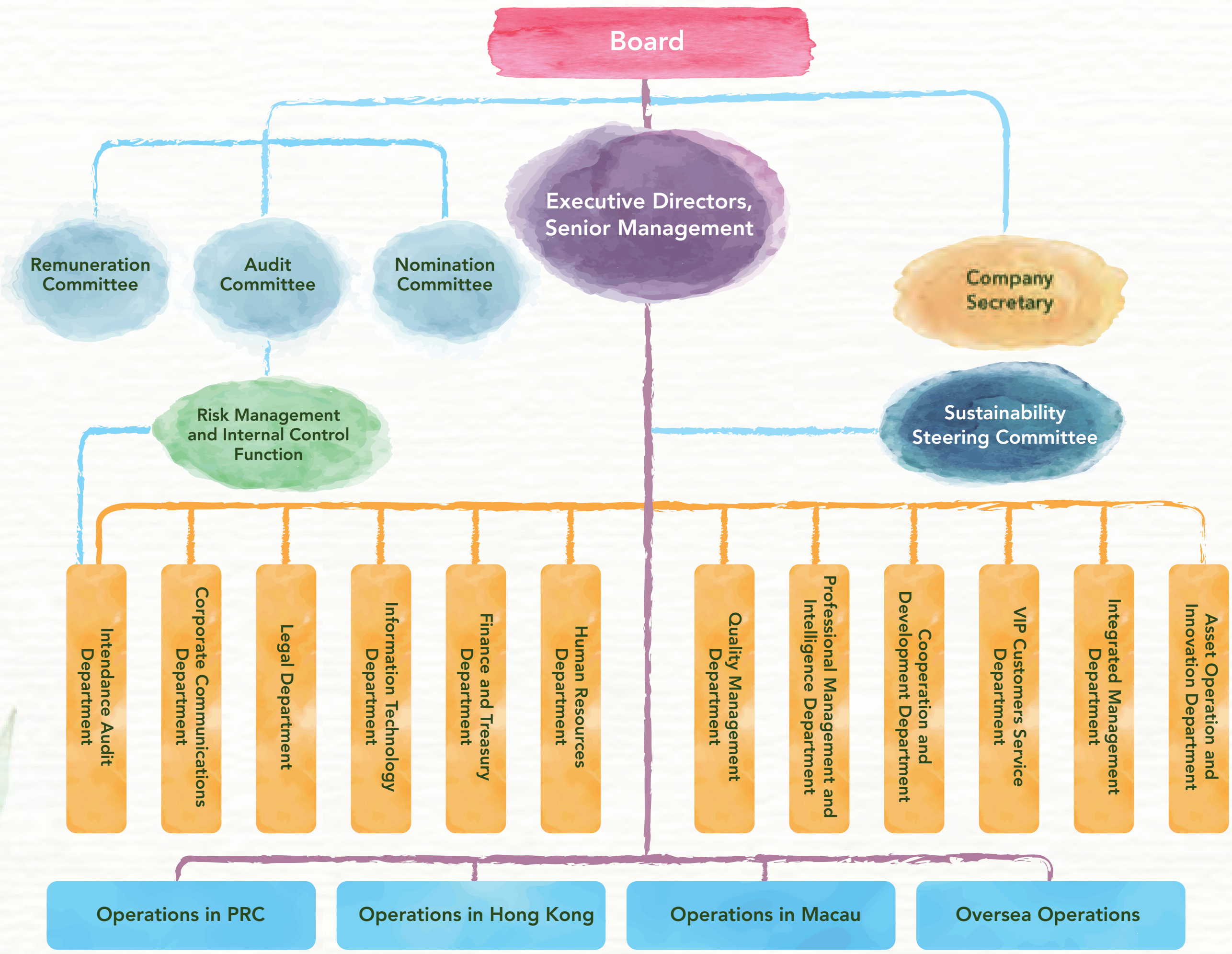
China Overseas Property Holdings Limited (the "Company", together with its subsidiaries, the "Group") acknowledges the important roles of its board of directors (the "Board") in providing effective leadership and direction to the Group's business, and ensuring transparency and accountability of the Group's operations.

The Board recognises 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 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 Rules (the "Listing Rules") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

Corporate Governance Structure

The Board has established a clear governance structure, it, with the support of the three Board committees, performs the key governance functions within the Group.



A. Board

A1. Board's Role and Delegation

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

To enhance efficiency, the Board has delegated the Chief Executive Officer the day-to-day leadership and the management of the Group.

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

The senior management of the Group, on the other hand, is responsible for the management and administrative functions and the day-to-day operations of the Group under the supervision of the Chief Executive Officer. The Board has given clear directions to senior management as to the matters that must be approved by the Board before decisions are made on behalf of the Company. The types of decisions to be delegated by the Board to management include implementation of the strategy and direction determined by the Board, operation of the Group's businesses and compliance with applicable laws and regulations.

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

A. Board (Continued)

A2. Board Composition

The composition of the Board during the year ended 31 December 2018 and up to the date of this Annual Report is as follows:

Chairman and Non-executive Director:

Mr. Yan Jianguo	*(Chairman)*

Executive Directors:

Dr. Yang Ou	*(Chief Executive Officer, appointed on 22 March 2018)*
Ms. Wang Qi	*(Vice Chairman and Chief Executive Officer, resigned on 22 March 2018)*
Mr. Pang Jinying	*(Vice President, appointed on 22 August 2018)*
Mr. Luo Xiao	*(Vice President, resigned on 22 August 2018)*
Mr. Shi Yong	*(Vice President, resigned on 22 August 2018)*
Mr. Kam Yuk Fai	*(Chief Financial Officer)*

Independent Non-executive Directors:

Mr. Lim Wan Fung, Bernard Vincent	
Mr. So, Gregory Kam Leung	*(appointed on 9 October 2018)*
Mr. Suen Kwok Lam	*(resigned on 9 October 2018)*
Mr. Yung Wing Ki, Samuel	

The Board has met the requirements of Rules 3.10 and 3.10(A) of the Listing Rules of having at least three Independent Non-executive Directors (representing at least one-third of the Board) with one of them possessing appropriate accounting and related financial management expertise.

There is no relationship (including financial, business, family or other material/relevant relationship(s)) among members of the Board.

The Directors' biographical information (including their gender, age, educational background, professional experience and knowledge, culture and length of service) are set out at A5 — Board Diversity of this Corporate Governance Report (the "CG Report") and the section headed "Directors and Senior Management" of this Annual Report and on the Company's website (www.copl.com.hk).

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

A3. Chairman and Chief Executive Officer

The Company supports the division of responsibility between the Chairman and the Chief Executive Officer in order to ensure a balance of power and authority and preserve a balanced judgement of views. The Chairman of the Board is responsible for leading the Board, giving weighty strategic advice of development and ensuring the Company in formulating regulatory plans in corporate governance of the Group while the Chief Executive Officer is responsible for leading the senior management of the Company, advising strategic directions, setting business goals, supervising the daily management as well as the business operations and development of the Group.

The Chairman works in close collaboration with the Chief Executive Officer. The Chief Executive Officer would consult with the Chairman for advice, while the Chief Executive Officer would report the work progress and performance to the Chairman.

A. Board (Continued)

A4. Appointment, Re-election and Removal of Directors

The procedures and process of appointment, re-election and removal of directors are laid down in the Company's Articles of Association (the "Articles") and the Nomination Policy. According to the Nomination Policy of the Company, the Nomination Committee shall, when appropriate, identify and evaluate candidates from the labour market and within the Group with reference to the criteria and qualifications set out in the Nomination Policy, then make recommendations for the Board of Directors' and/or shareholders' consideration and approval. It is also the Board's goal to increase the varieties of expertise among our directors to achieve board diversity.

Non-executive Directors have entered into the letters of appointment with the Company for a term of three years. Executive Directors have not entered into any new directors' service agreement with the Company since their directors' service agreements had expired from 22 June 2018, thus there is no fixed term of their appointments. Scope of directors' responsibilities are such as being determined by the Board and as committed to the Stock Exchange, along with their statutory duties under other relevant laws and their fiduciary duties under common law principles. All Directors are subject to retirement from office by rotation and re-election at annual general meetings in accordance with the provisions of the Articles. The procedures for appointment, election and removal of Directors is posted on the website of the Company (www.copl.com.hk).

Pursuant to the articles 84(1) & 84(2) of the Articles, Mr. Yan Jianguo, Mr. Yung Wing Ki, Samuel and Mr. Lim Wan Fung, Bernard Vincent will retire by rotation at the forthcoming annual general meeting (the "2019 AGM"). All of them, being eligible, will offer themselves for re-election at the 2019 AGM.

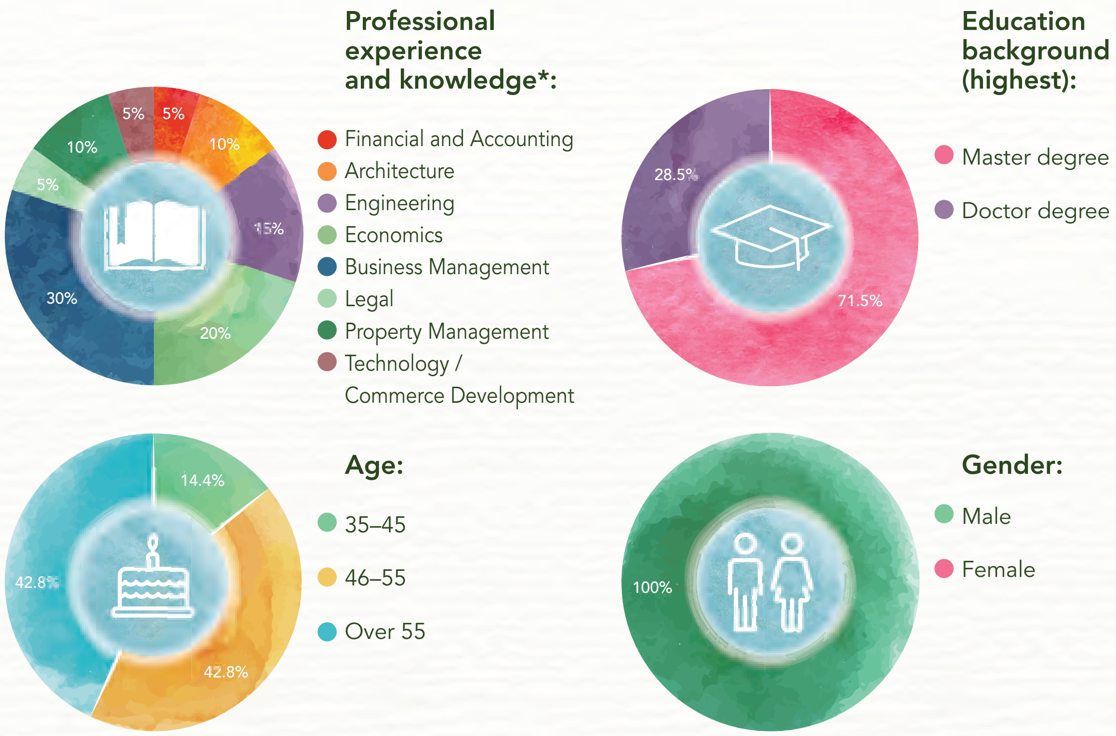
A5. Board Diversity

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

A. Board (Continued)

A5. Board Diversity (Continued)

The Company also recognises and embraces the benefits of having a diverse Board to enhance its effectiveness as well as improve the quality of its performance. The Board has adopted a Board Diversity Policy effective since October 2015, a copy of which is available on the Company's website (www.copl.com.hk). Under the policy, all Board appointments will be based on merit and selection of candidates will be based on a range of diversity factors, including but not limited to education background, professional experience and knowledge. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board. As at the date of this Annual Report, the Board comprises seven Directors and three of them are Independent Non-executive Directors, thereby promoting critical review and giving independent advice in the decision-making process. The Board's composition under diversified perspectives are set out below while detailed biographies of the Board members are set out in the section headed "Directors and Senior Management" on pages 64 to 70 of this Annual Report:



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

Based on the above, the Nomination Committee considered that the existing Board is sufficiently diverse in relation to the current needs of the Company. The Nomination Committee will review the policy on an annual basis to ensure the continued effectiveness of the policy and will make recommendations to the Board of any amendment of the policy where necessary.

A. Board (Continued)

A6. Confirmation of Independence

The Company confirmed that it has received from each of the Independent Non-executive Directors an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules and still considered all Independent Non-executive Directors are independent.

A7. Directors Training

Pursuant to the code provision A.6.5, the Company has received from the Directors of the Company below a record of the type(s) of training they received for the year ended 31 December 2018.

Directors	Type(s) of training (See remarks)
Mr. Yan Jianguo	B
Dr. Yang Ou	B, C
Mr. Pang Jinying	B, C
Mr. Kam Yuk Fai	A, B
Mr. Yung Wing Ki, Samuel	A, B
Mr. So, Gregory Kam Leung	B, C
Mr. Lim Wan Fung, Bernard Vincent	A, B

Remarks:

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

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

C: receiving an induction which includes a guide on Directors' Duties, the Company's profile and organisation chart and corporate rules and policies such as inside information policy and model code for directors in dealing with securities of the Company.

A8. Board Meetings

During the year, the Board held four regular meetings to review and approve, inter alias, the financial and operational results of the Group, reports of external auditors as well as reports of internal audit. Two additional board meetings were held to consider and approve ad hoc matters and transactions during the year.

At least 14 days formal notice is given before each Board meeting. Directors are given the opportunity to comment on the draft Board agenda to include items that they would like to discuss.

The Company Secretary is responsible for taking minutes of Board meetings. Directors are given an opportunity to comment on the draft Board minutes which are sent to Directors within a reasonable time frame. Such minutes are open for inspection by Directors.

A. Board (Continued)

A9. Attendance at Board Meetings, Committee Meetings and Shareholders' Meetings

Details of Directors' attendance at the Board Meetings, Meetings of Board committees and Shareholders' Meeting held in 2018 are set out in the table below:

Directors	Board Meetings	Audit Committee Meetings	Remuneration Committee Meetings	Nomination Committee Meetings	General Meeting
Non-executive Director:					
Mr. Yan Jianguo	6/6	N/A	3/3	3/3	1/1
Executive Directors:					
Dr. Yang Ou *(appointed on 22 March 2018)*	6/6	N/A	N/A	N/A	1/1
Ms. Wang Qi *(resigned on 22 March 2018)*	1/1	N/A	N/A	N/A	N/A
Mr. Pang Jinying *(appointed on 22 August 2018)*	3/3	N/A	N/A	N/A	N/A
Mr. Luo Xiao *(resigned on 22 August 2018)*	4/4	N/A	N/A	N/A	1/1
Mr. Shi Yong *(resigned on 22 August 2018)*	4/4	N/A	N/A	N/A	1/1
Mr. Kam Yuk Fai	6/6	N/A	N/A	N/A	1/1
Independent Non-executive Directors:					
Mr. Yung Wing Ki, Samuel	5/6	4/4	3/3	2/3	1/1
Mr. So, Gregory Kam Leung *(appointed on 9 October 2018)*	2/2	1/1	0/0	0/0	0/0
Mr. Suen Kwok Lam *(resigned on 9 October 2018)*	5/5	3/3	3/3	3/3	1/1
Mr. Lim Wan Fung, Bernard Vincent	6/6	4/4	3/3	3/3	1/1

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

In addition, during the year ended 31 December 2018, Mr. Yan Jianguo, the chairman of the Company, has held a meeting with the Independent Non-executive Directors to discuss corporate governance and other matters without the presence of Executive Directors.

A. Board (Continued)

A10. Model Code for Securities Transactions by Directors and Relevant Employees

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as contained in Appendix 10 to the Listing Rules as the 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 to date in 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.

A11. Corporate Governance Functions

The Board is responsible for performing the corporate governance functions set out in the terms of reference in code provision D.3.1 (including the implementation of the corporate governance policy of the Company) and supervising the work of the management and reviewing the performance of the Company.

For the year ended 31 December 2018, the Board has reviewed the training and continuous professional development of Directors, the compliance of the Model Code and the Company's compliance with the Corporate Governance Code and disclosures in this Annual Report.

B. Board Committees

As part of good corporate governance, the Board has set up a Remuneration Committee, an Audit Committee and a Nomination Committee for overseeing particular aspects of the Company's affairs. Each committee has its own specific delegated authorities and operates within defined written terms of reference, which are posted on the websites of the Company (www.copl.com.hk) and the Stock Exchange (www.hkexnews.hk). All the Board committees should report to the Board on their decisions or recommendations made.

B1. Remuneration Committee

During the year, the Remuneration Committee comprises a total of four members, being the Chairman of the Board and three Independent Non-executive Directors, namely, Mr. Yan Jianguo, Mr. Yung Wing Ki, Samuel, Mr. So, Gregory Kam Leung (appointed on 9 October 2018, following the resignation of Mr. Suen Kwok Lam on the same date) and Mr. Lim Wan Fung, Bernard Vincent. The chairman of the Committee is Mr. So, Gregory Kam Leung.

B. Board Committees (Continued)

B1. Remuneration Committee (Continued)

The main duties and responsibilities of the Remuneration Committee include:

— To make recommendations to the Board on the Group's remuneration policy and structure for all Directors' and senior management's remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy;

— To review and approve the management's remuneration proposals with reference to the Board's corporate goals and objectives;

— To either (i) determine with delegated responsibility or (ii) make recommendations to the Board on the remuneration packages of individual Executive Director and senior management, including without limitation, basic salaries, benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment; and

— To make recommendations to the Board on the remuneration of Non-executive Directors.

For the year ended 31 December 2018, the Remuneration Committee has held three meetings during which the Remuneration Committee has performed the following major works:

— reviewed the Group's policy of remuneration and benefit and the remuneration packages (including bonus and benefits) of all Directors and senior management;

— reviewed the proposed remuneration packages of two Executive Directors and one Non-Executive Director and recommended the proposals to the Board for approval; and

— reviewed the proposed director's fee of a newly appointed Independent Non-executive Director and recommended the proposal to the Board for approval.

The attendance record of each committee member at the meetings is set out at A9 — Attendance at Board Meetings, Committee Meetings and Shareholders' Meetings of the CG Report.

The remuneration of Directors and senior management of the Company is determined with reference to the remuneration policy of the Group and based on individual skills, knowledge, experience, performance and contribution, the overall performance of the Group, the prevailing economic environment and the market trend.

Details of the remuneration of each Director and senior management of the Company for the year ended 31 December 2018 are disclosed in note 14 and note 35(e) respectively to the financial statements contained in this Annual Report.

B. Board Committees (Continued)

B2. Audit Committee

During the year, the Audit Committee comprises a total of three Independent Non-executive Directors of the Company, namely, Mr. Yung Wing Ki, Samuel, Mr. So, Gregory Kam Leung (appointed on 9 October 2018, following the resignation of Mr. Suen Kwok Lam on the same date) and Mr. Lim Wan Fung, Bernard Vincent and with Mr. Yung Wing Ki, Samuel possessing the appropriate accounting and financial management expertise as required under Rule 3.10(2) of the Listing Rules. The chairman of the Committee is Mr. Yung Wing Ki, Samuel.

The main duties and responsibilities of the Audit Committee include:

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

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

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

— To review the interim and final results of the Group prior to submission to the Board for approval; and

— To review financial reporting and internal control matters and to this end has unrestricted access to both the Company's external and internal auditors.

For the year ended 31 December 2018, the Audit Committee has held four meetings during which the Audit Committee has performed the following major works:

— reviewed and approved the audit plan for the year ended 31 December 2018;

— discussed and considered the recommended disclosures in the 2017 CG Report regarding the Company's risk management and internal control systems;

— reviewed, discussed and recommended to the Board for approval of the Group's financial statements, results announcement, Chairman's statement and business review for the year ended 31 December 2017 and for the six months ended 30 June 2018 and the quarterly financial information for the year ended 31 December 2018;

— reviewed the annual compliance status of the Deeds of Non-competition between the Group and China State Construction Engineering Corporation ("CSCEC") and China State Construction Engineering Corporation Limited ("CSCECL");

B. Board Committees (Continued)

B2. Audit Committee (Continued)

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

— reviewed the continuing connected transactions and related matters of the Group for the year ended 31 December 2017;

— reviewed the connected transactions of the Group for the year ended 31 December 2018; and

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

The attendance record of each committee member at the meetings is set out at A9 — Attendance at Board Meetings, Committee Meetings and Shareholders' Meetings of the CG Report.

Each of CSCEC and CSCECL has provided with the Company a confirmation on compliance pursuant to their undertakings under the Deeds of Non-competition. The Audit Committee has reviewed the confirmations and noted that for the year ended 31 December 2018, each of CSCEC and CSCECL has complied with the Deeds of Non-competition.

B3. Nomination Committee

During the year, the Nomination Committee comprises a total of four members, being the Chairman of the Board and three Independent Non-executive Directors, namely, Mr. Yan Jianguo, Mr. Yung Wing Ki, Samuel, Mr. So, Gregory Kam Leung (appointed on 9 October 2019, following the resignation of Mr. Suen Kwok Lam on the same date) and Mr. Lim Wan Fung, Bernard Vincent. The chairman of the Committee is currently Mr. Yan Jianguo.

The main duties and responsibilities of the Nomination Committee include:

— To review the structure, size and diversity (including the education background, skills, knowledge and professional and industry experience) of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy;

— To identify qualified and suitable individuals to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships;

— To assess the independence of Independent Non-executive Directors;

— To make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors, in particular the Chairman and the Chief Executive Officer of the Company; and

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

B. Board Committees (Continued)

B3. Nomination Committee (Continued)

In selecting candidates for directorship of the Company, the Nomination Committee may make reference to certain criteria such as the Company's needs, the integrity, experience, expertise, skills, professional knowledge of the candidate and the amount of time and effort that the candidate will devote to discharge his/her duties and responsibilities. Selection process might be carried out by engaging external recruitment professionals or by internal transfer.

For the year ended 31 December 2018, the Nomination Committee has held three meetings during which the Nomination Committee has performed the following major works:

- — recommended to the Board on the appointment of Dr. Yang Ou as Chief Executive Officer and Executive Director, Mr. Pang Jinying as Vice President and Executive Director and Mr. So, Gregory Kam Leung as Independent Non-executive Director of the Company respectively;
- — assessed the independence of the Independent Non-executive Directors;
- — recommended to the Board on re-election of retiring directors; and
- — reviewed the structure, size and composition (including the skills, knowledges and experiences) of the Board.

The attendance record of each committee member at the meetings is set out at A9 — Attendance at Board Meetings, Committee Meetings and Shareholders' Meetings of the CG Report.

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

Directors acknowledged their responsibilities for preparing the financial statements of the Company for the year ended 31 December 2018.

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

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

D. Risk Management and Internal Control

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

D. Risk Management and Internal Control (Continued)

Managing Risks to Achieve Goals of Sustainable Growth

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

Risk Management Responsibilities

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

— **the Board** is responsible for evaluating and determining the nature and extent of risks that the Company is willing to take in achieving the Company's goals, ensuring the establishment and maintenance of appropriate and effective risk management and internal control systems. The Board, through the Audit Committee, reviews the design, implementation and monitoring of the risk management and internal control systems by the management.

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

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

— **the Intendance Audit Department** is responsible for the inspection, audit and oversight of the risk management and internal control systems through performing independent assessment of internal audit.

Risk Management and Internal Control Systems Operation

The Group has developed and published various policies relating to risk management and internal control with the aim to further standardize the procedures for risk management and internal control. Each respective department and project, as the first defense line, shall identity risk, conduct assessment and prioritize risk levels at least once every year, and formulate different management measures against various risks. Risk control task forces, as the second defense line, is responsible for the Group's implementation mechanism for risk management to provide organizational protection. In accordance with the requirements of the Group, departments at each level shall make prompt adjustments and updates throughout the year taking into account changes in organization structure and rules of procedure, and shall carry out risk identification, assessment, handling and control to prevent, decrease and mitigate possible impacts that related risks may incur.

D. Risk Management and Internal Control (Continued)

Risk Management and Internal Control Systems Operation (Continued)

During the year, the Group conducted its annual risk assessment, during which the Group prioritized key risks from the five major risk categories, namely, business risk/strategy risk, market risk, operation risk, financial and reporting risk, such as macro-economic and political risk/business environment risk, human resource risk, community safety risk, social responsibility risk and legal dispute risk, etc. A series of preventive activities were implemented through the formulation of various measures in order to mitigate the potential effect of risk under its control, the details of which are as follows:

1. Keeping abreast of industry changes and tendency, the Company revised and reviewed our work on a rolling basis through strategic planning. We effected the refinement of way of thinking in management and efficiency enhancement in organization structure, while further clarifying the working flow and criteria of management, thereby continuing to accumulate competitive advantages.

2. The Company actively fostered talent development and team building. With a view to further accelerate implementation of our "talent-driven enterprise" strategy, the human resource department has introduced various measures successively, and continues to make improvements in aspects of rational allocation of human resource, optimization system of staff position grades, continuously reinforce of mechanism of management selection and appointment as well as enhancement of employee satisfaction and company loyalty.

3. The Company emphasized on implementation of responsibility of safe production and improvement of safety management. The department of professional management and Intelligency Department has formulated an accountability list of production safety, further perfecting the accountability system in respect of safety production. In order to standardize duty discharge management regarding safety production and to build a harmonious and safe community, we focused on specialized initiatives for correcting and enhancing duty discharge of safety management positions, thereby solidifying our safety management services in a step-by-step manner.

4. Continuing to strengthen our quality management and enhance risk control of our projects. The Quality Management Department has established quality expert management mechanism, made appropriate arrangement of quality check of projects across the country, and acceptance inspection of sample projects, monitored system implementation, provided guidelines for project innovation and set up Owners' committee. The Group has also stepped up the risk management on new residential projects before move-in. With years of operation and management of new projects, the Group has formulated "Supplementary Guidelines for Move-in of New Residential Projects", which provides practical and effective guidelines for project managers to handle new projects.

5. Optimizing our financial management system. During the reporting period, the Finance and Treasury Department has devised and announced a series of systems including "Accounting System", "Cash Management System" and "Budget Management System"¸ which has clarified and optimized our financial system and working standards. For improvement of clearance of past arrears, downscale of accounts receivable and inventory and prevention of capital risk, we have formulated "Incentive Measure on Collecting Overdue Payment". The Legal Department has also formulated "Operational Guidelines for Litigation of Payment Collection" for more effective case management and protection of the legal interest of the Company and all parties in order to facilitate a stable and sustained operation as well as minimizing the risk of any loss arising from bad debts. In addition, periodic review on caps aggregation on connected transactions is performed. For connected transactions, each department should identify, review and estimate the cap when evaluating contracts.

D. Risk Management and Internal Control (Continued)

Risk Management and Internal Control Systems Operation (Continued)

In conclusion, the Company has taken corresponding preventive measures to manage key risks, and such controlling and monitoring measures have already integrated into the business operation which strives to control, prevent and mitigate potential risks.

During the year under review, the Group relied on the secondary protection — risk control task forces at each level to organise an assessment activity for internal control compliance. The activity evaluated the control over primary regulatory concerns and covered a series of activities in relation to the Company's governance, organisational structure and business control. It addressed weaknesses in risk control through proper assurance over the effective execution of internal control and timely implementation of necessary improvements.

The Intendance Audit Department performs the internal control function of the Group and is responsible for the formulation of audit plan. During the year, the Intendance Audit Department has conducted audit to monitor the Group's activities both on regular and ad hoc basics, which cover, but not limited to, the aspects of finance, business, operation and compliance. It, through the independent review, assists the Board and the Audit Committee the on-going monitoring of the implementation of the risk management and internal control systems of the Company; to identify the control failures or weaknesses and introduce the relevant mitigation measures. If significant control failures or weaknesses are identified, such failures or weaknesses will be reported to the Board and the Audit Committee immediately, and to formulate the rectification plans and identify the person(s)-in-charge. The responsible persons will be notified of the control deficiencies for rectification and follow up action to ensure the deficiencies will be improved.

Annual Confirmation

During the year under review, the risk management report and the internal control report were submitted to the Audit Committee for review at least semi-annually. The Board, through the Audit Committee, has reviewed reports concerning risk management and internal control systems and also conducted annual review on the effectiveness of the risk management and internal control systems (which included financial, operational and compliance controls) and unanimously considered that the risk management and internal control systems and procedures of the Group for the financial year ended 31 December 2018 were effective and adequate. The Group will continue to strengthen its corporate risk management framework and implementation to meet the best practice within the industry. The aforementioned risk management and internal control systems aim to provide reasonably assurance, rather than eliminating the risk of failing to achieve business objectives. Therefore, such systems can only provide reasonable but not absolute assurance of not having any material misrepresentation or losses.

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

E. Company Secretary

According to the Rule 3.29 of the Listing Rules, the Company Secretary of the Company has confirmed that she has taken not less than 15 hours of relevant professional training for the year ended 31 December 2018.

F. External Auditor and Auditor's Remuneration

The statement of the external auditor of the Company about their reporting responsibilities on the Company's financial statements for the year ended 31 December 2018 is set out in the section headed "Independent Auditor's Report" of this Annual Report.

The fees paid/payable to PricewaterhouseCoopers, the Company's auditor, in respect of audit services and non-audit services (represented professional services rendered in connection with the Group's preliminary results announcement and continuing connected transactions) for the year ended 31 December 2018 are analyzed below:

Type of services provided by the external auditor	Fees paid/payable HK$'000
Audit services	
— audit fee in respect of annual audit	3,090
Non-audit services	186
TOTAL:	3,276

G. Constitutional Documents

There was no change in the Company's constitutional documents during the year ended 31 December 2018. A copy of the latest version is available on the websites of the Company (www.copl.com.hk) and the Stock Exchange (www.hkexnews.hk).

H. Communications with Shareholders and Investors

(a) Corporate Information Disclosure

The Group recognizes the importance of transparent and timely disclosure of corporate information, which enables shareholders and investors to make the best investment decision. The Company believes that effective communication with shareholders is essential for enhancing investor relations and investors' understanding of the Group's business performance and strategies. The Company has adopted a Shareholders Communication Policy with an aim of promoting and maintaining an on-going dialogue with shareholders and the investment community, procedures for shareholders sending enquiries and concerns to the Board and other policies concerning communication with shareholders and investors have been established in the policy. The policy can be viewed at the Company's website (www.copl.com.hk).

H. Communications with Shareholders and Investors (Continued)

(a) Corporate Information Disclosure (Continued)

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

Shareholders and investors may send written enquiries or requests to the Company, for the attention of Investor Relations Manager, as follows:

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

(b) General Meetings

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

I. Shareholders' Rights

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

I1. Convening of Extraordinary General Meeting on Requisition by Shareholders

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

I. Shareholders' Rights (Continued)

I2. Procedures for Putting Forward Proposals at General Meetings by Shareholders

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

I3. Procedures for Directing Shareholders' Enquiries to the Board

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

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

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

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

Directors and Senior Management

Non-Executive Director

Mr. Yan Jianguo

Chairman and Non-executive Director

Aged 52, was appointed as Chairman and Non-executive Director, Chairman and member of the Nomination Committee, member of the Remuneration Committee and authorised representative of the Company with effect from 13 June 2017. Mr. Yan graduated from Chongqing Institute of Architectural and Engineering (now known as Chongqing University) majoring in Industrial and Civil Construction in 1989 and obtained an MBA degree from Guanghua School of Management in Peking University in 2000 as well as a doctorate degree majoring in Marketing from Wuhan University in 2017. Mr. Yan joined China State Construction Engineering Corporation (中國建築集團有限公司, formerly known as 中國建築工程總公司) ("CSCEC") in 1989 and had been seconded to China Overseas Land & Investment Limited ("COLI", Stock Code: 688, a company listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") twice. During the year 1990 to 1992, he had been working for the Shenzhen Branch of China Overseas Property Group and had held a number of positions, including site engineer and Department Head. He was assigned to COLI again from 2001 to 2011 and had been Assistant General Manager of Guangzhou Branch, Deputy General Manager of Shanghai Branch, General Manager of Suzhou Branch, General Manager of Shanghai Branch, Vice Managing Director of China Overseas Property Group and President of Northern China Region. Mr. Yan had worked in CSCEC from 2011 to June 2014 and had been Director of the General Office, General Manager of Information Management Department, Chief Information Officer and Assistant General Manager. Mr. Yan joined Longfor Properties Co. Ltd. (Stock Code: 960, a company listed on the Stock Exchange) in June 2014 and resigned on 5 December 2016. During the period, he had held a number of positions including Executive Director and the Senior Vice President. Mr. Yan then rejoined COLI and was appointed as Executive Director and Chief Executive Officer on 7 December 2016 and effective from 1 January 2017. Mr. Yan was elected as the Chairman of COLI on 8 May 2017 and effective from 13 June 2017. Mr. Yan was also appointed as the Chairman and Non-executive Director of China Overseas Grand Oceans Group Limited (Stock Code: 81, a company listed on the Stock Exchange) ("COGO") with effect from 13 June 2017. Mr. Yan is currently the Vice Chairman and President of China Overseas Holdings Limited, the controlling shareholder of the Company. Mr. Yan has about 29 years' experience in construction business, real estate investment and management.

Executive Directors

Dr. Yang Ou

Executive Director and Chief Executive Officer

Aged 41, was appointed as Executive Director and Chief Executive Officer of the Company on 22 March 2018. Dr. Yang graduated from Nanjing University of Science and Technology in the PRC with a Bachelor of Engineering degree in Materials Science in June 2000. He obtained his Master degree in Architecture and Civil Engineering from Chongqing University in the PRC in December 2006, a Master degree in Business Administration from National University of Singapore in June 2011 and a Doctor degree in management from The Hong Kong Polytechnic University in September 2015. He obtained qualifications in securities practice in December 2001, as a senior economist (business administration specialty in December 2009, materials science and engineering in June 2011) and a senior engineer in architecture and civil engineering in August 2013. Since September 2014, he has been an instructor at the VENCI-CIH Learning Centre (英國特許房屋經理學會中國學習中心). Since December 2014 and May 2015 respectively, Dr. Yang has been the corporate mentor of the MBA Education Centre of Shantou University and Southwest Jiaotong University in the PRC. Dr. Yang was appointed as the Executive Director and Vice President of the Company for the period from 25 June 2015 to 5 May 2016. From July 2013 to February 2014, he was the chairman of the board of three subsidiaries of the Group engaged in value-added services. From 2002 to 2015, he served as the director and deputy general manager of China Overseas Property Management Chengdu Company Limited (成都中海物業管理有限公司), the director and assistant general manager of China Overseas Xingye (Chengdu) Development Limited (中海興業（成都）發展有限公司), the director and general manager of the client relationship department of COLI, the general manager of China Overseas Property Management Company Limited (中海物業管理有限公司) and the property management department of COLI, being responsible for the overall management and operation of the business in PRC and the general manager of China Overseas Grand Oceans Property Shantou Limited (汕頭市中海宏洋地產有限公司), a subsidiary of COGO. Dr. Yang was the president of Sichuan District of Country Garden Holdings Company Limited (a company listed on the Stock Exchange, stock code: 2007) from June 2016 to June 2017. Dr. Yang rejoined COLI as general manager of customer services department of COLI since June 2017. Dr. Yang has over 17 years of industry experience in property development and management.

Mr. Pang Jinying

Executive Director and Vice President

Aged 51, graduated from the Economics and Management School of Wuhan University in July 1989, where he received his bachelor's degree in Economics. In 2001, he enrolled in the Business Administration Programme in the School of Business of Renmin University of China, and obtained a master's degree in Business Administration (MBA) in June 2004. He holds the title of senior accountant. In 1989, Mr. Pang joined CSCEC, working at its Seventh Engineering Division. He subsequently joined China Overseas Holdings Limited ("COHL") in September 2004 and is now serving various positions in the subsidiaries of COHL. Mr. Pang also served as the assistant general manager of Finance and Treasury Department of China State Construction International Holdings Limited. He, has, respectively, served as the assistant general manager, deputy general manager and general manager of Finance and Treasury Department of COHL since 2007. Mr. Pang has 29 years of experience in financial management in the fields of construction contracting and real estate investment. Currently, Mr. Pang also serves as the director of Anhui Guoyuan Trust Co., Ltd., while Shenzhen China Overseas Investment Management Co., Ltd., wholly owned by CSCEC, is the second largest shareholder of Anhui Guoyuan Trust Co., Ltd.

Executive Directors (Continued)

Mr. Kam Yuk Fai

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

Aged 55, has been appointed as an Executive Director and Deputy Chief Financial Officer of the Company since June 2015. Mr. Kam is promoted to the Chief Financial Officer of the Company with effect from 13 December 2017. He is also a director of certain subsidiaries of the Company. He is responsible for the financial management of the Group. Mr. Kam is a qualified accountant, being a fellow member of the Association of Chartered Certified Accountants and an associate member of the Hong Kong Institute of Certified Public Accountants. He graduated from the Hong Kong Polytechnic (now Hong Kong Polytechnic University) with a Professional Diploma in Accountancy, and also held a Master degree in Business Administration from the University of Strathclyde in Britain. Prior to joining the Group, he had held various senior finance positions, and from 1997 to 2010 he served in a company listed on the Main Board of the Stock Exchange and his last held position was the group financial controller. He had held positions in COGO from March 2010 to June 2015 and his last held position in COGO was the general manager of its Finance & Treasury Department (HK). Mr. Kam has over 31 years of experience in the fields of accounting, auditing and finance.

Independent Non-Executive Directors

Mr. Lim Wan Fung, Bernard Vincent

BBS, JP, PPHKIA, MHKIUD, Independent Non-executive Director

Aged 61, was appointed as Independent Non-executive Director of the Company on 9 October 2015. Mr. Lim also serves as a member of audit committee, remuneration committee and nomination committee of the Company. He is responsible for giving independent strategic advice and guidance on the business and operations of the Group. He has been a principal of AD+RG Architecture Design and Research Group Ltd. since February 2001. He is a Registered Architect (Hong Kong) and has been a member of the Hong Kong Institute of Architects (HKIA) since November 1984, Authorized Person (List of Architects) (Hong Kong) since May 1985, a member of Royal Institute of British Architects since March 1985, Asia Pacific Economic Cooperation (APEC) Architect since December 2005, PRC Class 1 Registered Architect Qualification (中華人民共和國一級註冊建築師) since August 2007. He was appointed as a Justice of the Peace in 2008 and conferred Bronze Bauhinia Star in 2018 by the Government of Hong Kong. He became member of Shenzhen Registered Architects Association (深圳市註冊建築師協會) in September 2012. He has also been a National Committee member of the 12th Chinese People's Political Consultative Conference of the PRC (中國人民政治協商會議第十二屆全國委員會委員) in February 2013 and Committee member of the 3rd Chinese People's Political Consultative Conference of Chongqing City (中國人民政治協商會議重慶市第三屆委員會委員) in 2008, an Adjunct Professor of the School of Architecture of The Chinese University of Hong Kong in 2014, member of the Advisory Committee on Education Development Fund of Education Bureau since September 2014, chairman of Advisory Board of Nan Lian Garden of Home Affairs Bureau since November 2012 until 2018 and Committee Member of the Chinese General Chamber of Commerce since November 2014. Mr. Lim was a president of Hong Kong Institute of Architects, a president of the Hong Kong Institute of Urban Design and a member of Town Planning Board from 2004 to 2010, a member of Antiquities Advisory Board of Development Bureau from 2005 to 2010, an adviser to the Guangdong Registered Architects Association (廣東省註冊建築師協會) in 2008 and a member of the Energy Advisory Committee of Environment Bureau from 2004 to 2010. Mr. Lim obtained a Bachelor of Arts in Architectural Studies (1st Hons) from the University of Hong Kong in November 1979, a Bachelor degree in Architecture (Distinction) from the University of Hong Kong in November 1981 and a Master of Science in Urban Planning from the University of Hong Kong in November 1985.

Independent Non-Executive Directors (Continued)

Mr. So, Gregory Kam Leung

GBS, JP, Independent Non-executive Director

Aged 60, graduated from Carleton University, Canada in June 1980 with a Bachelor of Arts degree in economics. In May 1984, he graduated from the University of Ottawa, Canada with a bachelor's degree in law and a Master degree in Business Administration. Mr. So has been a member of the Law Society of Alberta, Canada since June 1985. He became a member of the Law Society of Upper Canada in November 1988. He became a member of the Law Society (England and Wales) in January 1989 and became a member of the Hong Kong Law Society in March 1989. From 1984 Mr. So provided legal services in Canada. He continued his legal practice upon returning to Hong Kong in 1989 and has over 24 years of practice experience as a lawyer. Mr. So was appointed as the Undersecretary for Commerce and Economic Development of the third term Government of the Hong Kong Special Administrative Region on June 1, 2008. He was then appointed as the Secretary for the Commerce and Economic Development on June 28, 2011. On July 1, 2012, Mr. So was again appointed as the Secretary for Commerce and Economic Development of the fourth term Government of the Hong Kong Special Administrative Region until June 30, 2017. The Commerce and Economic Development Bureau is responsible for various policy matters including Hong Kong's external commercial relations, inward investment promotion, intellectual property protection, industry and business support, tourism, consumer protection, competition, information technology, telecommunications, broadcasting, development of innovation and technology (until November 2015), film-related issues, and creative industries. Since April 3, 2018, Mr. So has served as an independent non-executive director of Aviva Life Insurance Company Limited. He has also served as a consultant in So, Lung and Associates, Solicitors, since April 3, 2018, Mr. So previously served as the Vice-chairman of the Democratic Alliance for the Betterment and Progress of Hong Kong; Board Member of Hong Kong Hospital Authority; Council Member of Lingnan University; Member of Commission on Strategic Development; and member of the District Council of Wong Tai Sin District.

Mr. Yung Wing Ki, Samuel

SBS, MH, JP, Independent Non-executive Director

Aged 60, was appointed as Independent Non-executive Director of the Company on 9 October 2015. Mr. Yung also serves as chairman of audit committee and a member of remuneration committee and nomination committee of the Company. He is responsible for giving independent strategic advice and guidance on the business and operations of the Group. Mr. Yung has over 37 years of experience in the insurance sector. He is currently an executive district director of AIA International Limited and an independent non-executive director of China South City Holdings Limited (stock code: 1668, a company listed on the Main Board of the Stock Exchange). He has been an independent non-executive director of China Overseas Insurance Limited ("COIL"), a wholly-owned subsidiary of China State Construction International Holding Limited (stock code: 3311, a company listed on the Main Board of the Stock Exchange), since 14 October 2014 and was also a member of the audit committee of COIL since 15 December 2014. Mr. Yung was an independent non-executive director of Camsing International Holding Limited (formerly known as "Fittec International Group Limited") (stock code: 2662, a company listed on the Main Board of the Stock Exchange) from January 2016 to May 2016. Mr. Yung is also presently a member of the National Committee of the Chinese People's Political Consultative Conference, the founding president of Hong Kong Professionals and Senior Executives Association, a member cum chairperson of Finance Committee of the Board of Management of the Chinese Permanent Cemeteries, a member of Court of the Open University of Hong Kong. Mr. Yung was elected the "Ten Outstanding Young Persons Award" in 1994. He was awarded the Medal of Honor in 2001, appointed as a Justice of the Peace in 2007 and awarded the Silver Bauhinia Star in 2011 by the Government of Hong Kong respectively. He was also a Standing member of the Chinese People's Political Consultative Conference of Jilin (中國人民政治協商會議吉林省委員會常務委員), Standing Committee member of All-China Youth Federation, member of Commission on Strategic Development of Hong Kong, member of Central Policy Unit, the chairman of Betting and Lotteries Commission of Home Affairs Bureau, chairman of Hong Kong United Youth Association, chairman of Top Outstanding Young Persons Association, board member of General Agents and Managers Association International and chairman of its International Committee, president of The Life Underwriters Association of Hong Kong and chairman of General Agents and Managers Association of Hong Kong. He was awarded an Executive Master degree in Business Administration from the Hong Kong University of Science and Technology and has attained certain professional qualifications, including Certified Financial Planner, Registered Financial Consultant, Fellow Chartered Financial Practitioner, Chartered Life Practitioner, Certified Manager of Financial Advisor and Chartered Insurance Agency Manager.

Senior Management

Mr. Wong Kai Sang

Senior Vice President

Aged 63, was appointed as Senior Vice President of the Company on 25 June 2015. He is also a director of certain subsidiaries of the Company. Mr. Wong is responsible for the supervision of the overall operation and business development of the property management business of the Group in Hong Kong and Macau. Mr. Wong graduated in August 1985 from the University of Hong Kong's Department of Extra Mural Studies with a diploma in Housing Management. He has been a member of the Chartered Institute of Housing since August 1988 and the Hong Kong Institute of Housing since January 2001, and became a registered professional housing manager since April 2003. From 1990 to 2005, he served roles such as director or group manager of various Hong Kong property management companies including First Pacific Davies Property Management Limited, Vigers China Limited and Urban Property Management Ltd. Mr. Wong joined China Overseas Property Services Limited ("CO Property Services") in January 2005 as general manager and has since then held positions including director and general manager thereof. Mr. Wong has approximately 30 years of property management experience in Hong Kong.

Mr. Ye Xiang

Vice President

Aged 46, was appointed as Vice President of the Company on 13 December 2017. He is responsible for the quality control and market development business of the Group. Mr. Ye graduated from Huazhong University of Science and Technology in the PRC majoring in Power Engineering in 1992, and then he obtained a Master degree in Political Economics from Central China Normal University in 2004. Mr. Ye served various positions in China Overseas Land & Investment (Guangzhou) Limited (中海發展（廣州）有限公司) since 1992 including assistant general manager of the real estate department from October 1996 to January 1997. During the period from January 1997 to August 2011, he served as deputy general manager and general manager of China Overseas Property Management (Guangzhou) Limited (中海物業管理廣州有限公司) respectively, assistant general manager of president office of China Overseas Holdings Limited, and general manager of property management department of China Overseas Property Group Co., Ltd. From August 2011 to May 2017, Mr. Ye served as the president of Genting Resort Secret Garden of Genting Group in Malaysia (馬來西亞雲頂集團密苑雲頂樂園), assistant president of Henderson (China) Investment Company Limited, vice president of Agile Group Holdings Limited (雅居樂集團控股有限公司) and president of A-living Group (雅生活集團). He has approximately 27 years of experience in real estate and property management.

Mr. Liu Zhonghua

Vice President

Aged 54, was appointed as Vice President of the Company on 25 June 2015. Mr. Liu is currently the general manager of the Group's Foshan companies and responsible for business operations of our Group in Foshan. Mr. Liu graduated from the Chongqing Construction Engineering College (重慶建築工程學院) in the PRC with a Bachelor of Engineering in Industrial Electrical Automation in July 1988 and from the University of South Australia in Australia with a Master degree in Business Administration in May 2002. He also obtained an Executive Master degree in Business Administration from Nankai University in the PRC in June 2010. Mr. Liu was elected Affiliate of The Hong Kong Institute of Housing in January 2005 and a member of Hong Kong Institute of Real Estate Administrators in March 2000, respectively. He is qualified as a senior engineer in electrical and mechanical engineering since July 2002. Mr. Liu joined CSCEC in 1988, and joined CO Property Services for the period from October 1995 to August 2016 and had held positions including assistant general manager, director and deputy general manager. Mr. Liu has approximately 30 years of experience in electrical and mechanical engineering project management and 22 years of experience in property management in Hong Kong.

Senior Management (Continued)

Mr. Wang Zhigang

Vice President

Aged 45, was appointed as Assistant President of the Company on 25 June 2015 and was promoted as Vice President of the Company on 5 March 2019. He is also a director of certain subsidiaries of the Company. He is responsible for the operation of the Group's property management business in Hong Kong and Macau. Mr. Wang graduated from Tongji University in the PRC with a Bachelor degree in Materials Science in July 1996, and obtained professional certificates in Construction Engineering Management and Real Estate Management in Tongji University. Mr. Wang hold a Master degree in Construction and Civil Engineering from Huazhong University of Science and Technology in the PRC in December 2006. He is a qualified senior engineer. Mr. Wang has been a Chartered Member of the Chartered Institute of Housing since March 2015 and has been a member of the Hong Kong Institute of Housing since 2017. Mr. Wang joined the COLI Group in July 1996 and was employed in a subsidiary of COLI until August 2001. From September 2001 to February 2012, he served different positions in various subsidiaries of CO Property Management such as assistant general manager and general manager. From October 2010 to August 2013, he was also the deputy general manager and then the general manager of China Overseas Property (Commercial Property) Management Company (中海物業（商業物業）管理公司), a commercial properties branch of CO Property Management. He has been the deputy general manager of CO Property Management since August 2013. Mr. Wang has approximately 23 years of property management experience in the PRC.

Ms. Li Xiaohua

Assistant President

Aged 44, was appointed as Assistant President of the Company on 25 June 2015. Ms. Li is also a director of certain subsidiaries of the Company. She is responsible for administrative management of the property management business of the Group in the PRC and VIP customer services management. Ms. Li graduated from Provincial Party School of Liaoning Province in the PRC with a degree in Accounting in December 1997. She joined COLI Group in 1999, and has served various positions in COLI Group including assistant general manager of the human resources department from September 2007 to December 2010 and deputy general manager of COLI Group's property management department, which oversees CO Property Management and other PRC subsidiaries of the Group from December 2010 to September 2012. Served as deputy general manager of CO Property Management from August 2012 onwards. Ms. Li has approximately 20 years of human resources experience in the PRC.

Mr. Li Zhenxi

Assistant President

Aged 45, was appointed as Assistant President of the Company on 18 August 2015. He is responsible for the operation of the Group's property management business in the PRC. Mr. Li is a qualified senior engineer and a registered 1st grade constructor. Mr. Li graduated from Harbin University of Civil Engineering and Architecture with a Bachelor degree in Industrial Automatic in June 1996. Mr. Li obtained his Master degree in Project Management from Harbin Institute of Technology in June 2010. Mr. Li joined COLI Group in July 1996 and served different positions in various subsidiaries of COLI Group including the general manager of West China region of CO Property Management in November 2010 and general manager of Beijing branch office of China Overseas Property (Commercial Property) Management Company in May 2013. Mr. Li served as the deputy general manager of Wanda Business Management Centre between February 2012 and October 2012. Mr. Li became the deputy general manager of CO Property Management in October 2014. He has approximately 23 years of experience in operation of property management.

Senior Management (Continued)

Ms. Han Fang

Assistant President

Aged 46, was appointed as Assistant President of the Company on 10 May 2016. She is responsible for the operation of the Group's value-added property services and online services in the PRC. Ms. Han graduated from Jiang Su University with a Bachelor degree in Economics in July 1992. Ms. Han joined COLI Group in February 2002 and served different positions in various subsidiaries of COLI including the general manager of Quality Management and Corporate Communication Department of CO Property Management in September 2012 and deputy general manager of Shenzhen branch of CO Property Management in August 2014. Ms. Han has approximately 16 years of experience in operation of property management.

Company Secretary

Ms. Sin Lai Lan

Ms. Sin joined the Company in May 2018 and was appointed as the Company Secretary of the Company on 12 May 2018. She is responsible for company secretarial matters of the Group. Ms. Sin is a fellow member of The Institute of Chartered Secretaries and Administrators and The Hong Kong Institute of Chartered Secretaries. She holds a bachelor (honours) degree from The University of Western Ontario and a master's degree from University of Guelph in economics in Canada. Ms. Sin has extensive experiences in company secretaryship and listing compliance gained from legal firms and main board issuers.

Report of Directors

The board of directors (the "Board" or "Directors") of China Overseas Property Holdings Limited ("the Company") is pleased to present the annual report and the audited financial statements of the Company and its subsidiaries (together the "Group") for the year ended 31 December 2018.

Principal Activities

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

Segment Information

An analysis of the Group's revenue and contribution to results by principal activities and geographical area and operations for the year ended 31 December 2018 is set out in note 9 to the financial statements.

Results and Appropriations

The results of the Group for the year ended 31 December 2018 are set out in the consolidated income statement and consolidated statement of comprehensive income on pages 96 and 97 respectively.

An interim dividend of HK2.0 cents per share was paid to shareholders of the Company (the "Shareholders") in October 2018 (2017: HK1.5 cents per share).

The Board have 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 at the forthcoming annual general meeting to be held on 5 June 2019 (the "2019 AGM"). The proposed final dividend will be paid to Shareholders on 5 July 2019 whose names appear on the Company's register of members on 18 June 2019.

The Board of the Company has approved and adopted the following dividend policy with effect from 1 January 2019. Pursuant to the Company's dividend policy, as of any financial year with effect from 1 January 2019, the Company may declare and pay its shareholders approximately 30% of profit of any financial year of the Company attributable to the owners of the Company as dividends, subject to the following rules:

– Whether the Company can pay dividends depends on, among other things, the operation results, cash flow and financial positions, operation and fund requirements, and dividends received from the Company's subsidiaries, while dividends from subsidiaries depend on whether those subsidiaries can pay dividends. Whether the Company can pay dividends is also subject to the laws of Cayman Islands and the regulations of the Articles of Association of the Company; and

– The dividend policy reflects the Board's current view about the financial and cash flow positions of the Company, but it will be reviewed from time to time and it is by no means any guarantee, statement nor indication that the Company must or will declare and pay dividends in such a manner. The decision of declaring and paying any dividend is at the discretion of the Board, subject to the applicable laws and regulations and the Articles of Association of the Company. In addition, declaration and payment of final dividends by the Company are subject to the final approval of the shareholders of the Company on the general meeting.

Closure of Register of Members

(a) Entitlement to attend and vote at the 2019 AGM

The register of members of the Company will be closed from 31 May 2019 to 5 June 2019 (both days inclusive) for the purpose of determining the right to attend and vote at the 2019 AGM. During that period, no transfer of shares will be registered. In order to be entitled to attend and vote at the 2019 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 30 May 2019.

(b) Entitlement to the proposed final dividend

The register of members of the Company will also be closed from 17 June 2019 to 18 June 2019 (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 2019 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 14 June 2019.

Reserves

Movements in the reserves of the Group and of the Company during the year are set out in note 30(c) and note 38(a) to the financial statements.

Distributable Reserves

Distributable reserves of the Company at 31 December 2018 were approximately HK$181.8 million (2017: approximately HK$194.1 million).

Financial Summary

A summary of the results, assets and liabilities of the Group for the past five financial years is set out on pages 174 to 176.

Major Suppliers and Customers

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

Shares Issued

Terms meaning and details of the shares issued for the year ended 31 December 2018 are set out in note 30(a) to the financial statements.

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

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

Borrowings

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

Directors

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

Chairman and Non-executive Director

Mr. Yan Jianguo *(Chairman and Non-executive Director)*

Executive Directors

Dr. Yang Ou *(Chief Executive Officer, appointed on 22 March 2018)*
Ms. Wang Qi *(Vice Chairman and Chief Executive Officer, resigned on 22 March 2018)*
Mr. Pang Jinying *(Vice President, appointed on 22 August 2018)*
Mr. Luo Xiao *(Vice President, resigned on 22 August 2018)*
Mr. Shi Yong *(Vice President, resigned on 22 August 2018)*
Mr. Kam Yuk Fai *(Chief Financial Officer)*

Independent Non-executive Directors

Mr. Lim Wan Fung, Bernard Vincent
Mr. So, Gregory Kam Leung *(appointed on 9 October 2018)*
Mr. Suen Kwok Lam *(resigned on 9 October 2018)*
Mr. Yung Wing Ki, Samuel

In accordance with articles 84(1) and 84(2) of the Company's articles of association, Mr. Yan Jianguo, Mr. Yung Wing Ki, Samuel and Mr. Lim Wan Fung, Bernard Vincent will retire by rotation at the 2019 AGM. Mr. Yan Jianguo, Mr. Yung Wing Ki, Samuel and Mr. Lim Wan Fung, Bernard Vincent, being eligible, will offer themselves for re-election at the 2019 AGM.

Confirmation of Independence on Independent Non-executive Directors

The Company confirms that it has received from each of the Independent Non-executive Directors an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules and still considers that all Independent Non-executive Directors are independent.

Directors' Service Contracts

No Director proposed for re-election at the 2019 AGM has entered into a service contract with the Company or any of its subsidiaries which is not determinable by the employing company within one year without payment of compensation (other than statutory compensation).

Directors' Material Interest in Transactions, Arrangements and Contracts that are Significant in Relation to the Group's Business

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

Contracts of Significance with Controlling Shareholder

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

Directors' Interest in Competing Business

The Chairman and Executive Directors of the Company have confirmed that they did not have any interests in business which competed or was likely to compete, either directly or indirectly, with the business of the Group during the year as required to be disclosed pursuant to Rule 8.10 of the Listing Rules.

Emoluments of Directors and Senior Management

Information regarding directors' emoluments and senior management's emoluments are set out in notes 14 and 35(e) to the financial statements.

Permitted Indemnity Provision

The articles of association of the Company provides that, amongst others, the Directors and other officers of the Company being acting in relation to any of the affairs of the Company shall be indemnified and secured harmless out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which they shall or may incur or sustain by or by reason of any act done, concurred in or omitted in or about the execution of their duty, or supposed duty, in their respective offices provided that this indemnity shall not extend to any matter in respect of any fraud or dishonesty which may attach to any said persons. Such provision and the Directors and Officers Liability Insurance Policy maintained by the Company which provides insurance coverage for liabilities of the Directors and officers of the Company and its subsidiaries were in force during the year ended 31 December 2018 and remained in force as of the date of this Annual Report. The insurance coverage will be reviewed on an annual basis.

Biographical Details of Directors and Senior Management

The biographical details of Directors and Senior Management are set out in the section headed "Directors and Senior Management" on pages 64 to 70 of this Annual Report.

Directors' and Chief Executive's Interests in Securities

As at 31 December 2018, the Directors and the chief executive of the Company and their respective associates had the following interests in the shares of the Company's associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code"):

Long Positions in Shares of the Company's Associated Corporations

Name of Director	Name of associated corporation	Nature of interest	Number of ordinary shares	Approximate percentage of issued share capital (%)
Yan Jianguo	China Overseas Land & Investments Limited ("COLI")	Beneficial owner	700,000 shares (note 1)	0.01 (note 2)
Yang Ou	China State Construction Engineering Corporation Limited ("CSCECL")	Beneficial owner	270,000 A shares	0.01 (Note 3)
Pang Jinying	CSCECL	Beneficial owner	480,000 A shares	0.01 (Note 3)
Pang Jinying	Far East Global Group Limited ("Far East Global")	Beneficial owner	300,000 shares	0.01 (Note 4)

Notes:

1. The share options were granted on 29 June 2018 under the share option scheme adopted by COLI on 11 June 2018. These share options will remain in force for a period of 6 years since the date of grant.

2. The percentage represents the number of shares interested divided by the number of issued shares of COLI up to the date of this annual report (i.e. 10,956,201,535 shares).

3. The percentage represents the number of shares interested divided by the number of issued shares of CSCECL up the date of this annual report (i.e. 41,985,174,455 shares).

4. The percentage represents the number of shares interested divided by the number of issued shares of Far East Global up the date of this annual report (i.e. 2,155,545,000 shares)

Save as disclosed above, none of the Directors or chief executive of the Company or their respective associates had held or deemed or taken to have held any interests or short positions in any shares, underlying shares or debentures of the Company or its associated corporations as defined in the SFO for the year ended 31 December 2018.

Arrangements to Acquire Shares or Debentures

Save as disclosed above, at no time during the year was the Company or any of its subsidiaries, holding companies or fellow subsidiaries a party to any arrangements to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Substantial Shareholders' Interests in Securities

As at 31 December 2018, the following parties, other than the Directors or chief executive of the Company, had long positions of 5% or more in the Shares and underlying Shares which fell to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO:

Name of shareholder	Capacity	Number of ordinary shares	Approximate percentage of issued share capital (%)
Silver Lot Development Limited ("Silver Lot") (Note 1)	Beneficial owner	169,712,309	5.16 (Note 3)
China Overseas Holdings Limited ("COHL") (Note 1)	Beneficial owner	1,841,328,751	56.02 (Note 3)
COHL	Interest of controlled corporation	169,712,309	5.16 (Note 3)
CSCECL (Note 2)	Interest of controlled corporation	2,011,041,060	61.18 (Note 3)
China State Construction Engineering Corporation ("CSCEC") (Note 2)	Interest of controlled corporation	2,011,041,060	61.18 (Note 3)

Notes:

1. Silver Lot is a direct wholly-owned subsidiary of COHL and therefore, COHL is deemed by the SFO to be interested in the shares in which Silver Lot is or is taken to be interested.

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

3. The percentage represents the number of shares interested divided by the number of issued shares of the Company as at 31 December 2018 (i.e. 3,286,860,460 shares).

4. All the shares stated above represent shares in long position.

Save as disclosed above, as at 31 December 2018, the Company had not been notified by any other person (other than Directors or the chief executive of the Company) who had an interest or a short position in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

Directors' Positions in Substantial Shareholders

As at the date of this annual report, save as disclosed below, none of the Directors or proposed Directors was a director or employee of a company which had an interest or short position in the Shares and underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Name of Director	Name of company which had such discloseable interest or short position	Position within such company
Yan Jianguo	COHL	Director (Vice Chairman and President)

Connected Transactions and Continuing Connected Transactions

Definitions

In this section, the following expressions have the following meanings unless the context requires otherwise:

"Chongqing China Overseas International Community Office Premises"	office premises located at the entire floor of Floor 28 (i.e. units 2801–2812), Block A, International Business Building, No. 27 Tenglong Avenue, Nan'an District, Chongqing which is an office building jointly developed and constructed by COLI and The Wharf (Holdings) Limited with a floor area of 1,203.76 m^2
"CQ Agreements"	the 12 agreements in total entered into between CSPM Chongqing and Chongqing Jiajiang dated 29 November 2018, pursuant to which CSPM Chongqing has conditionally agreed to acquire the property ownership of Chongqing China Overseas International Community Office Premises
"DL Agreement"	the agreement dated 11 July 2018 entered into between Dalian Zhonghai and Shenzhen Xinghai pursuant to which Shenzhen Xinghai assumes the right to use the DL Car Parking Spaces
"DL Car Parking Spaces"	the 138 car parking spaces located in the Tianfushan Project
"Guangzhou YD Agreement"	the agreement dated 29 November 2018 entered into between Guangzhou Zhonghai and Guangzhou Yiyuan pursuant to which Guangzhou Zhonghai has conditionally agreed to acquire the right to use the Guangzhou YD Car Parking Spaces
"Guangzhou YD Car Parking Spaces"	the 1,426 underground car parking spaces located in the Guangzhou Zhonghai Yudong Garden Project, including 12 air-raid shelter car parking spaces and 1,414 non-air-raid shelter car parking spaces
"Guangzhou YP Agreement"	the agreement dated 29 November 2018 entered into between Guangzhou Zhonghai and Guangzhou Shijia pursuant to which Guangzhou Zhonghai has conditionally agreed to acquire the right to use the Guangzhou YP Car Parking Spaces
"Guangzhou YP Car Parking Spaces"	the 1,474 underground car parking spaces located in the Guangzhou Zhonghai Yupin Garden Project, including 195 air-raid shelter car parking spaces and 1,279 non-air-raid shelter car parking spaces
"Guangzhou Zhonghai"	中海物業管理廣州有限公司 (China Overseas Property Management (Guangzhou) Limited), a company incorporated in Mainland China with limited liability, and a subsidiary of the Company
"Linanfu Project"	中海臨安府項目 (Zhonghai Linanfu Project), a residential project in Qingdao, Mainland China developed by Qingdao Zhonghai, a subsidiary of COLI

Connected Transactions and Continuing Connected Transactions (Continued)

Definitions (Continued)

"QD Agreement"	the agreement dated 11 July 2018 entered into between Qingdao Zhonghai and Shenzhen Xinghai pursuant to which Shenzhen Xinghai assumes the right to use the QD Car Parking Spaces
"QD Car Parking Spaces"	the 106 car parking spaces located in the Linanfu Project (35 of which are designated for air-raid shelter purpose)
"Shanghai Zhonghai"	上海中海物業管理有限公司 (Shanghai China Overseas Property Management Ltd.), a company incorporated in Mainland China with limited liability, and a subsidiary of the Company
"SH Agreement"	the agreement dated 29 November 2018 entered into between Shanghai Zhonghai and Zhongjian Jiahao pursuant to which Shanghai Zhonghai has conditionally agreed to acquire the right to use the SH Car Parking Spaces
"SH Car Parking Spaces"	the 201 underground car parking spaces located in Riverside Palace, Shanghai, including 5 car parking spaces with titles, 137 non-air-raid shelter car parking spaces without titles and 59 air-raid shelter car parking spaces
"Target Company"	中信服務服務有限公司, a company established in Mainland China with limited liability, the equity interests of which were owned as to 95% by 中信房地產集團有限公司, a company incorporated in Mainland China with limited liability and a wholly subsidiary of COLI, and 5% by 北京中信房地產有限公司, a company incorporated in Mainland China with limited liability and a wholly owned subsidiary of COLI, respectively prior to the acquisition by the Group in December 2017
"Target Group"	the Target Company and its subsidiaries
"Tianfushan Project"	中海天賦山項目 (Zhonghai Tianfushan Project), a residential project in Dalian, Mainland China developed by Dalian Zhonghai, a subsidiary of COLI

Connected Transactions and Continuing Connected Transactions (Continued)

Connected Transactions

Details of connected transactions and continuing connected transactions not exempted under Chapter 14A of the Listing Rules as recorded during the year ended 31 December 2018 and up to the date of this annual report are disclosed below, with further disclosure under the subsection headed "Aggregation of Continuing Connected Transactions" as appropriate.

1. QD Agreement and DL Agreement

On 11 July 2018, Shenzhen Xinghai Investment Co., Ltd. (深圳市興海投資有限公司) ("Shenzhen Xinghai"), a subsidiary of the Company, entered into the QD Agreement with Qingdao Zhonghai Shengxing Real Estate Co., Ltd. (青島中海盛興房地產有限公司) ("Qingdao Zhonghai") and the DL Agreement with 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"). Each of Qingdao Zhonghai and Dalian Zhonghai is a subsidiary of COLI. Pursuant to the above respective agreements, Shenzhen Xinghai agreed to acquire the right to use car parking spaces from each of Qingdao Zhonghai and Dalian Zhonghai for a consideration of approximately RMB10.48 million (equivalent to approximately HK$12.42 million) and RMB15.18 million (equivalent to approximately HK$17.99 million), respectively. The above mentioned car parking spaces are located in residential development projects developed by Qingdao Zhonghai in Qingdao and the Dalian Zhonghai in Dalian, respectively.

CSCEC is the ultimate holding company of the Company. COHL, a subsidiary of CSCEC, is the controlling shareholder of each of COLI and the Company. Therefore, each of Qingdao Zhonghai and Dalian Zhonghai is a connected person of the Company, and the above respective agreements constitute connected transactions for the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio for the Company in respect of the above respective agreements and the transactions contemplated thereunder is 0.1% or more but is less than 5%, the above respective agreements and the transactions contemplated thereunder are subject to the reporting and announcement requirements, but exempt from independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

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

2. SH Agreement, Guangzhou YD Agreement, Guangzhou YP Agreement and CQ Agreements

On 29 November 2018, the Group entered into the following agreements:

(a) SH Agreement, Guangzhou YD Agreement, Guangzhou YP Agreement

Three car parking space agreements, i.e., the SH Agreement, the Guangzhou YD Agreement and the Guangzhou YP Agreement, were entered into by and between Shanghai Zhonghai and Guangzhou Zhonghai (the "Car Parking Space Assignees"), and Zhongjian Jiahao, Guangzhou Yiyuan and Guangzhou Shijia (each as defined below and collectively, the "Car Parking Space Assignors") pursuant to which, the Car Parking Space Assignees have conditionally agreed to acquire the right to use the SH Car Parking Spaces, Guangzhou YD Car Parking Spaces and Guangzhou YP Car Parking Spaces at a total consideration of approximately RMB182.8 million (equivalent to approximately HK$206.56 million).

The above mentioned car parking spaces are located in residential development projects developed by Shanghai Zhongjian Jiahao Property Co., Ltd. (上海中建嘉好地產有限公司) ("Zhongjian Jiahao") in Shanghai, Guangzhou Yiyuan Real Estate Development Co., Ltd. (廣州毅源房地產開發有限公司) ("Guangzhou Yiyuan") in Guangzhou and Guangzhou Shijia Real Estate Development Co., Ltd. (廣州世佳房地產開發有限公司) ("Guangzhou Shijia") in Guangzhou, respectively.

Connected Transactions and Continuing Connected Transactions (Continued)

Connected Transactions (Continued)

2. SH Agreement, Guangzhou YD Agreement, Guangzhou YP Agreement and CQ Agreements (Continued)

(b) **CQ Agreements**

China Overseas Property Management Chongqing Co., Ltd. (重慶海投物業管理有限公司) ("CSPM Chongqing"), a subsidiary of the Company, entered into the CQ Agreements with Chongqing Jiajiang Real Estate Development Co., Ltd. (重慶嘉江房地產開發有限公司) (the "Chongqing Jiajiang"), a company with its 60% shares controlled by COLI Group, pursuant to which, CSPM Chongqing has conditionally agreed to acquire the property ownership of Chongqing China Overseas International Community Office Premises at a total consideration of approximately RMB8.56 million (equivalent to approximately HK$9.67 million).

As the highest applicable percentage ratios under the Listing Rules in respect of the transactions contemplated under the Car Parking Space Agreements and CQ Agreements (aggregated with the transactions under the QD Agreement and the DL Agreement), on an aggregated basis, are more than 5% but less than 25%, accordingly, the transactions contemplated under such agreements altogether constitute discloseable transactions for the Company under Chapter 14 of the Listing Rules, and are subject to the reporting and announcement requirements under the Listing Rules.

CSCEC is the ultimate holding company of the Company. COHL, a subsidiary of CSCEC, is the controlling shareholder of COLI and the Company respectively. Therefore, the members of COLI and their associates, including Zhongjian Jiahao, Guangzhou Yiyuan, Guangzhou Shijia and Chongqing Jiajiang, are connected persons of the Company under Chapter 14A of the Listing Rules, and the above respective agreements constitute connected transactions for the Company.

As the highest applicable percentage ratio for the Company in respect of the above agreements and the transactions contemplated thereunder is more than 5% but less than 25% and the total consideration is more than HK$10,000,000 (aggregated with transactions contemplated under the QD Agreement and the DL Agreement), the above respective agreements and the transactions contemplated thereunder are subject to the requirements of reporting, announcement and independent shareholders' approval under Chapter 14A of the Listing Rules.

Details of the transactions have been disclosed in the Company's announcement dated 29 November 2018 and circular dated 10 January 2019. Independent Shareholders of the Company have duly approved the respective agreements and the transactions contemplated thereunder at the extraordinary general meeting held on 29 January 2019.

Continuing Connected Transactions

(1) Continuing Connected Transactions with CSCEC, CSCECL and COHL

Since COHL is the controlling shareholder (as defined under the Listing Rules) of the Company, and COHL is the wholly-owned subsidiary of CSCECL which, in turn, is the non-wholly-owned subsidiary of CSCEC, members of each of COHL Group (other than any of its subsidiaries or associated company listed on any stock exchanges, that are dealt with under separate headings), CSCECL Group and CSCEC Group were regarded as connected persons of the Group.

Connected Transactions and Continuing Connected Transactions (Continued)

Continuing Connected Transactions (Continued)

(1) Continuing Connected Transactions with CSCEC, CSCECL and COHL (Continued)

(i) CSCEC Services Agreement

On 7 August 2017, the Company and CSCEC entered into a framework agreement ("CSCEC Services Agreement") pursuant to which the Group agreed to provide property management services and engineering services, including automation projects, specialized engineering, and repair and maintenance and upgrade projects of equipment and machinery to the residential communities, commercial properties and other projects in the PRC, Hong Kong, Macau and other locations of CSCEC and its subsidiaries (including CSCECL Group and COHL Group but excluding subsidiaries listed on any stock exchanges from time to time, together "CSCEC Group") on terms set out therein for the period from 1 October 2017 to 30 June 2020 provided that the maximum total amounts payable to the Group by CSCEC Group for provision of such services under the CSCEC Services Agreement for the period from 1 October 2017 to 31 December 2017 shall not exceed HK$50,100,000, and each of the two years ending 31 December 2019 shall not exceed HK$182,600,000 and HK$312,500,000 respectively, and for the period between 1 January 2020 and 30 June 2020 shall not exceed HK$278,800,000.

As the applicable percentage ratios (as defined in the Listing Rules) in respect of the caps under the CSCEC Services Agreement are on their own 5% or more on an annual basis, the transactions contemplated under the CSCEC Services Agreement are subject to the annual review, reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. The CSCEC Services Agreement is also subject to aggregation requirements under Rules 14A.81 and 14A.82(1) of the Listing Rules.

For the year ended 31 December 2018, the total amount paid to the Group by CSCEC Group for the provision of property management services and engineering services was HK$78,314,000, which did not exceed HK$182,600,000.

(ii) COHL Licensing Agreement

On 26 June 2017, COHL as the licensor and the Company as the licensee entered into the Licence Agreement ("COHL Licensing Agreement") pursuant to which COHL agreed to license to the Company a gross floor area (inclusive of common areas and facilities) of approximately two-tenths (2:10) of the gross floor area of 7th Floor, Three Pacific Place, 1 Queen's Road East, Hong Kong ("Licensed Premises") for use as commercial offices for a term of three years from 1 October 2017 until 30 September 2020 (both dates inclusive) with a monthly licence fee of HK$307,880 (exclusive of rates).

The maximum total amount payable for the licensing of the Licensed Premises under the COHL Licensing Agreement for the period between 1 October 2017 and 31 December 2017 would be approximately HK$1,121,000, for each of the two years ending 31 December 2019 would be approximately HK$3,757,000 and HK$4,075,000, respectively, and for the period between 1 January 2020 and 30 September 2020 would be approximately HK$3,065,000. The aforesaid maximum total amount payable for the licensing of the Licensed Premises under the COHL Licensing Agreement were calculated with reference to the monthly licence fee, air-conditioning and management fees and the deposit payable under the COHL Licensing Agreement.

As the applicable percentage ratios for the maximum total amount for the license of the Licensed Premises under the COHL Licensing Agreement payable by the Company to COHL are 0.1% or more but less than 5% on an annual basis, the transactions contemplated under the COHL Licensing Agreement are subject to the annual review, reporting and announcement requirements but exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules. The COHL Licensing Agreement is also subject to aggregation requirements under Rules 14A.81 and 14A.82(1) of the Listing Rules.

For the year ended 31 December 2018, the total amount paid to COHL Group in respect of the licensing of the Licensed Premises under the COHL Licensing Agreement was HK$3,756,000 which did not exceed the maximum total amount payable to COHL Group of HK$3,757,000.

Connected Transactions and Continuing Connected Transactions (Continued)

Continuing Connected Transactions (Continued)

(2) Continuing Connected Transactions with COLI and its Subsidiaries, Together, ("COLI Group")

Since COLI is a non-wholly-owned subsidiary of COHL, the controlling shareholder of the Company, members of COLI Group were regarded as connected persons of the Group.

(i) COLI Services Agreement and COLI Target Services Agreement

On 20 October 2017, the Company and COLI entered into a framework agreement ("COLI Services Agreement") pursuant to which the Group (excluding the Target Group) agreed to provide property management services and engineering services, including automation projects, specialized engineering, and repair and maintenance and upgrade projects of equipment and machinery to COLI Group's residential communities, commercial properties and other properties in the PRC, Hong Kong, Macau and other locations on terms set out therein for the period from 1 January 2018 to 30 June 2020 provided that the maximum total amounts payable to the Group (excluding the Target Group) by COLI Group for the provision of such services under the COLI Services Agreement for each of the two years ending 31 December 2019 shall not exceed HK$634,300,000 and HK$725,200,000 respectively, and for the period between 1 January 2020 and 30 June 2020 shall not exceed HK$420,700,000.

On 20 October 2017, the Company and COLI also entered into a framework agreement ("COLI Target Services Agreement") pursuant to which, conditional on the acquisition of the Target Group by the Company from COLI, the Target Group may provide property management services and engineering services, including automation projects, specialized engineering, and repair and maintenance and upgrade projects of equipment and machinery to COLI Group's residential communities, commercial properties and other properties in the PRC on terms set out therein for the period from 1 January 2018 to 30 June 2020 provided that the maximum total amounts payable to the Target Group by COLI Group for the provision of such services under the COLI Target Services Agreement for each of the two years ending 31 December 2019 shall not exceed HK$48,000,000 and HK$51,100,000 respectively, and for the period between 1 January 2020 and 30 June 2020 shall not exceed HK$19,800,000.

In 2017, the Company acquired the Target Group from COLI Group and the Target Group continues to provide such services to COLI Group after the acquisition. Since the Target Group is then the wholly-owned subsidiary of the Company, the provision of the said services to COLI Group by the Target Group constitutes continuing connected transactions between the Group and COLI Group.

The applicable percentage ratios in respect of the caps under the COLI Services Agreement are on their own 5% or more on an annual basis, and the transactions contemplated under the COLI Services Agreement are subject to the annual review, reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules; while the applicable percentage ratios in respect of the caps under the COLI Target Services Agreement are on their own 0.1% or more but less than 5% on an annual basis, the transactions contemplated under the COLI Target Services Agreement are subject to the annual review, reporting and announcement requirements but exempt from independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Both of the above respective agreements are also subject to aggregation requirements under Rules 14A.81 and 14A.82(1) of the Listing Rules.

Connected Transactions and Continuing Connected Transactions (Continued)

Continuing Connected Transactions (Continued)

(2) Continuing Connected Transactions with COLI and its Subsidiaries, Together, ("COLI Group") (Continued)

(i) COLI Services Agreement and COLI Target Services Agreement (Continued)

For the year ended 31 December 2018, the total amount paid to the Group (including the acquired Target Group) by COLI Group for the provision of such services under each of above respective agreements was HK$443,036,000, which did not exceed HK$682,300,000, being the sum of the respective caps of HK$634,300,000 and HK$48,000,000 under the agreements.

(ii) COLI Leasing Agreement

On 21 August 2017, the Company and COLI entered into a framework agreement ("COLI Leasing Agreement") pursuant to which the Group might lease properties from COLI Group on terms set out therein for the period from 1 October 2017 to 30 June 2020 provided that the maximum total rent payable to COLI Group by the Group for the lease of properties under the COLI Leasing Agreement for the period between 1 October 2017 and 31 December 2017 shall not exceed HK$4,000,000, for each of the two years ending 31 December 2019 shall not exceed HK$13,200,000 and HK$13,800,000 respectively, and for the period between 1 January 2020 and 30 June 2020 shall not exceed HK$7,000,000.

As the applicable percentage ratios in respect of the caps under the COLI Leasing Agreement are on its own 0.1% or more but less than 5% on an annual basis, the transactions contemplated under the COLI Leasing Agreement are subject to the annual review, reporting and announcement requirements but exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules. The COLI Leasing Agreement is also subject to aggregation requirements under Rules 14A.81 and 14A.82(1) of the Listing Rules.

For the year ended 31 December 2018, the total amount paid to the COLI Group by the Group for the lease of properties under the COLI Leasing Agreement was HK$4,469,000 which did not exceed HK$13,200,000.

(iii) COLI Property Management Utilities Charges Agreement

On 21 August 2017, the Company and COLI entered into a framework agreement ("COLI PM Utilities Charges Agreement") pursuant to which COLI Group will centralize the payment of utilities charges for properties owned by COLI Group which are managed by the Group as the property management company, the Group shall, on behalf of tenants in such properties, consolidate and make payment of utilities charges incurred in individual units of the tenants to COLI Group, and COLI Group shall in turn, make payment of utilities charges incurred in the overall properties to the individual third party utilities service providers on terms set out therein for the period from 1 October 2017 to 30 June 2020 provided that the maximum total amount payable to COLI Group by the Group under the COLI PM Utilities Charges Agreement for the period between 1 October 2017 and 31 December 2017 shall not exceed HK$16,400,000, for each of the two years ending 31 December 2019 shall not exceed HK$70,800,000 and HK$80,100,000 respectively, and for the period between 1 January 2020 and 30 June 2020 shall not exceed HK$43,000,000.

Connected Transactions and Continuing Connected Transactions (Continued)

Continuing Connected Transactions (Continued)

(2) Continuing Connected Transactions with COLI and its Subsidiaries, Together, ("COLI Group") (Continued)

(iii) COLI Property Management Utilities Charges Agreement (Continued)

As the applicable percentage ratios in respect of the caps under the COLI PM Utilities Charges Agreement are 0.1% or more but less than 5% on an annual basis, the transactions contemplated under the COLI PM Utilities Charges Agreement are subject to the annual review, reporting and announcement requirements but exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

For the year ended 31 December 2018, the total amount paid to the COLI Group by the Group in respect of the utilities charges under the COLI PM Utilities Charges Agreement was HK$64,387,000 which did not exceed the cap of HK$70,800,000.

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

Since CSCIHL is a subsidiary of COHL, members of CSCIHL Group were regarded as connected persons of the Group.

(i) CSCIHL Services Agreement

On 7 August 2017, the Company and CSCIHL entered into a framework agreement (the "CSCIHL Services Agreement") pursuant to which the Group agreed to provide property management services and engineering services, including automation projects, specialized engineering, and repair and maintenance and upgrade projects of equipment and machinery to CSCIHL Group's residential communities, commercial properties and other properties in the PRC, Hong Kong, Macau and other locations, and security services to the work sites of CSCIHL Group in the PRC, Hong Kong and Macau on terms set out therein for the period from 1 October 2017 to 30 June 2020 provided that the maximum total amounts payable to the Group by CSCIHL Group for the provision of such services under the CSCIHL Services Agreement for the period from 1 October 2017 to 31 December 2017 shall not exceed HK$17,400,000, for each of the two years ending 31 December 2019 shall not exceed HK$42,000,000 and HK$42,000,000 respectively, and for the period between 1 January 2020 and 30 June 2020 shall not exceed HK$21,000,000.

As the applicable percentage ratios in respect of the caps under the CSCIHL Services Agreement are on their own 0.1% or more but less than 5% on an annual basis, the transactions contemplated under the CSCIHL Services Agreement are subject to the annual review, reporting and announcement requirements but exempt from independent shareholders' approval requirements under Chapter 14A of the Listing Rules. The CSCIHL Services Agreement is also subject to aggregation requirements under Rules 14A.81 and 14A.82(1) of the Listing Rules.

For the year ended 31 December 2018, the total amounts awarded/paid to the Group by CSCIHL Group in respect of the provision of security services, property management services and engineering services under the CSCIHL Services Agreement was HK$23,440,000 which did not exceed HK$42,000,000.

Connected Transactions and Continuing Connected Transactions (Continued)

Continuing Connected Transactions (Continued)

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

(ii) CSCIHL Leasing Agreement

On 7 August 2017, the Company and CSCIHL entered into a framework agreement ("CSCIHL Leasing Agreement") pursuant to which the Group might lease properties from CSCIHL Group on terms set out therein for the period from 1 October 2017 to 30 June 2020 provided that the maximum total rent payable to CSCIHL Group by the Group for the lease of properties under the CSCIHL Leasing Agreement for the period between 1 October 2017 and 31 December 2017 shall not exceed HK$1,300,000, for each of the two years ending 31 December 2019 shall not exceed HK$5,200,000 and HK$5,200,000 respectively, and for the period between 1 January 2020 and 30 June 2020 shall not exceed HK$2,600,000.

As the applicable percentage ratios in respect of the caps under the CSCIHL Leasing Agreement are 0.1% or more but less than 5% on an annual basis, the transactions contemplated under the CSCIHL Leasing Agreement are subject to the annual review, reporting and announcement requirements but exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules. The CSCIHL Leasing Agreement is also subject to aggregation requirements under Rules 14A.81 and 14A.82(1) of the Listing Rules.

For the year ended 31 December 2018, the amount of total rent paid to the CSCIHL Group for the leasing of properties under the CSCIHL Leasing Agreement was HK$4,502,000 which did not exceed HK$5,200,000.

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

Since COGO is an associate (as defined under the Listing Rules) of COLI and COLI is in turn the non-wholly owned subsidiary of COHL, members of COGO Group were regarded as connected persons of the Group.

(i) COGO Services Agreement and COGO Target Services Agreement

On 20 October 2017, the Company and COGO entered into a framework agreement ("COGO Services Agreement") pursuant to which the Group (excluding the Target Group) agreed to provide property management services and engineering services, including automation projects, specialized engineering, and repair and maintenance and upgrade projects of equipment and machinery to COGO Group's property development projects in the PRC, Hong Kong, Macau and other locations ("Prevailing Projects") but excluding certain property development projects in several emerging third tier cities in the PRC which COGO Group acquired from COLI Group in December 2016 and which is currently not managed by the Group ("New Projects") on terms set out therein for the period from 1 January 2018 to 30 June 2020 provided that the maximum total amounts payable to the Group (excluding the New Projects) by COGO Group for the provision of such services under the COGO Services Agreement for each of the two years ending 31 December 2019 shall not exceed HK$115,600,000 and HK$96,500,000 respectively, and for the period between 1 January 2020 and 30 June 2020 shall not exceed HK$57,900,000.

Connected Transactions and Continuing Connected Transactions (Continued)

Continuing Connected Transactions (Continued)

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

(i) COGO Services Agreement and COGO Target Services Agreement (Continued)

On 20 October 2017, the Company and COGO also entered into a framework agreement ("COGO Target Services Agreement") pursuant to which, conditional on the acquisition of the Target Group by the Company from COLI, the Target Group might provide property management services and engineering services, including automation projects, specialized engineering, and repair and maintenance and upgrade projects of equipment and machinery to the New Projects on terms set out therein for the period from 1 January 2018 to 30 June 2020 provided that the maximum total amounts payable to the Target Group by COGO Group for the provision of such services under the COGO Target Services Agreement for each of the two years ending 31 December 2019 shall not exceed HK$47,800,000 and HK$45,900,000 respectively, and for the period between 1 January 2020 and 30 June 2020 shall not exceed HK$25,800,000.

In 2017, the Company acquired the Target Group from COLI Group and the Target Group continues to provide such services to COGO Group after the acquisition. Since the Target Group is then the wholly-owned subsidiary of the Company, the provision of the said services to COGO Group by the Target Group constitutes continuing connected transactions between the Group and COGO Group.

The applicable percentage ratios in respect of the caps under the COGO Services Agreement and the COGO Target Services Agreement are both respectively on their own 0.1% or more but less than 5% on an annual basis, and the transactions contemplated under the COGO Services Agreement and the COGO Target Services Agreement are subject to the annual review, reporting, and announcement requirements but exempt from independent shareholders' approval requirements under Chapter 14A of the Listing Rules. Both of the above respective agreements are also subject to aggregation requirements under Rules 14A.81 and 14A.82(1) of the Listing Rules, details of which are disclosed under the subsection headed "Aggregation of Continuing Connected Transactions" below.

For the year ended 31 December 2018, the total amount paid to the Group (including the acquired Target Group) by COGO Group for the provision of such services under the above respective agreements was HK$59,300,000, which did not exceed HK$163,400,000, being the sum the respective caps of HK$115,600,000 and HK$47,800,000 under the agreements.

Connected Transactions and Continuing Connected Transactions (Continued)

Aggregation of Continuing Connected Transactions

1. Aggregation of leasing transactions

The Directors of the Company are of the view that the COHL Licensing Agreement, the COLI Leasing Agreement and the CSCIHL Leasing Agreement are connected with one another, and therefore should be aggregated under Rules 14A.81 and 14A.82(1) of the Listing Rules. As the applicable percentage ratios in respect of the caps under the COHL Licensing Agreement, the COLI Leasing Agreement and the CSCIHL Leasing Agreement are, in aggregate, more than 0.1% but less than 5% on an annual basis, such continuing connected transactions are/have been subject to the annual review, reporting and announcement requirements but exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

For the year ended 31 December 2018, the transaction amounts under the above respective agreements were, in aggregate, HK$12,727,000, which was more than 0.1% but less than 5% of the applicable percentage ratios, and such continuing connected transactions are subject to the annual review, reporting and announcement requirements but exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

2. Aggregation of property management and related transactions

The Directors of the Company are of the view that (i) the CSCEC Services Agreement; (ii) the COLI Services Agreement; (iii) the COLI Target Services Agreement; (iv) the CSCIHL Services Agreement; (v) the COGO Services Agreement; (vi) the COGO Target Services Agreement; and (vii) other de minimis transactions of same nature are entered into by the Group with parties who are connected with each others, and therefore should be aggregated under Rules 14A.81 and 14A.82(1) of the Listing Rules. As the applicable percentage ratios in respect of the caps/estimated future transaction amounts of the aforesaid continuing connected transactions are, in aggregate, 5% or more on an annual basis, such continuing connected transactions are/has been subject to the annual review, reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

In respect of the continuing connected transactions under (i) the CSCEC Services Agreement; (ii) the COLI Services Agreement; (iii) the COLI Target Services Agreement; (iv) the CSCIHL Services Agreement; (v) the COGO Services Agreement and (vi) the COGO Target Services Agreement, Independent Shareholders of the Company have duly approved the respective agreements and the transactions contemplated thereunder at the extraordinary general meetings held on 26 September 2017 and 12 December 2017 respectively.

For the year ended 31 December 2018, the transaction amounts under the above respective agreements were, in aggregate, HK$604,090,000, which was more than 5% of the applicable percentage ratios, and such continuing connected transactions are subject to the annual review, reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Connected Transactions and Continuing Connected Transactions (Continued)

Review and Approval

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

(i) in the ordinary and usual course of business of the Group;

(ii) on normal commercial terms or better; and

(iii) in accordance with the relevant agreements governing them on terms that were fair and reasonable and in the interests of the shareholders of the Company as a whole.

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

The auditor has issued his unqualified letter containing his findings and conclusions in respect of the continuing connected transactions disclosed by the Group on pages 80 to 86 of this Annual Report as below:

(1) nothing has come to his attention that causes him to believe that the disclosed continuing connected transactions have not been approved by the Company's board of directors.

(2) for transactions involving the provision of goods or services by the Group, nothing has come to his attention that causes him to believe that the transactions were not, in all material respects, in accordance with the pricing policies of the Group.

(3) nothing has come to his attention that causes him to believe that the transactions were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions.

(4) with respect to the aggregate amount of the continuing connected transactions, nothing has come to his attention that causes him to believe that the disclosed continuing connected transactions have exceeded the annual cap as set by the Company.

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

Change in Information of Director

Pursuant to Rule 13.51(B)(1) of the Listing Rules, the change in the information of Director since the publication of the 2018 interim report up to the date of this Annual Report is set out below:

- the Director's remuneration of Mr. Yan Jianguo has been adjusted from HK$500,000 to nil per annum with effect from 1 January 2019.

Retirement Benefit Scheme

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

Management Contracts

There is no contracts relating to the management and/or administration of the whole or any substantial part of the business of the Company was entered into or subsisted during the year.

Public Float

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

Pre-Emptive Rights

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

Tax Relief and Exemption

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

Corporate Governance

Principal corporate governance practices adopted by the Company are set out in the Corporate Governance Report on pages 44 to 63 of this Annual Report.

Business Review

The business review of the Group including the information below are set out in the Management Discussion and Analysis on pages 25 to 37 of this Annual Report:

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

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

(c) An analysis using financial key performance indicators;

(d) A discussion on:

   (i) The Group's environmental policies and performance; and

   (ii) The Group's compliance with the relevant laws and regulations that have a significant impact on the Group; and

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

Auditor

The financial statements have been audited by PricewaterhouseCoopers who will retire and, being eligible, offer themselves for re-appointment at the 2019 AGM.

A resolution will be proposed at the 2019 AGM to re-appoint PricewaterhouseCoopers as auditor of the Company.

On behalf of the Board

Yan Jianguo
Chairman and Non-executive Director

Hong Kong, 19 March 2019

Independent Auditor's Report

羅兵咸永道

To the Shareholders of China Overseas Property Holdings Limited
(incorporated in the Cayman Islands with limited liability)

Opinion

What we have audited

The consolidated financial statements of China Overseas Property Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 96 to 173, which comprise:

- the consolidated statement of financial position as at 31 December 2018;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

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

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

Independence

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

PricewaterhouseCoopers, 22/F, Prince's Building, Central, Hong Kong
T: +852 2289 8888, F: +852 2810 9888

Key Audit Matters

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

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

Key Audit Matter	How our audit addressed the Key Audit Matter
Recoverability of trade receivables from property management services under lump sum basis and payments on behalf of property owners for properties managed under commission basis Refer to notes 4, 5 and 23 to the consolidated financial statements. As at 31 December 2018, the Group had gross trade receivables of HK$475.6 million, which are mainly arisen from property management services under lump sum basis ("Trade Receivables under Lump Sum Basis"), and HK$145.9 million of gross payments on behalf of property owners for properties managed under commission basis ("Other Receivables under Commission Basis") (collectively "Receivables"). Management has assessed the recoverability of the Receivables and impairment provision of HK$64.8 million and HK$74.4 million were made, respectively, against the Trade Receivables under Lump Sum Basis and Other Receivables under Commission Basis as at 31 December 2018. The assessment of the recoverability and impairment provision of the Receivables involves significant management judgments and estimates as it involves the consideration of a number of factors, including, among others, historical default rate, past repayment history, existing market conditions and forward looking estimates on repayment ability of property owners in respect of properties managed.	Our audit procedures in relation to the recoverability of the Trade Receivables under Lump Sum Basis included: • We evaluated the design and operating effectiveness of key internal controls with particular focus on the monitoring and assessment of the recoverability of Trade Receivables under Lump Sum Basis; • We obtained management's assessment on the recoverability of Trade Receivables under Lump Sum Basis, assessed its reasonableness in making the assumptions with reference to the historical default rate, existing market conditions and forward looking estimates, and corroborated management's explanation to underlying documentation, correspondence with the property owners and external market data on market conditions; • We tested, on a sample basis, the aging of Trade Receivables under Lump Sum Basis as at 31 December 2018 to invoices and the settlement of Trade Receivables under Lump Sum Basis during the year to cash receipts and the related supporting documentation; • We also tested, on a sample basis, the subsequent settlement of Trade Receivables under Lump Sum Basis to cash receipts and the related supporting documentation.

Key Audit Matters (Continued)

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

Other Information

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

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

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

Other Information (Continued)

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

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

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

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

The Audit Committee is responsible for overseeing the Group's financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

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

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

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

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

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

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Lo Kai Leung, Thomas.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 19 March 2019

Consolidated Income Statement

For the year ended 31 December 2018

	Note	Year ended 31 December 2018 HK$'000	2017 HK$'000
Revenue	8	**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	10	**48,606**	47,795
Gain arising from changes in fair value of investment properties	17	**4,345**	6,930
Selling and administrative expenses		**(336,781)**	(403,137)
Net impairment losses on financial assets — trade and other receivables	23(a),(b)	**(6,987)**	(16,466)
Operating profit		**557,973**	437,537
Share of profit of an associate		**200**	161
Finance costs	11	**(3,239)**	(8,910)
Profit before tax		**554,934**	428,788
Income tax expenses	12	**(148,573)**	(121,599)
Profit for the year	13	**406,361**	307,189
Attributable to:			
Owners of the Company		**402,058**	306,760
Non-controlling interests		**4,303**	429
		406,361	307,189
EARNINGS PER SHARE (HK cents)			
Basic and diluted	15	**12.23**	9.33

The notes on pages 103 to 173 are an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2018

	Year ended 31 December 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 properties transferred from self-use properties to investment 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

The notes on pages 103 to 173 are an integral part of these consolidated financial statements.

Consolidated Statement of Financial Position

As at 31 December 2018

	Note	As at 31 December 2018 HK$'000	2017 HK$'000
Non-current assets			
Investment properties	17	**132,586**	106,083
Property, plant and equipment	18	**40,935**	34,924
Intangible assets	19	**6,232**	5,419
Prepaid lease payments for land	20	**1,458**	1,965
Interest in an associate	21	**552**	352
Amount due from a related company	24	**85,842**	90,393
Deferred tax assets	31	**26,427**	29,510
		294,032	268,646
Current assets			
Inventories	22	**37,142**	9,664
Trade and other receivables	23	**585,937**	467,253
Deposits and prepayments		**61,476**	40,486
Prepaid lease payments for land	20	**226**	301
Amount due from immediate holding company	24	**384**	96
Amounts due from fellow subsidiaries	24	**146,665**	49,486
Amounts due from related companies	24	**32,806**	11,056
Tax prepaid		**—**	39
Bank balances and cash	25	**2,398,334**	2,711,015
		3,262,970	3,289,396
Current liabilities			
Trade and other payables	26	**1,604,413**	1,592,755
Receipts in advance and other deposits	27	**670,591**	651,660
Amount due to immediate holding company	28	**1,547**	1,417
Amounts due to fellow subsidiaries	28	**8,822**	57,488
Amounts due to related companies	28	**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

	Note	As at 31 December 2018 HK$'000	2017 HK$'000
Non-current liabilities			
Deferred tax liabilities	31	**22,249**	16,029
Bank borrowings	29	**—**	265,000
		22,249	281,029
Net assets		**1,128,960**	861,553
Capital and reserves			
Share capital	30(a)	**3,287**	3,287
Reserves	30(c)	**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

The financial statements on pages 96 to 173 were approved by the Board of Directors on 19 March 2019 and were signed on its behalf by:

Yang Ou
Director

Pang Jinying
Director

The notes on pages 103 to 173 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2018

	Attributable to owners of the Company									
	Share capital HK$'000 (Note 30(a))	Other property revaluation reserve HK$'000 (Note 30(c)(i))	Translation reserve HK$'000 (Note 30(c)(ii))	PRC statutory reserve HK$'000 (Note 30(c)(iii))	Special reserve HK$'000 (Note 30(c)(iv))	Capital reserve HK$'000 (Note 30(c)(v))	Retained profits HK$'000	Subtotal HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1 January 2017	3,287	—	(64,116)	40,417	116,174	—	720,881	816,643	4,586	821,229
Profit for the year	—	—	—	—	—	—	306,760	306,760	429	307,189
Surplus on revaluation of properties transferred from self-use properties to investment properties, net of tax	—	17,433	—	—	—	—	—	17,433	—	17,433
Exchange differences on translation of subsidiaries of the Company	—	—	63,270	—	—	—	—	63,270	363	63,633
Total comprehensive income for the year	—	17,433	63,270	—	—	—	306,760	387,463	792	388,255
Capital contribution relating to share-based payment borne by intermediate holding company (Note 30(b))	—	—	—	—	—	751	—	751	—	751
Acquisition of the companies engaging in the property management business before COP Acquisition (Note 30(c)(iv))	—	—	—	—	(22,706)	—	—	(22,706)	—	(22,706)
Acquisition of the CITIC Acquired Property Management Group in connection with the COP Acquisition (Note 30(c)(iv))	—	—	—	—	(228,916)	—	—	(228,916)	—	(228,916)
Transfer to PRC statutory reserve	—	—	—	5,187	—	—	(5,187)	—	—	—
Dividends to then owners of subsidiaries under the CITIC Acquired Property Management Group before COP Acquisition (Note 16)	—	—	—	—	—	—	(11,602)	(11,602)	—	(11,602)
2016 final dividend approved (Note 16)	—	—	—	—	—	—	(36,155)	(36,155)	—	(36,155)
2017 interim dividend declared (Note 16)	—	—	—	—	—	—	(49,303)	(49,303)	—	(49,303)
	—	—	—	5,187	(251,622)	751	(102,247)	(347,931)	—	(347,931)
At 31 December 2017	3,287	17,433	(846)	45,604	(135,448)	751	925,394	856,175	5,378	861,553
At 1 January 2018	**3,287**	**17,433**	**(846)**	**45,604**	**(135,448)**	**751**	**925,394**	**856,175**	**5,378**	**861,553**
Adjustment on adoption of HKFRS 9, net of tax (Note 3)	**—**	**—**	**—**	**—**	**—**	**—**	**(1,945)**	**(1,945)**	**(37)**	**(1,982)**
At 1 January 2018, as restated	**3,287**	**17,433**	**(846)**	**45,604**	**(135,448)**	**751**	**923,449**	**854,230**	**5,341**	**859,571**
Profit for the year	**—**	**—**	**—**	**—**	**—**	**—**	**402,058**	**402,058**	**4,303**	**406,361**
Surplus on revaluation of properties transferred from self-use properties to investment properties, net of tax	**—**	**21,503**	**—**	**—**	**—**	**—**	**—**	**21,503**	**—**	**21,503**
Exchange differences on translation of subsidiaries of the Company	**—**	**—**	**(43,498)**	**—**	**—**	**—**	**—**	**(43,498)**	**(437)**	**(43,935)**
Total comprehensive income for the year	**—**	**21,503**	**(43,498)**	**—**	**—**	**—**	**402,058**	**380,063**	**3,866**	**383,929**
Capital contribution relating to share-based payment borne by intermediate holding company (Note 30(b))	**—**	**—**	**—**	**—**	**—**	**500**	**—**	**500**	**—**	**500**
Transfer to PRC statutory reserve	**—**	**—**	**—**	**16,220**	**—**	**—**	**(16,220)**	**—**	**—**	**—**
2017 final dividend approved (Note 16)	**—**	**—**	**—**	**—**	**—**	**—**	**(49,303)**	**(49,303)**	**—**	**(49,303)**
2018 interim dividend declared (Note 16)	**—**	**—**	**—**	**—**	**—**	**—**	**(65,737)**	**(65,737)**	**—**	**(65,737)**
	—	**—**	**—**	**16,220**	**—**	**500**	**(131,260)**	**(114,540)**	**—**	**(114,540)**
At 31 December 2018	**3,287**	**38,936**	**(44,344)**	**61,824**	**(135,448)**	**1,251**	**1,194,247**	**1,119,753**	**9,207**	**1,128,960**

The notes on pages 103 to 173 are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2018

	Note	Year ended 31 December 2018 HK$'000	2017 HK$'000
OPERATING ACTIVITIES			
Profit before tax		**554,934**	428,788
Adjustments for:			
Share of profit of an associate		**(200)**	(161)
Finance costs		**3,239**	8,910
Impairment provision for financial assets — trade and other receivables, net		**6,987**	16,466
Depreciation and amortisation		**17,881**	16,294
Share-based payment		**500**	751
Gain arising from changes in fair value of investment properties		**(4,345)**	(6,930)
Interest income		**(38,737)**	(38,543)
Loss/(gain) on disposals of property, plant and equipment, net		**218**	(1,458)
Gain on disposals of available-for-sale financial assets		**—**	(471)
Operating cash flows before movements in working capital		**540,477**	423,646
(Increase)/decrease in inventories		**(29,033)**	978
Increase in trade and other receivables, deposits and prepayments		**(162,552)**	(102,996)
Increase in amount due from immediate holding company — trade		**(288)**	(39)
(Increase)/decrease in amounts due from fellow subsidiaries — trade		**(103,018)**	57,747
(Increase)/decrease in amounts due from related companies — trade		**(22,981)**	16,620
Increase in trade and other payables, receipts in advance and other deposits		**140,963**	249,879
(Decrease)/increase in amounts due to fellow subsidiaries — trade		**(2,428)**	8,004
Decrease in amounts due to related companies — trade		**(1,157)**	(829)
Cash generated from operations		**359,983**	653,010
Income taxes paid		**(130,938)**	(137,808)
NET CASH FROM OPERATING ACTIVITIES		**229,045**	515,202

	Note	Year ended 31 December 2018 HK$'000	2017 HK$'000
INVESTING ACTIVITIES			
Interest received		**33,437**	31,583
Purchase of property, plant and equipment		**(24,560)**	(11,351)
Purchase of intangible assets		**(3,862)**	(3,602)
Acquisition of the companies engaging in the property management business before COP Acquisition	30(c)(iv)	**—**	(36,461)
Increase in bank deposits over three months maturity		**(184,524)**	(250,000)
Acquisition of the CITIC Acquired Property Management Group	30(c)(iv)	**(45,238)**	(183,133)
Net proceeds on disposal of available-for-sale financial assets		**—**	1,634
Net proceeds on disposals of property, plant and equipment		**1,222**	2,962
NET CASH USED IN INVESTING ACTIVITIES		**(223,525)**	(448,368)
FINANCING ACTIVITIES			
Interest paid	32	**(3,638)**	(8,784)
Decrease in amounts due from fellow subsidiaries — non-trade		**—**	15,817
Increase in amounts due from related companies — non-trade		**—**	(3,025)
Decrease in amounts due to fellow subsidiaries — non-trade	32	**—**	(57,350)
Decrease in amounts due to related companies — non-trade	32	**—**	(22,795)
Increase in amount due to immediate holding company — non-trade	32	**130**	766
New bank borrowings	32	**—**	105,000
Repayment of bank borrowings	32	**(265,000)**	(150,000)
Dividends paid to owners of the Company	16	**(115,040)**	(85,458)
NET CASH USED IN FINANCING ACTIVITIES		**(383,548)**	(205,829)
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(378,028)**	(138,995)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**2,451,979**	2,417,288
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		**(98,958)**	173,686
CASH AND CASH EQUIVALENTS AT END OF YEAR	25	**1,974,993**	2,451,979

The notes on pages 103 to 173 are an integral part of these consolidated financial statements.

1 General

China Overseas Property Holdings Limited (the "Company") was incorporated in the Cayman Islands on 26 June 2006 as an exempted company with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands and its principal place of business is 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 are presented in Hong Kong dollars ("HK$"), which are the same as the functional currency of the Company.

2 Application of new and revised Hong Kong Financial Reporting Standards

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

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

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 in note 3 below.

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

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective 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 Treatment[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, see note 33. 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.

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

3 Changes in accounting policies

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 of 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. Movement in the contract liabilities balances during the year are disclosed in notes 27 and 28.

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. Note 7(b)(ii) provides for details about the evaluation of the impairment provisions.

3 Changes in accounting policies (Continued)

HKFRS 9 Financial Instruments (Continued)

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 provision 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)

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 the consolidated income statement to conform with current year presentation and as a result of consequential changes made to HKAS 1 Presentation of Financial Statements.

4 Significant accounting policies

Basis of Preparation

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

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

Basis of Consolidation

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

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

4 Significant accounting policies (Continued)

Basis of Consolidation (Continued)

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

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

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein.

Allocation of total comprehensive income to non-controlling interests

Total comprehensive income and expense of a subsidiary is attributed to the owners of the Company and to the non-controlling interests even if the results in the non-controlling interests having a deficit balance.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the carrying amount of the net assets attributable to the change in interests and the fair value of the consideration paid or received is recognised directly in retained profits and attributed to owners of the Company.

When the Group loses control of a subsidiary, it (i) derecognises the assets (including any goodwill) and liabilities of the subsidiary at their carrying amounts at the date when control is lost, (ii) derecognises the carrying amount of any non-controlling interests in the former subsidiary at the date when control is lost (including any components of other comprehensive income attributable to them), and (iii) recognises the aggregate of the fair value of the consideration received and the fair value of any retained interest, with any resulting difference being recognised as a gain or loss in profit or loss attributable to the Group. When assets of the subsidiary are carried at revalued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income and accumulated in equity are accounted for as if the Group had directly disposed of the related assets (i.e. reclassified to profit or loss or transferred directly to retained earnings as specified by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKFRS 9 "Financial Instruments" or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Business Combinations — common control combinations

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

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

4 Significant accounting policies (Continued)

Basis of Consolidation (Continued)

Business Combinations — common control combinations (Continued)

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

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

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

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

Business Combinations — acquisition method

Acquisitions of business are not under common control accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

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

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 "Income Taxes" and HKAS 19 "Employee Benefits" respectively;

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 "Share-based Payment" at the acquisition date (see the accounting policy below); and

- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" are measured in accordance with that standard.

4 Significant accounting policies (Continued)

Basis of Consolidation (Continued)

Business Combinations — acquisition method (Continued)

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

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

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

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

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as a financial liability is subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

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

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

4 Significant accounting policies (Continued)

Separate Financial Statements

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

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

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

Interests in Associates

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

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

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

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

The carrying amount of interests in associates is tested for impairment in accordance with the policy described in "impairment losses on non-financial assets".

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

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

4 Significant accounting policies (Continued)

Investment Properties

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

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

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

For a transfer from property, plant and equipment to investment properties (which is evidenced by its end of owner occupation) that will be carried at fair value, any difference between the fair value of the property at that date and its previous carrying amount shall be recognised in other comprehensive income.

Property, Plant and Equipment

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

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

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

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

Intangible Assets

The Group's intangible assets include computer software.

Intangible assets can be recognised when future economic benefits expected to be obtained from the use of items will flow into the Group and its costs can be measured reliably. Intangible assets acquired separately are measured on initial recognition at cost.

4 Significant accounting policies (Continued)

Intangible Assets (Continued)

Costs associated with maintaining computer software programmes are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Group are recognised as intangible assets when the following criteria are met:

- It is technically feasible to complete the software product so that it will be available for use;
- Management intends to complete the software product and use or sell it;
- There is an ability to use or sell the software product;
- It can be demonstrated how the software product will generate probable future economic benefits;
- Adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and
- The expenditure attributable to the software product during its development can be reliably measured.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

The useful lives of intangible assets are assessed by the period of bringing economic benefits to the Group.

Intangible assets with finite lives are subsequently amortised on the straight-line basis over the useful economic life. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed, and adjusted if appropriate, at least at each year end.

Impairment Losses on Non-Financial Assets

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

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

4 Significant accounting policies (Continued)

Impairment Losses on Non-Financial Assets (Continued)

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

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

Financial Instruments

Financial Assets

Accounting policies applied since 1 January 2018

Classification

From 1 January 2018, the Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income or through profit or loss), and

- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income ("FVOCI").

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset.

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

4 Significant accounting policies (Continued)

Financial Instruments (Continued)

Financial Assets (Continued)

Accounting policies applied since 1 January 2018 (Continued)

Measurement

At initial recognition, in the case of a financial asset at FVOCI, the Group measures it at its fair value plus transaction costs that are directly attributable to the acquisition of the financial asset. In the case of a financial asset at fair value through profit or loss ("FVPL"), the Group measures it at its fair value and transaction costs are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in other income and gains, net using the effective interest method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other income and gains, net. Impairment losses are presented as separate line item in the consolidated income statement.

- FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through other comprehensive income, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss and recognised in other income and gains, net. Interest income from these financial assets is included in other income and gains, net using the effective interest method. Foreign exchange gains and losses are presented in other income and gains, net and impairment expenses are presented as separate line item in the consolidated income statement.

- FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other income and gains, net in the period in which it arises.

4 Significant accounting policies (Continued)

Financial Instruments (Continued)

Financial Assets (Continued)

Accounting policies applied since 1 January 2018 (Continued)

Measurement (Continued)

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income and gains, net when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognised in other income and gains, net in the consolidated income statement as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

Effective interest method

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

For credit-impaired financial assets the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

Impairment

From 1 January 2018, the Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables, see notes 7(b)(ii) and 23 for further details.

Impairment on financial assets measured at amortised cost other than trade receivables is measured as either 12-month expected credit losses or lifetime expected credit losses, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of a receivable has occurred since initial recognition, then impairment is measured as lifetime expected credit loss.

When there is a significant increase in credit risk or the receivables are not settled in accordance with the terms stipulated in the agreements, management considers these receivables as underperforming or non-performing and impairment is measured as lifetime expected credit loss.

When management considers that there is no reasonable expectation of recovery, the financial assets measured at amortised cost will be written off.

4 Significant accounting policies (Continued)

Financial Instruments (Continued)

Financial Assets (Continued)

Accounting policies applied until 31 December 2017

The Group has applied HKFRS 9 since 1 January 2018, but has elected not to restate comparative information, except reclassification of net impairment losses on financial assets — trade and other receivables in 2017 from selling and administrative expenses in the consolidated income statement. As a result, the comparative information provided continues to be accounted for in accordance with the Group's previous accounting policy as follows:

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

Effective interest method

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

Loans and receivables

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

Recognition and measurement

Regular way purchases and sales of financial assets are recognised on the trade-date — the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at FVPL. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Interest on available-for-sale securities calculated using the effective interest method is recognised in the consolidated income statement as part of other income. Dividends on available-for-sale equity instruments are recognised in the consolidated income statement as part of other income when the Group's right to receive payments is established.

4 Significant accounting policies (Continued)

Financial Instruments (Continued)

Financial Assets (Continued)

Accounting policies applied until 31 December 2017 (Continued)

Impairment of financial assets

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

Objective evidence of impairment could include:

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

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

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

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

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

Financial Liabilities and Equity Instruments

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

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

4 Significant accounting policies (Continued)

Financial Instruments (Continued)

Financial Liabilities and Equity Instruments (Continued)

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

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

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

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

Interest expense is recognised on an effective interest basis.

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

Offsetting Financial Instruments

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

Inventories

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

Cash and Cash Equivalents

In the consolidated statement of cash flows, cash and cash equivalents include cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

4 Significant accounting policies (Continued)

Trade Payables

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

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

Borrowings

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

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

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

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

Borrowing Costs

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

Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Group's management. The Group's management and executive directors, who are responsible for resource allocation and assessment of performance of the operating segments, have been identified as the chief operating decision maker that make strategic decisions.

4 Significant accounting policies (Continued)

Foreign Currencies

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

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

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

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

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

Leases

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

The Group as lessor

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

4 Significant accounting policies (Continued)

Leases (Continued)

The Group as lessee

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

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

Leasehold Land and Building

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

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

Taxation

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

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

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

4 Significant accounting policies (Continued)

Taxation (Continued)

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

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

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

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

Share Capital

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

Revenue Recognition

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

Property management services and value-added services

Revenue from property management services (both under lump sum basis and under commission basis) and value-added services is recognised over time in the accounting period which services are rendered, except for housing and other agency services, which are recognised at a point of time when control of services or goods has transferred to customers.

4 Significant accounting policies (Continued)

Revenue Recognition (Continued)

Property management services and value-added services (Continued)

For property management services income from properties managed under lump sum basis, where the Group acts as principal and is primary responsible for providing the property management services to the property owners, the Group recognises the fee received or receivable from property owners as its revenue and all related property management costs as its cost of services. For property management services income from properties managed under commission basis, the Group recognises the commission, which is calculated by certain percentage of the total property management fee received or receivable from the property units, as its revenue for arranging and monitoring the services as provided by other suppliers to the property owners.

When either party to a contract has performed, the Group presents the contract in the consolidated statement of financial position as a contract asset or a contract liability, depending on the relationship between the Group's performance and the customer's payment.

A contract asset is the Group's right to consideration in exchange for services or goods that the Group has transferred to a customer. A contract asset becomes a receivable when the Group's right to consideration is unconditional, which is the case when only the passage of time is required before payment of that consideration is due. Incremental costs incurred to obtain a contract, if recoverable, are capitalised and presented as assets and subsequently amortised when the related revenue is recognised.

The impairment of contract assets is measured, presented and disclosed on the same basis as financial assets that are within the scope of HKFRS 9. For contract assets, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of contract assets.

If a customer pays consideration or the Group has a right to an amount of consideration that is unconditional, before the Group transfers goods or services to the customer, the Group presents the contract as a contract liability when the payment is received or a receivable is recorded (whichever is earlier). A contract liability is the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

Dividend Income

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

Interest Income

Interest income on financial assets at amortised cost (2017: loans and receivables) calculated using the effective interest method is recognised in the consolidated income statement as part of other income.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets, the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

4 Significant accounting policies (Continued)

Government Grants

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

Employee Benefits

Retirement Benefit Costs

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

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

Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits at the earlier of the following dates: (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the entity recognises costs for a restructuring that is within the scope of HKAS 37 and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

Bonus Plans

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

Employee Leave Entitlements

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

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

4 Significant accounting policies (Continued)

Share-based payments

Share-based payment transactions among group entities

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

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

Provisions

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

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

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

5 Key sources of estimation uncertainty and judgement

In the application of the Group's accounting policies, which are described in note 4, the Group is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

5 Key sources of estimation uncertainty and judgement (Continued)

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

(a) Allowances on doubtful receivables

The Group makes allowances on doubtful receivables based on an assessment of the recoverability of the receivables. The loss allowances on doubtful receivables are based on assumptions about risk of default and expected loss rates. The Group uses judgement and estimations in making these assumptions and selecting the inputs by taking into consideration a number of factors, including, among others, the Group's historical default rate, existing market conditions and forward looking estimates at the end of each reporting period, for the impairment calculation. Details of the key assumptions and inputs used are disclosed in the tables in note 7(b)(ii).

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

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

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

The Group uses judgement and estimations in making assumptions and selecting the inputs, by taking into consideration a number of factors, including, among others, past repayment history, existing market conditions and forward looking estimates on repayment ability of property owners collectively, which includes estimation on property management fee, collection rates and operating costs etc., for the impairment calculation.

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

(c) Fair value of investment properties

Investment properties are carried in the financial statements at their fair values of approximately HK$132,586,000 (2017: HK$106,083,000). The fair values were based on a valuation on these properties conducted by an independent firm of professional valuer using property valuation techniques which involve certain assumptions of market conditions. Favourable or unfavourable changes to these assumptions would result in changes in the fair values of the Group's investment properties and corresponding adjustments to the amount of gain or loss recognised in profit or loss.

5 Key sources of estimation uncertainty and judgement (Continued)

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

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

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

(e) Current taxation and deferred taxation

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

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

(f) Principal versus agent consideration for property management service contracts

Determining whether the Group is acting as a principal or as an agent requires consideration of all relevant facts and circumstances, and the contractual terms of property management service contracts.

The Group manages properties either under lump sum basis or commission basis. Under lump sum basis, the Group acts as a principal and is primarily responsible for providing property management services to the property owners, and recognises the property management fee received or receivable from property owners as its revenue and all related property management costs as its cost of services. For property management services income from properties managed under commission basis, the Group considers its obligation is only limited to arranging and monitoring the services provided by other parties to the property owners as an agent and accordingly recognises the commission, which is calculated by certain percentage of the total property management fee received or receivable from the property owners, as its revenue.

6 Capital risk management

Capital risk

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

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

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

The gearing ratio as at year end are as follows:

		As at 31 December	
Financial metric	**Formula**	**2018**	2017
Gearing ratio	Total borrowings divided by total equity attributable to owners of the Company	—	31.0%

The Group was in a net cash position as at 31 December 2017 and 2018.

7 Financial instruments

Details of the significant accounting policies and methods adopted (including the criteria for recognition, the bases of measurement, and the bases for recognition of income and expenses), for each class of financial assets, financial liabilities and equity instruments are disclosed in note 4.

(a) Categories of financial instruments

	As at 31 December	
	2018	2017
	HK$'000	HK$'000
Financial assets		
Trade and other receivables	**585,937**	467,253
Deposits	**9,795**	10,713
Amount due from immediate holding company	**384**	96
Amounts due from fellow subsidiaries	**146,665**	49,486
Amounts due from related companies	**118,648**	101,449
Bank balances and cash	**2,398,334**	2,711,015
Financial assets at amortised costs	**3,259,763**	3,340,012
Financial liabilities		
Trade and other payables	**1,604,413**	1,592,755
Other deposits	**276,927**	255,303
Amount due to immediate holding company	**1,547**	1,417
Amounts due to fellow subsidiaries	**2,906**	45,886
Bank borrowings	**—**	265,000
Financial liabilities at amortised costs	**1,885,793**	2,160,361

(b) Financial risk management objectives and policies

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

Management monitors and manages the financial risks relating to the Group through internal risk assessment which analyses exposures by degree and magnitude of risks. These risks include market risk (including interest rate risk and currency risk), credit risk and liquidity risk. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

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

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

7 Financial instruments (Continued)

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

(i) Market risk

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

Interest rate risk

The Company's cash flow interest rate risk relates primarily to its variable-rate bank balances amounting to approximately HK$2,398,334,000 (2017: HK$2,711,015,000), and variable-rate bank borrowings amounting to approximately HK$Nil (2017: HK$265,000,000). Bank borrowings issued at variable rates exposes the Group to cash flow interest rate risk which is partially offset by cash at banks held at variable rates. Management monitors interest rate exposure on dynamic basis and will consider hedging significant interest rate exposure should the need arise.

Interest rate risk sensitivity analysis

The analysis is prepared assuming the amount of assets/liabilities outstanding at the end of the reporting period was outstanding for the whole year. A 25 basis point increase or decrease is used as it represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 25 basis points higher/lower and all other variables were held constant, the Group's profit before tax for the year end would increase/decrease by approximately HK$5,996,000 (2017: HK$6,115,000). This is mainly attributable to the Group's exposure to cash flow interest rates on its variable-rate bank balances and bank borrowings.

Currency risk

The Company's dividend receivable/received from PRC subsidiaries are denominated in RMB, hence exposures to exchange rate fluctuation arise. Taking into consideration that RMB is still exposed to fluctuations in the short term but would become stable in the medium term, the foreign exchange risk should be short-term and relatively controllable. Management manages its foreign currency risk by closely reviewing the movement of the foreign currency rates and considers hedging significant foreign currency exposure should the need arise.

(ii) Credit risk

As at 31 December 2018, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the financial statements as at year end.

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

7 Financial instruments (Continued)

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

(ii) Credit risk (Continued)

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

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout the reporting period. To assess whether there is a significant increase in credit risk, the Group compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. The Group also considers all reasonable and supportive forward looking information which is available, including actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the debtor's ability to meet its obligations.

The Group has five types of financial assets that are subject to the expected credit loss model:

- trade receivables from property management services under lump sum basis;
- amounts due from immediate holding company, fellow subsidiaries and related companies;
- payments on behalf of property owners for properties managed under commission basis;
- other receivables; and
- cash and bank.

The Group applies the HKFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

The expected credit losses on these trade receivables are estimated using a provision matrix based on payment profiles of property management service income and the corresponding historical credit losses experience. The historical loss rates are adjusted to reflect current and forward looking information on macroeconomic factors affecting the ability of the customers to settle the trade receivables.

7 Financial instruments (Continued)

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

(ii) Credit risk (Continued)

On that basis, as at 1 January 2018 and 31 December 2018, details of key assumptions and inputs used and the impairment provision of trade receivables were disclosed in the table below:

	Aging analysis			
	Within 1 year	1–2 years	Over 2 years	Total
	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2018				
Expected loss rate	1%	12%	59%	
Gross carrying amount	285,882	68,587	67,804	422,273
Impairment provision	1,744	8,448	40,222	50,414
At 31 December 2018				
Expected loss rate	1%	10%	62%	
Gross carrying amount	320,699	62,870	92,054	475,623
Impairment provision	1,292	6,488	56,998	64,778

The impairment provision for trade receivables are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the historical default rate, existing market conditions as well as forward looking estimates at the end of each reporting period.

For the amounts due from immediate holding company, fellow subsidiaries and related companies, the Group had not encountered any significant difficulties in collecting from the related parties in the past, and is not aware of any significant financial difficulties experienced by the immediate holding company, fellow subsidiaries and related companies. As at 1 January 2018 and 31 December 2018, the Group has assessed that the expected loss rate for the amounts due from immediate holding company, fellow subsidiaries and related companies was minimal. The details are disclosed in note 24.

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

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

7 Financial instruments (Continued)

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

(ii) Credit risk (Continued)

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

For payments on behalf of property owners for properties managed under commission basis, the directors of the Company consider that the credit risk in respect of such receivables from properties that have funds surplus at the end of the reporting period to be minimal.

For those payments on behalf of property owners for properties managed under commission basis which the properties have funds deficit at the end of the reporting period, the Group assesses the estimated future cash flows by taking into consideration a number of factors, including among others, past repayment history, existing market conditions and forward looking estimates on repayment ability of the property owners collectively which includes estimation on property management fee, collection rates and operating costs etc. at the end of the reporting period to determine that adequate impairment losses are made.

For other receivables, the Group does not have any other significant concentration of credit risk. Management considered that the expected credit loss is minimal and the directors are of the opinion that the risk of default by counterparties is low.

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

(iii) Liquidity risk

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

7 Financial instruments (Continued)

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

(iii) Liquidity risk (Continued)

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

	Within 1 year or on demand HK$'000	Between 1 and 2 years HK$'000	Between 2 and 5 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount HK$'000
As at 31 December 2018					
Trade and other payables	**1,604,413**	—	—	**1,604,413**	**1,604,413**
Other deposits	**276,927**	—	—	**276,927**	**276,927**
Amount due to immediate holding company	**1,547**	—	—	**1,547**	**1,547**
Amounts due to fellow subsidiaries	**2,906**	—	—	**2,906**	**2,906**
	1,885,793	—	—	**1,885,793**	**1,885,793**
As at 31 December 2017					
Trade and other payables	1,592,755	—	—	1,592,755	1,592,755
Other deposits	255,303	—	—	255,303	255,303
Amount due to immediate holding company	1,417	—	—	1,417	1,417
Amounts due to fellow subsidiaries	45,886	—	—	45,886	45,886
Bank borrowings	7,230	164,876	106,394	278,500	265,000
	1,902,591	164,876	106,394	2,173,861	2,160,361

(c) Fair value

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

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

8 Revenue

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

	Year ended 31 December	
	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

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

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

9 Segment information (Continued)

Segment revenue and results

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

	Property management services HK$'000	Value-added services HK$'000	Elimination HK$'000	Consolidated HK$'000
Year ended 31 December 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**
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).

9 Segment information (Continued)

Segment revenue and results (Continued)

The accounting policies of the reportable segments are the same as the Group's accounting policies described in note 4.

Segment profit included profits from the Company, the subsidiaries and share of profit of an associate whereas corporate expenses mainly representing professional fees, staff costs and other corporate expenses. This is the measure reported to the management of the Group for the purposes of resource allocation and performance assessment.

Segment assets and liabilities

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

	Property management services HK$'000	Value-added services HK$'000	Unallocated HK$'000	Consolidated HK$'000
At 31 December 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)**
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)

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

— all assets are allocated to reportable segments other than corporate assets; and

— all liabilities are allocated to reportable segments other than corporate liabilities.

9 Segment information (Continued)

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**
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

9 Segment information (Continued)

Revenue by types of services

An analysis of the Group's revenue for the year by types of services is set out in note 8.

Information about geographical areas

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

	Revenue by geographical market Year ended 31 December	
	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

	Non-current assets by geographical market (Note (i)) Year ended 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.

Information about major customers

Except for revenue of HK$443,036,000 in 2018 from 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, there was no individual customer who accounted for over 10% of the Group's revenue for both years. Revenue from intermediate holding company, immediate holding company, fellow subsidiaries and related companies of the Company in aggregate is disclosed in note 35(b) to the financial statements.

10 Other income and gains, net

	Year ended 31 December 2018 HK$'000	2017 HK$'000
Other income and gains, net include:		
Interest income	**38,737**	38,543
Unconditional government grants	**9,816**	6,930

11 Finance costs

	Year ended 31 December 2018 HK$'000	2017 HK$'000
Interest and initial cost on bank borrowings	**3,239**	8,910

12 Income tax expenses

	Year ended 31 December 2018 HK$'000	2017 HK$'000
Current tax for the year:		
Hong Kong profits tax	**2,300**	1,818
Macau complementary income tax	**239**	93
PRC enterprise income tax ("EIT")	**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 (note 31)	**2,114**	(5,632)
Total	**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.

12 Income tax expenses (Continued)

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

	Year ended 31 December	
	2018	2017
	HK$'000	HK$'000
Profit before tax	**554,934**	428,788
Tax at the applicable tax rate of 25%	**138,733**	107,197
Tax effect of share of profit of an associate	**(50)**	(40)
Tax effect of expenses not deductible for tax purpose	**837**	1,125
Tax effect of income not taxable for tax purpose	**(590)**	(5,319)
Effect of different tax rates applicable to subsidiaries operating in Hong Kong and Macau	**(1,715)**	(1,066)
Income tax at concessionary tax rate	**(5,665)**	(1,469)
Tax effect of tax losses not recognised	**12,424**	14,108
Utilisation/recognition of tax losses previously not recognised	**(3,074)**	(943)
Under/(over)-provision in prior years	**447**	(74)
Withholding tax on dividends distributed from a PRC subsidiary	**7,851**	8,665
Others	**(625)**	(585)
Income tax expenses for the year	**148,573**	121,599

For certain branches engaged in property management services (the "PM Branches"), the Group has elected to file combined tax return for the property management entities incorporating assessable profit and tax losses attributable to the PM Branches as well as certain properties which are managed by the PM Branches under commission basis. As a result of such arrangement, the payment of EIT provision of the Group is affected by the assessable profit and tax losses attributable to the PM Branches under commission basis. For financial accounting purposes, the Group has made relevant provision based on assessable profit at the applicable tax rates of our PM Branches under lump sum basis.

13 Profit for the year

	Year ended 31 December 2018 HK$'000	2017 HK$'000
Profit for the year has been arrived at after charging/(crediting):		
Auditor's remuneration		
— Audit services in respect of annual audit	**3,090**	2,717
— Audit services in respect of the COP Acquisition	**—**	2,810
— Non-audit services	**186**	1,822
Other professional fees in respect of the COP Acquisition	**—**	1,794
Tax surcharges and other levies	**17,570**	15,188
Impairment provision for trade and other receivables, net	**6,987**	16,466
Depreciation of property, plant and equipment, included in:		
— direct operating expenses	**12,834**	5,919
— administrative expenses	**2,057**	9,435
Amortisation of prepaid lease payments for land	**258**	294
Amortisation of intangible assets included in administrative expenses	**2,732**	646
Staff costs:		
— general staff costs including directors' emoluments and share-based payment (Note)	**2,161,478**	1,842,425
Sub-contracting costs	**542,752**	397,796
Equipment repairs and maintenance costs	**236,143**	236,014
Rental expenses in respect of land and building under operating leases	**24,384**	24,134
Exchange gain	**(472)**	(21,199)
Utility costs	**304,153**	191,503
Loss/(gain) on disposals of property, plant and equipment	**218**	(1,458)
Gain on disposals of available-for-sale financial assets	**—**	(471)
Cost of inventories recognised as expenses	**103,966**	71,983
Rental income in respect of investment properties under operating lease	**(2,443)**	(2,434)
Less: Outgoings	**75**	142
Rental income in respect of investment properties under operating lease, net	**(2,368)**	(2,292)

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

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

The total cost recognised in the consolidated income statement of approximately HK$140.3 million (2017: HK$134.3 million), which has been included in staff costs disclosed above, represents contributions payable to the schemes by the Group in respect of the current accounting period.

14 Directors' emoluments

The emoluments paid or payable to the directors of the Company for the years ended 31 December 2018 and 2017 are as follows:

		Year ended 31 December 2018				
		As directors				
	Note	Directors' fees HK$'000	Basic salaries, allowances and benefits-in-kind (Note (k)) HK$'000	Performance related bonuses (Note (a)) HK$'000	Contributions to provident fund schemes HK$'000	Total HK$'000
Executive Directors						
Wang Qi	(b)	—	453	—	42	495
Luo Xiao	(c)	—	597	1,094	182	1,873
Shi Yong	(d)	—	700	1,032	172	1,904
Yang Ou	(e)	—	973	3,389	250	4,612
Pang Jinying	(f)	—	464	1,071	52	1,587
Kam Yuk Fai		—	1,800	700	18	2,518
Non-executive Directors						
Yan Jianguo	(g)	—	—	—	—	—
Independent Non-executive Directors						
Lim Wan Fung, Bernard Vincent		250	—	—	—	250
Suen Kwok Lam	(i)	277	—	—	—	277
Yung Wing Ki, Samuel		360	—	—	—	360
So, Gregory Kam Leung	(j)	83	—	—	—	83
		970	4,987	7,286	716	13,959

14 Directors' emoluments (Continued)

		Year ended 31 December 2017				
		As directors				
	Note	Directors' fees HK$'000	Basic salaries, allowances and benefits-in-kind (Note (k)) HK$'000	Performance related bonuses (Note (a)) HK$'000	Contributions to provident fund schemes HK$'000	Total HK$'000
Executive Directors						
Wang Qi	(b)	—	1,530	4,942	18	6,490
Luo Xiao	(c)	—	795	3,698	18	4,511
Shi Yong	(d)	—	1,029	3,012	18	4,059
Kam Yuk Fai		—	1,636	750	18	2,404
Non-executive Directors						
Yan Jianguo	(g)	553	—	—	—	553
Xiao Xiao	(h)	447	—	—	—	447
Independent Non-executive Directors						
Lim Wan Fung, Bernard Vincent		250	—	—	—	250
Suen Kwok Lam	(i)	360	—	—	—	360
Yung Wing Ki, Samuel		360	—	—	—	360
		1,970	4,990	12,402	72	19,434

(a) Performance-related bonuses are determined with reference to the remuneration policy of the Group and based on individual skills, knowledge, experience, performance and contribution, the overall performance of the Group, the prevailing economic environment and the market trend.

(b) Ms. Wang resigned from the position as the Executive Director, Vice Chairman and Chief Executive Officer of the Company on 22 March 2018.

(c) Mr. Luo resigned from the position as the Executive Director and Vice President of the Company on 22 August 2018.

(d) Mr. Shi resigned from the position as the Executive Director and Vice President of the Company on 22 August 2018.

(e) Mr. Yang was reappointed as the Executive Director and Chief Executive Officer of the Company on 22 March 2018.

(f) Mr. Pang was appointed as the Executive Director and Vice President of the Company on 22 August 2018.

(g) Mr. Yan was appointed as the Chairman and Non-executive Director of the Company on 13 June 2017. During the year, Mr. Yan has agreed to waive 2018 emoluments of HK$500,000 (2017: HK$Nil).

(h) Mr. Xiao resigned from the positions as the Chairman and Non-executive Director of the Company on 13 June 2017.

14 Directors' emoluments (Continued)

(i) Mr. Suen resigned from the position as the Independent Non-executive Director of the Company on 9 October 2018.

(j) Mr. So was appointed as the Independent Non-executive Director of the Company on 9 October 2018.

(k) Benefits-in-kind included non-cash benefits of share-based payments granted to certain directors of the Company (see Note 30(b)).

Save as disclosed above, no directors waived any emoluments in both years ended 31 December 2018 and 2017.

No directors received any emoluments as inducement to join or upon joining the Company or as compensation for loss of office in both years ended 31 December 2018 and 2017.

15 Earnings per share

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

	Year ended 31 December	
	2018	2017
Earnings		
Earnings for the purpose of basic earnings per share (HK$'000)	**402,058**	306,760
Number of shares		
Adjusted weighted average number of ordinary share for the purpose of basic earnings per share	**3,286,860,460**	3,286,860,460
Basic earnings per share (HK cents)	**12.23**	9.33

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.

16 Dividends

The dividend paid in 2018 and 2017 was HK$115,040,000 and HK$85,458,000 respectively. A final 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.

		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

During the year ended 31 December 2017, the CITIC Acquired Property Management Group declared dividends of HK$11,602,000 to the then parent company of respective subsidiaries under the CITIC Acquired Property Management Group before COP Acquisition (note 30(c)(iv)).

17 Investment properties

	Completed properties in the PRC HK$'000
Fair value	
At 1 January 2017	66,641
Gain arising from changes in fair value of investment properties	6,930
Transfer from self-used properties	25,693
Exchange realignment	6,819
At 31 December 2017	106,083
Gain arising from changes in fair value of investment properties	4,345
Transfer from self-used properties	29,134
Exchange realignment	(6,976)
At 31 December 2018	132,586

17 Investment properties (Continued)

Valuation processes of the Group

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

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

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

At each financial year end the finance department:

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

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

Fair value measurements using significant unobservable inputs

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

The Group's investment properties carried at fair value of HK$132,586,000 (2017: HK$106,083,000) are valued by fair value measurements using significant unobservable inputs (level 3). The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer. There were no transfers between Levels 1, 2 and 3 during the year.

17 Investment properties (Continued)

Fair value measurements using significant unobservable inputs (Continued)

Information about fair value measurements using significant unobservable inputs

Description	Fair value at 31 December 2018 HK$'000	Valuation techniques	Unobservable inputs	Range of unobservable inputs
Completed investment properties in the PRC				
Office	27,826	Investment approach	Prevailing market rents Reversionary yield	RMB128–139 per square metre per month 2.75%–5%
Retail	48,078	Investment approach	Prevailing market rents Reversionary yield	RMB58–175 per square metre per month 2.75%–5.5%
Carparks	56,682	Direct comparison	Unit price	RMB148,000–RMB620,000 per carpark space
Total	132,586			

Description	Fair value at 31 December 2017 HK$'000	Valuation techniques	Unobservable inputs	Range of unobservable inputs
Completed investment properties in the PRC				
Office	28,590	Investment approach	Prevailing market rents Reversionary yield	RMB122–136 per square metre per month 2.75%–5%
Retail	19,758	Investment approach	Prevailing market rents Reversionary yield	RMB55–162 per square metre per month 2.75%–5.5%
Carparks	57,735	Direct comparison	Unit price	RMB139,000–RMB620,000 per carpark space
Total	106,083			

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

Estimated selling prices, prevailing market rents and estimated growth rate of market rents are estimated based on the independent valuer's view of recent lettings or sales transactions within the subject properties and other comparable properties. The higher the selling prices, rents and growth rate, the higher the fair value.

Reversionary yield, capitalisation rate and discount rate are estimated by the independent valuer based on the risk profile of the properties being valued and the market conditions. The lower the yield, capitalisation rate and discount rate, the higher the fair value.

18 Property, plant and equipment

	Buildings HK$'000	Machinery and equipment HK$'000	Motor vehicles HK$'000	Furniture, fixtures, and office equipment HK$'000	Total HK$'000
COST					
At 1 January 2017	12,522	14,451	40,664	84,536	152,173
Exchange realignment	660	1,105	2,902	4,760	9,427
Additions	8	1,014	1,560	8,769	11,351
Disposals	(2,387)	(377)	(2,084)	(3,093)	(7,941)
Transfer to investment properties	(2,767)	—	—	—	(2,767)
Transfers (note)	—	—	(12)	(354)	(366)
At 31 December 2017	8,036	16,193	43,030	94,618	161,877
Exchange realignment	(442)	(682)	(2,114)	(5,237)	(8,475)
Additions	1,486	2,410	3,349	17,315	24,560
Disposals	—	(5,612)	(1,256)	(5,182)	(12,050)
Transfer to investment properties	(403)	—	—	—	(403)
Transfers (note)	—	(216)	—	(531)	(747)
At 31 December 2018	8,677	12,093	43,009	100,983	164,762
DEPRECIATION					
At 1 January 2017	6,741	9,792	31,589	65,307	113,429
Exchange realignment	374	800	2,351	2,775	6,300
Provided for the year	455	1,958	4,443	8,498	15,354
Eliminated on disposals	(1,115)	(363)	(1,972)	(2,987)	(6,437)
Transfer to investment properties	(1,542)	—	—	—	(1,542)
Transfers (note)	—	—	(3)	(148)	(151)
At 31 December 2017	4,913	12,187	36,408	73,445	126,953
Exchange realignment	(256)	(485)	(1,837)	(4,016)	(6,594)
Provided for the year	414	1,665	3,782	9,030	14,891
Eliminated on disposals	—	(4,750)	(1,134)	(4,726)	(10,610)
Transfer to investment properties	(171)	—	—	—	(171)
Transfers (note)	—	(211)	13	(444)	(642)
At 31 December 2018	4,900	8,406	37,232	73,289	123,827
CARRYING VALUES					
At 31 December 2018	3,777	3,687	5,777	27,694	40,935
At 31 December 2017	3,123	4,006	6,622	21,173	34,924

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

18 Property, plant and equipment (Continued)

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

Buildings	Over the shorter of the term of the relevant lease or 20 to 25 years
Machinery and equipment	3 to 10 years
Motor vehicles, furniture, fixtures and office equipment	3 to 8 years

19 Intangible assets

	Software 2018 HK$'000	2017 HK$'000
Cost		
At 1 January	**6,088**	—
Additions	**3,862**	5,875
Exchange realignment	**(457)**	213
At 31 December	**9,493**	6,088
Accumulated amortisation		
At 1 January	**669**	—
Amortisation	**2,732**	646
Exchange realignment	**(140)**	23
At 31 December	**3,261**	669
Carrying values		
At 31 December	**6,232**	5,419

The intangible assets are depreciated on a straight-line basis over 3 years for software.

20 Prepaid lease payments for land

	HK$'000
At 1 January 2017	3,610
Exchange realignment	174
Transfer to investment properties	(1,224)
Amortisation	(294)
At 31 December 2017	2,266
Exchange realignment	(92)
Transfer to investment properties	(232)
Amortisation	(258)
At 31 December 2018	1,684

20 Prepaid lease payments for land (Continued)

Analysed for reporting purposes as:

	As at 31 December	
	2018	2017
	HK$'000	HK$'000
Non-current asset	**1,458**	1,965
Current asset	**226**	301
	1,684	2,266

21 Interest in an associate

	As at 31 December	
	2018	2017
	HK$'000	HK$'000
Cost of investments, unlisted	**—**	—
Share of post-acquisition profits and other comprehensive income, net of dividends received	**552**	352
	552	352

Set out below are the particulars of the associate as at 31 December 2018 and 2017.

Name of entity	Place of incorporation	Place of operation	As at 31 December 2018 %	As at 31 December 2017 %	Principal activity
Windsor Heights Estate Management Company Limited	Hong Kong	Hong Kong	**25**	25	Property management

The associate is accounted for using the equity method in these consolidated financial statements. In the opinion of the directors of the Company, the associate is not material to the Group.

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

22 Inventories

	As at 31 December	
	2018	2017
	HK$'000	HK$'000
Parking lots, at cost	**37,142**	9,664

23 Trade and other receivables

	As at 31 December 2018 HK$'000	2017 HK$'000
Trade receivables (note (a))	**475,623**	422,273
Less: provision for impairment	**(64,778)**	(47,902)
	410,845	374,371
Payments on behalf of property owners for properties managed under commission basis (note (b))	**145,865**	104,157
Less: provision for impairment	**(74,429)**	(89,080)
	71,436	15,077
Payments on behalf of property owners for properties managed under lump sum basis, sub-contractors and staff	**78,578**	57,579
Other receivables	**25,078**	20,226
	103,656	77,805
	585,937	467,253

(a) Trade receivables

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

	As at 31 December 2018 HK$'000	2017 HK$'000
Trade receivables, aged		
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
Less: provision for impairment	**(64,778)**	(47,902)
	410,845	374,371

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.

23 Trade and other receivables (Continued)

(a) Trade receivables (Continued)

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

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

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

In determining the recoverability of trade receivables from the property management services, the management takes into consideration a number of factors, including, among others, the Group's historical default rate, existing market conditions and forward looking estimates at the end of each reporting period.

The Group applies the HKFRS 9 simplified approach to measure expected credit losses which use a lifetime expected loss allowance for all trade receivables. Note 7(b)(ii) provides for details about the evaluation of the impairment provisions.

The Group did not hold any collateral over these balances.

Information about the impairment of trade receivables and the Group's exposure to credit risk can be found in note 7(b)(ii).

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

	As at 31 December	
	2018	2017
	HK$'000	HK$'000
At the beginning of the reporting period, as previously reported	**47,902**	27,435
Adjustment on adoption of HKFRS 9* (Note 3)	**2,512**	—
At the beginning of the reporting period, as restated	**50,414**	27,435
Net impairment provision for the year	**17,566**	17,777
Exchange realignment	**(3,202)**	2,690
At the end of the reporting period	**64,778**	47,902

* In accordance with the transitional provisions in HKFRS 9, any adjustments related to the provision for impairment of trade receivables are recognised at 1 January 2018 with 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.

23 Trade and other receivables (Continued)

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

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

In determining the recoverability of payments on behalf of property owners for properties managed under commission basis, the management takes into consideration a number of factors, including, among others, past repayment history, existing market conditions and forward looking estimates on repayment ability of property owners collectively, at the end of each reporting period, which includes estimation on property management fee, collection rates and operating costs etc.

The Group did not hold any collateral over these balances.

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

	As at 31 December	
	2018	2017
	HK$'000	HK$'000
At the beginning of the reporting period	**89,080**	84,059
Net reversal of impairment provision for the year	**(10,579)**	(1,311)
Exchange realignment	**(4,072)**	6,332
At the end of the reporting period	**74,429**	89,080

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

	As at 31 December	
	2018	2017
	HK$'000	HK$'000
Amount due from immediate holding company		
Trade nature	**384**	96
Amounts due from fellow subsidiaries		
Trade nature	**146,665**	49,486
Amounts due from related companies		
Trade nature	**32,806**	11,056
Non-trade nature	**85,842**	90,393
	118,648	101,449
Less: Amount classified as non-current assets		
— non-trade nature	**(85,842)**	(90,393)
Amount classified as current assets	**32,806**	11,056

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

The following is an aging analysis of trade nature amount due from immediate holding company 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	**384**	50
31–90 days	**—**	22
Over 90 days	**—**	24
	384	96

The following is an aging analysis of trade nature amounts due from fellow subsidiaries 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	**104,410**	15,416
31–90 days	**14,666**	5,510
91–365 days	**16,813**	15,850
1–2 years	**5,753**	7,944
Over 2 years	**5,023**	4,766
	146,665	49,486

The following is an aging analysis of trade nature amounts due from related companies 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	**11,102**	1,327
31–90 days	**8,761**	909
91–365 days	**7,255**	5,141
1–2 years	**3,554**	1,284
Over 2 years	**2,134**	2,395
	32,806	11,056

The trade nature amounts due from immediate holding company, fellow subsidiaries and related companies are mainly arisen from property management services income from properties managed under lump sum basis in the PRC, which are due for payment by the corresponding parties upon the issuance of demand note. There are no material impairment as there is no indicator of higher credit risk on these balances and management consider these receivables are still performing as at 1 January 2018 and 31 December 2018.

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

During the year ended 31 December 2017, a subsidiary of CITIC Acquired Property Management Group as the lender and a related company of the Group as the borrower entered into a loan agreement to extend an unsecured loan of RMB75,026,000 (equivalent to approximately HK$90,393,000 in 2017 and HK$85,842,000 in 2018) which subsisted at year end, with an interest rate of 4.75% per annum and is repayable by 18 October 2020. This constituted a connected transaction as defined in chapter 14A of the Listing Rules.

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

25 Bank balances and cash

	As at 31 December	
	2018	2017
	HK$'000	HK$'000
Bank balances and cash	**2,398,334**	2,711,015
Less: bank deposits over three months maturity	**(423,341)**	(259,036)
Cash and cash equivalents in the consolidated statement of cash flows	**1,974,993**	2,451,979

All bank deposits of the Group carry interest at market rates which range from 0.01% to 4.84% (2017: 0.01% to 4.00%) per annum as at 31 December 2018.

26 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.

26 Trade and other payables (Continued)

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

	As at 31 December	
	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

27 Receipts in advance and other deposits

	As at 31 December	
	2018	2017
	HK$'000	HK$'000
Receipts in advance	**393,664**	396,357
Other deposits	**276,927**	255,303
	670,591	651,660

Except for those classified in amounts due to fellow subsidiaries and related companies as disclosed in note 28, contract liabilities of the Group arise from receipts in advance, which represented the advance payments made by customers while the underlying services are yet to be provided amounted to HK$393,664,000 (2017: HK$396,357,000). There is no significant changes in contract liabilities.

Revenue recognised in relation to contract liabilities

Revenue from property management services and value-added services HK$368,965,000 and HK$203,000 respectively, are recognised in the current reporting period, which was included in the contract liability balances as at 1 January 2018.

Unsatisfied performance obligations

The Group has unsatisfied performance obligations resulting from property management service contracts made with third parties, fellow subsidiaries and related companies. The aggregate amount of the property management service contracts that services not yet rendered as at 31 December 2018 is HK$2,174,262,000, in which approximately 54% is expected to be recognised as revenue within a year.

The Group has elected the practical expedient for not to disclose the remaining performance obligations for property management service contracts that do not have a fixed term. The term of the contracts is generally set to expire when the counterparties notify the Group that the services are no longer required.

The Group has also elected the practical expedient for not to disclose the remaining performance obligations for value-added service contracts, as they are for periods of one year or less.

As permitted under transitional provisions in HKFRS 15, the revenue recognised in relation to contract liabilities for the year ended 31 December 2017 and the unsatisfied performance obligations as of 31 December 2017 are not disclosed.

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

	As at 31 December	
	2018	2017
	HK$'000	HK$'000
Amount due to immediate holding company		
Non-trade nature	**1,547**	1,417
Amounts due to fellow subsidiaries		
Trade nature:		
Receipts in advance	**5,916**	11,602
Others	**2,906**	103
	8,822	11,705
Non-trade nature	**—**	45,783
	8,822	57,488
Amounts due to related companies		
Trade nature — Receipts in advance	**2,496**	3,794

The following is an aging analysis of other trade nature amounts due to fellow subsidiaries 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	**1,978**	13
31–90 days	**—**	36
91–365 days	**889**	54
1–2 years	**39**	—
	2,906	103

Receipts in advance of amounts due to fellow subsidiaries and amounts due to related companies are contract liabilities of the Group, which represents advance payments made by fellow subsidiaries and related companies while the underlying services are not yet to be provided, amounted to HK$5,916,000 and HK$2,496,000 respectively (2017: HK$11,602,000 and HK$3,794,000 respectively). The balance of receipts in advance depends on cash receipts during the corresponding year.

Revenue from property management services, which were included in the amounts due to fellow subsidiaries and related companies at 1 January 2018, of HK$10,623,000 and HK$1,460,000 respectively, are recognised in the current reporting period.

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

As at 31 December 2017, non-trade balance of amount due to fellow subsidiaries represented balance of consideration payable in respect of acquisition of the CITIC Acquired Property Management Group.

29 Bank borrowings

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

	As at 31 December 2018 HK$'000	2017 HK$'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.

30 Share capital and reserves

(a) Share Capital

	2018 Number of shares	Value HK$'000	2017 Number of shares	Value HK$'000
Issued and fully paid				
At beginning and at end of the year	**3,286,860,460**	**3,287**	3,286,860,460	3,287

(b) Share-based Payments

A-shares Restricted Stock Incentive Plan (Phase II)

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

30 Share capital and reserves (Continued)

(b) Share-based Payments (Continued)

A-shares Restricted Stock Incentive Plan (Phase II) (Continued)

During the year, pursuant to the bonus issue of CSCECL on the basis of 4 new shares for 10 existing shares, there was an increase in number of ordinary shares of CSCECL, and resulted in a corresponding increase in the number of shares issued under this incentive plan, after netting off the effect from certain changes of directors and employees.

A-shares Restricted Stock Incentive Plan (Phase III)

Pursuant to the A-shares Restricted Stock Incentive Plan (Phase III) of CSCECL, 5,580,000 incentive shares were granted to certain employees of the Group, including two directors, certain senior management and other employees on 26 December 2018 with an exercise price of RMB3.468 per share, subject to a lock-up period of two years' service from the grant date. During the lock-up period, these shares are not transferrable, nor subject to any guarantee, indemnity or pledge. One-third of the granted awards are vested at the beginning of each year starting from the third year since the grant date. Subject to CSCECL's achievement of performance conditions and individual's key performance indicators, the restriction over these shares will be removed, otherwise, CSCECL has constructive obligation to repurchase the ordinary shares in cash if the performance conditions of CSCECL or individual's key performance indicators are not achieved.

The fair value of incentive shares on the date of grant for A-shares Restricted Stock Incentive Plan (Phase II) & (Phase III) were RMB2.21 per share and RMB2.112 per share respectively. The fair value of incentive shares determined using relevant valuation techniques and the significant inputs included market price on the grant date and the exercise price.

Management of CSCECL considered the fair values of incentive shares in both Phase II and Phase III were measured appropriately in pursuant to the relevant terms in A-shares Restricted Stock Incentive Plans.

During the year ended 31 December 2018, total expenses arising from share-based payment were recognised in profit or loss amounting to HK$500,000 (2017: HK$751,000), with a corresponding credit to equity.

	2018 **'000**	2017 '000
Number of shares issued under the incentive plan granted to certain employees of the Group at end of the reporting period		
A-shares Restricted Stock Incentive Plan (Phase II)	**1,344**	1,110
A-shares Restricted Stock Incentive Plan (Phase III)	**5,580**	—
	6,924	1,110

30 Share capital and reserves (Continued)

(c) Reserves

Details of the movement in the Group's reserves are set out in the consolidated statement of changes in equity on page 100. The nature and purpose of the reserves are as follows:

(i) Revaluation surplus net of tax of properties from self-use properties to investment properties were credited to the other property revaluation reserve, unless they offset previous revaluation losses of the same asset that were charged to the consolidated income statement.

(ii) Translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations in accordance with accounting policy adopted in note 4.

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

(iv) Special reserve were arisen from the following events:

— The Company has undergone a reorganisation before its listing on the Stock Exchange on 23 October 2015, including the acquisition of entire equity interests of 北京中建物業管理有限公司 ("CSPM Beijing"), 重慶海投物業管理有限公司 ("CSPM Chongqing") and 淄博中海親頤物業服務有限公司 ("CSPM Zibo"). The internal transfers within the reorganisation is regarded as a business combination under common control. The financial statements have been prepared using the principles of merger accounting and the excess of paid up capital of CSPM Beijing, CSPM Chongqing and CSPM Zibo over the considerations as the result of the reorganisation is credited to special reserve.

— On 20 October 2017, the Company (through its wholly-owned subsidiary) (the "Purchaser") entered into the acquisition agreement with 中信房地產集團有限公司 (CITIC Real Estate Group Company Limited*) ("CITIC Real Estate") and 北京中信房地產有限公司 (Beijing CITIC Real Estate Company Limited*), wholly-owned subsidiaries of COLI, pursuant to which the Purchaser acquired the entire equity interest of 中信物業服務有限公司 (CITIC Property Service Company Limited*) ("CITIC Property Service") and its subsidiaries (together, the "CITIC Acquired Property Management Group") on 21 December 2017 at a consideration of RMB190.0 million (equivalent to approximately HK$228.9 million at that time) (the "COP Acquisition"). Before the COP Acquisition, the equity interests of all companies engaging in property management business under CITIC Real Estate were transferred to CITIC Property Service and completed on 13 July 2017, at an aggregated consideration of RMB31,150,000 (equivalent to approximately HK$36,461,000).

For the purpose of these consolidated financial statements, 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.

* The English name of the company is translation from its Chinese name and is for identification purpose only. If there is any inconsistencies, the Chinese name shall prevail.

The COP Acquisition as described above is regarded as a business combination under common control. The financial statements have been prepared using the principles of merger accounting and the excess of considerations over the paid up capital of the CITIC Acquired Property Management Group as the result of the COP Acquisition is debited to special reserve.

(v) Capital reserve represented capital contribution relating to share-based payment borne by an intermediate holding company (see note 30(b)).

31 Deferred tax

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

Deferred tax assets/(liabilities)

	Tax losses HK$'000	Provisions HK$'000	Revaluation of investment properties and accelerated tax deprecation HK$'000	Provision for unused annual leave HK$'000	Total HK$'000
As 1 January 2017	3,264	23,128	(14,363)	832	12,861
Charged to other property revaluation reserve	—	—	(5,811)	—	(5,811)
Credited/(charged) to profit or loss	1,677	5,468	(1,789)	276	5,632
Exchange realignment	308	1,954	(1,463)	—	799
As 31 December 2017 as previously reported	5,249	30,550	(23,426)	1,108	13,481
Adjustment on adoption of HKFRS 9 (Note 3)	—	530	—	—	530
At 31 December 2017, as restated	5,249	31,080	(23,426)	1,108	14,011
Charged to other property revaluation reserve	—	—	(7,166)	—	(7,166)
(Charged)/credited to profit or loss	(1,770)	560	(955)	51	(2,114)
Exchange realignment	(196)	(1,922)	1,565	—	(553)
As 31 December 2018	3,283	29,718	(29,982)	1,159	4,178

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

	As at 31 December	
	2018 HK$'000	2017 HK$'000
Deferred tax assets	**26,427**	29,510
Deferred tax liabilities	**(22,249)**	(16,029)
	4,178	13,481

31 Deferred tax (Continued)

Deferred tax assets/(liabilities) (Continued)

Under the EIT Law of the PRC, withholding income tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards, charging at the prevailing tax rate applied in the PRC tax jurisdiction. As at 31 December 2018, deferred taxation amounting to approximately HK$32,587,000 (2017: HK$32,056,000) has not been provided for in the financial statements in respect of temporary differences attributable to accumulated profits of the PRC subsidiaries as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

As at 31 December 2018, the Group had unused tax losses of approximately HK$182,069,000 (2017: HK$153,273,000) available for offsetting against future profits. No deferred tax asset has been recognised in respect of tax losses amounted to HK$168,405,000 (2017: HK$132,275,000) due to the unpredictability of future profit streams. Included in the tax losses are losses of approximately HK$28,637,000 as at 31 December 2018 (2017: HK$42,559,000) that will expire within five years from the end of the reporting period. Other tax losses may be carried forward indefinitely.

32 Notes to consolidated statement of cash flows

The reconciliation of liabilities arising from financing activities is as follow:

	Bank borrowings HK$'000	Other payable — Interest payable HK$'000	Amount due to immediate holding company (Non-trade) HK$'000	Amounts due to fellow subsidiaries (Non-trade) HK$'000	Amounts due to related companies (Non-trade) HK$'000	Total HK$'000
As at 31 December 2016	310,000	273	651	44,056	21,953	376,933
Cash flows						
— inflow from financing activities	105,000	—	1,417	—	—	106,417
— outflow from financing activities	(150,000)	(8,784)	(651)	(57,350)	(22,795)	(239,580)
Exchange realignment	—	—	—	1,692	842	2,534
Non-cash transactions	—	8,910	—	11,602	—	20,512
As at 31 December 2017	265,000	399	1,417	—	—	266,816
Cash flows						
— inflow from financing activities	—	—	3,835	—	—	3,835
— outflow from financing activities	(265,000)	(3,638)	(3,705)	—	—	(272,343)
Exchange realignment	—	—	—	—	—	—
Non-cash transactions	—	3,239	—	—	—	3,239
As at 31 December 2018	—	—	1,547	—	—	1,547

33 Operating lease commitment

The Group as lessor

Completed investment properties with carrying amounts of HK$132,586,000 as at 31 December 2018 (2017: HK$106,083,000) were let out under operating leases.

Property rental income earned is HK$2,443,000 for the year ended 31 December 2018 (2017: HK$2,434,000). The office leased out has committed tenants for 1 to 5 years without termination options granted to tenants.

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

	As at 31 December	
	2018	2017
	HK$'000	HK$'000
Within one year	**1,862**	1,594
In the second to fifth year inclusive	**3,334**	4,062
	5,196	5,656

The Group as lessee

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

	As at 31 December	
	2018	2017
	HK$'000	HK$'000
Within one year	**26,541**	25,433
In the second to fifth year inclusive	**12,620**	21,480
Over five years	**—**	512
	39,161	47,425

Operating lease payments represent rentals payable by the Group for certain of its office properties and dormitories. Leases are negotiated and rentals are fixed for 2 months to 5 years.

The Company had commitments for future minimum lease payment under non-cancellable operating lease which falls due within one year of HK$3,695,000 (2017: HK$3,905,000) and in the second to fifth year inclusive of HK$2,773,000 (2017: HK$6,466,000). It represents rental payable by the Company for its office property, lease is negotiated and rental is fixed for 3 years.

34 Performance guarantees

As at 31 December 2018, the Group provided counter indemnities to a fellow subsidiary and a bank amounting to approximately HK$94,467,000 as at 31 December 2018 (2017: HK$70,555,000) for performance guarantees issued by the fellow subsidiary and the bank in respect of certain property management service contracts undertaken by the Group.

35 Related party transactions

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

The table set forth below summarises the name of the major related parties which are entities as defined in the HKAS 24 Revised "Related Party Disclosures" and the nature of their relationship with the Group as at 31 December 2018:

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

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

(a) Year-end balances

Details of balances with immediate holding company, fellow subsidiaries and related companies are disclosed in notes 24 and 28.

35 Related party transactions (Continued)

(b) Transactions with related parties

Nature of transaction	Note	Year ended 31 December 2018 HK$'000	2017 HK$'000
Intermediate holding company/Immediate holding company/Fellow subsidiaries			
Property management income and engineering income	(i)	**498,561**	316,351
Rental and utility expenses	(ii)	**76,877**	13,134
Entrusted management income	(iii)	**—**	6,977
Related companies			
Property management income	(i)	**111,228**	96,630

Notes:

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

(ii) Rental and utility expenses are charged in accordance with respective tenancy agreements and property management agreements.

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

Except for those related party transactions of CITIC Acquired Property Management Group being accounted for as business combination under common control in the financial statements (details as below), the related party transactions during the year ended 31 December 2017 in respect of items (i) to (iii) above for property management income and engineering income, rental and utility expense and entrusted management income also constitute continuing connected transactions as defined in Chapter 14A of the Listing Rules subject to respective capped amounts.

Transactions of CITIC Acquired Property Management Group with related parties

	Year ended 31 December 2017 HK$'000
Intermediate holding company/Immediate holding company/Fellow subsidiaries	
Property management income	55,518
Related companies	
Property management income	11,109

35 Related party transactions (Continued)

(c) Performance guarantees

As at 31 December 2018, the Group provided counter indemnities to a fellow subsidiary amounting to approximately HK$47,932,000 (2017: HK$51,454,000) for performance guarantees issued by the fellow subsidiary in respect of certain property management service contracts undertaken by the Group.

(d) Five highest paid individuals

Of the five individuals with the highest emoluments in the Group, one (2017: three) was director of the Company whose emoluments are included in note 14. The emoluments of the remaining four (2017: two) individuals were set out below.

	Year ended 31 December	
	2018	2017
	HK$'000	HK$'000
Basic salaries, allowances and benefits-in-kinds	**4,418**	1,456
Performance-related bonus	**7,049**	4,295
Contribution to provident fund schemes	**509**	18
	11,976	5,769

Their emoluments were within the following bands:

	Year ended 31 December	
	2018	2017
HK$2,500,001 to HK$3,000,000	**2**	1
HK$3,000,001 to HK$3,500,000	**2**	1
	4	2

These individuals did not receive any emoluments as inducement to join or upon joining the Company or as compensation for loss of office during the years ended 31 December 2018 and 2017.

35 Related party transactions (Continued)

(e) Key management compensation

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

	Year ended 31 December	
	2018	2017
	HK$'000	HK$'000
Short-term benefits	**30,835**	34,424
Contribution to provident fund schemes	**1,483**	144
	32,318	34,568

Other than the emoluments of the directors disclosed under note 14, the emoluments of those members of key management of the Group were within the following bands:

	Year ended 31 December	
	2018	2017
HK$1,500,001 to HK$2,000,000	**1**	1
HK$2,000,001 to HK$2,500,000	**2**	1
HK$2,500,001 to HK$3,000,000	**2**	3
HK$3,000,001 to HK$3,500,000	**2**	1
	7	6

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

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

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

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

36 Particulars of subsidiaries

As at 31 December 2018, the Company has direct and indirect interests in the following subsidiaries:

Name of subsidiary	Place of incorporation/ establishment	Date of incorporation/ establishment	Registered/ issued and paid up capital	Attributable equity interest of the Group		Principal activities	Place of operations
				Direct %	Indirect %		
China Overseas Property Services Limited	Hong Kong	23 December 1986	HK$100	100	—	Real estate management and investment holding	Hong Kong
Gold Court (Macau) Property Services Limited	Macau	8 September 2005	MOP25,000	96	4	Real estate management	Macau
中海物業管理有限公司	PRC	7 April 1995	RMB50,000,000	100	—	Real estate management and investment holding	PRC
China Overseas Property Management Trade Mark Limited	Hong Kong	10 April 2015	HK$1	100	—	Holding of trademarks	Hong Kong
China Overseas Building Management Limited	Hong Kong	16 May 1991	HK$100	—	100	Real estate management	Hong Kong
China Overseas Security Services Limited	Hong Kong	28 May 2003	HK$2	—	100	Provision of security services	Hong Kong
Mepork Services Limited	Hong Kong	30 May 1989	HK$100	—	100	Provision of building cleaning and maintenance services	Hong Kong
Mepork (Macau) Engineering Services Limited	Macau	19 July 2018	MOP25,000	—	100	Provision of building cleaning and maintenance services	Macau
上海中海物業管理有限公司	PRC	26 June 1995	RMB5,050,000	—	100	Real estate management	PRC
深圳市興海物聯科技有限公司	PRC	29 June 1998	RMB20,000,000	—	100	Provision of repair and maintenance services	PRC
深圳市興海投資有限公司	PRC	14 August 1998	RMB2,000,000	—	100	Provision of automation and other equipment upgrade services	PRC
深圳市中海電梯工程有限公司	PRC	28 December 1998	RMB5,000,000	—	100	Provision of repair and maintenance services	PRC
長春中海物業管理有限公司	PRC	14 November 2003	RMB3,000,000	—	100	Real estate management	PRC
成都中海物業管理有限公司	PRC	25 May 2001	RMB5,000,000	—	100	Real estate management	PRC
湖南省中海海惠物業管理有限公司 (formerly known as 湖南省中信物業管理有限公司)	PRC	12 September 2005	RMB2,000,000	—	84	Real estate management	PRC
深圳市中海商業服務有限公司 (formerly known as 深圳市中信物業管理有限公司)	PRC	10 October 2000	RMB5,000,000	—	60	Real estate management	PRC

36 Particulars of subsidiaries (Continued)

As at 31 December 2018, the Company has direct and indirect interests in the following subsidiaries: (Continued)

Name of subsidiary	Place of incorporation/ establishment	Date of incorporation/ establishment	Registered/ issued and paid up capital	Attributable equity interest of the Group Direct %	Indirect %	Principal activities	Place of operations
中海物業管理廣州有限公司	PRC	28 August 1995	RMB15,800,000	—	100	Real estate management	PRC
海略「河南」信息科技有限公司	PRC	20 December 2018	RMB1,000,000*	—	100	Provision of service through online-to-offline ("O2O") platform	PRC
北京中海物業管理有限公司	PRC	21 January 1999	RMB5,000,000	—	100	Real estate management	PRC
北京中建物業管理有限公司	PRC	23 August 2003	RMB25,000,000	—	100	Real estate management	PRC
重慶海投物業管理有限公司	PRC	21 September 2012	RMB500,000	—	100	Real estate management	PRC
淄博中海親頤物業服務有限公司	PRC	18 January 2013	RMB1,000,000	—	100	Real estate management	PRC
中海宏洋物業管理有限公司	PRC	8 October 1998	RMB50,000,000	—	100	Real estate management	PRC
廣州市光大花園物業管理有限公司	PRC	15 February 2000	RMB3,000,000	—	100	Real estate management	PRC
呼和浩特市中海物業服務有限公司	PRC	13 June 2010	RMB3,000,000	—	100	Real estate management	PRC
深圳市優你家互聯網科技有限公司	PRC	31 December 2015	RMB5,000,000/ RMB2,000,000	—	100	Provision of service through O2O platform	PRC
濟南中海物業管理有限公司	PRC	10 November 2016	RMB500,000	—	100	Real estate management	PRC
德州華府物業管理有限公司	PRC	12 March 2010	RMB500,000	—	100	Real estate management	PRC
中海（惠州）物業服務有限公司 (formerly known as 中信惠州物業服務有限公司)	PRC	30 September 2010	RMB10,000,000	—	100	Real estate management	PRC
汕頭中海物業服務有限公司 (formerly known as 汕頭中信物業服務有限公司)	PRC	2 April 1992	RMB5,100,000	—	100	Real estate management	PRC
大連中海海惠物業服務有限公司 (formerly known as 大連中信物業管理有限公司)	PRC	23 May 2000	RMB500,000	—	100	Real estate management	PRC
廣東中海物業服務有限公司 (formerly known as 廣東中信物業服務有限公司)	PRC	25 August 1995	RMB10,000,000	—	100	Real estate management	PRC
天津中海物業管理服務有限公司 (formerly known as 天津中信物業管理服務有限公司)	PRC	12 March 2010	RMB3,000,000	—	100	Real estate management	PRC

36 Particulars of subsidiaries (Continued)

As at 31 December 2018, the Company has direct and indirect interests in the following subsidiaries: (Continued)

Name of subsidiary	Place of incorporation/ establishment	Date of incorporation/ establishment	Registered/ issued and paid up capital	Attributable equity interest of the Group Direct %	Indirect %	Principal activities	Place of operations
天津中海津信物業服務有限公司 (formerly known as 天津中信津信物業服務有限公司)	PRC	23 May 1996	RMB500,000	—	100	Real estate management	PRC
中海海惠物業服務有限公司 (formerly known as 中信物業服務有限公司)	PRC	16 May 2008	RMB50,000,000	—	100	Real estate management	PRC
深圳市百利行物業發展有限公司	PRC	23 August 2004	RMB3,000,000	—	100	Real estate management	PRC

* The registered capital of the subsidiary is amounted to RMB1,000,000, which is subsequently paid up before the date of this annual report.

37 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 COLI, 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 property ownership of office premises in Chongqing, at a total consideration of RMB191.4 million (equivalent to approximately HK$216.2 million).

38 Company statement of financial position

	Note	As at 31 December 2018 HK$'000	2017 HK$'000
Non-current assets			
Property, plant and equipment		**1,112**	65
Investment in subsidiaries		**167,524**	167,524
		168,636	167,589
Current assets			
Deposits and prepayments and other receivable		**1,506**	2,648
Amount due from a fellow subsidiary		**—**	2,409
Amount due from immediate holding company		**500**	—
Amounts due from subsidiaries		**36,071**	186,054
Bank balances and cash		**35,257**	127,792
		73,334	318,903
Current liabilities			
Other payables and accrued expenses		**21,299**	16,656
Tax liabilities		**—**	7,435
Amounts due to a subsidiary		**35,549**	—
		56,848	24,091
Net current assets		**16,486**	294,812
Total assets less current liabilities		**185,122**	462,401
Non-current liability			
Bank borrowings		**—**	265,000
		—	265,000
Net assets		**185,122**	197,401
Capital and reserves			
Share capital		**3,287**	3,287
Reserves	38(a)	**181,835**	194,114
Total equity		**185,122**	197,401

The statement of financial position of the Company was approved by the Board of Directors on 19 March 2019 and was signed on its behalf by:

Yang Ou
Director

Pang Jinying
Director

38 Company statement of financial position (Continued)

(a) Reserves of the Company

	Capital reserve HK$'000	Retained profits HK$'000	Total HK$'000
THE COMPANY			
At 1 January 2017	—	131,613	131,613
Profit and total comprehensive income for the year	—	147,208	147,208
Capital contribution relating to share-based payment borne by intermediate holding company (Note 30(b))	751	—	751
2016 final dividend approved (Note 16)	—	(36,155)	(36,155)
2017 interim dividend declared (Note 16)	—	(49,303)	(49,303)
At 31 December 2017	751	193,363	194,114
Profit and total comprehensive income for the year	—	102,261	102,261
Capital contribution relating to share-based payment borne by intermediate holding company (Note 30(b))	500	—	500
2017 final dividend approved (Note 16)	—	(49,303)	(49,303)
2018 interim dividend declared (Note 16)	—	(65,737)	(65,737)
At 31 December 2018	1,251	180,584	181,835

The Company's reserves available for distribution to shareholders at 31 December 2018 represent the balance of capital reserve and retained profits of approximately HK$181.8 million (2017: approximately HK$194.1 million).

Capital reserve represented capital contribution relating to share-based payment borne by an intermediate holding company.

Five-Year Financial Summary

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

(a) Consolidated results

	For the year ended				
	2014 HK$'000	2015 HK$'000	2016 HK$'000	2017 HK$'000	2018 HK$'000
Revenue	2,823,496	3,268,646	3,296,695	3,357,800	**4,154,670**
Direct operating expenses	(2,275,328)	(2,607,546)	(2,529,479)	(2,555,385)	**(3,305,880)**
Gross profit	548,168	661,100	767,216	802,415	**848,790**
Other income and gains, net	23,970	23,728	29,650	47,795	**48,606**
Gain arising from changes in fair value of investment properties	5,177	4,150	769	6,930	**4,345**
Selling and administrative expenses	(383,210)	(467,601)	(467,263)	(403,137)	**(336,781)**
Net (impairment losses)/reversal of impairment provision on financial assets — trade and other receivables	(28,523)	(22,264)	15,349	(16,466)	**(6,987)**
Operating profit	165,582	199,113	345,721	437,537	**557,973**
Share of profit of an associate	157	157	161	161	**200**
Finance costs	—	(1,988)	(6,963)	(8,910)	**(3,239)**
Profit before tax	165,739	197,282	338,919	428,788	**554,934**
Income tax expenses	(47,517)	(54,969)	(104,607)	(121,599)	**(148,573)**
Profit for the year	118,222	142,313	234,312	307,189	**406,361**
Attributable to:					
Owners of the Company	113,485	141,267	237,529	306,760	**402,058**
Non-controlling interest	4,737	1,046	(3,217)	429	**4,303**
	118,222	142,313	234,312	307,189	**406,361**
EARNINGS PER SHARE (HK cents)					
Basic and diluted	3.46	4.30	7.23	9.33	**12.23**

Note 1: Although comparative figures have not be restated (save as stated in note 2 below), the Group has reclassified net impairment losses/reversal of impairment provision on financial assets — trade and other receivables in consolidated results for the years ended 31 December 2014, 2015, 2016 and 2017 to conform with current year presentation and as a result of consequential changes made to HKAS 1 (Revised) Presentation of Financial Statements.

Note 2: The consolidated results for the year ended 31 December 2014, 2015 and 2016 were restated by including the financial information or the CITIC Acquired Property Management Group as if the current group structure had been in existence throughout the periods presented.

(b) Consolidated net assets

	As at 31 December				
	2014 HK$'000	2015 HK$'000	2016 HK$'000	2017 HK$'000	**2018** **HK$'000**
Non-current assets					
Investment properties	70,402	70,576	66,641	106,083	**132,586**
Property, plant and equipment	64,796	48,813	38,744	34,924	**40,935**
Intangible assets	494	387	—	5,419	**6,232**
Prepaid lease payments for land	4,545	3,866	3,206	1,965	**1,458**
Interest in an associate	173	330	191	352	**552**
Available-for-sale financial assets	1,268	1,199	1,120	—	**—**
Amount due from a related company	—	—	—	90,393	**85,842**
Deferred tax assets	9,660	13,295	23,144	29,510	**26,427**
	151,338	138,466	133,046	268,646	**294,032**
Current assets					
Inventories	18,766	11,514	9,899	9,664	**37,142**
Financial assets at fair value through profit or loss	5,196	—	—	—	**—**
Trade and other receivables	281,222	323,361	371,307	467,253	**585,937**
Deposits and prepayments	15,608	23,624	29,599	40,486	**61,476**
Prepaid lease payment for land	458	433	404	301	**226**
Amount due from immediate holding company	—	—	57	96	**384**
Amounts due from fellow subsidiaries	640,059	175,079	117,285	49,486	**146,665**
Amounts due from related companies	2,617	3,907	107,887	11,056	**32,806**
Tax prepaid	747	—	871	39	**—**
Bank balances and cash	1,315,320	2,059,382	2,417,288	2,711,015	**2,398,334**
	2,279,993	2,597,300	3,054,597	3,289,396	**3,262,970**
Current liabilities					
Trade and other payables	948,646	1,153,785	1,355,079	1,592,755	**1,604,413**
Receipts in advance and other deposits	474,725	491,087	505,696	651,660	**670,591**
Amount due to immediate holding company	—	—	651	1,417	**1,547**
Amounts due to fellow subsidiaries	263,227	35,307	47,102	57,488	**8,822**
Amounts due to related companies	—	8,393	26,238	3,794	**2,496**
Tax liabilities	93,827	112,213	111,365	108,346	**117,924**
Bank borrowing	—	184,000	—	—	**—**
	1,780,425	1,984,785	2,046,131	2,415,460	**2,405,793**
Net current assets	499,568	612,515	1,008,466	873,936	**857,177**
Total assets less current liabilities	650,906	750,981	1,141,512	1,142,582	**1,151,209**

(b) Consolidated net assets (Continued)

	As at 31 December				
	2014 HK$'000	2015 HK$'000	2016 HK$'000	2017 HK$'000	**2018** **HK$'000**
Non-current liabilities					
Deferred tax liabilities	6,556	7,085	10,283	16,029	**22,249**
Bank borrowings	—	—	310,000	265,000	**—**
	6,556	7,085	320,283	281,029	**22,249**
Net assets	644,350	743,896	821,229	861,553	**1,128,960**
Capital and reserves					
Share capital	—	3,287	3,287	3,287	**3,287**
Reserves	626,921	731,464	813,356	852,888	**1,116,466**
Equity attributable to owners of the Company	626,921	734,751	816,643	856,175	**1,119,753**
Non-controlling interests	17,429	9,145	4,586	5,378	**9,207**
Total equity	644,350	743,896	821,229	861,553	**1,128,960**

Note: The consolidated net assets as at 31 December 2014, 2015, 2016 and 2017 were restated by including the financial information of the CITIC Acquired Property Management Group as if the current group structure had been in existence throughout the periods presented.

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