中海物業
CHINA OVERSEAS PROPERTY

CHINA OVERSEAS PROPERTY HOLDINGS LIMITED
中 海 物 業 集 團 有 限 公 司

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

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2019

FINANCIAL HIGHLIGHTS

1. For the year ended 31 December 2019, the gross floor area ("GFA") under our management increased by 7.5% to 151.4 million sq.m. from 140.9 million sq.m. in the last year. New/renewed property management contracts secured during the year amounted to a total contract sum of approximately HK$2,751.5 million.

2. Revenue increased by 30.8% to HK$5,465.5 million for the year ended 31 December 2019, comparing to HK$4,177.5 million (restated, see Note) in the last year.

3. Gross profit increased by 28.2% against last year to HK$1,090.4 million (2018: HK$850.3 million (restated)) for the year ended 31 December 2019. Gross profit margin remained relatively stable at 20.0% for the year (2018: 20.4% (restated)).

4. Profit attributable to owners of the Company for the year ended 31 December 2019 increased by 33.4% to HK$537.8 million against last year (2018: HK$403.2 million (restated)). Basic and diluted earnings per share was HK16.36 cents (2018: HK12.27 cents (restated)), represented an increase of 33.3%. Average return on equity in 2019 was 40.8% (2018: 40.6% (restated)).

5. The Board recommended the payment of a final dividend of HK2.8 cents per share (2018: HK2.0 cents per share) for the year ended 31 December 2019.

Note: Upon adoption of merger accounting method affected by the acquisition of a subsidiary in 2019, the comparative figures of 2018 were restated accordingly.

The board of directors (the "Board") of China Overseas Property Holdings Limited (the "Company") is pleased to announce the annual consolidated results of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2019. The annual turnover of the Group increased by 30.8% to HK$5,465.5 million from HK$4,177.5 million (restated, see Note) of last year. Operating profit rose by 36.3% to HK$762.5 million (2018: HK$559.5 million (restated)). The profit attributable to owners of the Company increased by 33.4% to HK$537.8 million (2018: HK$403.2 million (restated)). Basic and diluted earnings per share was HK16.36 cents (2018: HK12.27 cents (restated)). Average return on equity was 40.8% (2018: 40.6% (restated)). After taking into account the dividend policy of the Group, the business results for the year and future business development plans, the Board recommended the declaration of a final dividend of HK2.8 cents per share (2018: HK2.0 cents) for the year 2019. Together with the interim dividend of HK2.2 cents per share distributed in October 2019 (2018: HK2.0 cents), total dividends for the year will amount to HK5.0 cents per share (2018: HK4.0 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 19 June 2020. (the "2020 AGM").

Note: In 2019, the Group completed the acquisition of a subsidiary from China State Construction Engineering Corporation Limited, the controlling shareholder of the Group, at a consideration of RMB4.7 million (equivalent to approximately HK$5.2 million). As affected by the acquisition, the consolidated financial statements would be presented using merger accounting method, and the comparative figures of last year were restated accordingly.

2019 is an important year for the Group to continue the implementation of "the Thirteenth Five-Year" strategic plan and to "go beyond the limit and innovate". During the year, the Group has adhered to its strategic focus and was determined to implement the business development philosophy of "qualities as the roots, scales as the branches and results as the fruits". With basic property management services as the core foundation, community assets and services operating platform led by "U+" (優你互聯); engineering services spearheaded by "Xinghai Wulian" (興海物聯); asset management; and investments, mergers and acquisitions are the four growth engines of the Group, which aimed to achieve a full spectrum and sustainable comprehensive services, and provided continuous motivation for the pursuit of satisfaction from our shareholders, customers, staff and the society, and paved the way for a comprehensive market-driven development. During the year, newly secured or renewed property management contracts of the Group amounted to approximately HK$2,751.5 million. In 2019, total GFA under the Group's management increased by 7.5% or 10.5 million square meters to 151.4 million square meters from the end of last year.

The Group's brand image continued to enhance. It became the vice president unit of China Property Management Institute, obtained multiple certifications from Building Owners and Managers Association ("BOMA"), and joined Golden Key International Alliance ("GKIA"); all these have been continuously increasing the Group's status in the industry. The Group enhanced its publicity through its WeChat official account, spreading to each corner of the society the Group's corporate values, inspiring deeds, and its professional capabilities, fully displaying its outstanding image to the public. The Group adheres to the service tenet of "customer first and service best" and remains committed to its customers with the service promise of "Property Assets to be Entrusted", while sticking to our original aspiration and moving forward through adversities and challenges. This year, the Group's results of the third-party customer satisfaction survey restored to the industry benchmark level. Serving customers is our mission and satisfying customers is our founding aspiration. This year, we achieved new breakthroughs in detailed management and organisational performance. Project-partnering reforms were conducted for 33 pilot projects in 24 cities across the country, with hierarchical authorisation fully rolled out to empower talents, raising employee's satisfaction and dedication to a new high. The Company continued to position among the enterprises employing the best corporate talents. This year, the military-civilian integration achieved a breakthrough and the number of retired militarians recruitment reached a record high. We secured military projects such as cadre sanitarium and naval base. We also tapped into the army procurement network and achieved a milestone. This year, the comprehensive market-oriented expansion has taken a solid step. Our serving formats in Hong Kong and Macau have increased to ten sectors, achieving a high-quality and diversified development. We have been awarded new project contracts for office buildings, schools, hospitals, state guesthouses and tourist attractions. We recently made successful bids for landmark building projects in multiple Mainland cities, such as the Shenzhen Grand Theater, being one of the top ten architectures of the city. At the same time, our cooperation with large enterprises has improved dramatically.

During the year, we won the bid for nine property management services contracts in the provincial and municipal offices of a large telecommunications company. We also won the bid for the services of a large department store chain in three cities, and resumed cooperation with well-known Chinese companies with a successful bid with regard to its largest self-contained apartment in Mainland China. At the same time, the Group has made progress and inroads in urban services, retirement services, government services, civil aviation systems, high-speed rail systems, and military services.

In the unprecedented situation over the past century, and during a time replete with political and economic uncertainties, “black swans” and “grey rhinos” often make unexpected and unannounced visits, the Group has been adhering to the overall tone of active and stable work and practiced high-quality development in the face of a complicated situation of economic downturn, slowdown in infrastructure investment and tightening real estate regulation. Under the severe market competition environment, the Group has improved steadfastly on providing good products and quality services, continuously strengthening its image and reputation associated with “China Overseas fine workmanship spirits”, striving to achieve a steady and sustainable growth for its shareholders in the long run. Since 2019, the number of listed property management companies has increased rapidly, and industry integration has accelerated. The pace of the property management service industry's transformation and upgrading from traditional services to a modern one has also been increasing. With its solid brand awareness and leading market position developed through more than 30 years of hard work and cultivation, the Group will formulate strategies and muster the determination to march forward, and ensure its leading position in the industry in the face of current challenges and opportunities:

1. Proactively expand, realising rapid growth of size and efficiency

The Group will maintain its strategic fixation, forge ahead and overcome difficulties under the guidance of the strategic goals of the Group's “Thirteenth Five-Year” 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 maintaining the Group’s size advantage. However, the Group will not blindly pursue size or scales without cost consideration. We will adhere to a strategy that emphasises 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 always regards quality control as our key corporate competitive advantage. We consistently observe our service tenet of "serving customers, supervised by customers, and satisfying customers", while enhancing the fundamental property services and establishing a customer care system throughout the complete life cycle. We improved our multi-faceted customer supervision mechanism, inviting supervision and evaluation from customers in an open and transparent manner. We also strengthened our standardisation development, using customer value as the driving force of the optimisation of customer service process. We established tiered service standards and service function menu, providing services with high-quality and favourable prices to our customers at their discretions. Our Group actively guides property owners to deeply participate in community governance, establishing a "three-pillar" interaction and participation system among "Community + Owner + Property", through which we can build a happy China Overseas community prototype based on co-development, co-management, and co-use. In 2019, China Overseas Property ("COPL")'s customer satisfaction continued to increase and has reached the industry benchmark level. In the future, the Group will keep implementing its customer-centric and quality-based philosophy to shape its brand image of high-quality services.

3. Make inroads into asset management from basic property management

The Group has established the commercial property management unit (海納萬商物業管理有限公司) to achieve vertical, horizontal, intensified, professional management of commercial projects in the Mainland China to coordinate advantageous resources and build our commercial property brand Hainawanshang ("海納萬商"). Backed by the high-end business resources of China Overseas Group, we are well-positioned to capitalise on the good relationship between the government and the business sector as a state-owned enterprise. With the cultivation of its brand building and industry engagement over the years, the business unit has actively engaged in cooperation for the development of various projects including government construction, office buildings, commercial complexes, industrial parks, schools, and hospitals. It will continuously broaden its management boundaries, using an integrated management system to keep optimising and improving its service quality. It will work with BOMA China, GKIA and other professional institutions to integrate internationalisation, standardisation, refinement, and cultural management methods into the service process and establish an industry leading, high-quality service system, striving to build itself into a top-notch brand in the commercial services sector. With increasing commercial assets under its management, Hainawanshang continues to improve its basic property services and polish its asset management service system. Through strengthening of the cooperation and exchange with professional institutions, it spares no effort in investment, financing, management and disinvestment of commercial real estate, facilitating full-range asset management services to help customers to maximise the value of their assets; which in turn propels it as an international asset management service provider.

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

While continuing to expand its property management size and basis, the Group will also increase investment in the value-added business and steadily advance the development of the value-added business. The Group will identify business types with bright market prospects, and focus on businesses with sufficient resource support from China Overseas Group 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. Benefiting from the sustained, stable, and rapid development of the domestic economy, the size of middle-class grows continuously to boost consumption momentum and capacity. The Group focuses on providing services to mid-to-high-end real estate and continues to obtain high-quality projects from the affiliated property developers; at the same time, we vigorously explores the market of high-quality real estate. As a result, the number of high-quality properties under management has rapidly increased, assembling abundant high-quality customer resources. After years of continuous efforts, our current customer satisfaction level has reached the industry benchmark. We have an imminent need to extract the value of our loyal and high-quality customers. Favorable factors have laid a solid foundation for launching and developing value-added services. In line with the consumption upgrade of COPL's customers and the generational change of the current consumption trend, the Group focused on community consumption scenario and full life cycle of housing and family, and provided an integrated service system with real estate lease and sale brokerage and home improvement and decoration as its core services, supplemented by onsite housekeeping services, retail services, and tourism and leisure services. The system is able to meet the diverse needs of various customers and commands a higher customer unit price and operating margin, which has obvious competitive advantages and differentiation over the prevailing channels. The Group firmly believes that with the further expansion of domestic demand, the establishment of a community business ecology is an irreversible trend, and property companies are ready to tap into the enormous profit potential of value-added services.

5. To use new technology and IT measures to improve quality and efficiency

The Group keeps abreast of technological development trends and makes full use of 5G technology, the Internet of Things ("IoT"), artificial intelligence and other technologies, and collaborates with various industry giants to form strategic alliances, so as to jointly develop an IoT platform for construction, seize market opportunities and set industry benchmarks. As for product development, we launched the "Xinghai Cloud" product system that provides comprehensive value-chain service solutions based on the IoT platform. The product covers the entire life cycle of a construction project, and uses the construction IoT platform to create unlimited spaces. In terms of upgrading, several city command and coordination centers had been set-up in six major cities across the country. Through the "City Center + Project" approach, construction management operation was upgraded comprehensively, achieving technology assistance and labour-technology substitution. This also eases the compounded pressure of annual increase in front-line staff costs and difficulty in staff recruitment, and promotes the establishment of a "High-tech Property Management System". In terms of 5G construction, we worked with our customers and built the nation's first 5G community Zhenrufu ("臻如府") as a benchmark for the smart community industry. As the only representative of industry applications, we joined forces with strategic partners to establish and initiate the Optical Network Alliance convention. The convention sets industry standards and promotes the construction of 5G networks in smart communities. In terms of scientific research and innovation, our subsidiary, Xinghai Wulian, is recognised both as a nationwide and Shenzhen high-tech enterprise, and has applied for and received certifications for more than 50 innovation achievements and intellectual property rights, including 22 software copyrights and 17 invention patents. The research titled "Research on and Application of Construction IoT Platforms Based on Edge Computing" participated in the evaluation for "China State Construction Group Science and Technology Award – the Frist Prize" and won the "Domestic Industry Leader" certification. The research titled "Research on and Application of 5G-empowered Full Life Cycle Smart Community" won the second prize in the Shanghai Section of "The Second 5G Application Competition" organized by the Ministry of Industry and Information Technology and the "Xiong'an District Special Topic Competition - Urban Construction Special Award". In 2020, the Group will promote its own smart community standardised solution as an industry-level application solution for the entire field of housing construction, and support Xinghai Wulian in achieving its strategic goal of "becoming a leader in the field of building intelligence" and boosting its overall efficiency in construction operation, application of usage of high data and digital technology such that "construction + intelligence", may create unlimited possibilities.

6. Investment innovation facilitates capital operation and industrial resource integration

In 2019, the Group gradually stepped up its investments in innovation to facilitate market-oriented resource integration, expand service scale and enhance fundamental services through joint ventures and equity acquisition, and developed a specialised asset operation and sustainable expansion capability. Through investment in and trading of assets such as parking spaces and shops, so as to bring new profit growth to the Group and at the same time to meet the growing needs of landlords by providing more specialised services to them, and through certain intelligent means such as intelligent parking management. We also actively explored the environment that combines our internal business setting with external professional capabilities in order to capture potential future growth and incubate new businesses through capital operations and investments for the Group's transformation and upgrading.

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

We played 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 emphasising the brand-building effort from the employer’s side. We sought talents through different channels. For instance, our management trainee programme, recruitment of talents from the community and head-hunting programme for top-notch talents, and attract them from domestic and overseas high schools, industries and markets. We also expand our recruitment channels and recruit veterans under the military-business collaboration, which enhances the overall reputation and quality of our personnel. Meanwhile, 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 course offered by professional institutions cooperating with us. In terms of nurturing talents, the Group has built a multi-level and multi-faceted “5D” talent cultivation system. It consists of five dimensions, namely defining talent, talent identification, talent nurturing, talent support and talent delivery, carrying out targeted training scientifically. 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 talent cultivation system addressing the full life cycle of our employees’ careers has been designed. Meanwhile, the Group implements an “apprenticeship training mechanism” to speed up the development of staff, continue to drive them to achieve career advancements and guarantee the provision of talents for the business development of the Group.

8. 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. Encouraging progress has been made since the targeted poverty alleviation initiatives in Kang Le County, Kang County and Zhuo Ni County of Gansu Province were carried out in 2018. This year, we opened a physical store Zhonghai Youjia (“中海優家”) in Gansu Province, and established an e-commerce platform called Haihui Youxuan (“海惠優

選”), which secured orders of RMB15 million within two months since its launch. It has connected 13 enterprises and 96 cooperatives in three counties of Gansu Province, with benefits covering 4,436 peasant households around. The number of materials purchased in various communities continued to grow, and production, supply and marketing began a virtuous circle, gaining positive reviews in the industry.

In 2019, the Group was granted “The Power of Community” Consumption Poverty Alleviation Award by the China Property Association. At the Eighth Outstanding Corporate Social Responsibility Award Ceremony hosted by the Mirror, the Group was awarded the “Outstanding Corporate Social Responsibility Award”. The Group has completed the annual project “Research and Demonstration on Application of Key Technologies for Building Energy Interconnection and Intelligent Operation and Maintenance” of the China Property Association. The project has been submitted to the China Property Association for acceptance and simultaneously applied in China Overseas Property. Currently, 534 projects have been connected across the country, with 5,186 users and nearly 800,000 in-service facilities and equipment, the cumulative economic benefit of which has reached more than RMB50 million. As the group leader of the compilation of “Property Service Safety Management and Emergency Disposal”, the Group edited the national mandatory standards, completed the manuscript of “Property Service Safety Management and Emergency Disposal” and submitted it, which was highly recognised.

Facing with the severe challenges on the “Coronavirus Disease 2019” (“COVID-19”) pneumonia epidemic, the Group fights against the outbreak with concerted efforts and in strict compliance with the prevention and control measures taken by different governments. On the one hand, we adhere to our duties, make sure that every employee is safe and protected, and implement precautionary measures in an active and efficient manner for the properties and communities under our management; on the other hand, the incident also promotes the public’s better awareness and recognition on the importance of property management regarding community health and epidemic prevention, thereby enhancing the overall industry status.

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 also been identified by the State-owned Assets Supervision and Administration Commission of the State Council to develop as world-class model enterprises, which will bring more development opportunities to the Group.

REVENUE AND OPERATING RESULTS

The Group is one of the leading property management companies in the People's Republic of China ("PRC"), with operations covering Hong Kong and Macau, which strives to preserve and add value to the properties under our management by providing high-quality and sophisticated services to the customers and maximising customer satisfaction. The GFA under our management increased by 7.5% to 151.4 million sq.m. from 140.9 million sq.m. in the last year. This continuously strengthened our revenue base and improved our market position.

During 2019, the Group completed acquisition of 100% equity interest in 武漢中建捷誠物業管理有限公司 from its controlling shareholder, China State Construction Engineering Corporation Limited, at a consideration of RMB4.7 million (equivalent to HK$5.2 million). In accordance with the accounting standards, the consolidated financial statements would be presented using the principles of merger accounting, as if the Group had been combined with the acquired company in the acquisition at the outset. The 2018's comparative figures were restated accordingly. In additions, for better reflection of the detailed revenue structure and development on car parking spaces trading business and for better performance measurement, the segment information in 2018 was restated accordingly. For details, please refer to "Segment Information".

Total revenue increased by 30.8% to HK$5,465.5 million for the year ended 31 December 2019, comparing to HK$4,177.5 million (restated) of last year, which mainly arisen from (i) increase in our property management services revenue in line with the increasing GFA under our management, and included factors such as increase in property management fee; and (ii) continuing business growth mainly from value-added services to both non-residents and residents. These upsides were however partly offset by the effect of average depreciation of Renminbi against Hong Kong dollar during the past twelve months.

At the same time, direct operating expenses was in line with the increase in revenue, increased by 31.5% to HK$4,375.1 million for the year from HK$3,327.2 million (restated) in 2018. Accordingly, gross profit margin remained relatively stable at 20.0% for the year (2018: 20.4%

(restated)).

Accordingly, with the increasing business volumes from both property management services and value-added services, the gross profit further increased by 28.2% to HK$1,090.4 million for the year (2018: HK$850.3 million (restated)).

Other income and gains, net was HK$66.2 million for the year (2018: HK$48.6 million), mainly represented by interest income and unconditional government grants of HK$34.8 million and HK$30.4 million respectively (2018: HK$38.7 million and HK$9.8 million respectively). Reduction in interest income was mainly due to the development of car parking spaces trading business since the second half of last year, which brought much better return to funds than interest income. On the other hand, the increase in unconditional government grants was mainly attributable to additional income from value-added and other taxes beneficial policies for the year.

During the year, through streamlining assets allocation continuously, additional property held for own-use was changed for rental purpose and investment properties recorded fair value gain for the year was HK$2.6 million (2018: HK$4.3 million). Accordingly, the carrying value of investment properties thus increased to HK$145.9 million for the year (2018: HK$132.6 million).

After deducting selling and administrative expenses of HK$395.8 million (2018: HK$336.8 million (restated)) and net impairment of trade receivables and payments on behalf of property owners for properties of HK$0.9 million (2018: HK$7.0 million), operating profit increased by 36.3% to HK$762.5 million for the year (2018: HK$559.5 million (restated)). The selling and administrative expenses have rebounded since middle of the year in line with continuing business expansion, which was mainly arisen from increase in number of back office staff to support the front line business. 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, including the reversal of impairment upon advances recovery amounting to HK$25.5 million (2018: HK$17.5 million).

Income tax expenses increased by 45.3% against last year to HK$216.4 million for the year

(2018: HK$148.9 million (restated)), mainly due to increase in profit before tax and withholding income tax provision. Withholding income tax provision of HK$17.2 million (2018: HK$7.9 million) in respect of dividends distributed/ expected to be distributed from a PRC subsidiary was recognised during the year.

Overall, profit attributable to owners of the Company for the year ended 31 December 2019 increased by 33.4% to HK$537.8 million (2018: HK$403.2 million (restated)).

SEGMENT INFORMATION

For better reflection of the detailed revenue structure and performance measurement, as well as enhance the comparability with peers, value-added services would be more broadly defined as value-added services to non-residents (for property developers and other property management companies) and residents (for residents of the properties). Accordingly, revenue from pre-delivery services, move-in assistance services, delivery inspection services and engineering service quality monitoring services provided to property developers and other property management companies, as well as advertisement income from the propaganda provided to residents of the properties in the common areas of HK$592.7 million and HK$122.5 million respectively (2018: HK$366.8 million and HK$118.1 million respectively), were reallocated to value-added services segment in 2019 from property management services segment. The segment information in 2018 was restated accordingly.

In addition, the Group started the car parking spaces trading business since the second half of 2018 and considers that engaging in the car parking spaces trading business is not only economically viable and reasonably profitable but also complements the Group’s other principal businesses.

In terms of the financial benefits of expanding the Group’s car parking spaces trading business, we believe that acquiring a greater control over the timing of the sales of the car parking spaces at the properties under the Group’s management could maximise the Group’s opportunity to gain revenues from these sales. This in turn will enable the Group to take advantage of its existing abundance of cash balance and increase the shareholders’ value.

More importantly, through acquiring unfettered rights and ability to control and coordinate the sales of the car parking spaces at the properties under the Group’s management, the Group can create greater ease and value to the residents of such properties, and thereby enhance the Group's overall management of the amenities within such properties.

Accordingly, this new business segment "car parking spaces trading business" is separately disclosed since 2019 and the comparative figures of segment assets and liabilities were restated.

PROPERTY MANAGEMENT SERVICES

During 2019, the continuous improvement of service quality and customer satisfaction helped 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 services), we were able to 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 7.5% to 151.4 million sq.m. from 140.9 million sq.m. in the last year.

For the year ended 31 December 2019, revenue from property management services constituted 75.2% of total revenue (2018: 78.6% (restated)), and increased by 25.1% from last year to HK$4,107.7 million (2018: HK$3,283.0 million (restated)). The increase in revenue from property management services was mainly arisen from increasing GFA under our management, and included factors such as increase in property management fee, which was partly offset by the effect of average depreciation of Renminbi against Hong Kong dollar during the past twelve months.

For the year ended 31 December 2019, approximately 93.4% and 6.6% of the segment revenue were generated from regular property management contracts under lump sum basis and commission basis respectively (2018: 91.4% (restated) and 8.6% (restated) respectively).

During the year, the segment gross profit margin from regular property management contracts under lump sum basis and commission basis was 10.2% and 100.0% respectively (2018: 8.6% (restated) and 100.0% respectively). Overall, the segment gross profit margin remained relatively stable at 16.2% for the year (2018: 16.5% (restated)). Accordingly, gross profit increased by 22.5% against last year to HK$664.1 million for the year (2018: HK$542.0 million (restated)).

After deducting the administrative expenses and taking into accounts the other income, the segment profit of the property management services still increased by 31.2% to HK$429.5 million for the year (2018: HK$327.4 million (restated)).

VALUE-ADDED SERVICES

As mentioned above, value-added services would be more broadly defined as (i) value-added services to non-residents (for property developers and other property management companies), including engineering, pre-delivery, move-in assistance, delivery inspection, engineering service quality monitoring and consulting services, etc.; and (ii) value-added services to residents (for residents of the properties), represented community asset management services (such as rental assistance, agency and custody for real estate transactions, common area rental assistance and rental of self-owned properties), living service operations (to meet the various needs of residents of the properties) and commercial service operations (to meet the needs of business users). Accordingly, revenue from pre-delivery services, move-in assistance services, delivery inspection services and engineering service quality monitoring services provided to property developers and other property management companies, as well as advertisement income from the propaganda provided to residents of the properties in the common areas of HK$592.7 million and HK$122.5 million respectively (2018: HK$366.8 million and HK$118.1 million respectively), were reallocated to value-added services segment in 2019 from property management services segment. The segment information in 2018 was restated accordingly.

For the year ended 31 December 2019, the proportion of revenue from value-added services segment out of total revenue increased to 24.6% (2018: 21.4% (restated)), and largely increased by 50.7% to HK$1,348.2 million (2018: HK$894.5 million (restated)), of which, sub-segment revenue from value-added services to non-residents and value-added services to residents increased substantially by 57.4% and 38.2% to HK$917.1 million and HK$431.1 million respectively (2018: HK$582.6 million (restated) and HK$311.9 million (restated) respectively).

For value-added services to non-residents sub-segment, the services cover engineering, pre-delivery, move-in assistance, delivery inspection, engineering service quality monitoring and consulting services, etc. for property developers and other property management companies. During the year, the increase in non-residents sub-segment revenue was mainly arisen from (i) business growth in pre-delivery and inspection services; (ii) expansion of the intelligent building & construction and technical support for specific engineering business during the year; and (iii) substantial increase in consultancy services revenue.

In respect of value-added services to residents sub-segment, the increase in revenue was mainly arisen from increase in business volume of both community asset management services and living service operations. Both of the customers' recognition of our traditional property management services, and diversification of our product offerings and marketing channels through services offered with our online-to-offline platform facilitates the expansion of our 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, our services cover (i) community asset management services (such as rental assistance, agency and custody for real estate transactions, common area rental assistance and rental of self-owned properties); (ii) living service operations (to meet the various needs of residents of the properties, including housing ecology, home improvement, new retail, home services, tourism and leisure, education and training, health and elderly care, automotive services, platform services, commercial office services, etc.); and (iii) commercial service operations (to meet the needs of business users).

In respect of the profitability, the gross profit margin of the value-added services segment for the year was 31.3% (2018: 34.5% (restated)), of which, (i) that of value-added services to non-residents sub-segment slightly dropped to 24.9% (2018: 25.6% (restated)) mainly due to the price competition from market expansion in engineering services and consultancy services during the year; (ii) the gross profit margin of value-added services to residents sub-segment also adjusted to 45.0% (2018: 51.0% (restated)) as a result of the expansion of the services and products range.

Nevertheless, driven by increasing revenue, the gross profit of value-added services increased by 36.9% to HK$422.0 million (2018: HK$308.3 million (restated)). Of which, (i) the gross profit of value-added services to non-residents sub-segment increased by 52.8% to HK$228.1 million (2018: HK$149.3 million (restated)); and (ii) the gross profit of value-added services to residents sub-segment increased by 22.0% to HK$193.9 million (2018: HK$159.0 million (restated)).

All in all, the segment profit from value-added services, having allowed for segment overhead, increased by 38.8% against last year to HK$390.1 million (2018: HK$281.0 million (restated)).

CAR PARKING SPACES TRADING BUSINESS

As mentioned aforesaid, we started the car parking spaces trading business since the second half of 2018, the new business segment "car parking spaces trading business" is separately disclosed since 2019 and comparative figures of segment assets and liabilities were restated accordingly.

During the year ended 31 December 2019, the new car parking spaces trading business started to bear fruit with revenue reached HK$9.6 million (2018: Nil) mainly arisen from sales of car parking spaces.

The segment gross profit margin of the car parking trading business segment was 44.6% with segment profit at HK$4.3 million in 2019 (2018: Nil).

LIQUIDITY, FINANCIAL RESOURCES AND DEBT STRUCTURE

The Group adopts prudent financial policies, with effective financial and cash management under centralised supervision, and maintains appropriate and sufficient cash balances. As at 31 December 2019, net working capital amounted to HK$1,279.4 million (as at 31 December 2018: HK$862.6 million (restated)).

Bank balances and cash increased by 4.0% to HK$2,495.7 million from last year end (as at 31 December 2018: HK$2,398.6 million (restated)), in which, 96.3% were denominated in Renminbi and 3.7% were denominated in Hong Kong Dollar/Macau Pataca.

CAPITAL EXPENDITURES

The capital expenditures, which mainly represent additions to/ payment on buildings, leasehold improvement, motor vehicles, machinery and equipment, furniture, fixtures, office equipment, leasehold right-of-use assets (including capitalised lease commitments), software systems and capital investment in a joint venture, were HK$109.4 million for the year ended 31 December 2019.

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

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 2019.

PRINCIPAL RISK MANAGEMENT STRATEGIES

1. OPERATING EFFICIENCY

Our profit margins and results of operations may be materially affected by changes in our reasonable operating costs and the monitoring on implementation of group strategies. Automation and standardisation are key elements amongst our strategies to increase operating efficiency and improve service quality. We have implemented and will continue the implementation of automation measures in our business processes and emphasis on standardisation in our operations. For example, we have employed automation measures such as implementing a real-time quality control system, remote video surveillance system, smart guest access system and carpark management system to achieve operating efficiency and to enhance our overall competitiveness in the property management sector.

2. CUSTOMERS AND SUPPLIERS RELATIONSHIP MANAGEMENT

Our customers include owners and residents in mid- to high-end residential communities, commercial properties and government properties, and business enterprises like property developers and other property management companies.

Customers are one of our key stakeholders. In order to continuously foster and maintain our customers' high satisfaction, our quality control department mainly focused on, among others, (i) the solidification of our strong brand recognition as a property management service provider for mid- to high-end properties; (ii) the establishment and maintenance of our internal quality standards and community safety management systems; (iii) the central management of customer complaints and customer satisfaction surveys and analysis. In addition, we provided structured and comprehensive trainings to our frontline staff, so as to ensure that they delivered attentive customer services with adequate skills and knowledge.

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

In order to ensure cost effectiveness and standardisation quality customer services to promote customers' satisfaction, our business strategies includes objectives to maintain close business relationships with quality vendors and sub-contractors so as to achieve consistency and reliability in service quality, while controlling costs through bulk purchases or economies of scale. Our competitiveness depends on our ability to differentiate our Group from our competitors through quality services and reliability.

3. MONITORING OF FOREIGN EXCHANGE EXPOSURE

As the Group mainly recorded its revenue, receivables and payables and expenditures etc. in Renminbi for its PRC property management business, the management considers that a natural hedge mechanism existed. Meanwhile, fluctuations of exchange rates may impact our net assets value and financial results due to currency translation upon consolidation. If Renminbi appreciates/depreciates against Hong Kong dollar, we would record a(n) increase/decrease in our net assets value and financial results. At present, we have not entered into or traded any financial instruments, including derivative financial instruments, for hedging or speculative purpose. Hence, other than the effect of currency translation as mentioned above, we have neither experienced nor expected any material adverse effect on our business and operations due to the devaluation of Renminbi.

On one hand, the Group would closely monitor the volatility of Renminbi exchange rate, and would consider appropriate currency hedging policy for mitigating apparent exchange rate risk and enter into such hedging arrangement, if and when appropriate.

COMPLIANCE WITH RELEVANT LAWS AND REGULATION

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

ENVIRONMENTAL POLICIES AND PERFORMANCE

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

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

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

CAPITAL COMMITMENT AND CONTINGENT LIABILITIES

As at 31 December 2019, the capital commitments of the Group was HK$121.0 million, which mainly related to capital investment and acquisition of equipment and software. In additions, the Group provided counter-indemnities amounting to approximately HK$128.9 million 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 capital commitments and outstanding contingent liabilities as at 31 December 2019.

SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

Except as disclosed aforesaid, the Group had no significant events occurred after the year ended 31 December 2019, which have material impact on the performance and the value of the Group.

EMPLOYEES

As at 31 December 2019, the Group had approximately 41,244 employees (as at 31 December 2018: 36,193 (restated)).

The pay levels of these employees are commensurate with their responsibilities, performance and the prevailing market condition. The remuneration packages included basic salaries, discretionary bonus and provident fund contributions/ retirement pension scheme. Certain selected key personnel of the Group were also entitled to participate in a share incentive scheme of an intermediate holding company of the Group. The total staff costs incurred for the year ended 31 December 2019 was approximately HK$2,867.2 million (2018: HK$2,167.9 million (restated)).

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

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2019

	Note	2019 HK$'000	2018 HK$'000 (Restated)
Revenue	*5*	**5,465,521**	4,177,531
Direct operating expenses		**(4,375,097)**	(3,327,206)
Gross profit		**1,090,424**	850,325
Other income and gains, net		**66,154**	48,606
Gain arising from changes in fair value of investment properties		**2,572**	4,345
Selling and administrative expenses		**(395,755)**	(336,809)
Net impairment losses on financial assets – trade and other receivables		**(867)**	(6,987)
Operating profit		**762,528**	559,480
Share of profit of an associate		**193**	200
Share of profit of a joint venture		**177**	-
Finance costs		**(2,352)**	(3,239)
Profit before tax	*7*	**760,546**	556,441
Income tax expenses	*8*	**(216,406)**	(148,949)
Profit for the year		**544,140**	407,492
Attributable to:			
Owners of the Company		**537,840**	403,189
Non-controlling interests		**6,300**	4,303
		544,140	407,492
		HK Cents	HK Cents
Earnings per share	*10*		
Basic and diluted		**16.36**	12.27

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2019

	2019 HK$'000	2018 HK$'000 (Restated)
Profit for the year	**544,140**	407,492
Other comprehensive income		
Item that will not be reclassified subsequently to profit or loss:		
Surplus on revaluation of investment properties transferred from self-use properties, net of tax	**8,997**	21,503
Item that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of subsidiaries of the Company	**(17,952)**	(44,210)
	(8,955)	(22,707)
Total comprehensive income for the year	**535,185**	384,785
Total comprehensive income attributable to:		
Owners of the Company	**529,188**	380,919
Non-controlling interests	**5,997**	3,866
	535,185	384,785

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

	Note	2019 HK$'000	2018 HK$'000 (Restated)
Non-current assets			
Investment properties		**145,898**	132,586
Property, plant and equipment		**56,471**	40,935
Right-of-use assets	*4*	**61,656**	-
Intangible assets		**11,657**	6,232
Prepaid lease payments for land	*4*	**-**	1,458
Interest in an associate		**145**	552
Interest in a joint venture		**3,164**	-
Amount due from a related company		**-**	85,842
Prepayments		**5,540**	-
Deferred tax assets		**35,006**	26,427
		319,537	294,032
Current assets			
Inventories	*11*	**418,408**	37,142
Trade and other receivables	*12*	**766,247**	592,068
Deposits and prepayments	*4*	**97,406**	61,476
Prepaid lease payments for land	*4*	**-**	226
Amount due from immediate holding company		**231**	384
Amounts due from fellow subsidiaries		**90,220**	150,670
Amounts due from related companies		**107,613**	32,806
Bank balances and cash		**2,495,693**	2,398,559
		3,975,818	3,273,331
Current liabilities			
Trade and other payables	*13*	**1,745,903**	1,608,976
Receipts in advance and other deposits		**740,090**	670,591
Lease liabilities	*4*	**22,044**	-
Amount due to immediate holding company		**-**	1,547
Amounts due to fellow subsidiaries		**4,332**	8,822
Amounts due to related companies		**6,588**	2,496
Tax liabilities		**177,439**	118,286
		2,696,396	2,410,718
Net current assets		**1,279,422**	862,613
Total assets less current liabilities		**1,598,959**	1,156,645

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

As at 31 December 2019

	Note	2019 HK$'000	2018 HK$'000 (Restated)
Non-current liabilities			
Lease liabilities	*4*	**32,461**	-
Deferred tax liabilities		**31,795**	22,249
		64,256	22,249
Net assets		**1,534,703**	1,134,396
Capital and reserves			
Share capital	*14*	**3,287**	3,287
Reserves		**1,510,586**	1,121,902
Equity attributable to owners of the Company		**1,513,873**	1,125,189
Non-controlling interests		**20,830**	9,207
Total equity		**1,534,703**	1,134,396

1. GENERAL INFORMATION

China Overseas Property Holdings Limited (the "Company") was incorporated in the Cayman Islands on 26 June 2006 as an exempted company with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands and its principal place of business is Suite 703, 7/F., Three Pacific Place, 1 Queen's Road East, Hong Kong.

The Company's immediate holding company is China Overseas Holdings Limited, 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 services, value-added services and car parking spaces trading business.

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

The financial statements which have been prepared for the year ended 31 December 2019 were approved for issue by the Board on 20 March 2020.

2. APPLICATION OF BUSINESS COMBINATION UNDER COMMON CONTROL

On 15 August 2019, the Company (through its direct wholly-owned subsidiary) (the "Purchaser") entered into the acquisition agreement with its intermediate holding company, China State Construction Engineering Corporation Limited ("CSCECL") (through its indirect wholly-owned subsidiary) (the "Vendor"), a non-wholly owned subsidiary of CSCEC, pursuant to which the Purchaser agreed to acquire the entire equity interest of 武漢中建捷誠物業管理有限公司(Wuhan Zhong Jian Zhe Cheng Property Management Limited*) ("Wuhan Zhong Jian") at a consideration of RMB 4.7 million (equivalent to approximately HK$5.2 million). The entire equity interest of Wuhan Zhong Jian was transferred to the Group on 16 August 2019.

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

Basis of preparation

For the purpose of these consolidated financial statements, the Company and Wuhan Zhong Jian were under common control of CSCEC, 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 Wuhan Zhong Jian had been in existence within the Group structure throughout the periods presented, or since the date when the companies first came under the control of ultimate controlling party, whichever is a shorter period.

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

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

Basis of preparation (Continued)

Inter-company transactions, balances and unrealised gains/losses on transactions between Wuhan Zhong Jian and other group companies are eliminated on consolidation.

The following is a reconciliation of the effect arising from the business combination under common control of Wuhan Zhong Jian on the consolidated income statement and the consolidated statement of financial position.

Consolidated income statement

For the year ended 31 December 2018

	The Group (before business combination under common control)	Effects of business combination under common control of Wuhan Zhong Jian	Consolidated
	HK$'000	HK$'000	HK$'000
Revenue	4,154,670	22,861	4,177,531
Direct operating expenses	(3,305,880)	(21,326)	(3,327,206)
Gross profit	848,790	1,535	850,325
Other income and gains, net	48,606	-	48,606
Gain arising from changes in fair value of investment properties	4,345	-	4,345
Selling and administrative expenses	(336,781)	(28)	(336,809)
Net impairment losses on financial assets – trade and other receivables	(6,987)	-	(6,987)
Operating profit	557,973	1,507	559,480
Share of profit of an associate	200	-	200
Finance costs	(3,239)	-	(3,239)
Profit before tax	554,934	1,507	556,441
Income tax expenses	(148,573)	(376)	(148,949)
Profit for the year	406,361	1,131	407,492
Attributable to:			
Owners of the Company	402,058	1,131	403,189
Non-controlling interests	4,303	-	4,303
	406,361	1,131	407,492

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

Consolidated income statement (Continued)

For the year ended 31 December 2019

	The Group (before business combination under common control) HK$'000	Effects of business combination under common control of Wuhan Zhong Jian HK$'000	Consolidated HK$'000
Revenue	5,438,116	27,405	5,465,521
Direct operating expenses	(4,352,137)	(22,960)	(4,375,097)
Gross profit	1,085,979	4,445	1,090,424
Other income and gains, net	65,779	375	66,154
Gain arising from changes in fair value of investment properties	2,572	-	2,572
Selling and administrative expenses	(395,720)	(35)	(395,755)
Net impairment losses on financial assets – trade and other receivables	(867)	-	(867)
Operating profit	757,743	4,785	762,528
Share of profit of an associate	193	-	193
Share of profit of a joint venture	177	-	177
Finance costs	(2,352)	-	(2,352)
Profit before tax	755,761	4,785	760,546
Income tax expenses	(215,210)	(1,196)	(216,406)
Profit for the year	540,551	3,589	544,140
Attributable to:			
Owners of the Company	534,251	3,589	537,840
Non-controlling interests	6,300	-	6,300
	540,551	3,589	544,140

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

Consolidated statement of financial position

As at 31 December 2018

	The Group (before business combination under common control) HK$'000	Effects of business combination under common control of Wuhan Zhong Jian HK$'000	Adjustments HK$'000 (Note)	Consolidated HK$'000
Non-current assets				
Investment properties	132,586	-	-	132,586
Property, plant and equipment	40,935	-	-	40,935
Intangible assets	6,232	-	-	6,232
Prepaid lease payments for land	1,458	-	-	1,458
Interest in an associate	552	-	-	552
Amount due from a related company	85,842	-	-	85,842
Deferred tax assets	26,427	-	-	26,427
	294,032	-	-	294,032
Current assets				
Inventories	37,142	-	-	37,142
Trade and other receivables	585,937	6,131	-	592,068
Deposits and prepayments	61,476	-	-	61,476
Prepaid lease payments for land	226	-	-	226
Amount due from immediate holding company	384	-	-	384
Amounts due from fellow subsidiaries	146,665	4,005	-	150,670
Amounts due from related companies	32,806	-	-	32,806
Bank balances and cash	2,398,334	225	-	2,398,559
	3,262,970	10,361	-	3,273,331

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

Consolidated statement of financial position (Continued)

As at 31 December 2018 (Continued)

	The Group (before business combination under common control) HK$'000	Effects of business combination under common control of Wuhan Zhong Jian HK$'000	Adjustments HK$'000 (Note)	Consolidated HK$'000
Current liabilities				
Trade and other payables	1,604,413	4,563	-	1,608,976
Receipts in advance and other deposits	670,591	-	-	670,591
Amount due to immediate holding company	1,547	-	-	1,547
Amounts due to fellow subsidiaries	8,822	-	-	8,822
Amounts due to related companies	2,496	-	-	2,496
Tax liabilities	117,924	362	-	118,286
	2,405,793	4,925	-	2,410,718
Net current assets	857,177	5,436	-	862,613
Total assets less current liabilities	1,151,209	5,436	-	1,156,645
Non-current liability				
Deferred tax liabilities	22,249	-	-	22,249
	22,249	-	-	22,249
Net assets	1,128,960	5,436	-	1,134,396
Capital and reserves				
Share capital	3,287	4,217	(4,217)	3,287
Reserves	1,116,466	1,219	4,217	1,121,902
Equity attributable to owners of the Company	1,119,753	5,436	-	1,125,189
Non-controlling interests	9,207	-	-	9,207
Total equity	1,128,960	5,436	-	1,134,396

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

Consolidated statement of financial position (Continued)

As at 31 December 2019

	The Group (before business combination under common control) HK$'000	Effects of business combination under common control of Wuhan Zhong Jian HK$'000	Adjustments HK$'000 (Note)	Consolidated HK$'000
Non-current assets				
Investment in Wuhan Zhong Jian	5,217	-	(5,217)	-
Investment properties	145,898	-	-	145,898
Property, plant and equipment	56,471	-	-	56,471
Right-of-use assets	61,656	-	-	61,656
Intangible assets	11,657	-	-	11,657
Interest in an associate	145	-	-	145
Interest in a joint venture	3,164	-	-	3,164
Prepayments	5,540	-	-	5,540
Deferred tax assets	35,006	-	-	35,006
	324,754	-	(5,217)	319,537
Current assets				
Inventories	418,408	-	-	418,408
Trade and other receivables	760,122	6,125	-	766,247
Deposits and prepayments	97,406	-	-	97,406
Amount due from immediate holding company	231	-	-	231
Amounts due from fellow subsidiaries	90,220	-	-	90,220
Amounts due from related companies	107,613	-	-	107,613
Bank balances and cash	2,484,174	11,519	-	2,495,693
	3,958,174	17,644	-	3,975,818

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

Consolidated statement of financial position (Continued)

As at 31 December 2019 (Continued)

	The Group (before business combination under common control) HK$'000	Effects of business combination under common control of Wuhan Zhong Jian HK$'000	Adjustments HK$'000 (Note)	Consolidated HK$'000
Current liabilities				
Trade and other payables	1,742,596	3,307	-	1,745,903
Receipts in advance and other deposits	736,240	3,850	-	740,090
Lease liabilities	22,044	-	-	22,044
Amounts due to fellow subsidiaries	4,332	-	-	4,332
Amounts due to related companies	6,588	-	-	6,588
Tax liabilities	175,889	1,550	-	177,439
	2,687,689	8,707	-	2,696,396
Net current assets	1,270,485	8,937	-	1,279,422
Total assets less current liabilities	1,595,239	8,937	(5,217)	1,598,959
Non-current liabilities				
Lease liabilities	32,461	-	-	32,461
Deferred tax liabilities	31,795	-	-	31,795
	64,256	-	-	64,256
Net assets	1,530,983	8,937	(5,217)	1,534,703
Capital and reserves				
Share capital	3,287	4,217	(4,217)	3,287
Reserves	1,506,866	4,720	(1,000)	1,510,586
Equity attributable to owners of the Company	1,510,153	8,937	(5,217)	1,513,873
Non-controlling interests	20,830	-	-	20,830
Total equity	1,530,983	8,937	(5,217)	1,534,703

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

Basis of preparation (Continued)

Note:

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

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

3. PRINCIPAL ACCOUNTING POLICIES

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

Save as described in note 4 “Adoption of new and revised HKFRSs”, the accounting policies used in preparing the consolidated financial statements are consistent with those of the annual financial statements for the year ended 31 December 2018.

4. ADOPTION OF NEW AND REVISED HKFRSs

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

Annual Improvements Project	Annual Improvements 2015–2017 Cycle
HKFRS 9 (Amendments)	Prepayment Features with Negative Compensation
HKFRS 16	Leases
HKAS 19 (Amendments)	Plan Amendment, Curtailment or Settlement
HKAS 28 (Amendments)	Long-term Interests in Associates and Joint Ventures
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatment

Except for HKFRS 16, 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 16 is disclosed as follow.

4. ADOPTION OF NEW AND REVISED HKFRSs (CONTINUED)

HKFRS 16 Leases

HKFRS 16 results 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 classify cash repayments on the financial liability into a principal portion and an interest portion and present 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 are required upon adoption.

The Group applied the standard from its mandatory adoption date of 1 January 2019. The Group applied the simplified transition approach and did not restate comparative amounts for the year prior to first adoption, and any difference as at 1 January 2019 was recognised in the opening retained profits. Right-of-use assets for leases were measured on transition as if the new standard had always been applied.

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

On the adoption of HKFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as "operating leases" under the principles of HKAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rates as of 1 January 2019. The weighted average discount rate applied to the lease liabilities on 1 January 2019 was 4.75%.

	HK$'000
Operating lease commitments disclosed as at 31 December 2018	39,161
Less:	
Short-term and low-value leases recognised on a straight-line basis as expense	(9,616)
	29,545
Discounted using the lessee's incremental borrowing rate at the date of initial application, lease liabilities recognised as at 1 January 2019	26,862
Add:	
Reclassification of prepayments as at 1 January 2019	784
Reclassification of prepaid lease payments for land as at 1 January 2019	1,684
Less:	
Adjustment on retained profit upon adoption	(1,464)
Right-of-use assets recognised as at 1 January 2019	27,866

4. ADOPTION OF NEW AND REVISED HKFRSs (CONTINUED)

HKFRS 16 Leases (Continued)

The following is a reconciliation of the opening effect on adoption of HKFRS 16 as at 1 January 2019:

	Right-of-use assets HK$'000	**Deposits and prepayments HK$'000**	**Prepaid lease payments for land HK$'000**	**Lease liabilities HK$'000**	**Retained Profits HK$'000**
At 31 December 2018, as previously reported	**-**	**61,476**	**1,684**	**-**	**(1,194,247)**
Adjustment on adoption of HKFRS 16	**27,866**	**(784)**	**(1,684)**	**(26,862)**	**1,464**
At 1 January 2019	**27,866**	**60,692**	**-**	**(26,862)**	**(1,192,783)**

(a) Amount recognised in the consolidated statement of financial position

The recognised right-of-use assets is related to the following types of assets and lease liabilities recognised is as follows:

	At 31 December 2019 HK$'000	At 1 January 2019 HK$'000
Leasehold land	**8,183**	1,684
Buildings	**53,473**	26,182
Total right-of-use assets	**61,656**	27,866
Lease liabilities – current portion	**22,044**	19,438
Lease liabilities – non-current portion	**32,461**	7,424
Total lease liabilities	**54,505**	26,862

Additions to the right-of-use assets during 2019 financial year were HK$55,494,000.

The impact to the consolidated income statement for the year ended 31 December 2019 upon the adoption of HKFRS 16, which includes the recognition of interest expense on the lease liabilities and depreciation of the right-of-use assets instead of rental expenses and the resulting impact on net profit for the period, is not significant.

The Group leases various offices, staff quarters and warehouses. Rental contracts are typically made for fixed periods of 1 to 5 years but may have extension options as described below. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Extension and termination options are included in certain leases across the Group. These terms are used to maximise operational flexibility in terms of managing contracts. The majority of extension and termination options held are exercisable only by the Group and not by the respective lessor. The financial effect of revising lease terms to reflect the effect of exercising extension and termination options was insignificant.

4. ADOPTION OF NEW AND REVISED HKFRSs (CONTINUED)

HKFRS 16 Leases (Continued)

(b) Amount recognised in the consolidated income statement

The consolidated income statement shows the following amounts relating to leases:

	2019 **HK$'000**
Depreciation charge of right-of-use assets:	
Leasehold land	**243**
Buildings	**20,923**
	21,166
Interest expense on lease liabilities (included in finance cost)	**2,352**
Expense relating to short-term leases/ low-value assets that are not shown above as short-term leases (included in direct operating expenses and administrative expenses and are not included in lease liabilities)	**15,981**

The total cash outflow for leases in 2019 was HK$23,841,000.

During the year ended 31 December 2019, the Group acquired property, plant and equipment and right-of-use assets (leasehold land portion) of HK$8,482,000 and HK$6,499,000 respectively from a fellow subsidiary of the Group.

Practical expedients applied

In applying HKFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics; and
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying HKAS 17 and Interpretation 4 Determining whether an Arrangement contains a Lease.

4. ADOPTION OF NEW AND REVISED HKFRSs (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.

HKFRS 3 (Amendments)	Definition of a Business[1]
HKFRS 7	Financial Instruments: Disclosures[1]
HKFRS 9	Financial Instruments[1]
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[2]
HKAS 1 and HKAS 8 (Amendments)	Definition of Material[1]
HKAS 39	Financial Instruments: Recognition and Measurement[1]

[1] Effective for annual periods beginning on or after 1 January 2020

[2] The mandatory effective date will be determined

The Group has already commenced a preliminary assessment of the relevant impact of these new or revised standards and amendments, certain of which may be relevant to the Group's operations and may give rise to changes in disclosures and remeasurement of certain items in consolidated financial statements. Preliminary assessment of these standards based on current available information does not indicate any significant impacts to the results and financial position of the Group as when these standards become effective.

5. REVENUE

For better reflection of the detailed revenue structure and performance measurement, as well as enhance the comparability with peers, value-added services would be more broadly defined as value-added services to non-residents (for property developers and other property management companies) and residents (for residents of the properties). Accordingly, revenue from pre-delivery services, move-in assistance services, delivery inspection services and engineering service quality monitoring services provided to property developers and other property management companies, as well as advertisement income from common areas of HK$592.7 million and HK$122.5 million respectively (2018: HK$366.8 million and HK$118.1 million respectively), were reallocated to value-added services segment in 2019 from property management services segment. The segment information in 2018 was restated accordingly.

In addition, we engaged in car parking spaces trading business since second half of 2018 and believed that such business would create ease and value to our residents of the properties under management, is lucrative and therefore would continue to expand it. This new business segment "car parking spaces trading business" is separately disclosed in 2019 and the comparative figures of segment assets and liabilities were restated accordingly.

5. REVENUE (CONTINUED)

The Group recognises revenue from car parking spaces trading when the customer obtains control of the car parking spaces and the Group satisfies the performance obligations at a point of time.

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

	Year ended 31 December	
	2019	2018
	HK$'000	HK$'000
		(Restated)
Property management services	**4,107,712**	3,283,062
Value-added services	**1,348,162**	894,469
Car parking spaces trading business	**9,647**	-
Total revenue	**5,465,521**	4,177,531

6. SEGMENT INFORMATION

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

Property management services	—	Provision of 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.
Value-added services	—	Provision of (i) value-added services to non-residents (for property developers and other property management companies), including engineering, pre-delivery, move-in assistance, delivery inspection, engineering service quality monitoring and consulting services, etc. and (ii) value-added services to residents, representing community asset management services (such as rental assistance, agency and custody for real estate transactions, common area rental assistance and rental of self-owned properties), living service operations (to meet the various needs of residents of the properties) and commercial service operations (to meet the needs of business users).
Car parking spaces trading business	—	Trading of various types of car parking spaces.

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

6. SEGMENT INFORMATION (CONTINUED)

Segment results, segment assets and segment liabilities

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

	Property management services HK$'000	**Value-added services HK$'000**	**Car parking spaces trading business HK$'000**	**Elimination HK$'000**	**Consolidated HK$'000**
Year ended 31 December 2019					
Reportable segment revenue					
- from external customers	**4,107,712**	**1,348,162**	**9,647**	**-**	**5,465,521**
- inter-segment revenue	**94,207**	**83,822**	**-**	**(178,029)**	**-**
	4,201,919	**1,431,984**	**9,647**	**(178,029)**	**5,465,521**
Timing of revenue recognition of reportable segment revenue from external customers					
- at a point of time	**-**	**220,328**	**9,509**	**-**	**229,837**
- over time	**4,107,712**	**1,125,107**	**-**	**-**	**5,232,819**
	4,107,712	**1,345,435**	**9,509**	**-**	**5,462,656**
Revenue from other sources from external customers					
- rental income	**-**	**2,727**	**138**	**-**	**2,865**
	4,107,712	**1,348,162**	**9,647**	**-**	**5,465,521**
Reportable segment profit	**429,484**	**390,088**	**4,314**	**-**	**823,886**
Corporate expenses, net					**(63,340)**
Profit before tax					**760,546**

	Property management services HK$'000	Value-added services HK$'000	Car parking spaces trading business HK$'000	Elimination HK$'000	Consolidated HK$'000
Year ended 31 December 2018 (Restated)					
Reportable segment revenue					
- from external customers	3,283,062	894,469	-	-	4,177,531
- inter-segment revenue	7,115	95,937	-	(103,052)	-
	3,290,177	990,406	-	(103,052)	4,177,531
Timing of revenue recognition of reportable segment revenue from external customers					
- at a point of time	-	120,473	-	-	120,473
- over time	3,283,062	771,553	-	-	4,054,615
	3,283,062	892,026	-	-	4,175,088
Revenue from other sources from external customers					
- rental income	-	2,443	-	-	2,443
	3,283,062	894,469	-	-	4,177,531
Reportable segment profit	327,404	281,028	-	-	608,432
Corporate expenses, net					(51,991)
Profit before tax					556,441

6. SEGMENT INFORMATION (CONTINUED)

Segment results, segment assets and segment liabilities (continued)

Segment profit included profits from the Company, the subsidiaries, share of profits of an associate and a joint venture, 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.

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

	Property management services HK$'000	**Value-added services HK$'000**	**Car parking spaces trading business HK$'000**	**Unallocated HK$'000**	**Consolidated HK$'000**
As at 31 December 2019					
Segment assets	**3,350,541**	**464,700**	**449,052**	**31,062**	**4,295,355**
Segment liabilities	**(2,534,926)**	**(192,520)**	**(352)**	**(32,854)**	**(2,760,652)**

	Property Management services HK$'000	Value-added services HK$'000	Car parking spaces trading business HK$'000	Unallocated HK$'000	Consolidated HK$'000
As at 31 December 2018 (Restated)					
Segment assets	3,185,069	307,277	37,142	37,875	3,567,363
Segment liabilities	(2,345,145)	(66,487)	-	(21,335)	(2,432,967)

6. SEGMENT INFORMATION (CONTINUED)

Other segment information

	Property management services HK$'000	**Value-added services HK$'000**	**Car parking spaces trading business HK$'000**	**Unallocated HK$'000**	**Consolidated HK$'000**
Year ended 31 December 2019					
Amount included in the measurement of segment results and segment assets:					
Interest income	**34,430**	**269**	**10**	**43**	**34,752**
Additions to property, plant and equipment	**32,112**	**1,777**	**-**	**2,080**	**35,969**
Additions to intangible assets	**2,620**	**6,748**	**-**	**-**	**9,368**
Additions to right-of-use assets	**55,230**	**264**	**-**	**-**	**55,494**
Loss on disposals of property, plant and equipment	**814**	**-**	**-**	**-**	**814**
Net impairment losses on financial assets – trade and other receivables	**867**	**-**	**-**	**-**	**867**
Depreciation and amortisation	**35,550**	**1,825**	**-**	**3,451**	**40,826**
Gain arising from changes in fair value of investment properties	**-**	**2,572**	**-**	**-**	**2,572**
Share of profit of an associate	**193**	**-**	**-**	**-**	**193**
Share of profit of a joint venture	**177**	**-**	**-**	**-**	**177**

	Property management services HK$'000	Value-added services HK$'000	Car parking spaces trading business HK$'000	Unallocated HK$'000	Consolidated HK$'000
Year ended 31 December 2018					
Amount 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

6. SEGMENT INFORMATION (CONTINUED)

Geographical information

The Group's property management services, value-added services and car parking spaces trading business 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	
	2019	2018
	HK$'000	HK$'000 (Restated)
Hua Nan Region	**1,760,960**	1,307,304
Hua Dong Region	**825,554**	550,559
Hua Bei Region	**936,522**	748,453
Northern Region	**436,384**	362,120
Western Region	**746,898**	642,735
The PRC	**4,706,318**	3,611,171
Hong Kong and Macau	**759,203**	566,360
	5,465,521	4,177,531

	Non-current assets by geographical market (Note (i)) **As at 31 December**	
	2019	2018
	HK$'000	HK$'000
Hua Nan Region	**158,854**	95,638
Hua Dong Region	**71,348**	65,592
Hua Bei Region	**10,219**	7,534
Northern Region	**14,171**	3,351
Western Region	**11,469**	5,329
The PRC	**266,061**	177,444
Hong Kong and Macau	**15,161**	3,767
	281,222	181,211

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

7. PROFIT BEFORE TAX

	Year ended 31 December	
	2019	2018
	HK$'000	HK$'000
		(Restated)
Profit before tax is arrived at after charging:		
Staff costs including directors' emoluments and share-based payment (note)	**2,867,220**	2,167,864
Sub-contracting costs	**798,509**	547,617
Utility costs	**398,525**	304,664

Note: During the year ended 31 December 2019, share-based payments to certain directors, senior management and other employees amounting to HK$4,225,000 (2018: HK$500,000) were recognised in profit or loss, with a corresponding credit to equity.

8. INCOME TAX EXPENSES

	Year ended 31 December	
	2019	2018
	HK$'000	HK$'000
		(Restated)
Income tax expenses comprise:		
Current tax for the year:		
Hong Kong profits tax	**1,778**	2,300
Macau complementary income tax	**624**	239
PRC enterprise income tax	**199,707**	135,998
PRC withholding income tax	**17,231**	7,851
	219,340	146,388
(Over)/under - provision in prior years:		
Hong Kong profits tax	**(199)**	195
Macau complementary income tax	**-**	252
	(199)	447
Deferred tax:		
Current year and prior year	**(2,735)**	2,114
	216,406	148,949

Hong Kong profits tax is calculated at 16.5% of the estimated assessable profit for the year (2018: 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% (2018: 25%).

Macau complementary income tax is calculated at the prevailing tax rate of 12% in Macau (2018: 12%).

8. INCOME TAX EXPENSES (CONTINUED)

Under the EIT Law of the PRC, withholding income tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards, charging at the prevailing tax rate applied in the PRC tax jurisdiction. Withholding income tax amounting to HK$17.2 million (2018: HK$7.9 million) for the year ended 31 December 2019 has been provided for in the consolidated financial statements in respect of dividends declared or distributed/expected to be distributed from a PRC subsidiary to the Company during the year.

9. DIVIDENDS

The dividend paid in 2019 and 2018 was HK$138,048,000 and HK$115,040,000 respectively. A final dividend in respect of the year ended 31 December 2019 of HK2.8 cents, amounting to a total dividend of HK$92,032,000, is to be proposed at the annual general meeting on 19 June 2020. These financial statements do not reflect this dividend payable.

		Dividend paid Year ended 31 December	
		2019	2018
	HK$'000	**HK$'000**	HK$'000
<u>2017:</u>			
Final dividend of HK1.5 cents per ordinary share	49,303		49,303
<u>2018:</u>			
Interim dividend of HK2.0 cents per ordinary share	65,737		65,737
Final dividend of HK2.0 cents per ordinary share	65,737	**65,737**	
	131,474		
<u>2019:</u>			
Interim dividend of HK2.2 cents per ordinary share	72,311	**72,311**	
Final dividend of HK2.8 cents per ordinary share	92,032		
	164,343	**138,048**	115,040

10. EARNINGS PER SHARE

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

Earnings

	Year ended 31 December	
	2019	2018
	HK$'000	HK$'000
		(Restated)
Earnings for the purpose of basic earnings per share	**537,840**	403,189

Weighted average number of ordinary shares

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

As there are no dilutive potential ordinary shares as at 31 December 2019 and 2018, the diluted earnings per share is equal to the basic earnings per share.

11. INVENTORIES

	As at 31 December	
	2019	2018
	HK$'000	HK$'000
Car parking spaces, at cost	**418,408**	37,142

During the year ended 31 December 2019, the Group purchased right-of-use on car parking spaces from a fellow subsidiary amounting to HK$381,229,000.

12. TRADE AND OTHER RECEIVABLES

	As at 31 December	
	2019	2018
	HK$'000	HK$'000
		(Restated)
Trade receivables	**647,250**	481,754
Less: Provision of impairment	**(79,688)**	(64,778)
Trade receivables, net	**567,562**	416,976
Other receivables	**257,331**	249,521
Less: Provision of impairment	**(58,646)**	(74,429)
Other receivables, net	**198,685**	175,092
	766,247	592,068

12. TRADE AND OTHER RECEIVABLES (CONTINUED)

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

	As at 31 December	
	2019	2018
	HK$'000	HK$'000
		(Restated)
0–30 days	**155,935**	132,237
31–90 days	**144,581**	91,276
91–365 days	**167,499**	103,317
1–2 years	**65,440**	62,870
Over 2 years	**113,795**	92,054
	647,250	481,754

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

Property management services income from properties managed under lump sum basis in the PRC are received in accordance with the terms of the relevant property service agreements. Service income from property management services is due for payment by the residents upon the issuance of demand note.

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

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

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

Car parking spaces trading income is received in accordance with the terms of the sales and purchases agreements.

At the end of each reporting period, management reviews receivables for evidence of impairment on both an individual and collective basis. The Group applies the simplified approach to provide for expected credit loss, which requires the use of the lifetime expected loss provision for all trade and other receivables.

13. TRADE AND OTHER PAYABLES

	As at 31 December	
	2019	2018
	HK$'000	HK$'000
		(Restated)
Trade payables	**427,487**	432,691
Special fund (Note)	**95,504**	112,059
Temporary receipts from properties managed under commission basis	**246,986**	176,369
Temporary receipts from properties managed under lump sum basis	**297,574**	277,037
Accrued staff costs	**562,220**	501,791
Payables for value-added tax and other levies	**45,365**	32,554
Other payables	**70,767**	76,475
	1,745,903	1,608,976

13. TRADE AND OTHER PAYABLES (CONTINUED)

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.

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

	As at 31 December	
	2019	2018
	HK$'000	HK$'000
0–30 days	**114,028**	127,315
31–90 days	**56,445**	48,650
Over 90 days	**257,014**	256,726
	427,487	432,691

14. SHARE CAPITAL

	Number of shares issued and fully paid	**Share capital HK$'000**
As at 31 December 2018, 1 January 2019 and 31 December 2019	**3,286,860,460**	**3,287**

15. EVENTS AFTER THE REPORTING PERIOD

Since the beginning of 2020, the widespread of the Coronavirus Disease 2019 is a fluid and challenging situation for most industries, including the property management industry. The Group has been assessing the overall impact on the operations of the Group and taking all possible effective measures to limit the impact on the Group's operations. The Group will keep continuous attention on the latest development and adopt appropriate strategies and responses in the future. All possible financial impact on the Group's performance will be reflected in the prospective financial statements.

PROPOSED FINAL DIVIDEND

Taking into account the dividend policy, results performance of the Group for the year and its future business expansion, the Board has recommended the declaration of a final dividend of HK2.8 cents per share for the year ended 31 December 2019 (for the year ended 31 December 2018: a final dividend of HK2.0 cents per share) representing a total amount of approximately HK$92,032,000, subject to the approval of shareholders of the Company (the "Shareholders") at the forthcoming annual general meeting to be held on 19 June 2020 (the "2020 AGM"). The proposed final dividend will be paid to the Shareholders on 7 July 2020 whose names appear on the Company's register of members (the "Register of Members") on 30 June 2020.

CLOSURE OF REGISTERS OF MEMBERS

For the purposes of determining the eligibility of the Shareholders to attend and vote at the 2020 AGM, and the eligible Shareholders' entitlement to the proposed final dividend, the Register of Members will be closed as appropriate as set out below:

(i) For determining the Shareholders' eligibility to attend and vote at the 2020 AGM:

Latest time to lodge transfer documents for registration with the Company's branch share registrar and transfer office in Hong Kong	At 4:30 p.m. on 15 June 2020
Closure of the Register of Members	16 June 2020 to 19 June 2020 (both days inclusive)
Record Date	19 June 2020

(ii) Subject to the passing of the final dividend proposal agenda at the 2020 AGM, for determining the eligible Shareholders' entitlement to the proposed final dividend:

Latest time to lodge transfer documents for registration with the Company's branch share registrar and transfer office in Hong Kong	At 4:30 p.m. on 23 June 2020
Closure of the Register of Members	24 June 2020 to 30 June 2020 (both days inclusive)
Record Date	30 June 2020

For purposes mentioned above, all properly completed transfer forms accompanied by the relevant share certificates must be lodged for registration with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong no later than the aforementioned latest time.

AUDIT COMMITTEE AND REVIEW OF ACCOUNTS

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

The Audit Committee has discussed and reviewed with management the annual results and consolidated accounts of the Group for the year ended 31 December 2019.

SCOPE OF WORK OF PRICEWATERHOUSECOOPERS

The figures in respect of the Group's consolidated statement of financial position, consolidated income statement, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2019 as set out in the preliminary announcement have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on the preliminary announcement.

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

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

COMPLIANCE WITH THE MODEL CODE

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing rules") as its own code for dealing in securities of the Company by the Directors. After specific enquiry, all Directors confirmed that they have complied with the required standard regarding securities transactions set out therein throughout the year ended 31 December 2019. No incident of non-compliance was noted by the Company for the year ended 31 December 2019. Relevant employees who are likely to be in possession of inside information of the Group are also subject to compliance with written guidelines on no less exacting terms than the Model Code.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

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

During the year ended 31 December 2019, the Company has adopted and complied with all the code provisions of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules.

PUBLICATION OF ANNUAL RESULTS

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

APPRECIATION

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

By Order of the Board
China Overseas Property Holdings Limited
Zhang Guiqing
Chairman and Executive Director

Hong Kong, 20 March 2020

As at the date of this announcement, the Board comprises seven Directors, there are four Executive Directors, namely Mr. Zhang Guiqing (Chairman), Dr. Yang Ou (Chief Executive Officer), Mr. Pang Jinying (Vice President) and Mr. Kam Yuk Fai (Chief Financial Officer); and three are Independent Non-executive Directors, namely Mr. Yung, Wing Ki Samuel, Mr. So, Gregory Kam Leung and Mr. Lim, Wan Fung Bernard Vincent.