中海物業集團有限公司
CHINA OVERSEAS PROPERTY HOLDINGS LIMITED
(Incorporated in the Cayman Islands with limited liability)

Stock Code : 2669

服務

幸福

美好

TO EMBRACE
A BETTER LIFE

拓展

CREATING
MORE
BEAUTIFUL
SPACES

生活

空間

Annual Report 2019

中海夢

安居樂業

海纳川

厚德載物

物所託

情真似海

業精细

愛融情中

COPL
Official
Wechat

China Overseas
Property Holdings Limited

Contents

Corporate Overview

Governance

Financial Information

Corporate Information

(as at 20 March 2020, date of this Annual Report)

Board of Directors

Executive Directors

Zhang Guiqing *(Chairman)*
Yang Ou *(Chief Executive Officer)*
Pang Jinying *(Vice President)*
Kam Yuk Fai *(Chief Financial Officer)*

Independent Non-executive Directors

Yung, Wing Ki Samuel
So, Gregory Kam Leung
Lim, Wan Fung Bernard Vincent

Committees

Audit Committee

Yung, Wing Ki Samuel *(Chairman)*
So, Gregory Kam Leung
Lim, Wan Fung Bernard Vincent

Nomination Committee

Zhang Guiqing *(Chairman)*
Yung, Wing Ki Samuel
So, Gregory Kam Leung
Lim, Wan Fung Bernard Vincent

Remuneration Committee

So, Gregory Kam Leung *(Chairman)*
Zhang Guiqing
Yung, Wing Ki Samuel
Lim, Wan Fung Bernard Vincent

Authorized Representatives

Zhang Guiqing
Yang Ou
Pang Jinying *(alternate to Zhang Guiqing)*
Kam Yuk Fai *(alternate to Yang Ou)*

Company Secretary

Wong Yee Wah

Independent Auditor

PricewaterhouseCoopers
Certified Public Accountants and
Registered PIE Auditor

Registered Office

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

Head Office and Principal Place of Business in Hong Kong

Suite 703, 7/F., Three Pacific Place,
1 Queen's Road East,
Hong Kong

Telephone	:	(852) 2988 0600
Facsimile	:	(852) 2988 0606
Website	:	www.copl.com.hk

Branch Office in Hong Kong

19th Floor, China Overseas Building,
No.139 Hennessy Road and
No.138 Lockhart Road, Wanchai,
Hong Kong

Telephone	:	(852) 2823 7088
Facsimile	:	(852) 3102 0683
Website	:	www.copl.com.hk

Corporate Information (Continued)

Principal Share Registrar and Transfer Office

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

Hong Kong Branch Share Registrar and Transfer Office

Tricor Investor Services Limited
Level 54, Hopewell Centre,
183 Queen's Road East, Hong Kong

Legal Advisors

As to Hong Kong laws:

Mayer Brown JSM
Woo Kwan Lee & Lo

As to Cayman Islands laws:

Conyers Dill & Pearman

Principal Bankers

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

Investor and Public Relations

Corporate Communications Department

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

Stock Codes

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

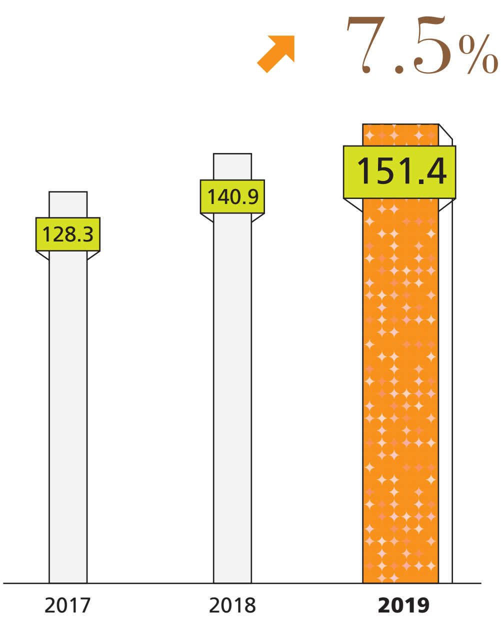
* *Currently one of the eligible securities for Southbound Trading under the Shenzhen-Hong Kong Stock Connect*

Financial Calendar 2020

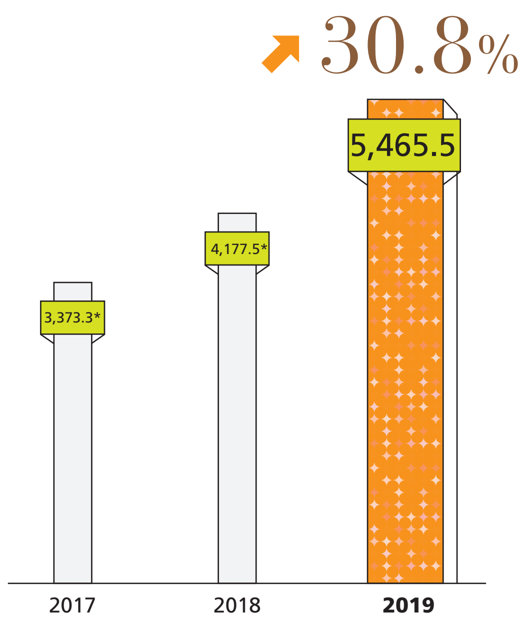
Annual Results Announcement	20 March
AGM Voting and Attending Eligibility Record Date	19 June
Annual General Meeting	19 June
Final Dividend Ex-dividend Date	22 June
Final Dividend Entitlement Record Date	30 June
Final Dividend Payment Date	7 July

Business and Financial Highlights

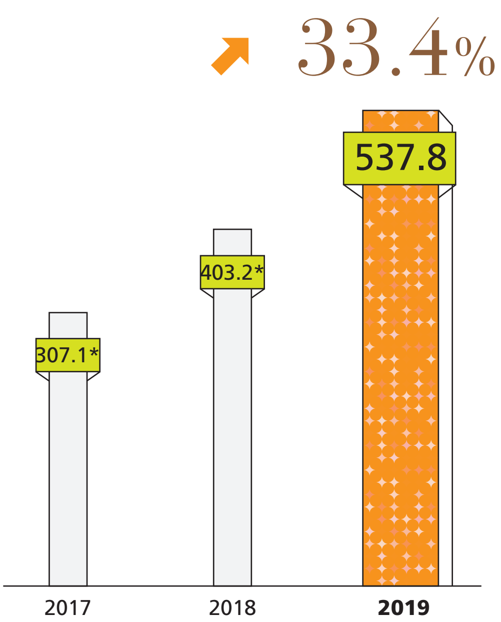
Gross Floor Area under Management as at Year Ended
(Million sq.m.)



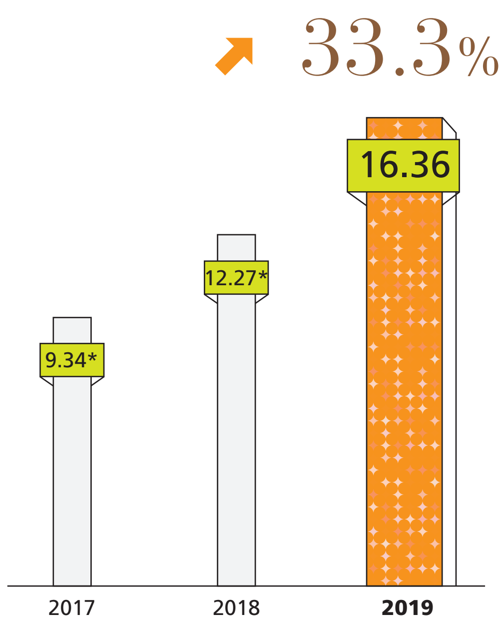
Revenue
(HK$ Million)



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



Earnings per Share
(HK Cents)



* *Restated under merger accounting. For details, please refer to note 31(c)(iv) of the "Notes to the Financial Statements".*

Business and Financial Highlights (Continued)

	Formula	2019	2018	Change
Operating Scale:				
Gross floor area under management as at year ended (million sq.m.)		**151.4**	140.9	+7.5%
Employee headcount		**41,244**	36,193*	+14.0%
Revenue (HK$ million)		**5,465.5**	4,177.5*	+30.8%
Profitability & Rates of Return:				
Gross profit (HK$ million)		**1,090.4**	850.3*	+28.2%
Profit attributable to owners of the Company (HK$ million)		**537.8**	403.2*	+33.4%
Net Profit Margin	Profit for the year÷Revenue	**10.0%**	9.8%*	+0.2ppt
Earnings per share (HK cents)		**16.36**	12.27*	+33.3%
Dividends per share (HK cents)		**5.0**	4.0	+25.0%
Payout ratio	Dividends per share÷ Earnings per share	**30.6%**	32.6%*	-2.0ppt
Average return on equity	Profit attributable to owners of the Company÷Average capital and reserves attributable to owners of the Company	**40.8%**	40.6%*	+0.2ppt
Liquidity:				
Bank balances and cash (HK$ million)		**2,495.7**	2,398.6*	+4.0%
Current ratio	Total current assets÷ Total current liabilities	**1.5**	1.4*	+0.1
Debt-to-assets ratio	Total liabilities÷ Total assets	**64.3%**	68.2%*	-3.9ppt

ppt: percentage points

* *Restated under merger accounting. For details, please refer to note 31(c)(iv) of the "Notes to the Financial Statements".*

Company Profile

Our Vision

To be an Outstanding Global Service Provider in Asset Management

Our Mission

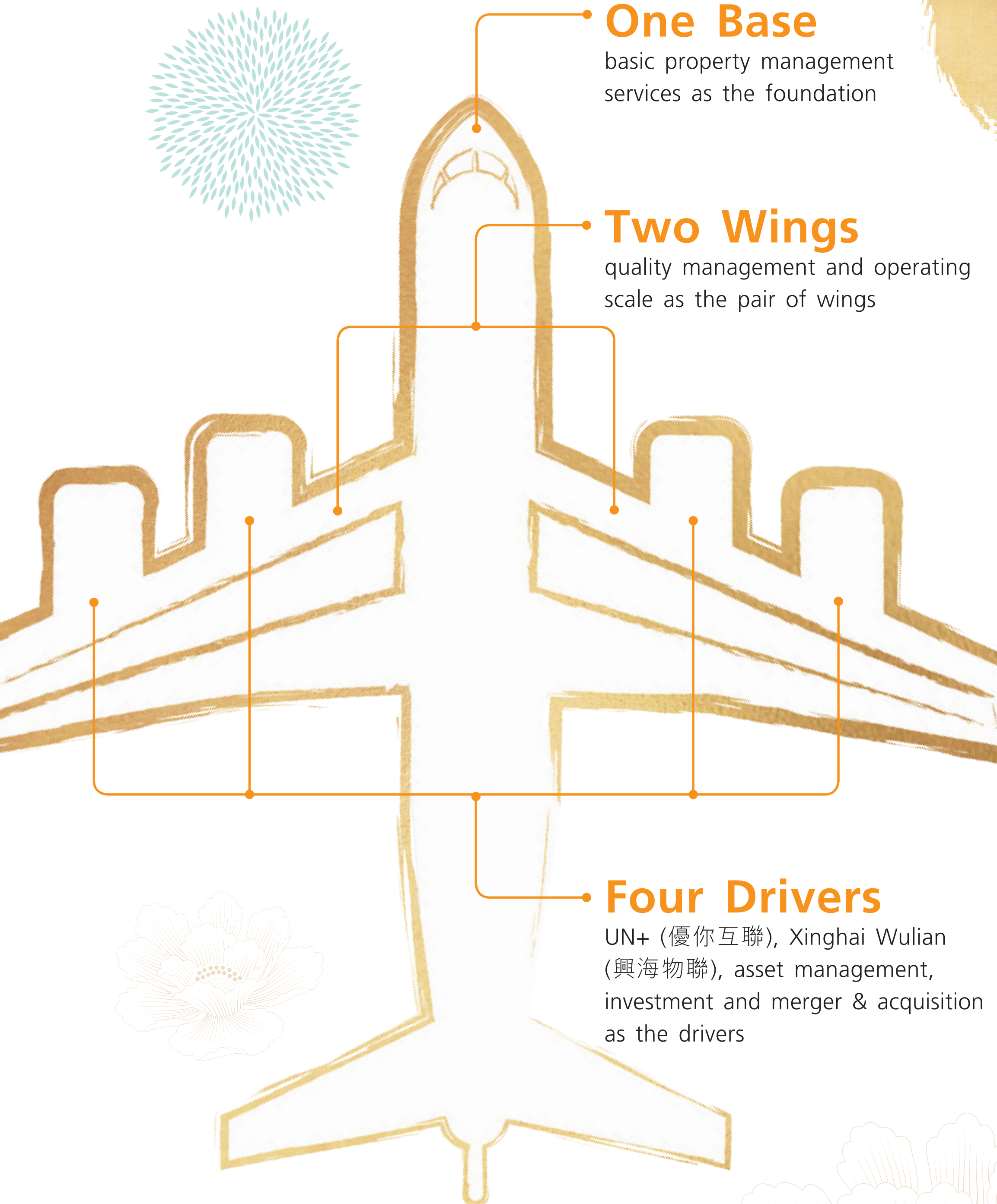
Creating More Beautiful Spaces to Embrace a Better Life

Our Values

Attention to Details, Professionalism, Integrity and Harmony

Company Profile (Continued)

Our Development Strategy: One Base – Two Wings – Four Drivers



Highlights of the Group in 2019

Jan

Introduction of service sub-brands

On 2 January, COPL (China Overseas Property Holdings Limited) has introduced four service sub-brands including 'Top'、'Enjoy'、'Happy' and 'Life'.

Visit of Fortress Investment Group (UK)

On 8 January, Fortress Investment Group (UK) visited COPL Shenzhen headquarter under the leadership of its Managing Director, Mr. Gil Levy.

Convening of extraordinary general meeting

On 29 January, the Extraordinary General Meeting of COPL was held at J.W. Marriott Hotel in Hong Kong, in which the Shanghai and Guangzhou car parking space agreements, and Chongqing office premises agreement and the transactions contemplated thereunder were successfully approved.

Feb

Launch of our first micro-movie

The first micro-movie narrating the story of frontline employees of COPL "One City, Ten Thousand Hometown" (《一城萬鄉》) was officially launched to honour the frontline employees who were still committed to work during Chinese New Year, for which over 100,000 views and more than 3,000 comments have been recorded.

Highlights of the Group in 2019 (Continued)

Mar

Entering Into a Strategic Cooperation Agreement with China State Construction International Holdings Limited

On 21 March, COPL and China State Construction International Holdings Limited entered into a strategic cooperation agreement, which commenced a comprehensive cooperation between both parties in Chinese mainland market.

Convening of the First Analyst Meeting for Annual Result Announcement 2018

On 22 March, the first analyst meeting for annual result announcement of COPL was successfully convened at J.W. Marriott Hotel in Hong Kong since its listing. A number of well-known securities firms and investors attended the meeting and had adequate communication with the management on hot issues in market.

Apr

A joint venture was jointly established between COPL Chengdu and Chengdu City Redevelopment Group Company Limited

On 15 April, COPL Chengdu and Chengdu City Redevelopment Group Company Limited (成都城投置地有限公司) signed a cooperation agreement to jointly establish a joint venture company named "Chengdu Cheng Tou Zhong Hai Property Management Limited" (成都城投中海物業管理有限公司).

Mr. Soong Chu-yu, Chairman of the People First Party of Taiwan, visited a project under the management of COPL Hong Kong and Macau companies

On 16 April, Mr. Song Chu-yu, chairman of the People First Party of Taiwan, accompanied by more than 30 people including Mr. Yang Liu-chang, Director of the Taiwan Affairs Department of the Central Liaison Office in Hong Kong, visited the City Gallery, a project under the management of COPL Hong Kong and Macau companies.

Highlights of the Group in 2019 (Continued)

May

Zhongjian Fortune International Center was awarded with the BOMA International Certification

On 14 May, the Zhongjian Fortune International Center (中建財富國際中心), a project under COPL management in Beijing, was awarded with the BOMA International Certification. It satisfied the certification confirmation requirement through a single audit and received universal acclaim in the industry.

Selected for the first time as a Vice President of the CPMI

The fifth member's general meeting of the Chinese Property Management Institute (CPMI) was held in Beijing on 26 May. The meeting announced the list of candidates for the fifth managing committee. COPL stood out among nearly 3,000 member entities and was selected as a Vice President of the CPMI.

Jun

Convening of Annual General Meeting

The 2019 Annual General Meeting of COPL was held successfully at the J.W. Marriott Hotel in Hong Kong. Directors, the management and shareholders exchanged views on group businesses, ensuring sufficient communication among the parties.

Acknowledged again as the No.1 in 2019 Top 10 Brands of China Property Management Enterprises

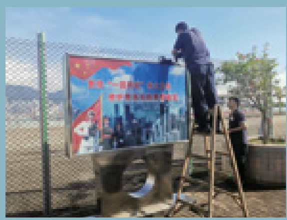
On 27 June, COPL was again awarded with the honour of "No.1 in 2019 Top 10 Brands of China Property Management Enterprises", reflecting the Group's achievements in brand building in the past year.

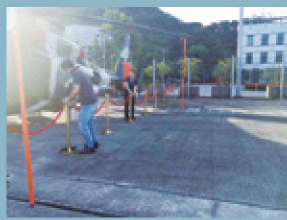
Highlights of the Group in 2019 (Continued)

Jul

Completion of the property management service assigned by the stationed troops for 22 consecutive years

On 1 July, COPL assisted the Chinese People's Liberation Army Hong Kong Garrison to hold a "Barracks Open Day" event, and more than 10,000 Hong Kong citizens visited the army camp. As the largest public facilities property management service provider in Hong Kong, COPL has successfully completed the property management service entrusted by the garrison for 22 consecutive years since the troops first stationed at the Stonecutters Island Barracks on 1 January, 1998.





Signed cooperation agreement with a subsidiary of the Shanghai Fengxian Investment Group

On 8 July, COPL was invited to participate in the contract signing ceremony "New Beginning and Starts Again" (新起點再出發) of the 2019 "Fengxian Investment • Hundred Villages" (奉投•百村) Project Series. At the event, Hainawanshang (海納萬商), a subsidiary of COPL, entered into a joint investment agreement with Baicun Technology Company (百村科技公司), a subsidiary of Shanghai Fengxian Investment Group (上海奉賢投資集團), to provide comprehensive property management services for all independently held properties owned by Fengxian Investment Group and Baicun Technology Company.

Platinum Member of the BOMA International Certification Agency

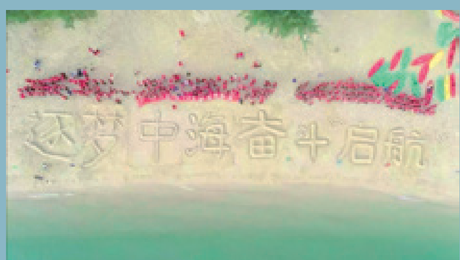
On 17 July, COPL joined the International Building Owners and Managers Association (BOMA International) as a platinum member, the membership awarding ceremony and the first internal training session titled "BOMA International Operation Management Standard Value" was held at COPL Shenzhen headquarter. COPL received warm welcomes in joining the BOMA family.

COPL and Huawei held a signing ceremony

On 21 July, the "+ Smart, Visualizing the Future-Xinghai IoT Cloud Platform Co-development Contract Signing Ceremony" (+智能，見未來—興海物聯網雲平臺合作開發簽約儀式) was held by COPL and Huawei at the Bantian Base.

The 2019 Management Trainee Orientation Course graduation ceremony and cultural performance were held successfully

The 2019 Management Trainee Orientation Course (2019管培生啓航班) graduation ceremony and cultural performance were held successfully on 29 July. The nine-day orientation course was completed and 285 trainees will start to participate in internships in 80 cities nationwide to further strengthen the talent pool of the Group.



Highlights of the Group in 2019 (Continued)

Aug

Exchange with China Construction Foundation Development Institute

On 15 August, members of the China Construction Foundation Development & Research Institute (中建基礎發展研究院) went to COPL for research and exchange. Both parties have in-depth discussions on research and development in the field of smart parking.

Together with Xinghai Wulian, we officially became Huawei's solution technology ecological partner

Recently, Xinghai Wulian (興海物聯) successfully obtained the ISV Certified Solution Partner Certificate (ISV認證級解決方案夥伴證書) and officially became a Huawei solution technology ecological partner.

Sep

Invitation to participate in Huawei Connect Conference and deliver a keynote speech

On 18 September, COPL was invited to participate in the Huawei Connect Conference (華為全聯接大會) as the only representative of the industry for two consecutive years and delivered a keynote speech, detailing the implementation of a co-developed "smart space connector" (智慧空間聯接體) with Huawei.

China Overseas Youjia Poverty Alleviation Physical Store opened in Zhuoni County, Gansu Province

On 24 September, the China Overseas Youjia Poverty Alleviation Physical Store (中海優家扶貧實體門店) opened in Zhuoni County, Gansu Province. The offline store covers four series of 19 products, including grain, oil, rice and noodles, fresh fruits and vegetables, and canned drinks.

COPL promoted agricultural products for poverty alleviation in 70 cities and around 800 communities across the country.

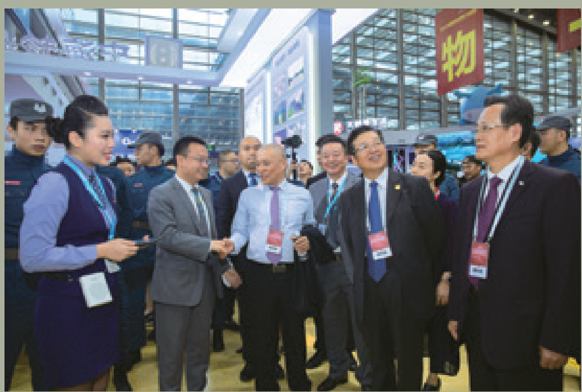
Highlights of the Group in 2019 (Continued)

Sep

Successful holding of the first pilot online training for SAP-HR

From 25 September to 27 September, the first pilot online training for SAP-HR (Human Resource Management System) of COPL was successfully held. This system can achieve the integrated management of "Employment, Transfer, Reassignment and Termination" and build a logical management system for our core human resources segment.

Oct



Participation in The 3rd International Property Management Industry Exposition of China

On 15 October, The 3rd International Property Management Industry Exposition of China opened, in which the exhibition of COPL featuring "Enhancement with Innovation" ("美好向新") grabbed the limelight with great popularity. Mr. Yang Hong, members of the Standing Committee, CPC Shenzhen Municipal Committee and the Party Leadership Group, Shenzhen Municipal People's Government, headed for the exhibition of COPL for investigation and research.

Fourth anniversary of listing

On 23 October, COPL was listed for four years. Enhancement with innovation, thanks for support for four years.

Commencement of team building activity "Strive for Year-end Performance"

On 26 October, COPL commenced a team building activity "Strive for Year-end Performance" ("衝刺總動員") to encourage morale for higher year-end performance.

Highlights of the Group in 2019 (Continued)

Oct

Serving as the "Vice President Unit" of Green Optical Network Technology Alliance

On 22 October, the 2019 Optical Industrial Summit (2019年全光園區產業峰會) was held in Beijing featuring "Connect the World with Optical Network for Smart Future" ("光聯世界，智匯未來"), during which COPL, being the sole representative of the application industry, jointly initiated and announced the establishment of Green Optical Network Technology Alliance with the founding members of Huawei, Nokia Shanghai Bell, YOFC and Digital China.

Nov

Convening of Extraordinary General Meeting

On 29 November, the Extraordinary General Meeting of COPL was held at Conrad Hotel in Hong Kong, in which car parks spaces framework agreements were successfully approved.

Highlights of the Group in 2019 (Continued)

Dec

Convening of the 1st Staff Representative Meeting

On 9 December, the 1st staff representative meeting was convened at COPL Shenzhen Headquarter, during which Dr. Yang Ou, our Chief Executive Officer, made a report on operations. The meeting reviewed the working system of the labor union of COPL with all staff representatives attended.

Joining of China Overseas International Center of Chengdu into Golden Key International Alliance

On 26 December, the licensing ceremony for the joining of China Overseas International Center of Chengdu into Golden Key International Alliance was held. Following BOMA certification, the commercial project of Hainawanshang (海納萬商) has once again achieved upgrades in high-end services.

New breakthrough in 2019 customer satisfaction survey

COPL achieved new breakthrough in 2019 customer satisfaction survey, meeting the industry benchmarks.

Honours and Awards of the Group in 2019

	Award	Organiser
1	China Top 30 Property Service Enterprises 2019	• Guandian Property & Co.
2	Top 10 Listed Property Service Enterprises 2019	• China Property Management Institute • Shanghai E-house China R&D Institute • China Real Estate Appraisal Centre (中國房地產測評中心)
3	Top 50 Property Service Enterprises in Brand Value 2019	• China Property Management Institute • Shanghai E-house China R&D Institute • China Real Estate Appraisal Centre (中國房地產測評中心)
4	Vice President Unit of China Property Management Institute	• China Property Management Institute
5	Pioneer Award for Innovation in Property Service in the Guangdong-Hong Kong-Macao Greater Bay Area	• E-House Group CRIC
6	Top 10 Influential WeChat Public Accounts in Property Management 2019	• China Property Management Institute
7	Blue Chip Property Enterprises	• The Economic Observer
8	No.1 in China Top 10 Brands of Property Management Enterprises 2019	• China Real Estate News (中國房地產報) • China Real Estate Web (中國房地產網) • Zhongfang Think Tank (中房智庫)
9	BOMA Platinum	• Building Owners and Managers Association China
10	Top 10 China Top 10 Community Service Provider 2019	• Yihan Think Tank (億翰智庫)
11	Leading Residential Property Service Enterprise 2019	• China Property Management Institute • Shanghai E-house China R&D Institute • China Real Estate Appraisal Centre (中國房地產測評中心)

Honours and Awards of the Group in 2019 (Continued)

	Award	Organiser
12	The 8th Outstanding Corporate Social Responsibility Award — Certification of Commendation	• Mirror Post
13	ARC Awards "*Annual Report 2018*" Honors Award — COVER DESIGN: Real Estate Investment Trust (REIT): Various & Multi-Use Honors Award — INTERIOR DESIGN: Real Estate Investment Trust (REIT): Commercial/Industrial/Office Honors Award — TRADITIONAL ANNUAL REPORT: Real Estate Investment Trust (REIT):Commercial/Industrial/Office Honors Award — TRADITIONAL ANNUAL REPORT: Real Estate Investment Trust (REIT): Various & Multi-Use Gold Award — INTERIOR DESIGN: Real Estate Investment Trust (REIT): Various & Multi-Use Silver Award — COVER DESIGN: Real Estate Management Bronze Award — ILLUSTRATIONS: Real Estate Management	• MerComm, Inc.
14	2018 LACP Awards • Top 100 Worldwide Rank: 13 • Regional Top 50 Rank: 6 (Asia-Pacific Region) • Country-Based Honors: Top 80 Chinese Reports • Real Estate/REIT: Platinum awards (Score: 99) • Conglomerates Holding Co., Div. Investment: Platinum awards (Score: 99)	• League of American Communications Professionals LLC (LACP)
15	Galaxy Award • Gold: Design — Annual Reports: Traditional — Hong Kong • Bronze: Design — Covers: Annual Reports — Artistic/Illustrations	• MerComm, Inc.

Attention to Details

Chairman's Statement

Chairman's Statement

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 and mergers & 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.

Mr. Zhang Guiqing
Chairman and Executive Director

I am glad to join the Company and its subsidiaries (collectively, the "Group") on 11 February 2020 and hereby announce the annual consolidated results 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. 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 authorization 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

Chairman's Statement (Continued)

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.

Chairman's Statement (Continued)

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 First 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.

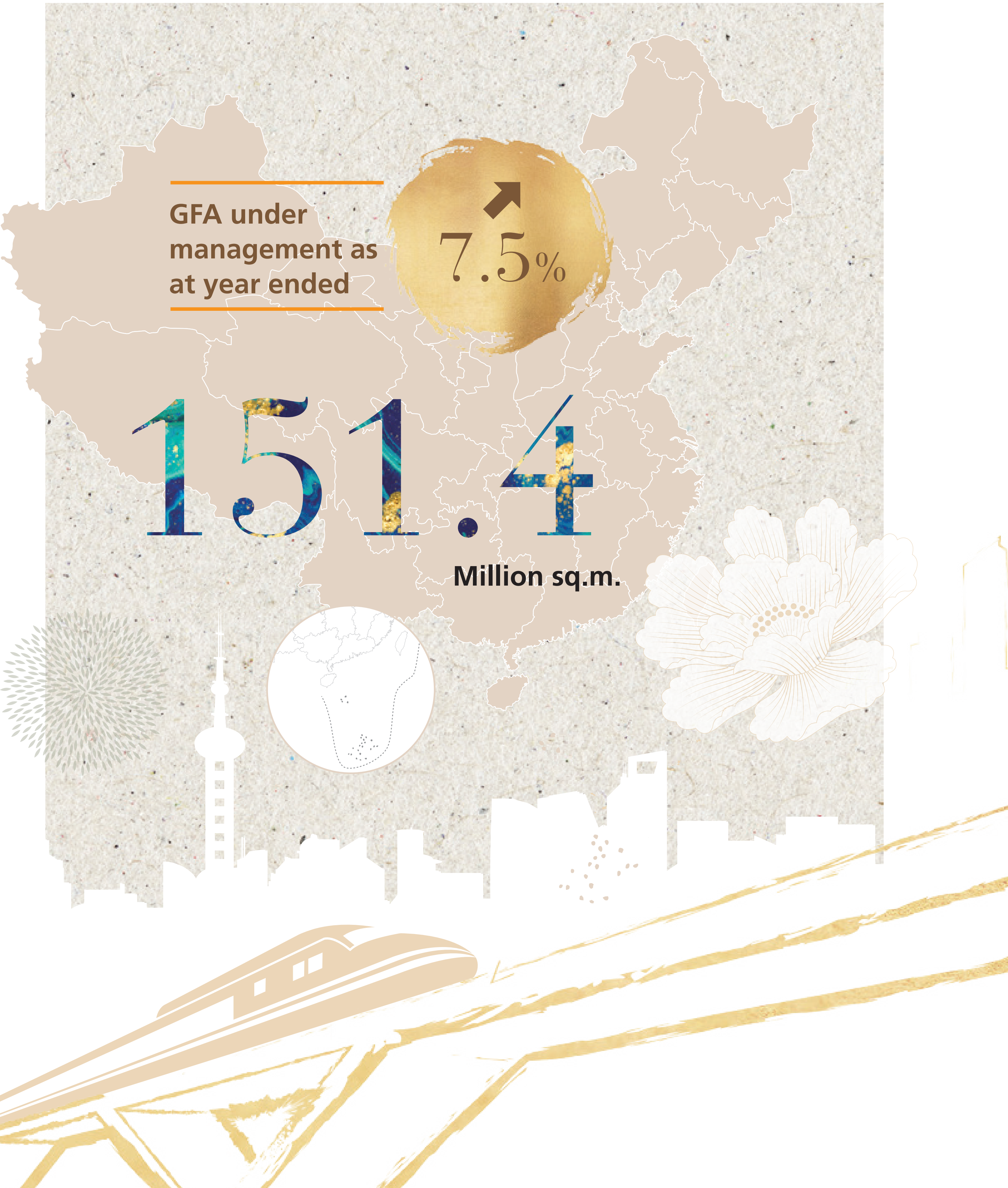
Looking forward, we believe that the industry has ushered in a historical opportunity of vigorous development. Ten central enterprises, including the Group's controlling shareholder, China State Construction Engineering Corporation, have also been identified by the State-owned Assets Supervision and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

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

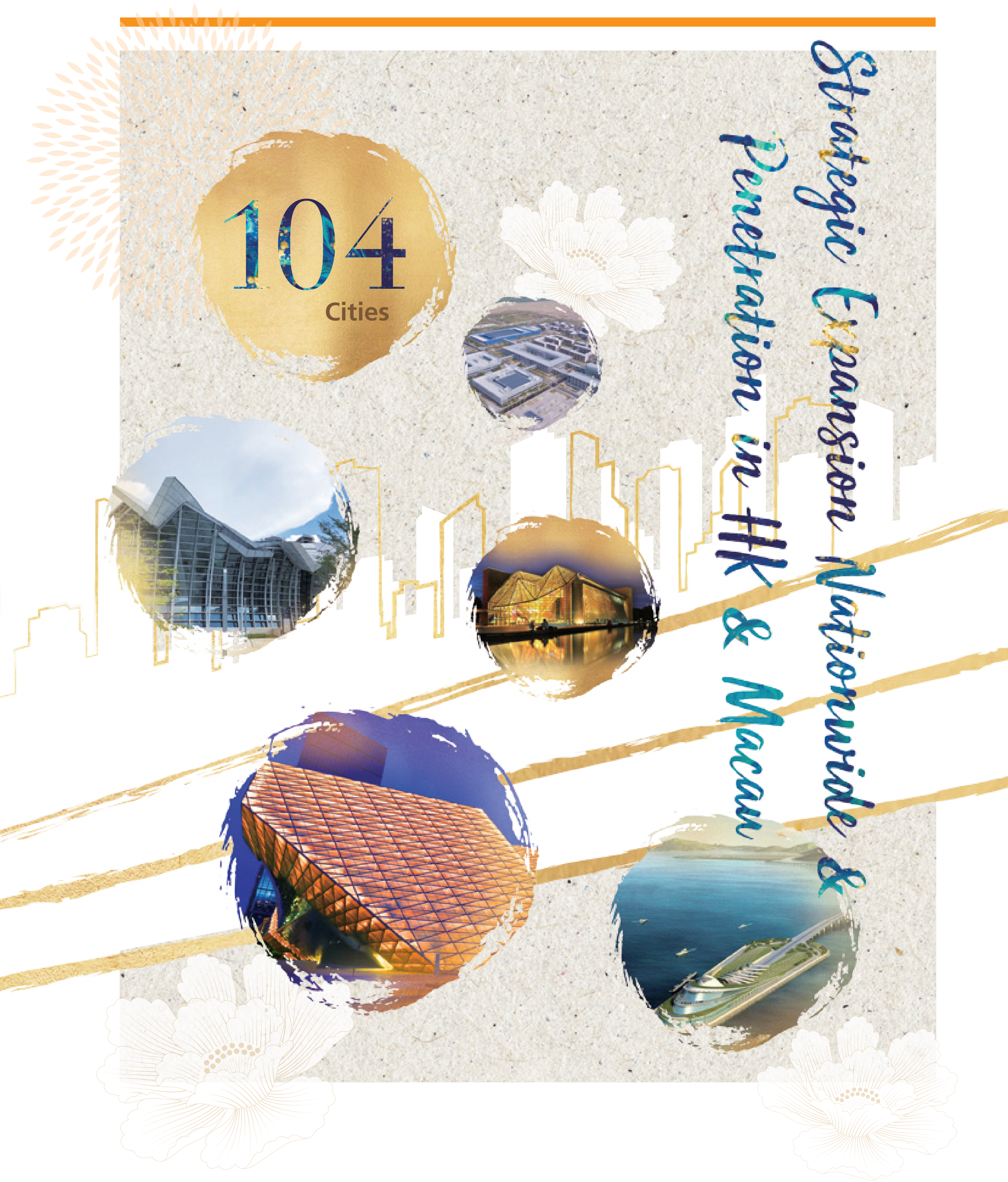

Professionalism

Management Discussion and Analysis

Management Discussion and Analysis



Management Discussion and Analysis (Continued)



Management Discussion and Analysis (Continued)

Revenue

HK$

5,465.5 million

↗ 30.8%

Business Review

Revenue and Operating Results

The Group is one of the leading property management companies in the People's Republic of China ("PRC"), with operations covering Hong Kong and Macau, which strives to preserve and add value to the properties under our management by providing high-quality and sophisticated services to the customers and maximising customer satisfaction. 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 Wuhan Zhong Jian Zhe Cheng Property Management Limited (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".

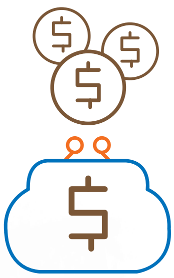
Project Management Team

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.

Gross Profit

HK$
1,090.4 million

↗ 28.2%



Business Review (Continued)

Revenue and Operating Results (Continued)

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)).

Regular Engineering Inspection

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).

Management Discussion and Analysis (Continued)

Operating Profit

HK$

762.5 million

36.3%

Profit Attributable to owners of the Company

HK$

537.8 million

33.4%

Business Review (Continued)

Revenue and Operating Results (Continued)

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)).

Management Discussion and Analysis (Continued)

Segment Information

24-hour Security and CCTV Control Room

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.

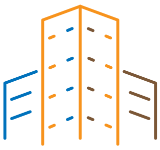
Management Discussion and Analysis (Continued)

Property Management Services

Revenue

HK$ 4,107.7 million

25.1%



Segment Profit

HK$ 429.5 million

31.2%

Segment Information (Continued)

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.

Management Discussion and Analysis (Continued)

Segment Information (Continued)

Property Management Services (Continued)

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)).

Professional Engineering & Maintenance Team

Value-added Services

Revenue

HK$ 1,348.2 million

50.7%

Segment Profit

HK$ 390.1 million

38.8%

Segment Information (Continued)

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).

Management Discussion and Analysis (Continued)

Value-added services to non-residents

Revenue HK$ 917.1 million ↗ 57.4%

Gross Profit HK$ 228.1 million ↗ 52.8%

Value-added services to residents

Revenue HK$ 431.1 million ↗ 38.2%

Gross Profit HK$ 193.9 million ↗ 22.0%

Segment Information (Continued)

Value-Added Services (Continued)

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.

Management Discussion and Analysis (Continued)

Segment Information (Continued)

Value-Added Services (Continued)

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.

Strict Security Patrol System

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.

Management Discussion and Analysis (Continued)

Frontline Service Team dedicates to serving our customers

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.

Management Discussion and Analysis (Continued)

Gardening Service

Principal Risk Management Strategies (Continued)

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.

Management Discussion and Analysis (Continued)

Principal Risk Management Strategies (Continued)

3. Monitoring of Foreign Exchange Exposure

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

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

Compliance With Relevant Laws and Regulation

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

Listening to customers' feedback and improving service standard

Management Discussion and Analysis (Continued)

Environmental Policies and Performance

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

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

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

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.

Management Discussion and Analysis (Continued)

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.

Our Frontline Heroes

Integrity

Human Resources and Sustainable Development

Human Resources and Sustainable Development

Recruitment of management trainees

Admission of veterans

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

We play an active role in constructing and continuously optimising and improving our system for selection, deployment, cultivation and retention of talents, enabling the Group to unceasingly supplement our workforce with outstanding talents and nurturing them in support of the long-term healthy development of our business. With regard to recruitment, the Group has been strengthening the brand-building effort from the employer's side. We continue to attract talents from domestic and overseas universities, industries and markets through our management trainee programme, recruitment of talents from the community, recruitment of talents overseas and head-hunting programme for top-notch talents. We also expand recruitment channels through recruiting veterans under the military-enterprise cooperation to enhance the overall image and quality of our personnel. On top of that, our cultivation of property management elite is achieved through school-enterprise cooperative models such as cooperative education programmes with schools and enterprises in Xiong'an and cooperation with professional institutions to offer "China Overseas' Class".

Human Resources and Sustainable Development (Continued)

In terms of nurturing talents, the Group has built a multi-level and multi-faceted 5D talent cultivation system. We cultivate talents scientifically with explicit targets through five dimensions including definition of talents, identification of talents, development of talents, orientation of talents and delivery of talents. 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 talents cultivation system addressing the full lifecycle of our employees' careers has been designed. Meanwhile, a training mechanism of apprenticeship has been implemented to accelerate the growth and development of our employees, driving them to achieve career advancements continuously, which provides sustainable assurance of talents for the business development of the Group.

School-enterprise cooperation

Beginner programme for identifying potential talents

Human Resources and Sustainable Development (Continued)

Training programme for developing our staff echelon

Career enhancement programme for our reserve talents

Leadership programme for the senior management

Human Resources and Sustainable Development (Continued)

Staff's birthday party

As to employees care, the Group has established a series of programmes for annual staff care in COPL, including the care programme for life, care programme for mental health, care programme for respect and care programme for sense of belonging. In 2019, the Group introduced the employees care-themed event named "40 years of China Overseas, we are one big family", which increased the sense of commitment and belonging of our employees to the enterprise and enhanced the bond and unity within the enterprise.

The "40 years in China Overseas, we are one big family" blessing meeting

Open discussion in Staff Forum


Harmony

Corporate Governance Report

Corporate Governance Report

Corporate Governance Practices

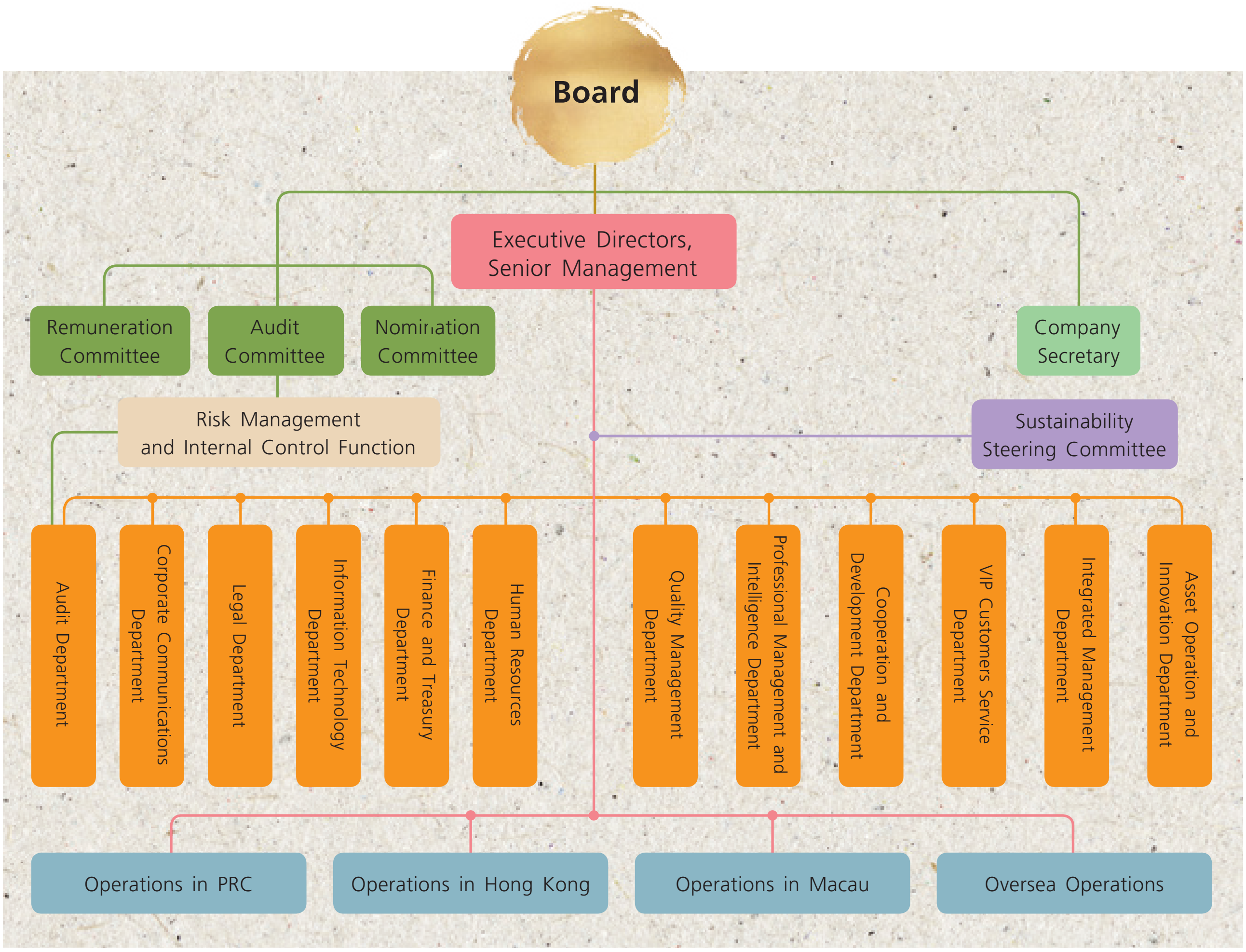
China Overseas Property Holdings Limited (the "Company", together with its subsidiaries, the "Group") acknowledges the important roles of its board of directors in providing effective leadership and direction to the Group's business, and ensuring transparency and accountability of the Group's operations.

The board (the "Board") of directors (the "Directors") of the Company recognises that good corporate governance leads to the success of the Group and enhances its shareholders' value. As such, the Board is committed to maintaining high standard of business ethics, healthy corporate culture and good corporate governance at all times by establishing and implementing corporate governance policies and practices appropriate to the conduct and growth of the Group's business.

During the year ended 31 December 2019, the Company has adopted and complied with all the code provisions of the Corporate Governance Code (the "Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

Corporate Governance Structure

The Board has established a clear governance structure, it, with the support of the three Board committees, namely audit committee, nomination committee and remuneration committee, performs the key governance functions within the Group.



Corporate Governance Report (Continued)

A. Board

A1. Board's Role and Delegation

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

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

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

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

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

Corporate Governance Report (Continued)

A. Board (Continued)

A2. Board Composition

The composition of the Board during the year ended 31 December 2019 and up to the date of this Annual Report is as follows:

Chairman and Non-executive Director:

Mr. Yan Jianguo	*(Chairman, resigned on 11 February 2020)*

Executive Directors:

Mr. Zhang Guiqing	*(Chairman, appointed on 11 February 2020)*
Dr. Yang Ou	*(Chief Executive Officer)*
Mr. Pang Jinying	*(Vice President)*
Mr. Kam Yuk Fai	*(Chief Financial Officer)*

Independent Non-executive Directors:

Mr. Yung, Wing Ki Samuel
Mr. So, Gregory Kam Leung
Mr. Lim, Wan Fung Bernard Vincent

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

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

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

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

Corporate Governance Report (Continued)

A. Board (Continued)

A3. Chairman and Chief Executive Officer

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

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

A4. Appointment, Re-election and Removal of Directors

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

Corporate Governance Report (Continued)

A. Board (Continued)

A4. Appointment, Re-election and Removal of Directors (Continued)

Pursuant to the code provisions of the Code, all Non-executive Directors have entered into a letter of appointment with the Company for a term of three years. All Directors are subject to retirement from office by rotation and re-election at annual general meetings in accordance with the provisions of the Articles of Association. The procedures for appointment, election and removal of Directors is posted on the website of the Company (www.copl.com.hk).

Pursuant to the article 83(3) of the Articles of Association, Mr. Zhang Guiqing, who filled casual vacancies on the Board, shall hold office until the first general meeting of shareholders after his appointment, i.e. the annual general meeting to be held in June 2020 (the "2020 AGM") and subject to re-election at 2020 AGM.

Pursuant to the articles 84(1) & 84(2) of the Articles of Association, not less than one-third of the directors for the time being shall retire from office by rotation at an annual general meeting. As such, Dr. Yang Ou, Mr. Kam Yuk Fai and Mr. So, Gregory Kam Leung will retire by rotation at the 2020 AGM. All of them, being eligible, will offer themselves for re-election at the 2020 AGM.

A5. Board Diversity

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

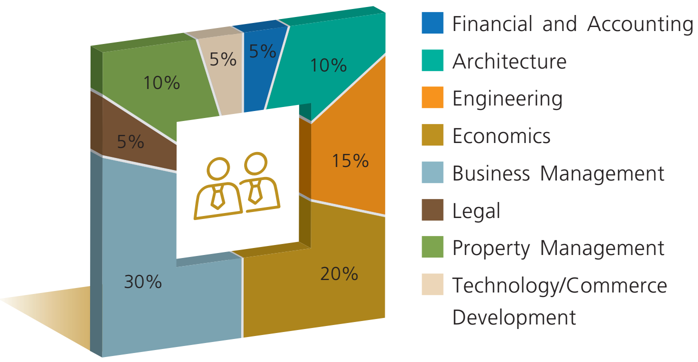
Corporate Governance Report (Continued)

A. Board (Continued)

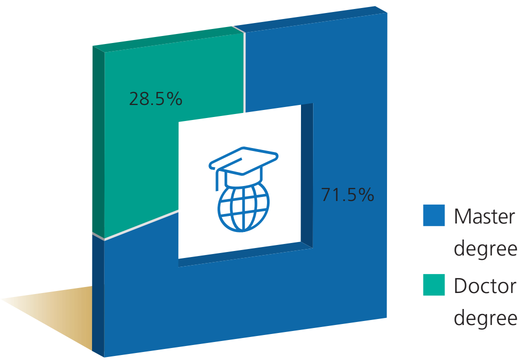
A5. Board Diversity (Continued)

The Company also recognises and embraces the benefits of having a diverse Board to enhance its effectiveness as well as improve the quality of its performance. The Board has adopted a Board Diversity Policy effective since October 2015, a copy of which is available on the Company's website (www.copl.com.hk). Under the policy, all Board appointments will be based on merit and selection of candidates will be based on a range of diversity factors, including but not limited to education background, professional experience and knowledge. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board. As at the date of this Annual Report, the Board comprises seven Directors and three of them are Independent Non-executive Directors, thereby promoting critical review and giving independent advice in the decision-making process. The Board's composition under diversified perspectives are set out below while detailed biographies of the Board members are set out in the section headed "Directors and Senior Management" on pages 74 to 81 of this Annual Report:

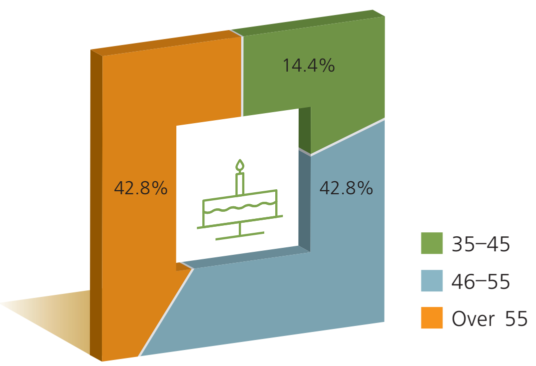
Professional experience and knowledge*:



Education background (highest):



Age:



Gender:

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

Corporate Governance Report (Continued)

A. Board (Continued)

A5. Board Diversity (Continued)

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

A6. Confirmation of Independence

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

A7. Directors Training

Pursuant to the code provision A.6.5, the Company has received from the Directors below a record of the type(s) of training they received for the year ended 31 December 2019.

Directors	Type(s) of training (See remarks)
Mr. Yan Jianguo *(resigned on 11 February 2020)*	B
Mr. Zhang Guiqing *(appointed on 11 February 2020)*	N/A
Dr. Yang Ou	A, B
Mr. Pang Jinying	A, B
Mr. Kam Yuk Fai	A, B
Mr. Yung, Wing Ki Samuel	A, B
Mr. So, Gregory Kam Leung	A, B
Mr. Lim, Wan Fung Bernard Vincent	A, B

Remarks:

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

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

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

Corporate Governance Report (Continued)

A. Board (Continued)

A8. Board Meetings

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

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

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

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

Details of Directors' attendance at the Board Meetings, Meetings of Board committees and Shareholders' Meetings held in 2019 are set out in the table below:

Directors	Board Meetings	Audit Committee Meetings	Remuneration Committee Meetings	Nomination Committee Meeting	General Meetings
Non-executive Director:					
Mr. Yan Jianguo *(resigned on 11 February 2020)*	5/6	N/A	2/2	1/1	3/3
Executive Directors:					
Mr. Zhang Guiqing *(appointed on 11 February 2020)*	N/A	N/A	N/A	N/A	N/A
Dr. Yang Ou	6/6	N/A	N/A	N/A	3/3
Mr. Pang Jinying	6/6	N/A	N/A	N/A	3/3
Mr. Kam Yuk Fai	6/6	N/A	N/A	N/A	3/3
Independent Non-executive Directors:					
Mr. Yung, Wing Ki Samuel	6/6	4/4	2/2	1/1	3/3
Mr. So, Gregory Kam Leung	6/6	4/4	2/2	1/1	3/3
Mr. Lim, Wan Fung Bernard Vincent	6/6	4/4	2/2	1/1	3/3

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

In addition, during the year ended 31 December 2019, Mr. Yan Jianguo, the former Chairman of the Board of the Company, has held a meeting with the Independent Non-executive Directors without the presence of Executive Directors.

Corporate Governance Report (Continued)

A. Board (Continued)

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

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as contained in Appendix 10 to the Listing Rules as the code for dealing in securities of the Company by the Directors. After specific enquiry, all Directors confirmed that they have complied with the required standard regarding securities transactions set out therein throughout the year 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.

A11. Corporate Governance Functions

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

For the year ended 31 December 2019, the Board has reviewed the training and continuous professional development of Directors, the compliance of the Model Code and the Company's compliance with the Corporate Governance Code and disclosures in this Annual Report.

B. Board Committees

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

B1. Remuneration Committee

During the year, the Remuneration Committee comprises a total of four members, being the Chairman of the Board and three Independent Non-executive Directors, namely, Mr. Yan Jianguo, Mr. Yung, Wing Ki Samuel, Mr. So, Gregory Kam Leung and Mr. Lim, Wan Fung Bernard Vincent. The chairman of the Committee is Mr. So, Gregory Kam Leung.

B. Board Committees (Continued)

B1. Remuneration Committee (Continued)

The main duties and responsibilities of the Remuneration Committee include:

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

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

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

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

For the year ended 31 December 2019, the Remuneration Committee has held two meetings during which the Remuneration Committee has reviewed the proposed remuneration packages (including bonus and benefits) of all Directors and senior management and recommended the proposal to the Board for approval.

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

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

Details of the remuneration of each Director and senior management of the Company for the year ended 31 December 2019 are disclosed in note 14 and note 37(e) respectively to the financial statements contained in this Annual Report.

Corporate Governance Report (Continued)

B. Board Committees (Continued)

B2. Audit Committee

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

The main duties and responsibilities of the Audit Committee include:

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

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

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

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

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

For the year ended 31 December 2019, the Audit Committee has held four meetings during which the Audit Committee has performed the following major works:

— reviewed and approved the audit plan for the year ended 31 December 2019;

— discussed and considered the recommended disclosures in the 2018 CG Report regarding the Company's risk management and internal control systems;

— reviewed, discussed and recommended to the Board for approval of the Group's financial statements, results announcement, Chairman's statement and business review for the year ended 31 December 2018 and for the six months ended 30 June 2019 and the quarterly financial information for the year ended 31 December 2019;

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

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

Corporate Governance Report (Continued)

B. Board Committees (Continued)

B2. Audit Committee (Continued)

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

— recommended the re-appointment of PricewaterhouseCoopers as external auditor (for 2019) and the proposed audit fee to the Board for approval.

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

Each of CSCEC and CSCECL has provided with the Company a confirmation on compliance pursuant to their undertakings under the Deeds of Non-competition. The Audit Committee has reviewed the confirmations and noted that for the year ended 31 December 2019, each of CSCEC and CSCECL has complied with the Deeds of Non-competition.

B3. Nomination Committee

During the year, the Nomination Committee comprises a total of four members, being the Chairman of the Board and three Independent Non-executive Directors, namely, Mr. Yan Jianguo, Mr. Yung, Wing Ki Samuel, Mr. So, Gregory Kam Leung and Mr. Lim, Wan Fung Bernard Vincent. The chairman of the Committee is Mr. Yan Jianguo.

The main duties and responsibilities of the Nomination Committee include:

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

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

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

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

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

Corporate Governance Report (Continued)

B. Board Committees (Continued)

B3. Nomination Committee (Continued)

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

For the year ended 31 December 2019, the Nomination Committee has held one meeting during which the Nomination Committee has performed the following major works:

— assessed the independence of the Independent Non-executive Directors;

— recommended to the Board on re-election of retiring directors;

— reviewed the structure, size and composition (including the skills, knowledges and experiences) of the Board; and

— discussed and considered the nomination policy of the Company.

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

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

Directors acknowledged their responsibilities for preparing the financial statements of the Company for the year ended 31 December 2019.

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

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

D. Risk Management and Internal Control

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

Managing Risks to Achieve Goals of Sustainable Growth

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

Risk Management Responsibilities

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

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

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

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

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

Corporate Governance Report (Continued)

D. Risk Management and Internal Control (Continued)

Risk Management and Internal Control Systems Operation

The Group has further reinforced every duty in the three defensive lines through an established risk management system. Each respective department and project, as the first defense line, shall identify risk factors that may hinder us from achieving our goals and conduct assessment at least once every year, formulate measures against various risks accordingly, and have training in relation to risk management and internal control. The risk control task forces at each level, which is the second defense line, are responsible for the Group's implementation mechanism for risk management to provide organizational protection. In accordance with the requirements of the Group, each department shall make prompt adjustments and updates throughout the year taking into account changes in organization structure and rules of procedure, and shall carry out risk identification, assessment, handling and control from time to time to prevent, decrease and mitigate possible impacts that related risks may incur.

The Group conducted its annual risk assessment. The Group prioritized key or significant risks that are applicable to the corporate and business level that the Group should pay attention to from the five major risk categories published last year, namely, business/strategy risk, market risk, operation risk, financial and reporting risk, including macro-economic and political risk/business environment risk, market competition risk, exchange rate risk, client relationship risk, business outsourcing risk, community safety risk and human resources risk, etc. The key or significant risks for the year, formulated by the risk control task forces at each level of the Group after discussion, have no significant change as compared to those in the previous year.

The Group formulated various measures in order to mitigate the potential effects of foregoing risks under its control, the details of which are as follows:

1. Keeping abreast of industry changes and tendency and through the cooperation of the Cooperation and Development Department, Commercial Business Department and Quality Management Department, we have made great efforts to connect internal and external markets, actively acquire high-quality resources, undertake projects including residential buildings, commercial office buildings and schools from external customers, expand its size and maintain the Group's leading position in the property industry in which it operates. During the year under review, the gross floor area of properties managed by the Group increased by 7.5% or 10.5 million square meters to 151.4 million square meters over the end of last year. For external market expansion projects, the Group adopted a strict access assessment mechanism, strictly controlled the projects, and excluded projects with low profit rate or loss, so as to reduce/avoid future operation risks. In addition, the quality and incidental problems encountered by external developers/owners in the process of project development and construction are anticipated, and the Cooperation and Development Department has guaranteed to conduct advanced inspection procedures prior to entering an agreement. If it is found that the project does not meet the requirements of the construction specifications or has apparent defects, rectification is immediately required, and if the standard is still not reached after rectification, the contract will be terminated, so as to reduce the management risk of external expansion projects.

Corporate Governance Report (Continued)

D. Risk Management and Internal Control (Continued)

Risk Management and Internal Control Systems Operation (Continued)

2. Through benchmarking itself against industry leaders and focusing on customers' values and problems, Quality Management Department organized an activity called "We are Acting" that lasted for the whole year to increase satisfaction, strictly monitored the quality of basic property services at the sites where the projects are executed and provided customers with a full life-cycle customer care system; during the year, we set up a China Overseas customer data center in the China Mobile Industrial Park in Luoyang and undertook customers' issue reporting, repair reporting, consultation and call-back business, achieving the provision of whole-process closed-loop services; we promote and implement long-range quality inspection by "cloud surveillance", performing real-time surveillance on the key areas and important posts of projects. This has further improved the impact of onsite project quality control, and customers' satisfaction reached the benchmark level of the industry during the year under review. As to operation risk management, we set up a dry running and subsequent assessment work system for new projects to regularly review project management plans and the optimized designs of service menu before delivery of project, as well as new projects half a year/one year/two years after project delivery. This enables us to avoid project operation and management risks in advance and continue to increase project managers' ability to handle projects and the operation efficiency of projects.

3. In order to cope with community safety risks and outsourcing risks, the Group has carried out standardization reforms and implemented cleaning menu-type precision subcontracting and safe and accurate employment through the Professional Management and Intelligence Department. By determining the cleaning service standards and cleaning service menu for projects under management, outsourcing agencies were encouraged to flexibly employ workers who were paid based on the amount of work accomplished. Safe and accurate employment can be linked to the needs of project management to distinguish the safety management positions of the project and implement a position-based and hourly-paid system to reflect the values of safety management positions in different periods and with different requirements. We will continue to carry out the "100-day accident-free activities series in 2019–2020" on the theme of "enhancing safety awareness, implementing safety systems and strengthening safety measures". At the same time, we will implement within the Group the "Administrative Measures for Hierarchical Control and Accountability of Safety Hazards in China Overseas Properties Group" in order to take precautionary actions for safety production, and make clear regulations on the inspection and management of material and larger safety hazards, so as to effectively prevent risks, eliminate potential hazards and prevent accidents from happening.

4. In order to strengthen the functional management of the Group and the efficiency management of units at all levels, the Human Resources Department has published the "Administrative Measures for Hierarchy Setting and Staffing (Trial)" to clarify the hierarchy setting and staffing standards of units at all levels, and optimize the MAPS Position and Ranking System of the Group, further paving the path for employees' career development. Meanwhile, combined with MAPS system, a waging system that distinguishes between positions and responsibilities will be established to realize the goal of "one position, one salary", "changing positions, changing salaries", and "flexible salary adjustments". We have actively promoted a pilot project for hierarchical authorization and completed the classification of hierarchical authorization and the differentiated adjustment of corresponding examination and approval authority for units at all levels.

Corporate Governance Report (Continued)

D. Risk Management and Internal Control (Continued)

Risk Management and Internal Control Systems Operation (Continued)

5. Build an integrated platform for business and finance and further strengthen the collection and settlement of property fees. With the full deployment of the development of the integrated platform for financial affairs, the "Big Finance" service system combining the Group's strategic finance, business finance and shared finance has been built and officially launched by the Finance and Treasury Department. In terms of strengthening the collection and settlement of property fees, the appraisal weighing has been increased. Both positive incentives and negative penalties were adopted. A new charging system was put in place to empower tools. Non cash charging methods such as UnionPay withholding and POS machines were promoted, and experience sharing sessions were organized by regional companies. During the year under review, the collection rate and the settlement rate increased by 1.87% and 1.88% respectively as compared to last year.

The Audit Department performs the internal control function of the Group by assisting the Board and the Audit Committee in the on-going monitoring of the implementation of the risk management and internal control systems of the Group, evaluating independently on the operation of the risk management and internal control systems as well as identifying defects and proposing appropriate improvement measures. The Audit Department is responsible for the formulation of annual internal audit plan. With an emphasis on the key or significant risks assessed by the Group and a focus on the internal control of units at each level, during the year under review, the Audit Department has conducted independent monitoring and evaluation on the Group's activities frequently, with its scope including but not limited to finance, business, operation and compliance. Through continuous independent audit, the Audit Department monitors activities and reflects any found problems to the management and, through different departments, pass them to the audited units, which will in turn arrange for and implement the rectification plan. If significant internal control defects are identified, such defects will be reported to the Audit Committee and the Board immediately. Follow up action will be duly taken to ensure that the situation will be improved.

Annual Confirmation

During the year under review, a risk management and internal control report was submitted by the Audit Department to the Audit Committee for review at least semi-annually. The Board, through the Audit Committee, has reviewed reports concerning risk management and internal control systems and also conducted annual review on the effectiveness of the risk management and internal control systems of the Group and unanimously considered that the risk management and internal control systems and procedures of the Company for the financial year ended 31 December 2019 were adequate and effective. The Company will continue to strengthen its corporate risk management framework and implementation to meet the best practice within the industry. The aforementioned risk management and internal control systems aim to provide reasonably assurance, rather than eliminating the risk of failing to achieve business objectives. Therefore, such systems can only provide reasonable but not absolute assurance of not having any material misrepresentation or losses.

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

E. Company Secretary

The Company Secretary of the Company has taken not less than 15 hours of relevant professional training for the year ended 31 December 2019 and comply with the Rule 3.29 of the Listing Rules.

F. External Auditor and Auditor's Remuneration

The statement of the external auditor of the Company about their reporting responsibilities on the Company's financial statements for the year ended 31 December 2019 is set out in the section headed "Independent Auditor's Report" of this Annual Report.

The fees paid/payable to PricewaterhouseCoopers, the Company's auditor, in respect of audit services and non-audit services (represented professional services rendered in connection with the Group's preliminary results announcement, continuing connected transactions and environmental, social & governance advisory services) for the year ended 31 December 2019 are analyzed below:

Type of services provided by the external auditor	Fees paid/payable HK$'000
Audit services	
— audit fee in respect of annual audit	3,602
Non-audit services	458
TOTAL:	4,060

G. Constitutional Documents

There was no change in the Company's constitutional documents during the year ended 31 December 2019. A copy of the latest version is available on the websites of the Company (www.copl.com.hk) and the Stock Exchange (www.hkexnews.hk).

H. Communications with Shareholders and Investors

(a) Corporate Information Disclosure

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

Corporate Governance Report (Continued)

H. Communications with Shareholders and Investors (Continued)

(a) Corporate Information Disclosure (Continued)

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

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

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

(b) General Meetings

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

I. Shareholders' Rights

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

I1. Convening of Extraordinary General Meeting on Requisition by Shareholders

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

Corporate Governance Report (Continued)

I. Shareholders' Rights (Continued)

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

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

I3. Procedures for Directing Shareholders' Enquiries to the Board

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

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

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

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

Directors and Senior Management

Executive Directors

Mr. Zhang Guiqing

Chairman and Executive Director

Aged 47, has been appointed as the Chairman of the Board, Executive Director, Authorized Representative, chairman of the Nomination Committee and a member of the Remuneration Committee of the Company with effect from 11 February 2020. Mr. Zhang holds a bachelor degree from the Shenyang Jianzhu University and a master degree from the Harbin Institute of Technology. He joined a subsidiary of China Overseas Holdings Limited ("COHL", the controlling shareholder of the Company) as engineer in 1995 and since then, he worked in various business units within COHL and China Overseas Land and Investment Ltd. ("COLI", the fellow subsidiary of the Company) (Stock Code: 688, a company listed on the Main Board of the Stock Exchange), such as, development management department, marketing and planning department, general manager of Suzhou, Shenzhen and Northern District regional companies. He has 24 years' experience in property development and corporate management. Mr. Zhang has been appointed as the executive director and chief executive officer, authorized representative and a member of remuneration committee of China Overseas Grand Oceans Group Limited ("COGO", an associate of the Company within the meaning of the Listing Rules) (Stock Code: 81, a company listed on the Main Board of the Stock Exchange) for the period from December 2014 to February 2020.

Dr. Yang Ou

Executive Director and Chief Executive Officer

Aged 42, was appointed as Executive Director and Chief Executive Officer as well as authorized representative of the Company on 22 March 2018, he is also a director of certain subsidiaries of the Group. Dr. Yang graduated from Nanjing University of Science and Technology in the PRC with a Bachelor of Engineering degree in Materials Science in June 2000. He obtained his Master degree in Architecture and Civil Engineering from Chongqing University in the PRC in December 2006, a Master degree in Business Administration from National University of Singapore in June 2011 and a Doctor degree in management from The Hong Kong Polytechnic University in September 2015. Dr. Yang obtained qualifications in securities practice in December 2001, senior economist in business administration specialty in December 2009, senior economist in materials science and engineering in June 2011 and a senior engineer in architecture and civil engineering in August 2013. Since September 2014, he has been an instructor at the VENCI-CIH Learning Centre (英國特許房屋經理學會中國學習中心). Since December 2014 and May 2015 respectively, Dr. Yang has been the corporate mentor of the MBA Education Centre of Shantou University and Southwest Jiaotong University in the PRC. He has been Vice President of China Property Management Institute since 26 May 2019. Dr. Yang was appointed as the Executive Director and Vice President of the Company for the period from 25 June 2015 to 5 May 2016. From July 2013 to February 2014, he was the chairman of the board of three subsidiaries of the Group engaged in value-added services. From 2002 to 2015, he served as the director and deputy general manager of China Overseas Property Management Chengdu Company Limited (成都中海物業管理有限公司), the director and assistant general manager of China Overseas Xingye (Chengdu) Development Limited (中海興業 (成都) 發展有限公司), the director and general manager of the client relationship department of COLI, the general manager of China Overseas Property Management Company Limited (中海物業管理有限公司) and the property management department of COLI, being responsible for the overall management and operation of the business in the PRC and the general manager of China Overseas Grand Oceans Property Shantou Limited (汕頭市中海宏洋地產有限公司), a subsidiary of COGO. Dr. Yang was the president of Sichuan District of Country Garden Holdings Company Limited (Stock code: 2007, a company listed on the Main Board of the Stock Exchange) from June 2016 to June 2017. Dr. Yang rejoined COLI as general manager of customer services department of COLI since June 2017. Dr. Yang has over 18 years of industry experience in property development and management.

Directors and Senior Management (Continued)

Mr. Pang Jinying

Executive Director and Vice President

Aged 52, was appointed as Executive Director and Vice President of the Company on 22 August 2018, he is also a director of certain subsidiaries of the Group. Mr. Pang graduated from the Economics and Management School of Wuhan University in July 1989, where he received his bachelor's degree in Economics. In 2001, he enrolled in the Business Administration Programme in the School of Business of Renmin University of China, and obtained a master's degree in Business Administration (MBA) in June 2004. He holds the title of senior accountant. In 1989, Mr. Pang joined China State Construction Engineering Corporation (中國建築集團有限公司) ("CSCEC"), working at its Seventh Engineering Division. He subsequently joined COHL in September 2004 and is now serving various positions in the subsidiaries of COHL. Mr. Pang also served as the assistant general manager of Finance and Treasury Department of China State Construction International Holdings Limited. He, has, respectively, served as the assistant general manager, deputy general manager and general manager of Finance and Treasury Department of COHL since 2007. Mr. Pang has 30 years of experience in financial management in the fields of construction contracting and real estate investment. Currently, Mr. Pang also serves as the director of Anhui Guoyuan Trust Co., Ltd., while Shenzhen China Overseas Investment Management Co., Ltd., wholly-owned by CSCEC, is the second largest shareholder of Anhui Guoyuan Trust Co., Ltd.

Mr. Kam Yuk Fai

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

Aged 56, has been appointed as an Executive Director of the Company since June 2015 and has been appointed as the Chief Financial Officer of the Company on 13 December 2017. He is responsible for the financial management of the Group. Mr. Kam is also a director of certain subsidiaries of the Group. Mr. Kam graduated from the Hong Kong Polytechnic (now Hong Kong Polytechnic University) with a Professional Diploma in Accountancy, and also held a Master degree in Business Administration from the University of Strathclyde in Britain. He is a qualified accountant, a fellow member of the Association of Chartered Certified Accountants and an associate member of the Hong Kong Institute of Certified Public Accountants. Prior to joining the Group, he had held various senior finance positions, and from 1997 to 2010 he served in a company listed on the Main Board of the Stock Exchange and his last held position was the group financial controller. He had held positions in COGO from March 2010 to June 2015 and his last held position in COGO was the general manager of its Finance & Treasury Department (HK). Mr. Kam has over 32 years of experience in the fields of accounting, auditing and finance.

Directors and Senior Management (Continued)

Independent Non-executive Directors

Mr. Yung, Wing Ki Samuel

SBS, MH, JP, Independent Non-executive Director

Aged 61, was appointed as Independent Non-executive Director of the Company on 9 October 2015. Mr. Yung also serves as chairman of audit committee and a member of remuneration committee and nomination committee of the Company. He is responsible for giving independent strategic advice and guidance on the business and operations of the Group. Mr. Yung is currently an executive district director and honorary advisor of AIA International Limited and an independent non-executive director of China South City Holdings Limited (stock code: 1668, a company listed on the Main Board of the Stock Exchange). He has been an independent non-executive director of China Overseas Insurance Limited ("COIL"), a wholly-owned subsidiary of China State Construction International Holding Limited (Stock code: 3311, a company listed on the Main Board of the Stock Exchange), since 14 October 2014 and was also a member of the audit committee of COIL since 15 December 2014. Mr. Yung is also presently a member of the National Committee of the Chinese People's Political Consultative Conference, the vice chairman of the Committee for Economic Affair of the National Committee of the Chinese People's Political Consultative Conference, the founding president of Hong Kong Professionals and Senior Executives Association, a member cum chairperson of Finance Committee of the Board of Management of the Chinese Permanent Cemeteries, a member of Council of Hong Kong University of Science and Technology, a member of Court of the Open University of Hong Kong and the chairman of the Hong Kong Examinations and Assessment Authority. Mr. Yung was elected the "Ten Outstanding Young Persons Award" in 1994. He was awarded the Medal of Honor in 2001, appointed as a Justice of the Peace in 2007 and awarded the Silver Bauhinia Star in 2011 by the Government of the HKSAR respectively. He was also a Standing member of the Chinese People's Political Consultative Conference of Jilin (中國人民政治協商會議吉林省委員會常務委員), Standing Committee member of All-China Youth Federation, member of Commission on Strategic Development of Hong Kong, member of Central Policy Unit, the chairman of Betting and Lotteries Commission of Home Affairs Bureau, chairman of Hong Kong United Youth Association, chairman of Top Outstanding Young Persons Association, board member of General Agents and Managers Association International and chairman of its International Committee, president of The Life Underwriters Association of Hong Kong and chairman of General Agents and Managers Association of Hong Kong. Mr. Yung was awarded an Executive Master degree in Business Administration from the Hong Kong University of Science and Technology and has attained certain professional qualifications, including Certified Financial Planner, Registered Financial Consultant, Fellow Chartered Financial Practitioner, Chartered Life Practitioner, Certified Manager of Financial Advisor and Chartered Insurance Agency Manager. He has over 38 years of experience in the insurance sector.

Directors and Senior Management (Continued)

Mr. So, Gregory Kam Leung

GBS, JP, Independent Non-executive Director

Aged 61, was appointed as Independent Non-executive Director of the Company on 9 October 2018. Mr. So also serves as chairman of remuneration committee and a member of audit committee and nomination committee of the Company. He is responsible for giving independent strategic advice and guidance on the business and operations of the Group. Mr. So graduated from Carleton University, Canada in June 1980 with a Bachelor of Arts degree in economics. In May 1984, he graduated from the University of Ottawa, Canada with a bachelor's degree in law and a Master degree in Business Administration. Mr. So has been a member of the Law Society of Alberta, Canada since June 1985. He became a member of the Law Society of Upper Canada in November 1988. He became a member of the Law Society (England and Wales) in January 1989 and became a member of the Hong Kong Law Society in March 1989. From 1984 Mr. So provided legal services in Canada. He continued his legal practice upon returning to Hong Kong in 1989 and has over 25 years of practice experience as a lawyer. Mr. So was appointed as the Undersecretary for Commerce and Economic Development of the third term Government of the Hong Kong Special Administrative Region on 1 June 2008. He was then appointed as the Secretary for the Commerce and Economic Development on 28 June 2011. On 1 July 2012, Mr. So was again appointed as the Secretary for Commerce and Economic Development of the fourth term Government of the Hong Kong Special Administrative Region until 30 June 2017. The Commerce and Economic Development Bureau is responsible for various policy matters including Hong Kong's external commercial relations, inward investment promotion, intellectual property protection, industry and business support, tourism, consumer protection, competition, information technology, telecommunications, broadcasting, development of innovation and technology (until November 2015), film-related issues, and creative industries. Since 3 April 2018 Mr. So has served as an independent non-executive director of Aviva Life Insurance Company Limited. He has served as a consultant in So, Lung and Associates, Solicitors, since 3 April 2018. Mr. So has served as an independent non-executive director of Orient Overseas (International) Limited (Stock Code: 316, a company listed on the Main Board of the Stock Exchange) since 17 May 2019. He has also served as an independent non-executive director of Investcorp Holdings B.S.C. (a company listed on the Bahrain Bourse) since 23 September 2019. Mr. So previously served as the Vice-chairman of the Democratic Alliance for the Betterment and Progress of Hong Kong; Board Member of Hong Kong Hospital Authority; Council Member of Lingnan University; Member of Commission on Strategic Development; and member of the District Council of Wong Tai Sin District.

Directors and Senior Management (Continued)

Mr. Lim, Wan Fung Bernard Vincent

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

Aged 62, was appointed as Independent Non-executive Director of the Company on 9 October 2015. Mr. Lim also serves as a member of audit committee, remuneration committee and nomination committee of the Company. He is responsible for giving independent strategic advice and guidance on the business and operations of the Group. Mr. Lim obtained a Bachelor of Arts in Architectural Studies (1st Hons) from the University of Hong Kong in November 1979, a Bachelor degree in Architecture (Distinction) from the University of Hong Kong in November 1981 and a Master of Science in Urban Planning from The University of Hong Kong in November 1985. He has been a principal of AD+RG Architecture Design and Research Group Ltd. since February 2001. He is a Registered Architect (Hong Kong) and has been a member of The Hong Kong Institute of Architects (HKIA) since November 1984, Authorized Person (List of Architects) (Hong Kong) since May 1985, a member of Royal Institute of British Architects since March 1985, Asia Pacific Economic Cooperation (APEC) Architect since December 2005, PRC Class 1 Registered Architect Qualification (中華人民共和國一級註冊建築師) since August 2007. He was appointed as a Justice of the Peace in 2008 and conferred Bronze Bauhinia Star in 2018 by the Government of HKSAR. He became member of Shenzhen Registered Architects Association (深圳市註冊建築師協會) in September 2012. He has also been a National Committee member of the 12th Chinese People's Political Consultative Conference of the PRC (中國人民政治協商會議第十二屆全國委員會委員) in February 2013 and committee member of the 3rd Chinese People's Political Consultative Conference of Chongqing City (中國人民政治協商會議重慶市第三屆委員會委員) in 2008, an Adjunct Professor of the School of Architecture of The Chinese University of Hong Kong from 2014 to 2019, member of the Advisory Committee on Education Development Fund of Education Bureau since September 2014, chairman of Advisory Board of Nan Lian Garden of Home Affairs Bureau since November 2012 until 2018 and committee member of the Chinese General Chamber of Commerce since November 2014. Mr. Lim was a president of The Hong Kong Institute of Architects, a president of The Hong Kong Institute of Urban Design and a member of Town Planning Board from 2004 to 2010, a member of Antiquities Advisory Board of Development Bureau from 2005 to 2010, an adviser to the Guangdong Registered Architects Association (廣東省註冊建築師協會) in 2008 and a member of the Energy Advisory Committee of Environment Bureau from 2004 to 2010.

Directors and Senior Management (Continued)

Senior Management

Mr. Wong Kai Sang

Senior Vice President

Aged 64, was appointed as Senior Vice President of the Company on 25 June 2015. He is also a director of certain subsidiaries of the Company. Mr. Wong is responsible for the supervision of the overall operation and business development of the property management business of the Group in Hong Kong and Macau. Mr. Wong graduated in August 1985 from the University of Hong Kong's Department of Extra Mural Studies with a diploma in Housing Management. He has been a member of the Chartered Institute of Housing since August 1988 and the Hong Kong Institute of Housing since January 2001, and became a registered professional housing manager since April 2003. From 1990 to 2005, he served roles such as director or group manager of various Hong Kong property management companies including First Pacific Davies Property Management Limited, Vigers China Limited and Urban Property Management Ltd. Mr. Wong joined China Overseas Property Services Limited ("CO Property Services") in January 2005 as general manager and has since then held positions including director and general manager thereof. Mr. Wong has approximately 31 years of property management experience in Hong Kong.

Mr. Ye Xiang

Vice President

Aged 47, was appointed as Vice President of the Company on 13 December 2017. He is responsible for the quality control and market development business of the Group. Mr. Ye graduated from Huazhong University of Science and Technology in the PRC majoring in Power Engineering in 1992, and then he obtained a Master degree in Political Economics from Central China Normal University in 2004. Mr. Ye served various positions in China Overseas Land & Investment (Guangzhou) Limited (中海發展 (廣州) 有限公司) since 1992 including assistant general manager of the real estate department from October 1996 to January 1997. During the period from January 1997 to August 2011, he served as deputy general manager and general manager of China Overseas Property Management (Guangzhou) Limited (中海物業管理廣州有限公司) respectively, assistant general manager of president office of China Overseas Holdings Limited, and general manager of property management department of China Overseas Property Group Co., Ltd. From August 2011 to May 2017, Mr. Ye served as the president of Genting Resort Secret Garden of Genting Group in Malaysia (馬來西亞雲頂集團密苑雲頂樂園), assistant president of Henderson (China) Investment Company Limited, vice president of Agile Group Holdings Limited (雅居樂集團控股有限公司) and president of A-living Group (雅生活集團). He has approximately 28 years of experience in real estate and property management.

Directors and Senior Management (Continued)

Mr. Liu Zhonghua

Vice President

Aged 55, was appointed as Vice President of the Company on 25 June 2015. Mr. Liu is currently the general manager of the Group's Foshan companies and responsible for business operations of our Group in Foshan. Mr. Liu graduated from the Chongqing Construction Engineering College (重慶建築工程學院) in the PRC with a Bachelor of Engineering in Industrial Electrical Automation in July 1988 and from the University of South Australia in Australia with a Master degree in Business Administration in May 2002. He also obtained an Executive Master degree in Business Administration from Nankai University in the PRC in June 2010. Mr. Liu was elected Affiliate of The Hong Kong Institute of Housing in January 2005 and a member of Hong Kong Institute of Real Estate Administrators in March 2000, respectively. He is qualified as a senior engineer in electrical and mechanical engineering since July 2002. Mr. Liu joined CSCEC in 1988, and joined CO Property Services for the period from October 1995 to August 2016 and had held positions including assistant general manager, director and deputy general manager. Mr. Liu has approximately 32 years of experience in electrical and mechanical engineering project management, 21 years and 4 years of experience in property management in Hong Kong and China respectively.

Mr. Wang Zhigang

Vice President

Aged 46, was appointed as Assistant President of the Company on 25 June 2015 and was promoted as Vice President of the Company on 5 March 2019. He is also a director of certain subsidiaries of the Company. He is responsible for the operation of the Group's property management business in Hong Kong and Macau. Mr. Wang graduated from Tongji University in the PRC with a Bachelor degree in Materials Science in July 1996, and obtained professional certificates in Construction Engineering Management and Real Estate Management in Tongji University. Mr. Wang hold a Master degree in Construction and Civil Engineering from Huazhong University of Science and Technology in the PRC in December 2006. He is a qualified senior engineer. Mr. Wang has been a Chartered Member of the Chartered Institute of Housing since March 2015 and has been a member of the Hong Kong Institute of Housing since 2017. Mr. Wang joined the COLI Group in July 1996 and was employed in a subsidiary of COLI until August 2001. From September 2001 to February 2012, he served different positions in various subsidiaries of CO Property Management such as assistant general manager and general manager. From October 2010 to August 2013, he was also the deputy general manager and then the general manager of China Overseas Property (Commercial Property) Management Company (中海物業 (商業物業) 管理公司), a commercial properties branch of CO Property Management. He has been the deputy general manager of CO Property Management since August 2013 and responsible for commercial, quality control, engineering, information technology management, business operation and specialized company business. Mr. Wang has approximately 24 years of property management experience in the PRC.

Directors and Senior Management (Continued)

Ms. Li Xiaohua

Assistant President

Aged 45, was appointed as Assistant President of the Company on 25 June 2015. Ms. Li is also a director of certain subsidiaries of the Company. She is responsible for administrative management of the property management business of the Group in the PRC and VIP customer services management. Ms. Li graduated from Provincial Party School of Liaoning Province in the PRC with a degree in Accounting in December 1997. She joined COLI Group in 1999, and has served various positions in COLI Group including assistant general manager of the human resources department from September 2007 to December 2010 and deputy general manager of COLI Group's property management department, which oversaw CO Property Management and other PRC subsidiaries of the Group from December 2010 to September 2012. Served as deputy general manager of CO Property Management from August 2012 onwards. Ms. Li has approximately 21 years of human resources and administration management experience in the PRC.

Mr. Li Zhenxi

Assistant President

Aged 46, was appointed as Assistant President of the Company on 18 August 2015. He is responsible for the operation of the Group's property management business in the PRC. Mr. Li is a qualified senior engineer and a registered 1st grade constructor. Mr. Li graduated from Harbin University of Civil Engineering and Architecture with a Bachelor degree in Industrial Automatic in June 1996. Mr. Li obtained his Master degree in Project Management from Harbin Institute of Technology in June 2010. Mr. Li joined COLI Group in July 1996 and served different positions in various subsidiaries of COLI Group including the general manager of West China region of CO Property Management in November 2010 and general manager of Beijing branch office of China Overseas Property (Commercial Property) Management Company in May 2013. Mr. Li served as the deputy general manager of Wanda Business Management Centre between February 2012 and October 2012. Mr. Li became the deputy general manager of CO Property Management in October 2014. He has approximately 24 years of experience in operation of property management.

Ms. Han Fang

Assistant President

Aged 47, was appointed as Assistant President of the Company on 10 May 2016. She is responsible for the operation of the Group's value-added property services and online services in the PRC. Ms. Han graduated from Jiang Su University with a Bachelor degree in Economics in July 1992. Ms. Han joined COLI Group in February 2002 and served different positions in various subsidiaries of COLI including the general manager of Quality Management and Corporate Communication Department of CO Property Management in September 2012 and deputy general manager of Shenzhen branch of CO Property Management in August 2014. Ms. Han has approximately 17 years of experience in operation of property management.

Report of Directors

The board (the "Board") of directors (the "Director(s)") of China Overseas Property Holdings Limited ("the Company") is pleased to present the annual report and the audited financial statements of the Company and its subsidiaries (together the "Group") for the year ended 31 December 2019.

Principal Activities

The Company is an investment holding Company. The Group principally engaged in (i) property management services; (ii) the provision of value-added services; and (iii) car parking spaces trading business.

Segment Information

An analysis of the Group's revenue and contribution to results by principal activities and geographical area and operations for the year ended 31 December 2019 is set out in note 9 to the financial statements.

Results and Appropriations

The results of the Group for the year ended 31 December 2019 are set out in the consolidated income statement and consolidated statement of comprehensive income on pages 114 and 115 respectively.

An interim dividend of HK2.2 cents per share was paid to shareholders of the Company (the "Shareholders") in October 2019 (2018: HK2.0 cents per share).

The Board have 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 at the forthcoming annual general meeting to be held on 19 June 2020 (the "2020 AGM"). The proposed final dividend will be paid to Shareholders on 7 July 2020 whose names appear on the Company's register of members on 30 June 2020.

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

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

Report of Directors (Continued)

Results and Appropriations (Continued)

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

Closure of Register of Members

(a) Entitlement to attend and vote at the 2020 AGM

The register of members of the Company will be closed from 16 June 2020 to 19 June 2020 (both days inclusive) for the purpose of determining the right to attend and vote at the 2020 AGM. During that period, no transfer of shares will be registered. In order to be entitled to attend and vote at the 2020 AGM, all share transfer documents accompanied with corresponding share certificates must be lodged with the branch share registrar of the Company in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on 15 June 2020.

(b) Entitlement to the proposed final dividend

The register of members of the Company will also be closed from 24 June 2020 to 30 June 2020 (both days inclusive) for the purpose of determining the Shareholders' entitlement to the proposed final dividend which is subject to the Shareholders' approval at the 2020 AGM. During that period, no transfer of shares will be registered. In order to be qualified for entitlement to the final dividend, all share transfer documents accompanied with the corresponding share certificates must be lodged with the branch share registrar of the Company in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on 23 June 2020.

Reserves

Movements in the reserves of the Group and of the Company during the year are set out in note 31(c) and note 40(a) to the financial statements.

Distributable Reserves

Distributable reserves of the Company at 31 December 2019 were approximately HK$142.2 million (2018: approximately HK$181.8 million).

Financial Summary

A summary of the results, assets and liabilities of the Group for the past five financial years is set out on pages 223 to 225.

Major Suppliers and Customers

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

Report of Directors (Continued)

Shares Issued

Terms meaning and details of the shares issued for the year ended 31 December 2019 are set out in note 31(a) to the financial statements.

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

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

Directors

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

Chairman and Non-executive Director

Mr. Yan Jianguo *(Chairman and Non-executive Director, resigned on 11 February 2020)*

Chairman and Executive Director

Mr. Zhang Guiqing *(Chairman and Executive Director, appointed on 11 February 2020)*

Executive Directors

Dr. Yang Ou *(Chief Executive Officer)*
Mr. Pang Jinying *(Vice President)*
Mr. Kam Yuk Fai *(Chief Financial Officer)*

Independent Non-executive Directors

Mr. Yung, Wing Ki Samuel
Mr. So, Gregory Kam Leung
Mr. Lim, Wan Fung Bernard Vincent

In accordance with article 83(3) of the Articles of Association, Mr. Zhang Guiqing will hold office until the 2020 AGM and in accordance with articles 84(1) and 84(2) of the Articles of Association, Dr. Yang Ou, Mr. Kam Yuk Fai and Mr. So, Gregory Kam Leung will retire by rotation at the 2020 AGM. Mr. Zhang Guiqing, Dr. Yang Ou, Mr. Kam Yuk Fai and Mr. So, Gregory Kam Leung, are being eligible, will offer themselves for re-election at the 2020 AGM.

Confirmation of Independence on Independent Non-executive Directors

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

Report of Directors (Continued)

Directors' Service Contracts

No Director proposed for re-election at the 2020 AGM has entered into a service contract with the Company or any of its subsidiaries which is not determinable by the employing company within one year without payment of compensation (other than statutory compensation).

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

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

Contracts of Significance with Controlling Shareholder

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

Directors' Interest in Competing Business

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

Emoluments of Directors and Senior Management

Information regarding Directors' emoluments and Senior Management's emoluments are set out in notes 14 and 37(e) to the financial statements.

Permitted Indemnity Provision

The Articles of Association provides that, amongst others, the Directors and other officers of the Company being acting in relation to any of the affairs of the Company shall be indemnified and secured harmless out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which they shall or may incur or sustain by or by reason of any act done, concurred in or omitted in or about the execution of their duty, or supposed duty, in their respective offices provided that this indemnity shall not extend to any matter in respect of any fraud or dishonesty which may attach to any said persons. Such provision and the Directors and Officers Liability Insurance Policy maintained by the Company which provides insurance coverage for liabilities of the Directors and officers of the Company and its subsidiaries were in force during the year ended 31 December 2019 and remained in force as of the date of this Annual Report. The insurance coverage will be reviewed on an annual basis.

Biographical Details of Directors and Senior Management

The biographical details of Directors and Senior Management are set out in the section headed "Directors and Senior Management" on pages 74 to 81 of this Annual Report.

Report of Directors (Continued)

Directors' and Chief Executive's Interests in Securities

As at 31 December 2019, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporation (within the meaning of Part XV of the SFO) which (i) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"), to be notified to the Company and the Stock Exchange were as follows:

Long positions in Shares and Underlying Shares of the Company's Associated Corporations

Name of Director	Name of associated corporation	Nature of interest	Number of ordinary shares/ Underlying shares	Approximate percentage of issued share capital (%)
Yan Jianguo (note 1)	China Overseas Land & Investments Limited ("COLI")	Beneficial owner	700,000 shares (note 2)	0.006 (note 3)
Yang Ou	China State Construction Engineering Corporation Limited ("CSCECL")	Beneficial owner	270,000 A shares	0.001 (note 4)
Pang Jinying	CSCECL	Beneficial owner	410,000 A shares	0.001 (note 4)
Pang Jinying	China State Construction Development Holding Limited (Formerly known as "Far East Global") ("CSCDHL")	Beneficial owner	300,000 shares	0.014 (note 5)

Report of Directors (Continued)

Directors' and Chief Executive's Interests in Securities (Continued)

Long positions in Shares and Underlying Shares of the Company's Associated Corporations (Continued)

Notes:

1. Mr. Yan Jianguo resigned as the Chairman of the Board and Non-executive Director with effect from 11 February 2020.

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

3. The percentage represents the number of shares interested divided by the number of issued shares of COLI as at 31 December 2019 (i.e. 10,956,201,535 shares).

4. The percentage represents the number of shares interested divided by the number of issued shares of CSCECL as at 31 December 2019 (i.e. 41,985,174,455 shares).

5. The percentage represents the number of shares interested divided by the number of issued shares of CSCDHL as at 31 December 2019 (i.e. 2,155,545,000 shares).

Save as disclosed above, as at 31 December 2019, none of the Directors and chief executive of the Company held any interest or short position in the shares, underlying shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO) which (i) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (iii) were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

Arrangements to Acquire Shares or Debentures

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

Report of Directors (Continued)

Substantial Shareholders' Interests in Securities

As at 31 December 2019, according to the register kept by the Company under Section 336 of the SFO and so far as was known to the Directors, persons (other than Directors) who had interests or short positions in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO were as follows:

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

Notes:

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

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

3. The percentage represents the number of shares interested divided by the number of issued shares of the Company as at 31 December 2019 (i.e. 3,286,860,460 shares).

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

Save as disclosed above, as at 31 December 2019, according to the register kept by the Company under Section 336 of the SFO and so far as was known to the Directors, there was no other person (other than the Directors) who had an interest or short position in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

Report of Directors (Continued)

Directors' Positions in Substantial Shareholders

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

Connected Transactions and Continuing Connected Transactions

Definitions

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

"Chengdu Property"	Room 313, Block 3, Zhonghai Ninth World, Renhe Area, Southern New District, High-tech Zone of Chengdu, the PRC
"Chengdu Property Acquisition Agreement"	the property sale and purchase agreement and the supplemental agreement to the property sale and purchase agreement dated 22 October 2019 entered into between China Overseas Property Management and China Overseas Chengdu pursuant to which China Overseas Property Management Chengdu has agreed to acquire and China Overseas Chengdu has agreed to sell the Chengdu Property
"China Construction 3rd Bureau"	China Construction Third Bureau Second Engineering Co., Limited (中建三局第二建設工程有限責任公司), a limited liability company established in the PRC and an indirect wholly-owned subsidiary of CSCECL
"China Overseas Chengdu"	中海嘉泓(成都)房地產開發有限公司, a company incorporated in the PRC with limited liability and an indirect subsidiary of COLI
"China Overseas Property Management"	中海物業管理有限公司, a limited liability company established in the PRC and a direct wholly-owned subsidiary of the Company
"China Overseas Property Management Chengdu"	中海物業管理有限公司成都中海振興分公司, a branch established by China Overseas Property Management
"Chongqing China Overseas International Community Office Premises"	office premises located at the entire floor of Floor 28 (i.e. units 2801–2812), Block A, International Business Building, No. 27 Tenglong Avenue, Nan'an District, Chongqing which is an office building jointly developed and constructed by COLI and The Wharf (Holdings) Limited with a floor area of 1,203.76 square meters
"Chongqing Jiajiang"	重慶嘉江房地產開發有限公司, a company incorporated in the PRC with limited liability, and a company with its 60% shares controlled by COLI Group

Report of Directors (Continued)

Connected Transactions and Continuing Connected Transactions (Continued)

Definitions (Continued)

"COGO"	China Overseas Grand Oceans Group Limited, a company incorporated in Hong Kong with limited liability, whose shares are listed on the Main Board of the Stock Exchange (stock code: 81)
"COGO Group"	COGO and its subsidiaries (excluding subsidiary(ies) listed on any stock exchange) from time to time
"COHL"	China Overseas Holdings Limited, a company incorporated in Hong Kong with limited liability, and the controlling shareholder of the Company, COLI and COGO
"COHL Group"	COHL and its subsidiaries (excluding subsidiary(ies) or associated company listed on any stock exchange) from time to time
"COLI"	China Overseas Land & Investment Limited, a company incorporated in Hong Kong with limited liability, whose shares are listed on the Main Board of the Stock Exchange (stock code: 688)
"COLI Group"	COLI and its subsidiaries (excluding subsidiary(ies) listed on any stock exchange) from time to time
"Company"	China Overseas Property Holdings Limited, a company incorporated in the Cayman Islands with limited liability, whose shares are listed on the Main Board of the Stock Exchange (stock code: 2669)
"CQ Agreements"	the 12 agreements in total entered into between CSPM Chongqing and Chongqing Jiajiang dated 29 November 2018, pursuant to which CSPM Chongqing has conditionally agreed to acquire the property ownership of Chongqing China Overseas International Community Office Premises
"CSCEC"	China State Construction Engineering Corporation (中國建築集團有限公司), a state-owned corporation organized and existing under the laws of the PRC, being the ultimate holding company of the Company
"CSCEC Group"	CSCEC and its subsidiaries (excluding subsidiary(ies) listed on any stock exchange but including CSCECL Group and COHL Group) from time to time
"CSCECL"	China State Construction Engineering Corporation Limited (中國建築股份有限公司), a company established in the PRC whose shares are listed on the Shanghai Stock Exchange (stock code: 601668) and the controlling shareholder of the Company

Connected Transactions and Continuing Connected Transactions (Continued)

Definitions (Continued)

"CSCECL Group"	CSCECL and its subsidiaries (excluding subsidiary(ies) listed on any stock exchange but including COHL Group) from time to time
"CSCIHL"	China State Construction International Holdings Limited, a company incorporated in the Cayman Islands with limited liability, whose shares are listed on the Main Board of the Stock Exchange (stock code: 3311)
"CSCIHL Group"	CSCIHL and its subsidiaries (excluding subsidiary(ies) listed on any stock exchange) from time to time
"CSPM Chongqing"	重慶海投物業管理有限公司, a company incorporated in the PRC with limited liability, and a subsidiary of the Company
"Equity Transfer Agreement"	the equity transfer agreement entered into between China Overseas Property Management and China Construction 3rd Bureau on 15 August 2019 in relation to the acquisition of the 100% equity interest in 武漢中建捷誠物業管理有限公司 by China Overseas Property Management from China Construction 3rd Bureau
"Group"	the Company and its subsidiaries from time to time
"Guangzhou Shijia"	廣州世佳房地產開發有限公司, a company incorporated in the PRC with limited liability and a subsidiary of COLI
"Guangzhou YD Agreement"	the agreement dated 29 November 2018 entered into between Guangzhou Zhonghai and Guangzhou Yiyuan pursuant to which Guangzhou Zhonghai has conditionally agreed to acquire the right to use the Guangzhou YD Car Parking Spaces
"Guangzhou YD Car Parking Spaces"	the 1,426 underground car parking spaces located in the Guangzhou Zhonghai Yudong Garden Project, including 12 air-raid shelter car parking spaces and 1,414 non-air-raid shelter car parking spaces
"Guangzhou Yiyuan"	廣州毅源房地產開發有限公司, a company incorporated in the PRC with limited liability and a subsidiary of COLI
"Guangzhou YP Agreement"	the agreement dated 29 November 2018 entered into between Guangzhou Zhonghai and Guangzhou Shijia pursuant to which Guangzhou Zhonghai has conditionally agreed to acquire the right to use the Guangzhou YP Car Parking Spaces
"Guangzhou YP Car Parking Spaces"	the 1,474 underground car parking spaces located in the Guangzhou Zhonghai Yupin Garden Project, including 195 air-raid shelter car parking spaces and 1,279 non-air-raid shelter car parking spaces

Report of Directors (Continued)

Connected Transactions and Continuing Connected Transactions (Continued)

Definitions (Continued)

"Guangzhou Zhonghai"	中海物業管理廣州有限公司 (China Overseas Property Management (Guangzhou) Limited), a company incorporated in the PRC with limited liability, and a subsidiary of the Company
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Licensed Premises"	a gross floor area (inclusive of common areas and facilities) of approximately two-tenths (2:10) of the gross floor area of 7th Floor, Three Pacific Place, 1 Queen's Road East, Hong Kong
"Listing Rules"	The Rules Governing the Listing of Securities on the Stock Exchange
"PRC"	the People's Republic of China, which for the purpose of this circular excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
"SH Agreement"	the agreement dated 29 November 2018 entered into between Shanghai Zhonghai and Zhongjian Jiahao pursuant to which Shanghai Zhonghai has conditionally agreed to acquire the right to use the SH Car Parking Spaces
"SH Car Parking Spaces"	the 201 underground car parking spaces located in Riverside Palace, Shanghai, including 5 car parking spaces with titles, 137 non-air-raid shelter car parking spaces without titles and 59 air-raid shelter car parking spaces
"Shanghai Zhonghai"	上海中海物業管理有限公司 (Shanghai China Overseas Property Management Ltd.), a company incorporated in the PRC with limited liability, and a subsidiary of the Company
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Target Company"	中信服務服務有限公司, a company established in the PRC with limited liability, the equity interests of which were owned as to 95% by 中信房地產集團有限公司, a company incorporated in the PRC with limited liability and a wholly subsidiary of COLI, and 5% by 北京中信房地產有限公司, a company incorporated in the PRC with limited liability and a wholly-owned subsidiary of COLI, respectively prior to the acquisition by the Group in December 2017
"Target Group"	the Target Company and its subsidiaries
"Zhongjian Jiahao"	上海中建嘉好地產有限公司, a company incorporated in the PRC with limited liability, and a subsidiary of COLI

Connected Transactions and Continuing Connected Transactions (Continued)

Connected Transactions

Details of connected transactions and continuing connected transactions not exempted under Chapter 14A of the Listing Rules as recorded during the year ended 31 December 2019 and up to the date of this annual report are disclosed below, with further disclosure under the subsection headed "Aggregation of Continuing Connected Transactions" as appropriate.

1. *SH Agreement, Guangzhou YD Agreement, Guangzhou YP Agreement and CQ Agreements*

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

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

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

The above mentioned car parking spaces are located in residential development projects developed by Zhongjian Jiahao in Shanghai, Guangzhou Yiyuan in Guangzhou and Guangzhou Shijia in Guangzhou, respectively.

(b) CQ Agreements

CSPM Chongqing entered into the CQ Agreements with Chongqing Jiajiang, pursuant to which, CSPM Chongqing has conditionally agreed to acquire the property ownership of Chongqing China Overseas International Community Office Premises at a total consideration of approximately RMB8.56 million (equivalent to approximately HK$9.67 million).

As the highest applicable percentage ratios under the Listing Rules in respect of the transactions contemplated under the above agreements (aggregated with the transactions under the previous car parking space agreements), on an aggregated basis, are more than 5% but less than 25%, accordingly, the transactions contemplated under such agreements altogether constitute discloseable transactions for the Company under Chapter 14 of the Listing Rules, and are subject to the reporting and announcement requirements under the Listing Rules.

Report of Directors (Continued)

Connected Transactions and Continuing Connected Transactions (Continued)

Connected Transactions (Continued)

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

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

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

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

2. Equity Transfer Agreement

On 15 August 2019, China Overseas Property Management and China Construction 3rd Bureau entered into the Equity Transfer Agreement, pursuant to which China Overseas Property Management agreed to acquire and China Construction 3rd Bureau had agreed to sell 100% equity interest in 武漢中建捷誠物業管理有限公司, a limited liability company established in the PRC and a direct wholly-owned subsidiary of China Construction 3rd Bureau for a consideration of approximately RMB4,660,794 (equivalent to approximately HK$5,216,625).

CSCEC is the ultimate holding company of the Company. CSCECL, a non-wholly owned subsidiary of CSCEC, is the controlling shareholder of each of the Company and China Construction 3rd Bureau. Therefore, China Construction 3rd Bureau is a connected person of the Company and the Equity Transfer Agreement constituted a connected transaction for the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio in respect of the Equity Transfer Agreement is more than 0.1% but less than 5%, the Equity Transfer Agreement and the acquisition of 100% equity interest in 武漢中建捷誠物業管理有限公司 is subject to reporting and announcement requirements but exempt from the independent shareholders' approval requirement pursuant to Chapter 14A of the Listing Rules.

Details of the Equity Transfer Agreement and the acquisition contemplated thereunder has been disclosed in the Company's announcement dated 26 September 2019.

Connected Transactions and Continuing Connected Transactions (Continued)

Connected Transactions (Continued)

3. Chengdu Property Acquisition Agreement

On 22 October 2019, China Overseas Property Management Chengdu entered into the Chengdu Property Acquisition Agreement with China Overseas Chengdu, pursuant to which, China Overseas Property Management Chengdu agreed to acquire and China Overseas Chengdu agreed to sell the Chengdu Property for a consideration of RMB4,799,355 (equivalent to approximately HK$5,320,085).

CSCEC is the ultimate holding company of the Company. COHL, a subsidiary of CSCEC, is the controlling shareholder of COLI and the Company respectively. Therefore, pursuant to Chapter 14A of the Listing Rules, China Overseas Chengdu, being a subsidiary of COLI, is a connected person of the Company and the transaction contemplated under the Chengdu Property Acquisition Agreement constitutes a connected transaction for the Company.

As the highest applicable percentage ratio in respect of the Chengdu Property Acquisition Agreement is more than 0.1% but less than 5%, the transaction contemplated under the Chengdu Property Acquisition Agreement is subject to reporting and announcement requirements but exempt from the independent shareholders' approval requirement pursuant to Chapter 14A of the Listing Rules.

Details of the Chengdu Property Acquisition Agreement and the transaction contemplated thereunder have been disclosed in the Company's announcement dated 22 October 2019.

Continuing Connected Transactions

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

Since COHL is the controlling shareholder (as defined under the Listing Rules) of the Company, and COHL is a wholly-owned subsidiary of CSCECL which, in turn, is a non-wholly-owned subsidiary of CSCEC, members of each of COHL Group, CSCECL Group and CSCEC Group were regarded as connected persons of the Group.

(i) CSCEC Services Agreement

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

Report of Directors (Continued)

Connected Transactions and Continuing Connected Transactions (Continued)

Continuing Connected Transactions (Continued)

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

(i) CSCEC Services Agreement (Continued)

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

For the year ended 31 December 2019, the total amount paid to the Group by CSCEC Group for the provision of property management services and engineering services was HK$67,114,000, which did not exceed HK$312,500,000.

(ii) COHL Licensing Agreement

On 26 June 2017, COHL as the licensor and the Company as the licensee entered into a licence agreement (the "COHL Licensing Agreement") pursuant to which COHL agreed to license to the Company the Licensed Premises for use as commercial offices for a term of three years from 1 October 2017 until 30 September 2020 (both dates inclusive) with a monthly licence fee of HK$307,880 (exclusive of rates).

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

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

For the year ended 31 December 2019, the total amount paid to COHL Group in respect of the licensing of the Licensed Premises under the COHL Licensing Agreement was HK$4,075,000 which did not exceed the maximum total amount payable to COHL Group of HK$4,075,000.

Report of Directors (Continued)

Connected Transactions and Continuing Connected Transactions (Continued)

Continuing Connected Transactions (Continued)

(2) Continuing Connected Transactions with COLI Group

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

(i) COLI Services Agreement and COLI Target Services Agreement

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

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

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

Report of Directors (Continued)

Connected Transactions and Continuing Connected Transactions (Continued)

Continuing Connected Transactions (Continued)

(2) Continuing Connected Transactions with COLI Group (Continued)

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

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

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

For the year ended 31 December 2019, the total amount paid to the Group by COLI Group for the provision of such services under each of above respective agreements was HK$724,947,000, which did not exceed HK$776,300,000, being the sum of the respective caps of HK$725,200,000 and HK$51,100,000 under the agreements.

(ii) COLI Leasing Agreement

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

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

For the year ended 31 December 2019, the total amount paid to COLI Group by the Group for the lease of properties under the COLI Leasing Agreement was HK$2,598,000 which did not exceed HK$13,800,000.

Connected Transactions and Continuing Connected Transactions (Continued)

Continuing Connected Transactions (Continued)

(2) Continuing Connected Transactions with COLI Group (Continued)

(iii) COLI Property Management Utilities Charges Agreement

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

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

For the year ended 31 December 2019, the total amount paid to COLI Group by the Group in respect of the utilities charges under the COLI PM Utilities Charges Agreement was HK$74,203,000 which did not exceed the cap of HK$80,100,000.

Report of Directors (Continued)

Connected Transactions and Continuing Connected Transactions (Continued)

Continuing Connected Transactions (Continued)

(2) Continuing Connected Transactions with COLI Group (Continued)

(iv) COLI Car Parking Spaces Agreement

On 23 October 2019, the Company and COLI entered into a framework agreement (the "COLI Car Parking Spaces Agreement") pursuant to which the Group might from time to time enter into transactions with COLI Group for the acquisition of rights-of-use of car parking spaces on terms set out therein for the period from 1 December 2019 to 30 November 2022 provided that the maximum total amounts payable to COLI Group by the Group for the provision of such transactions under the COLI Car Parking Spaces Agreement for the period from 1 December 2019 to 31 December 2019 shall not exceed HK$300,000,000, and for each of the two years ending 31 December 2021 shall not exceed HK$500,000,000 and HK$600,000,000 respectively, and for the period from 1 January 2022 to 30 November 2022 shall not exceed HK$600,000,000.

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

For the period from 1 December 2019 to 31 December 2019, the total amount paid to COLI Group by the Group in respect of the car parking spaces under the COLI Car Parking Spaces Agreement was HK$181,349,000 which did not exceed the cap of HK$300,000,000.

Report of Directors (Continued)

Connected Transactions and Continuing Connected Transactions (Continued)

Continuing Connected Transactions (Continued)

(3) Continuing Connected Transactions with CSCIHL Group

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

(i) CSCIHL Services Agreement

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

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

For the year ended 31 December 2019, the total amounts awarded/paid to the Group by CSCIHL Group in respect of the provision of security services, property management services and engineering services under the CSCIHL Services Agreement was HK$31,393,000 which did not exceed HK$42,000,000.

Report of Directors (Continued)

Connected Transactions and Continuing Connected Transactions (Continued)

Continuing Connected Transactions (Continued)

(3) Continuing Connected Transactions with CSCIHL Group (Continued)

(ii) CSCIHL Leasing Agreement

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

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

For the year ended 31 December 2019, the amount of total rent paid to the CSCIHL Group for the leasing of properties under the CSCIHL Leasing Agreement was HK$4,531,000 which did not exceed HK$5,200,000.

(4) Continuing Connected Transactions with COGO Group

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

(i) COGO Services Agreement and COGO Target Services Agreement

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

Connected Transactions and Continuing Connected Transactions (Continued)

Continuing Connected Transactions (Continued)

(4) Continuing Connected Transactions with COGO Group (Continued)

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

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

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

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

For the year ended 31 December 2019, the total amount paid to the Group (including the acquired Target Group) by COGO Group for the provision of such services under the above respective agreements was HK$116,017,000, which did not exceed HK$142,400,000 being the sum the respective caps of HK$96,500,000 and HK$45,900,000 under the agreements.

Report of Directors (Continued)

Connected Transactions and Continuing Connected Transactions (Continued)

Continuing Connected Transactions (Continued)

(4) Continuing Connected Transactions with COGO Group (Continued)

(ii) COGO Car Parking Spaces Agreement

On 23 October 2019, the Company and COGO entered into a framework agreement (the "COGO Car Parking Spaces Agreement") pursuant to which the Group might from time to time enter into transactions with COGO Group for the acquisition of rights-of-use of car parking spaces on terms set out therein for the period from 1 December 2019 to 30 November 2022 provided that the maximum total amounts payable to COGO Group by the Group for the provision of such transactions under the COGO Car Parking Spaces Agreement for the period from 1 December 2019 to 31 December 2019 shall be Nil, and for each of the two years ending 31 December 2021 shall not exceed HK$400,000,000 and HK$300,000,000 respectively, and for the period from 1 January 2022 to 30 November 2022 shall not exceed HK$300,000,000.

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

For the year ended 31 December 2019, there are no transaction entered into between COGO Group and the Group under the COGO Car Parking Spaces Agreement.

Report of Directors (Continued)

Connected Transactions and Continuing Connected Transactions (Continued)

Aggregation of Continuing Connected Transactions

1. *Aggregation of leasing transactions*

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

For the year ended 31 December 2019, the transaction amounts under the above respective agreements were, in aggregate, HK$11,204,000, which was more than 0.1% but less than 5% of the applicable percentage ratios, and such continuing connected transactions are subject to the annual review, reporting and announcement requirements but exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

2. *Aggregation of property management and related transactions*

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

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

For the year ended 31 December 2019, the transaction amounts under the above respective agreements were, in aggregate, HK$939,471,000, which was more than 5% of the applicable percentage ratios, and such continuing connected transactions are subject to the annual review, reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Connected Transactions and Continuing Connected Transactions (Continued)

Aggregation of Continuing Connected Transactions (Continued)

3. Aggregation of car parking spaces transactions

The Directors are of the view that (i) COLI Car Parking Spaces Agreement; and (ii) COGO Car Parking Spaces Agreement are connected with one another, and therefore should be aggregated under Rules 14A.81 and 14A.82(1) of the Listing Rules. As the applicable percentage ratios in respect of the caps/estimated future transaction amounts of the aforesaid continuing connected transactions are, in aggregate, 5% or more on an annual basis, such continuing connected transactions are/has been subject to the annual review, reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

In respect of the continuing connected transactions (i) COLI Car Parking Spaces Agreement; and (ii) COGO Car Parking Spaces Agreement, Independent Shareholders of the Company have duly approved the respective agreements and the transactions contemplated thereunder at the extraordinary general meetings held on 29 November 2019.

For the year ended 31 December 2019, the transaction amounts under the above respective agreements were, in aggregate, HK$181,349,000, which was more than 5% of the applicable percentage ratios, and such continuing connected transactions are subject to the annual review, reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Review and Approval

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

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

(ii) on normal commercial terms or better; and

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

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

Report of Directors (Continued)

Connected Transactions and Continuing Connected Transactions (Continued)

Review and Approval (Continued)

The auditor has issued his unqualified letter containing his findings and conclusions in respect of the continuing connected transactions disclosed by the Group on pages 95 to 104 of this Annual Report as below:

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

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

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

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

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

Retirement Benefit Scheme

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

Management Contracts

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

Public Float

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

Pre-Emptive Rights

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

Report of Directors (Continued)

Tax Relief and Exemption

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

Corporate Governance

Principal corporate governance practices adopted by the Company are set out in the Corporate Governance Report on pages 53 to 73 of this Annual Report.

Business Review

The business review of the Group including the information below are set out in the Management Discussion and Analysis on pages 29 to 45 of this Annual Report:

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

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

(c) An analysis using financial key performance indicators;

(d) A discussion on:

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

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

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

Auditor

The financial statements have been audited by PricewaterhouseCoopers who will retire at the 2020 AGM.

A resolution will be proposed at the 2020 AGM to appoint Ernst & Young as auditor of the Company. Details for the proposed change of auditor has been announced on 20 March 2020.

On behalf of the Board

Zhang Guiqing
Chairman and Executive Director

Hong Kong, 20 March 2020

Independent Auditor's Report

pwc 羅兵咸永道

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

Opinion

What we have audited

The consolidated financial statements of China Overseas Property Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 114 to 222, which comprise:

- the consolidated statement of financial position as at 31 December 2019;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

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

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

Independence

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

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

Independent Auditor's Report (Continued)

Key Audit Matters

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

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

Key Audit Matter	How our audit addressed the Key Audit Matter
Recoverability of trade receivables and payments on behalf of property owners for properties managed under commission basis Refer to notes 4, 5 and 25 to the consolidated financial statements. As at 31 December 2019, the Group had gross trade receivables of HK$647.3 million, which are mainly arisen from property management services income from properties managed under lump sum basis and value-added services ("Trade Receivables"), and HK$149.9 million of gross payments on behalf of property owners for properties managed under commission basis ("Other Receivables") (collectively "Receivables"). Management has assessed the recoverability of the Receivables and impairment provision of HK$79.7 million and HK$58.6 million were made, respectively, against the Trade Receivables and Other Receivables as at 31 December 2019.	Our audit procedures in relation to the recoverability of the Trade Receivables included: • We evaluated the design and operating effectiveness of key internal controls with particular focus on the monitoring and assessment of the recoverability of Trade Receivables; • We obtained management's assessment on the recoverability of Trade Receivables, assessed its reasonableness in making the assumptions with reference to the historical default rate, existing market conditions and forward looking estimates, and corroborated management's explanation to underlying documentation, correspondence with the property owners and external market data on market conditions; • We tested, on a sample basis, the aging of Trade Receivables as at 31 December 2019 to invoices and the settlement of Trade Receivables during the year to cash receipts and the related supporting documentation; • We also tested, on a sample basis, the subsequent settlement of Trade Receivables to cash receipts and the related supporting documentation.

Independent Auditor's Report (Continued)

Key Audit Matters (Continued)

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

Other Information

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

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

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

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

Independent Auditor's Report (Continued)

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 20 March 2020

Consolidated Income Statement

For the year ended 31 December 2019

	Note	Year ended 31 December 2019 HK$'000	2018 HK$'000 (Restated)
Revenue	8	**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	10	**66,154**	48,606
Gain arising from changes in fair value of investment properties	17	**2,572**	4,345
Selling and administrative expenses		**(395,755)**	(336,809)
Net impairment losses on financial assets — trade and other receivables	25(a),(b)	**(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	11	**(2,352)**	(3,239)
Profit before tax		**760,546**	556,441
Income tax expenses	12	**(216,406)**	(148,949)
Profit for the year	13	**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
Earnings per share (HK cents)			
Basic and diluted	15	**16.36**	12.27

The notes on pages 122 to 222 are an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2019

	Year ended 31 December	
	2019	2018
	HK$'000	HK$'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 properties transferred from self-use properties to investment 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

The notes on pages 122 to 222 are an integral part of these consolidated financial statements.

Consolidated Statement of Financial Position

As at 31 December 2019

	Note	As at 31 December 2019 HK$'000	2018 HK$'000 (Restated)
Non-current assets			
Investment properties	17	**145,898**	132,586
Property, plant and equipment	18	**56,471**	40,935
Right-of-use assets	19	**61,656**	—
Intangible assets	20	**11,657**	6,232
Prepaid lease payments for land	21	**—**	1,458
Interest in an associate	22	**145**	552
Interest in a joint venture	23	**3,164**	—
Amount due from a related company	26	**—**	85,842
Prepayments		**5,540**	—
Deferred tax assets	32	**35,006**	26,427
		319,537	294,032
Current assets			
Inventories	24	**418,408**	37,142
Trade and other receivables	25	**766,247**	592,068
Deposits and prepayments		**97,406**	61,476
Prepaid lease payments for land	21	**—**	226
Amount due from immediate holding company	26	**231**	384
Amounts due from fellow subsidiaries	26	**90,220**	150,670
Amounts due from related companies	26	**107,613**	32,806
Bank balances and cash	27	**2,495,693**	2,398,559
		3,975,818	3,273,331
Current liabilities			
Trade and other payables	28	**1,745,903**	1,608,976
Receipts in advance and other deposits	29	**740,090**	670,591
Lease liabilities	19	**22,044**	—
Amount due to immediate holding company	30	**—**	1,547
Amounts due to fellow subsidiaries	30	**4,332**	8,822
Amounts due to related companies	30	**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	As at 31 December 2019 HK$'000	2018 HK$'000 (Restated)
Non-current liabilities			
Lease liabilities	19	**32,461**	—
Deferred tax liabilities	32	**31,795**	22,249
		64,256	22,249
Net assets		**1,534,703**	1,134,396
Capital and reserves			
Share capital	31(a)	**3,287**	3,287
Reserves	31(c)	**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

The financial statements on pages 114 to 222 were approved by the Board of Directors on 20 March 2020 and were signed on its behalf by:

Yang Ou
Director

Pang Jinying
Director

The notes on pages 122 to 222 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2019

	Attributable to owners of the Company									
	Share capital HK$'000 (Note 31(a))	Other property revaluation reserve HK$'000 (Note 31(c)(i))	Translation reserve HK$'000 (Note 31(c)(ii))	PRC statutory reserve HK$'000 (Note 31(c)(iii))	Special reserve HK$'000 (Note 31(c)(iv))	Capital reserve HK$'000 (Note 31(c)(v))	Retained profits HK$'000	Subtotal HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1 January 2018, as previously reported	3,287	17,433	(846)	45,604	(135,448)	751	925,394	856,175	5,378	861,553
Adjustment on adoption of HKFRS 9, net of tax	—	—	—	—	—	—	(1,945)	(1,945)	(37)	(1,982)
Acquisition of Wuhan Zhong Jian (Note 4)	—	—	13	82	4,217	—	268	4,580	—	4,580
At 1 January 2018, as restated	3,287	17,433	(833)	45,686	(131,231)	751	923,717	858,810	5,341	864,151
Profit for the year	—	—	—	—	—	—	403,189	403,189	4,303	407,492
Surplus on revaluation of properties transferred from self-use properties to investment properties, net of tax	—	21,503	—	—	—	—	—	21,503	—	21,503
Exchange differences on translation of subsidiaries of the Company	—	—	(43,773)	—	—	—	—	(43,773)	(437)	(44,210)
Total comprehensive income for the year	—	21,503	(43,773)	—	—	—	403,189	380,919	3,866	384,785
Capital contribution relating to share-based payment borne by intermediate holding company (Note 31(b))	—	—	—	—	—	500	—	500	—	500
Transfer to PRC statutory reserve	—	—	—	16,371	—	—	(16,371)	—	—	—
2017 final dividend approved (Note 16)	—	—	—	—	—	—	(49,303)	(49,303)	—	(49,303)
2018 interim dividend declared (Note 16)	—	—	—	—	—	—	(65,737)	(65,737)	—	(65,737)
	—	—	—	16,371	—	500	(131,411)	(114,540)	—	(114,540)
At 31 December 2018, as restated	3,287	38,936	(44,606)	62,057	(131,231)	1,251	1,195,495	1,125,189	9,207	1,134,396

Consolidated Statement of Changes in Equity (Continued)

For the year ended 31 December 2019

	Attributable to owners of the Company									
	Share capital HK$'000 (Note 31(a))	Other property revaluation reserve HK$'000 (Note 31(c)(i))	Translation reserve HK$'000 (Note 31(c)(ii))	PRC statutory reserve HK$'000 (Note 31(c)(iii))	Special reserve HK$'000 (Note 31(c)(iv))	Capital reserve HK$'000 (Note 31(c)(v))	Retained profits HK$'000	Subtotal HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1 January 2019, as previously reported	3,287	38,936	(44,344)	61,824	(135,448)	1,251	1,194,247	1,119,753	9,207	1,128,960
Adjustment on adoption of HKFRS 16, net of tax (Note 3)	—	—	—	—	—	—	(1,464)	(1,464)	—	(1,464)
Acquisition of Wuhan Zhong Jian (Note 4)	—	—	(262)	233	4,217	—	1,248	5,436	—	5,436
At 1 January 2019, as restated	3,287	38,936	(44,606)	62,057	(131,231)	1,251	1,194,031	1,123,725	9,207	1,132,932
Profit for the year	—	—	—	—	—	—	537,840	537,840	6,300	544,140
Surplus on revaluation of properties transferred from self-use properties to investment properties, net of tax	—	8,997	—	—	—	—	—	8,997	—	8,997
Exchange differences on translation of subsidiaries of the Company	—	—	(17,649)	—	—	—	—	(17,649)	(303)	(17,952)
Total comprehensive income for the year	—	8,997	(17,649)	—	—	—	537,840	529,188	5,997	535,185
Capital contribution relating to share-based payment borne by intermediate holding company (Note 31(b))	—	—	—	—	—	4,225	—	4,225	—	4,225
Acquisition of Wuhan Zhong Jian (Note 4)	—	—	—	—	(5,217)	—	—	(5,217)	—	(5,217)
Transfer to PRC statutory reserve	—	—	—	20,495	—	—	(20,495)	—	—	—
Non-controlling interests on incorporation of subsidiaries	—	—	—	—	—	—	—	—	5,626	5,626
2018 final dividend approved (Note 16)	—	—	—	—	—	—	(65,737)	(65,737)	—	(65,737)
2019 interim dividend declared (Note 16)	—	—	—	—	—	—	(72,311)	(72,311)	—	(72,311)
	—	—	—	20,495	(5,217)	4,225	(158,543)	(139,040)	5,626	(133,414)
At 31 December 2019	3,287	47,933	(62,255)	82,552	(136,448)	5,476	1,573,328	1,513,873	20,830	1,534,703

The notes on pages 122 to 222 are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2019

	Note	2019 HK$'000	2018 HK$'000 (Restated)
		Year ended 31 December	
Operating activities			
Profit before tax		**760,546**	556,441
Adjustments for:			
Share of profit of an associate		**(193)**	(200)
Share of profit of a joint venture		**(177)**	—
Finance costs		**2,352**	3,239
Impairment provision for financial assets — trade and other receivables, net		**867**	6,987
Depreciation and amortisation		**40,826**	17,881
Share-based payment		**4,225**	500
Gain arising from changes in fair value of investment properties		**(2,572)**	(4,345)
Interest income		**(34,752)**	(38,737)
Loss on disposals of property, plant and equipment, net		**814**	218
Operating cash flows before movements in working capital		**771,936**	541,984
Increase in inventories		**(387,759)**	(29,033)
Increase in trade and other receivables, deposits and prepayments		**(209,102)**	(165,634)
Decrease/(increase) in amount due from immediate holding company — trade		**153**	(288)
Decrease/(increase) in amounts due from fellow subsidiaries — trade		**55,678**	(103,018)
Decrease/(increase) in amounts due from related companies — trade		**9,496**	(22,981)
Increase in trade and other payables, receipts in advance and other deposits		**235,469**	142,802
Decrease in amounts due to fellow subsidiaries — trade		**(4,451)**	(2,428)
Increase/(decrease) in amounts due to related companies — trade		**4,188**	(1,157)
Cash generated from operations		**475,608**	360,247
Income taxes paid		**(168,383)**	(131,059)
Net cash from operating activities		**307,225**	229,188

Consolidated Statement of Cash Flows (Continued)

For the year ended 31 December 2019

	Note	2019 HK$'000	2018 HK$'000 (Restated)
		Year ended 31 December	
Investing activities			
Interest received		**36,808**	33,437
Dividend received from an associate		**600**	—
Purchase of property, plant and equipment		**(35,969)**	(24,560)
Purchase of intangible assets		**(9,368)**	(3,862)
Purchase of right-of-use assets		**(6,499)**	—
Increase in prepayments on non-current assets		**(5,540)**	—
Increase in bank deposits over three months maturity		**(470,723)**	(184,524)
Acquisition of the CITIC Acquired Property Management Group	31(c)(iv)	**—**	(45,238)
Acquisition of Wuhan Zhong Jian	4	**(5,217)**	—
Capital contribution to a joint venture		**(2,987)**	—
Net proceeds on disposals of property, plant and equipment		**2,368**	1,222
Net cash used in investing activities		**(496,527)**	(223,525)
Financing activities			
Interest paid	33	**(2,352)**	(3,638)
Decrease in amount due from a fellow subsidiary — non-trade		**3,955**	—
(Decrease)/increase in amount due to immediate holding company — non-trade	33	**(1,547)**	130
Repayment of bank borrowings	33	**—**	(265,000)
Repayment of lease liabilities	33	**(21,489)**	—
Dividends paid to owners of the Company	16	**(138,048)**	(115,040)
Capital contribution from non-controlling equity holders of subsidiaries		**5,626**	—
Net cash used in financing activities		**(153,855)**	(383,548)
Net decrease in cash and cash equivalents		**(343,157)**	(377,885)
Cash and cash equivalents at beginning of year		**1,975,218**	2,452,071
Effect of foreign exchange rate changes		**(17,724)**	(98,968)
Cash and cash equivalents at end of year	27	**1,614,337**	1,975,218

The notes on pages 122 to 222 are an integral part of these consolidated financial statements.

Notes to the Financial Statements

For the year ended 31 December 2019

1 General

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

The Company's immediate holding company is China Overseas Holdings Limited ("COHL"), a company incorporated in Hong Kong. The ultimate holding company of the Company is China State Construction Engineering Corporation (中國建築集團有限公司) ("CSCEC"), an entity established in the People's Republic of China (the "PRC") and the PRC government is a substantial shareholder of CSCEC.

The Company is an investment holding company. The Company and its subsidiaries (together, the "Group") are principally engaged in provision of property management 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 are presented in Hong Kong dollars ("HK$"), which are the same as the functional currency of the Company.

2 Application of new and revised Hong Kong Financial Reporting Standards

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

Annual Improvements Project	Annual Improvements 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 in note 3 below.

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

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

HKFRS 3 (Amendments)	Definition of a Business[1]
HKAS 39, HKFRS 7 and HKFRS 9 (Amendments)	Hedge Accounting[1]
Concepture Framework for Financial Reporting 2018[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]

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.

3 Changes in accounting policies

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.

3 Changes in accounting policies (Continued)

HKFRS 16 Leases (Continued)

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**
Add: Reclassification of prepaid lease payments for land as at 1 January 2019	**1,684**
Less: Adjustment on retained profits upon adoption	**(1,464)**
Right-of-use assets recognised as at 1 January 2019	**27,866**

3 Changes in accounting policies (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, as restated	27,866	60,692	—	(26,862)	(1,192,783)

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 Significant accounting policies

Basis of Preparation

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

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

4 Significant accounting policies (Continued)

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 RMB4.7 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.

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.

Notes to the Financial Statements (Continued)
For the year ended 31 December 2019

4 Significant accounting policies (Continued)

Application of Business Combination under Common Control (Continued)

Basis of preparation (Continued)

Consolidated income statement

For the year ended 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	Consolidated 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

Notes to the Financial Statements (Continued)

For the year ended 31 December 2019

4 Significant accounting policies (Continued)

Application of Business Combination under Common Control (Continued)

Basis of preparation (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

Notes to the Financial Statements (Continued)
For the year ended 31 December 2019

4 Significant accounting policies (Continued)

Application of Business Combination under Common Control (Continued)

Basis of preparation (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

Notes to the Financial Statements (Continued)

For the year ended 31 December 2019

4 Significant accounting policies (Continued)

Application of Business Combination under Common Control (Continued)

Basis of preparation (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

Notes to the Financial Statements (Continued)
For the year ended 31 December 2019

4 Significant accounting policies (Continued)

Application of Business Combination under Common Control (Continued)

Basis of preparation (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

Notes to the Financial Statements (Continued)

For the year ended 31 December 2019

4 Significant accounting policies (Continued)

Application of Business Combination under Common Control (Continued)

Basis of preparation (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

4 Significant accounting policies (Continued)

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 in the consolidated statement of changes in equity.

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.

Basis of Consolidation

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

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

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

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

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

Allocation of total comprehensive income to non-controlling interests

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

Changes in the Group's ownership interests in existing subsidiaries

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

Notes to the Financial Statements (Continued)

For the year ended 31 December 2019

4 Significant accounting policies (Continued)

Basis of Consolidation (Continued)

Changes in the Group's ownership interests in existing subsidiaries (Continued)

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

Business Combinations — common control combinations

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

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

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

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

4 Significant accounting policies (Continued)

Basis of Consolidation (Continued)

Business Combinations — common control combinations (Continued)

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

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

Business Combinations — acquisition method

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

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

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

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

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

Notes to the Financial Statements (Continued)

For the year ended 31 December 2019

4 Significant accounting policies (Continued)

Basis of Consolidation (Continued)

Business Combinations — acquisition method (Continued)

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

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

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

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

4 Significant accounting policies (Continued)

Basis of Consolidation (Continued)

Business Combinations — acquisition method (Continued)

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

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

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

Separate Financial Statements

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

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

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

Notes to the Financial Statements (Continued)

For the year ended 31 December 2019

4 Significant accounting policies (Continued)

Interests in Associates and Joint Ventures

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

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

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

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

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

The carrying amounts of interests in associates and joint ventures are tested for impairment in accordance with the policy described in "impairment losses on non-financial assets".

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

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

Notes to the Financial Statements (Continued)
For the year ended 31 December 2019

4 Significant accounting policies (Continued)

Investment Properties

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

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

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

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

Property, Plant and Equipment

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

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

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

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

Notes to the Financial Statements (Continued)

For the year ended 31 December 2019

4 Significant accounting policies (Continued)

Intangible Assets

The Group's intangible assets include computer software.

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

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

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

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

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

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

4 Significant accounting policies (Continued)

Impairment Losses on Non-Financial Assets

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

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

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

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

Financial Instruments

Financial Assets

Classification

The Group classifies its financial assets in the following measurement categories:

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

- those to be measured at amortised cost.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2019

4 Significant accounting policies (Continued)

Financial Instruments (Continued)

Financial Assets (Continued)

Classification (Continued)

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

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

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

Recognition and derecognition

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

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

4 Significant accounting policies (Continued)

Financial Instruments (Continued)

Financial Assets (Continued)

Measurement

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

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

Debt instruments

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

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

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

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

4 Significant accounting policies (Continued)

Financial Instruments (Continued)

Financial Assets (Continued)

Measurement (Continued)

Equity instruments

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

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

Effective interest method

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

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

Impairment

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

For trade receivables, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables, see notes 7(b)(ii) and 25 for further details.

4 Significant accounting policies (Continued)

Financial Instruments (Continued)

Financial Assets (Continued)

Impairment (Continued)

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

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

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

Financial Liabilities and Equity Instruments

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

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

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

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

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

4 Significant accounting policies (Continued)

Financial Instruments (Continued)

Financial Liabilities and Equity Instruments (Continued)

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

Interest expense is recognised on an effective interest basis.

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

Offsetting Financial Instruments

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

Inventories

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

Cash and Cash Equivalents

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

4 Significant accounting policies (Continued)

Trade Payables

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

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

Segment Reporting

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

Foreign Currencies

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

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

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

4 Significant accounting policies (Continued)

Foreign Currencies (Continued)

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

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

Leases

The Group as lessee

As explained in note 3 above, the Group has changed its accounting policy for leases where the Group is the lessee. The new policy is described below and the impact of the change is described in note 3.

Until 31 December 2018, leases of the Group were classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) were recognised as an expense on a straight-line basis over the lease term.

From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

4 Significant accounting policies (Continued)

Leases (Continued)

The Group as lessee (Continued)

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payments that are based on an index or a rate;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms, security and conditions.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2019

4 Significant accounting policies (Continued)

Leases (Continued)

The Group as lessee (Continued)

Right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets represented those US$5,000 (equivalent to approximately HK$39,000) or below.

The Group as lessor

Rental income from operating leases is recognised in profit of loss on straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on a straight-line basis over the lease term. The respective leased assets are included in the consolidated statement of financial position based on their nature. The Group did not need to make any adjustments to the accounting for assets held as lessor as a result of adopting the new leasing standard.

Taxation

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

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

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

4 Significant accounting policies (Continued)

Taxation (Continued)

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

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

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

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

Share Capital

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

Revenue Recognition

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

Notes to the Financial Statements (Continued)

For the year ended 31 December 2019

4 Significant accounting policies (Continued)

Revenue Recognition (Continued)

Property management services and value-added services

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

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

Car parking spaces trading business

Revenue from car parking spaces trading business is recognised at a point of time when control of car parking spaces have transferred to customers.

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

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

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

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

4 Significant accounting policies (Continued)

Dividend Income

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

Interest Income

Interest income on financial assets at amortised cost calculated using the effective interest method is recognised in the consolidated income statement as part of other income and gains, net.

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

Government Grants

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

Employee Benefits

Retirement Benefit Costs

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

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

Termination benefits

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

Notes to the Financial Statements (Continued)

For the year ended 31 December 2019

4 Significant accounting policies (Continued)

Employee Benefits (Continued)

Bonus Plans

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

Employee Leave Entitlements

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

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

Share-based payments

Share-based payment transactions among group entities

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

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

Provisions

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

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

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

5 Key sources of estimation uncertainty and judgement

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

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

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

(a) Allowances on doubtful receivables

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

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

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

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

Notes to the Financial Statements (Continued)

For the year ended 31 December 2019

5 Key sources of estimation uncertainty and judgement (Continued)

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

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

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

(c) Fair value of investment properties

Investment properties are carried in the financial statements at their fair values of approximately HK$145,898,000 (2018: HK$132,586,000). The fair values were based on a valuation on these properties conducted by an independent firm of professional valuer using property valuation techniques which involve certain assumptions of market conditions. Favourable or unfavourable changes to these assumptions would result in changes in the fair values of the Group's investment properties and corresponding adjustments to the amount of gain or loss recognised in profit or loss.

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

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

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

Notes to the Financial Statements (Continued)

For the year ended 31 December 2019

5 Key sources of estimation uncertainty and judgement (Continued)

(e) Current taxation and deferred taxation

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

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

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

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

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

(g) Determination of the lease term and discount rate

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

5 Key sources of estimation uncertainty and judgement (Continued)

(g) Determination of the lease term and discount rate (Continued)

In determining the lease term, the following factors are normally the most relevant:

- if there are significant penalties to terminate (or not extend), the Group is typically reasonably certain to extend (or not terminate);
- if any leasehold improvements are expected to have a significant remaining value, the Group is typically reasonably certain to extend (or not terminate);
- otherwise, the Group considers other factors including historical lease durations and the costs and business disruption required to replace the leased asset.

In determining the discount rate, the Group is required to exercise considerable judgement in relation to determining the discount rate taking into account the nature and location of the underlying assets, and the terms and conditions of the leases at the commencement date.

6 Capital risk management

Capital risk

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

The capital structure of the Group consists of bank balances and cash and equity of the Group, comprising issued share capital, retained profits and other reserves.

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

The Group was in a net cash position as at 31 December 2018 and 2019.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2019

7 Financial instruments

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

(a) Categories of financial instruments

	As at 31 December	
	2019	2018
	HK$'000	HK$'000
		(Restated)
Financial assets		
Trade and other receivables	**766,247**	592,068
Deposits	**14,988**	9,795
Amount due from immediate holding company	**231**	384
Amounts due from fellow subsidiaries	**90,220**	150,670
Amounts due from related companies	**107,613**	118,648
Bank balances and cash	**2,495,693**	2,398,559
Financial assets at amortised costs	**3,474,992**	3,270,124
Financial liabilities		
Trade and other payables	**1,745,903**	1,608,976
Other deposits	**288,261**	276,927
Lease liabilities	**54,505**	—
Amount due to immediate holding company	**—**	1,547
Amounts due to fellow subsidiaries	**4,176**	2,906
Amounts due to related companies	**4,950**	—
Financial liabilities at amortised costs	**2,097,795**	1,890,356

(b) Financial risk management objectives and policies

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

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

Notes to the Financial Statements (Continued)

For the year ended 31 December 2019

7 Financial instruments (Continued)

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

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

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

(i) Market risk

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

Interest rate risk

The Company's cash flow interest rate risk relates primarily to its variable-rate bank balances amounting to approximately HK$2,495,693,000 (2018: HK$2,398,559,000 (restated)). Management monitors interest rate exposure on dynamic basis and will consider hedging significant interest rate exposure should the need arise.

Interest rate risk sensitivity analysis

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

If interest rates had been 25 basis points higher/lower and all other variables were held constant, the Group's profit before tax for the year end would increase/decrease by approximately HK$6,239,000 (2018: HK$5,996,000 (restated)). This is mainly attributable to the Group's exposure to cash flow interest rates on its variable-rate bank balances.

Currency risk

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

7 Financial instruments (Continued)

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

(ii) Credit risk

As at 31 December 2019, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the financial statements as at year end.

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

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

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

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

- trade receivables;
- payments on behalf of property owners for properties managed under commission basis;

Notes to the Financial Statements (Continued)
For the year ended 31 December 2019

7 Financial instruments (Continued)

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

(ii) Credit risk (Continued)

- other receivables;
- amounts due from immediate holding company, fellow subsidiaries and related companies; and
- bank balances.

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

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

On that basis, as at 31 December 2018 and 2019, details of key assumptions and inputs used and the impairment provision of trade receivables were disclosed in the table below:

	Aging analysis			
	Within 1 year HK$'000	**1-2 years HK$'000**	**Over 2 years HK$'000**	**Total HK$'000**
At 31 December 2018 (Restated)				
Expected loss rate	1%	10%	62%	
Gross carrying amount	326,830	62,870	92,054	481,754
Impairment provision	1,292	6,488	56,998	64,778
At 31 December 2019				
Expected loss rate	**1%**	**13%**	**61%**	
Gross carrying amount	**468,015**	**65,440**	**113,795**	**647,250**
Impairment provision	**1,498**	**8,305**	**69,885**	**79,688**

7 Financial instruments (Continued)

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

(ii) Credit risk (Continued)

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

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

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

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

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

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

Notes to the Financial Statements (Continued)

For the year ended 31 December 2019

7 Financial instruments (Continued)

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

(ii) Credit risk (Continued)

For the amounts due from immediate holding company, fellow subsidiaries and related companies, the Group had not encountered any significant difficulties in collecting from the related parties in the past, and is not aware of any significant financial difficulties experienced by the immediate holding company, fellow subsidiaries and related companies. As at 31 December 2018 and 31 December 2019, the Group has assessed that the expected loss rate for the amounts due from immediate holding company, fellow subsidiaries and related companies was minimal. The details are disclosed in note 26.

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

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

(iii) Liquidity risk

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

As at 31 December 2019, the Group had access to an undrawn borrowing facility of RMB300,000,000 (equivalent to approximately HK$338,983,000). The bank borrowing facility may be drawn at any time in RMB at a floating interest rate and will expire on 12 April 2021.

7 Financial instruments (Continued)

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

(iii) Liquidity risk (Continued)

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

	Within 1 year or on demand HK$'000	Between 1 and 2 years HK$'000	Between 2 and 5 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount HK$'000
As at 31 December 2019					
Trade and other payables	**1,745,903**	**—**	**—**	**1,745,903**	**1,745,903**
Other deposits	**288,261**	**—**	**—**	**288,261**	**288,261**
Lease liabilities	**22,279**	**11,485**	**21,276**	**55,040**	**54,505**
Amounts due to fellow subsidiaries	**4,176**	**—**	**—**	**4,176**	**4,176**
Amounts due to related companies	**4,950**	**—**	**—**	**4,950**	**4,950**
	2,065,569	**11,485**	**21,276**	**2,098,330**	**2,097,795**
As at 31 December 2018 (restated)					
Trade and other payables	1,608,976	—	—	1,608,976	1,608,976
Other deposits	276,927	—	—	276,927	276,927
Amount due to immediate holding company	1,547	—	—	1,547	1,547
Amounts due to fellow subsidiaries	2,906	—	—	2,906	2,906
	1,890,356	—	—	1,890,356	1,890,356

Notes to the Financial Statements (Continued)
For the year ended 31 December 2019

7 Financial instruments (Continued)

(c) Fair value

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

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

8 Revenue

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 not only economically viable and reasonably profitable but also complements the Group's other principal businesses 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.

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

Notes to the Financial Statements (Continued)

For the year ended 31 December 2019

9 Segment information

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

Property management services

Provision of 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 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.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2019

9 Segment information (Continued)

Segment revenue and results

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

	Property management services HK$'000	Value-added services HK$'000	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

Notes to the Financial Statements (Continued)

For the year ended 31 December 2019

9 Segment information (Continued)

Segment revenue and results (Continued)

	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

Notes to the Financial Statements (Continued)

For the year ended 31 December 2019

9 Segment information (Continued)

Segment revenue and results (Continued)

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

Segment profit included profits from the Company, the subsidiaries, 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.

Segment assets and liabilities

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

	Property management services HK$'000	Value-added services HK$'000	Car parking spaces trading business HK$'000	Unallocated HK$'000	Consolidated HK$'000
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)**
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)

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

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

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

Notes to the Financial Statements (Continued)
For the year ended 31 December 2019

9 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					
Amounts 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

Notes to the Financial Statements (Continued)

For the year ended 31 December 2019

9 Segment information (Continued)

Other segment information (Continued)

	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					
Amounts included in the measurement of segment results and segment assets:					
Interest income	37,665	137	—	935	38,737
Additions to property, plant and equipment	22,427	893	—	1,240	24,560
Additions to intangible assets	3,862	—	—	—	3,862
Loss on disposals of property, plant and equipment	218	—	—	—	218
Net impairment losses on financial assets — trade and other receivables	6,987	—	—	—	6,987
Depreciation and amortisation	16,333	1,355	—	193	17,881
Gain arising from changes in fair value of investment properties	—	4,345	—	—	4,345
Share of profit of an associate	200	—	—	—	200

Revenue by types of services

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

Notes to the Financial Statements (Continued)
For the year ended 31 December 2019

9 Segment information (Continued)

Information about geographical areas

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) 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: 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.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2019

9 Segment information (Continued)

Information about major customers

Except for revenue of HK$724,947,000 in 2019 (2018: HK$443,036,000) from China Overseas Land & Investment Limited ("COLI"), a fellow subsidiary of the Company which incorporated in Hong Kong and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited, there was no individual customer who accounted for over 10% of the Group's revenue for both years. Revenue from intermediate holding company, immediate holding company, fellow subsidiaries and related companies of the Company in aggregate is disclosed in note 37(b) to the financial statements.

10 Other income and gains, net

	Year ended 31 December	
	2019	2018
	HK$'000	HK$'000
Other income and gains, net include:		
Interest income	**34,752**	38,737
Unconditional government grants	**30,390**	9,816

11 Finance costs

	Year ended 31 December	
	2019	2018
	HK$'000	HK$'000
Interest and initial cost on bank borrowings	**—**	3,239
Interest expense on lease liabilities	**2,352**	—
	2,352	3,239

Notes to the Financial Statements (Continued)

For the year ended 31 December 2019

12 Income tax expenses

	Year ended 31 December	
	2019	2018
	HK$'000	HK$'000
		(Restated)
Current tax for the year:		
Hong Kong profits tax	**1,778**	2,300
Macau complementary income tax	**624**	239
PRC enterprise income tax ("EIT")	**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 (note 32)	**(2,735)**	2,114
Total	**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%).

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.

Notes to the Financial Statements (Continued)
For the year ended 31 December 2019

12 Income tax expenses (Continued)

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

	Year ended 31 December	
	2019	2018
	HK$'000	HK$'000
		(Restated)
Profit before tax	**760,546**	556,441
Tax at the applicable tax rate of 25%	**190,137**	139,110
Tax effect of share of profit of an associate	**(48)**	(50)
Tax effect of share of profit of a joint venture	**(44)**	—
Tax effect of expenses not deductible for tax purpose	**1,343**	837
Tax effect of income not taxable for tax purpose	**(322)**	(590)
Effect of different tax rates applicable to subsidiaries operating in Hong Kong and Macau	**(460)**	(1,715)
Income tax at concessionary tax rate	**(10,164)**	(5,665)
Tax effect of tax losses not recognised	**20,812**	12,424
Utilisation/recognition of tax losses previously not recognised	**(1,995)**	(3,074)
(Over)/under-provision in prior years	**(199)**	447
Withholding tax on dividends distributed from a PRC subsidiary	**17,231**	7,851
Others	**115**	(626)
Income tax expenses for the year	**216,406**	148,949

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

13 Profit for the year

	Year ended 31 December	
	2019	2018
	HK$'000	HK$'000
		(Restated)
Profit for the year has been arrived at after charging/ (crediting):		
Auditor's remuneration		
— Audit services in respect of annual audit	**3,602**	3,090
— Non-audit services	**458**	186
Tax surcharges and other levies	**22,079**	17,846
Impairment provision for trade and other receivables, net	**867**	6,987
Depreciation of property, plant and equipment and right-of-use assets, included in:		
— direct operating expenses	**26,894**	12,834
— administrative expenses	**10,213**	2,057
Amortisation of prepaid lease payments for land	**—**	258
Amortisation of intangible assets included in administrative expenses	**3,719**	2,732
Staff costs:		
— general staff costs including directors' emoluments and share-based payment (Note)	**2,867,220**	2,167,864
Sub-contracting costs	**798,509**	547,617
Rental expenses in respect of land and building under operating leases	**15,981**	24,384
Utility costs	**398,525**	304,664
Loss on disposals of property, plant and equipment	**814**	218
Cost of inventories recognised as expenses	**322,834**	126,510
Rental income under operating lease	**(2,865)**	(2,443)
Less: Outgoings	**144**	75
Rental income under operating lease, net	**(2,721)**	(2,368)

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

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

The total cost recognised in the consolidated income statement of approximately HK$173.3 million (2018: HK$140.9 million (restated)), which has been included in staff costs disclosed above, represents contributions payable to the schemes by the Group in respect of the current accounting period.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2019

14 Directors' emoluments

The emoluments paid or payable to the directors of the Company for the years ended 31 December 2019 and 2018 are as follows:

		Year ended 31 December 2019				
		As directors				
	Note	Directors' fees	Basic salaries, allowances and benefits-in-kind (Note (j))	Performance related bonuses (Note (a))	Contributions to provident fund schemes	Total
		HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Executive Directors						
Yang Ou	(e)	—	1,507	4,919	457	6,883
Pang Jinying	(f)	—	1,296	3,077	341	4,714
Kam Yuk Fai		—	1,838	750	18	2,606
Non-executive Directors						
Yan Jianguo	(g)	—	—	—	—	—
Independent Non-executive Directors						
Lim Wan Fung, Bernard Vincent		250	—	—	—	250
Yung Wing Ki, Samuel		360	—	—	—	360
So, Gregory Kam Leung	(i)	360	—	—	—	360
		970	4,641	8,746	816	15,173

Notes to the Financial Statements (Continued)
For the year ended 31 December 2019

14 Directors' emoluments (Continued)

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

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

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

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

14 Directors' emoluments (Continued)

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

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

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

(g) During the year ended 31 December 2018, Mr. Yan has agreed to waive 2018 emoluments of HK$500,000 and his emoluments was HK$Nil per year with effect from 1 January 2019. Subsequent to the end of the reporting period, Mr. Yan resigned from the position as the Non-executive Director and Chairman of the Company on 11 February 2020.

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

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

(j) Benefits-in-kind included non-cash benefits of share-based payments granted to certain directors of the Company (see Note 31(b)).

(k) Subsequent to the end of the reporting period, Mr. Zhang Guiqing was appointed as the Executive Director and Chairman of the Company on 11 February 2020.

Save as disclosed above, no directors waived any emoluments in both years ended 31 December 2019 and 2018.

No directors received any emoluments as inducement to join or upon joining the Company or as compensation for loss of office in both years ended 31 December 2019 and 2018.

15 Earnings per share

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

	Year ended 31 December	
	2019	2018 (Restated)
Earnings		
Earnings for the purpose of basic earnings per share (HK$'000)	**537,840**	403,189
Number of shares		
Adjusted weighted average number of ordinary share for the purpose of basic earnings per share	**3,286,860,460**	3,286,860,460
Basic earnings per share (HK cents)	**16.36**	12.27

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.

16 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.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2019

16 Dividends (Continued)

		Dividend paid Year ended 31 December	
		2019	2018
	HK$'000	**HK$'000**	HK$'000
2017			
Final dividend of HK1.5 cents per ordinary share	49,303		49,303
2018			
Interim dividend of HK2.0 cents per ordinary share	65,737		65,737
Final dividend of HK2.0 cents per ordinary share	65,737	**65,737**	
	131,474		
2019			
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

17 Investment properties

	Completed properties in the PRC HK$'000
Fair value	
At 1 January 2018	106,083
Gain arising from changes in fair value of investment properties	4,345
Transfer from self-used properties	29,134
Exchange realignment	(6,976)
At 31 December 2018	**132,586**
Gain arising from changes in fair value of investment properties	**2,572**
Transfer from self-used properties	**12,429**
Exchange realignment	**(1,689)**
At 31 December 2019	**145,898**

17 Investment properties (Continued)

Valuation processes of the Group

The fair values of the investment properties, including both land and building elements held by the Group at the end of the reporting period have been arrived on the basis of a valuation carried out on that date by CHFT Advisory and Appraisal Limited (2018: Cushman & Wakefield Limited).

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

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

At each financial year end the finance department:

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

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

Fair value measurements using significant unobservable inputs

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

The Group's investment properties carried at fair value of HK$145,898,000 (2018: HK$132,586,000) are valued by fair value measurements using significant unobservable inputs (level 3). The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer. There were no transfers between Levels 1, 2 and 3 during the year.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2019

17 Investment properties (Continued)

Fair value measurements using significant unobservable inputs (Continued)

Description	Fair value at 31 December 2019 HK$'000	Valuation techniques	Unobservable inputs	Range of unobservable inputs
Completed investment properties in the PRC				
Office	**27,875**	**Investment approach**	**Prevailing market rents**	**RMB96.3–130 per square metre per month**
			Reversionary yield	**4.25%–5%**
Retail	**48,904**	**Investment approach**	**Prevailing market rents**	**RMB150–260 per square metre per month**
			Reversionary yield	**5.75%–6.5%**
Carparks	**56,690**	**Direct comparison**	**Unit price**	**RMB152,000–RMB840,000 per carpark space**
Residential property	**12,429**	**Investment approach**	**Prevailing market rents**	**RMB48.9–54.1 per square metre per month**
			Reversionary yield	**1.4%–1.5%**
Total	**145,898**			

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

17 Investment properties (Continued)

Fair value measurements using significant unobservable inputs (Continued)

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

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

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

18 Property, plant and equipment

	Buildings HK$'000	Machinery and equipment HK$'000	Motor vehicles HK$'000	Furniture, fixtures, and office equipment HK$'000	Total HK$'000
Cost					
At 1 January 2018	8,036	16,193	43,030	94,618	161,877
Exchange realignment	(442)	(682)	(2,114)	(5,237)	(8,475)
Additions	1,486	2,410	3,349	17,315	24,560
Disposals	—	(5,612)	(1,256)	(5,182)	(12,050)
Transfer to investment properties	(403)	—	—	—	(403)
Transfers (note)	—	(216)	—	(531)	(747)
At 31 December 2018	8,677	12,093	43,009	100,983	164,762
Exchange realignment	(192)	(144)	(308)	(1,232)	(1,876)
Additions	8,482	1,380	5,577	20,530	35,969
Disposals	—	(4,059)	(17,719)	(19,637)	(41,415)
Transfer to investment properties	(1,309)	—	—	—	(1,309)
At 31 December 2019	15,658	9,270	30,559	100,644	156,131

Notes to the Financial Statements (Continued)

For the year ended 31 December 2019

18 Property, plant and equipment (Continued)

	Buildings HK$'000	Machinery and equipment HK$'000	Motor vehicles HK$'000	Furniture, fixtures, and office equipment HK$'000	Total HK$'000
Accumulated Depreciation					
At 1 January 2018	4,913	12,187	36,408	73,445	126,953
Exchange realignment	(256)	(485)	(1,837)	(4,016)	(6,594)
Provided for the year	414	1,665	3,782	9,030	14,891
Eliminated on disposals	—	(4,750)	(1,134)	(4,726)	(10,610)
Transfer to investment properties	(171)	—	—	—	(171)
Transfers (note)	—	(211)	13	(444)	(642)
At 31 December 2018	4,900	8,406	37,232	73,289	123,827
Exchange realignment	(37)	(83)	(196)	(732)	(1,048)
Provided for the year	870	1,340	2,613	11,118	15,941
Eliminated on disposals	—	(3,826)	(17,498)	(16,909)	(38,233)
Transfer to investment properties	(827)	—	—	—	(827)
At 31 December 2019	4,906	5,837	22,151	66,766	99,660
Carrying values					
At 31 December 2019	10,752	3,433	8,408	33,878	56,471
At 31 December 2018	3,777	3,687	5,777	27,694	40,935

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

Notes to the Financial Statements (Continued)

For the year ended 31 December 2019

18 Property, plant and equipment (Continued)

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

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

19 Right-of-use assets and lease liabilities

(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:

	As at	
	31 December 2019 HK$'000	1 January 2019 HK$'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 includes the recognition of interest expense of the lease liabilities and depreciation of the right-of-use assets instead of rental expenses. The resulting impact on net profit for the period is insignificant.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2019

19 Right-of-use assets and lease liabilities (Continued)

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

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.

(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 costs)	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, which constitute connected transactions under Chapter 14A of the Listing Rules.

Notes to the Financial Statements (Continued)
For the year ended 31 December 2019

20 Intangible assets

	Software 2019 HK$'000	2018 HK$'000
Cost		
At 1 January	**9,493**	6,088
Additions	**9,368**	3,862
Exchange realignment	**(330)**	(457)
At 31 December	**18,531**	9,493
Accumulated amortisation		
At 1 January	**3,261**	669
Amortisation	**3,719**	2,732
Exchange realignment	**(106)**	(140)
At 31 December	**6,874**	3,261
Carrying values		
At 31 December	**11,657**	6,232

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

21 Prepaid lease payments for land

	HK$'000
At 1 January 2018	2,266
Exchange realignment	(92)
Transfer to investment properties	(232)
Amortisation	(258)
At 31 December 2018	1,684
Reclassified to right-of-use assets upon adoption of HKFRS 16 (note 3)	(1,684)
At 31 December 2019	—

Notes to the Financial Statements (Continued)

For the year ended 31 December 2019

21 Prepaid lease payments for land (Continued)

Analysed for reporting purposes as:

	As at 31 December	
	2019	2018
	HK$'000	HK$'000
Non-current asset	—	1,458
Current asset	—	226
	—	1,684

22 Interest in an associate

	As at 31 December	
	2019	2018
	HK$'000	HK$'000
Cost of investments, unlisted	—	—
Share of post-acquisition profits and other comprehensive income, net of dividends received	**145**	552
	145	552

Set out below are the particulars of the associate as at 31 December 2019 and 2018.

Name of entity	Place of incorporation	Place of operation	As at 31 December 2019 %	2018 %	Principal activity
Windsor Heights Estate Management Company Limited	Hong Kong	Hong Kong	**25**	25	Property management

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

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

Notes to the Financial Statements (Continued)

For the year ended 31 December 2019

23 Interest in a joint venture

	As at 31 December	
	2019	2018
	HK$'000	HK$'000
Cost of investments, unlisted	**2,987**	—
Share of post-acquisition profits and other comprehensive income, net of dividends received	**177**	—
	3,164	—

Set out below are the particulars of the joint venture as at 31 December 2019 and 2018.

Name of entity	Place of incorporation	Place of operation	As at 31 December 2019 %	2018 %	Principal activity
成都城投中海物業管理有限公司 (Chengdu Cheng Tou Zhong Hai Property Management Limited*)	PRC	Chengdu	**51**	—	Property management

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

There are no significant contingent liabilities relating to the Group's interest in a joint venture.

* 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.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2019

24 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$391,222,000 (including value-added tax), of which HK$181,349,000 constitute continuing connected transactions as defined in Chapter 14A of the Listing Rules subject to respective capped amounts. The remaining amount of HK$209,873,000 constitute connected transactions with the fellow subsidiary as defined in Chapter 14A of the Listing Rules.

25 Trade and other receivables

	As at 31 December	
	2019	2018
	HK$'000	HK$'000
		(Restated)
Trade receivables (note (a))	**647,250**	481,754
Less: provision for impairment	**(79,688)**	(64,778)
	567,562	416,976
Payments on behalf of property owners for properties managed under commission basis (note (b))	**149,881**	145,865
Less: provision for impairment	**(58,646)**	(74,429)
	91,235	71,436
Payments on behalf of property owners for properties managed under lump sum basis, sub-contractors and staff	**68,754**	78,578
Other receivables	**38,696**	25,078
	107,450	103,656
	766,247	592,068

25 Trade and other receivables (Continued)

(a) Trade receivables

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

	As at 31 December	
	2019	2018
	HK$'000	HK$'000
		(Restated)
Trade receivables, aged		
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
Less: provision for impairment	**(79,688)**	(64,778)
	567,562	416,976

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 agreement.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2019

25 Trade and other receivables (Continued)

(a) Trade receivables (Continued)

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

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

The Group did not hold any collateral over these balances.

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

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

	As at 31 December	
	2019	2018
	HK$'000	HK$'000
At the beginning of the reporting period, as previously reported	**64,778**	47,902
Adjustment on adoption of HKFRS 9*	**—**	2,512
At the beginning of the reporting period, as restated	**64,778**	50,414
Net impairment provision for the year	**15,963**	17,566
Exchange realignment	**(1,053)**	(3,202)
At the end of the reporting period	**79,688**	64,778

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

Notes to the Financial Statements (Continued)
For the year ended 31 December 2019

25 Trade and other receivables (Continued)

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

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

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

The Group did not hold any collateral over these balances.

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

	As at 31 December	
	2019	2018
	HK$'000	HK$'000
At the beginning of the reporting period	**74,429**	89,080
Net reversal of impairment provision for the year	**(15,096)**	(10,579)
Exchange realignment	**(687)**	(4,072)
At the end of the reporting period	**58,646**	74,429

Notes to the Financial Statements (Continued)
For the year ended 31 December 2019

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

	As at 31 December	
	2019	2018
	HK$'000	HK$'000
		(Restated)
Amount due from immediate holding company		
Trade nature	**231**	384
Amounts due from fellow subsidiaries		
Trade nature	**90,220**	146,665
Non-trade nature	**—**	4,005
	90,220	150,670
Amounts due from related companies		
Trade nature	**22,838**	32,806
Non-trade nature	**84,775**	85,842
	107,613	118,648
Less: Amount classified as non-current assets		
— non-trade nature	**—**	(85,842)
Amount classified as current assets	**107,613**	32,806

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

	As at 31 December	
	2019	2018
	HK$'000	HK$'000
0–30 days	**80**	384
31–90 days	**89**	—
Over 90 days	**62**	—
	231	384

Notes to the Financial Statements (Continued)
For the year ended 31 December 2019

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

The following is an aging analysis of trade nature amounts due from fellow subsidiaries based on invoice date presented at the end of the reporting period:

	As at 31 December	
	2019	2018
	HK$'000	HK$'000
0–30 days	**35,952**	104,410
31–90 days	**21,708**	14,666
91–365 days	**20,486**	16,813
1–2 years	**7,003**	5,753
Over 2 years	**5,071**	5,023
	90,220	146,665

The following is an aging analysis of trade nature amounts due from related companies based on invoice date presented at the end of the reporting period:

	As at 31 December	
	2019	2018
	HK$'000	HK$'000
0–30 days	**5,867**	11,102
31–90 days	**3,348**	8,761
91–365 days	**10,251**	7,255
1–2 years	**2,540**	3,554
Over 2 years	**832**	2,134
	22,838	32,806

The trade nature amounts due from immediate holding company, fellow subsidiaries and related companies are mainly arisen from property management services income from properties managed under lump sum basis in the PRC, which are due for payment by the corresponding parties upon the issuance of demand note. There are no material impairment as there is no indicator of higher credit risk on these balances and management consider these receivables are still performing as at 31 December 2019.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2019

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

During the year ended 31 December 2017, a subsidiary of CITIC Acquired Property Management Group as the lender and a related company of the Group as the borrower entered into a loan agreement to extend an unsecured loan of RMB75,026,000 (equivalent to approximately HK$85,842,000 in 2018 and HK$84,775,000 in 2019) which subsisted at year end, with an interest rate of 4.75% per annum and is repayable in 18 October 2020. This constituted a connected transaction as defined in Chapter 14A of the Listing Rules.

The non-trade nature of amount due from a fellow subsidiary of HK$4,005,000 as at 31 December 2018 was unsecured, interest-free and repayable on demand.

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

27 Bank balances and cash

	As at 31 December	
	2019	2018
	HK$'000	HK$'000
		(Restated)
Bank balances and cash	**2,495,693**	2,398,559
Less: bank deposits over three months maturity	**(881,356)**	(423,341)
Cash and cash equivalents in the consolidated statement of cash flows	**1,614,337**	1,975,218

All bank deposits of the Group carry interest at market rates which range from 0.01% to 4.13% (2018: 0.01% to 4.84%) per annum as at 31 December 2019.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2019

28 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

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 aging 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

Notes to the Financial Statements (Continued)

For the year ended 31 December 2019

29 Receipts in advance and other deposits

	As at 31 December	
	2019	2018
	HK$'000	HK$'000
Receipts in advance	**451,829**	393,664
Other deposits	**288,261**	276,927
	740,090	670,591

Except for those classified in amounts due to fellow subsidiaries and related companies as disclosed in note 30, contract liabilities of the Group arise from receipts in advance, which represented the advance payments made by customers while the underlying services are yet to be provided amounted to HK$451,829,000 (2018: HK$393,664,000). There is no significant changes in contract liabilities.

Revenue recognised in relation to contract liabilities

Revenue from property management services and value-added services HK$387,836,000 (2018: HK$368,965,000) and HK$234,000 (2018: HK$203,000) respectively, are recognised in the current reporting period, which was included in the contract liability balances as at 1 January 2019.

Unsatisfied performance obligations

The Group has unsatisfied performance obligations resulting from property management service contracts made with third parties, fellow subsidiaries and related companies. The aggregate amount of the property management service contracts that services not yet rendered as at 31 December 2019 is HK$1,595,755,000 (2018: HK$2,174,262,000), in which approximately 64% (2018: 54%) is expected to be recognised as revenue within a year.

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

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

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

	As at 31 December	
	2019	2018
	HK$'000	HK$'000
Amount due to immediate holding company		
Non-trade nature	**—**	1,547
Amounts due to fellow subsidiaries		
Trade nature:		
Receipts in advance	**156**	5,916
Others	**4,176**	2,906
	4,332	8,822
Amounts due to related companies		
Trade nature:		
Receipts in advance	**1,638**	2,496
Others	**4,950**	—
	6,588	2,496

The following is an aging analysis of other trade nature amounts due to fellow subsidiaries based on invoice date presented at the end of the reporting period:

	As at 31 December	
	2019	2018
	HK$'000	HK$'000
0–30 days	**4,021**	1,978
31–90 days	**20**	—
91–365 days	**83**	889
1–2 years	**52**	39
	4,176	2,906

30 Amounts due to immediate holding company, fellow subsidiaries and related companies (Continued)

The following is an aging analysis of other trade nature amounts due to related companies based on invoice date presented at the end of the reporting period:

	As at 31 December	
	2019	2018
	HK$'000	HK$'000
0–30 days	**4,591**	—
31–90 days	**190**	—
91–365 days	**169**	—
	4,950	—

Receipts in advance of amounts due to fellow subsidiaries and amounts due to related companies are contract liabilities of the Group, which represents advance payments made by fellow subsidiaries and related companies while the underlying services are not yet to be provided, amounted to HK$156,000 and HK$1,638,000 respectively (2018: HK$5,916,000 and HK$2,496,000 respectively). The balance of receipts in advance depends on cash receipts during the corresponding year.

Revenue from property management services, which were included in the amounts due to fellow subsidiaries and related companies at 1 January 2019, of HK$5,910,000 (2018: HK$10,623,000) and HK$2,496,000 (2018: HK$1,460,000) respectively, are recognised in the current reporting period.

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

31 Share capital and reserves

(a) Share Capital

	2019		2018	
	Number of shares	**Value**	Number of shares	Value
		HK$'000		HK$'000
Issued and fully paid				
At beginning and at end of the year	**3,286,860,460**	**3,287**	3,286,860,460	3,287

(b) Share-based Payments

A-shares Restricted Stock Incentive Plan (Phase II)

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

During the year ended 31 December 2018, pursuant to the bonus issue of CSCECL on the basis of 4 new shares for 10 existing shares, there was an increase in number of ordinary shares of CSCECL, and resulted in a corresponding increase in the number of shares issued under this incentive plan, after netting off the effect from certain changes of directors and employees.

31 Share capital and reserves (Continued)

(b) Share-based Payments (Continued)

A-shares Restricted Stock Incentive Plan (Phase III)

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

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

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

During the year ended 31 December 2019, total expenses arising from share-based payment were recognised in profit or loss amounting to HK$4,225,000 (2018: HK$500,000), with a corresponding credit to equity.

	2019	2018
	'000	'000
Number of shares issued under the incentive plan granted to certain employees of the Group at end of the reporting period		
A-shares Restricted Stock Incentive Plan (Phase II)	**1,344**	1,344
A-shares Restricted Stock Incentive Plan (Phase III)	**5,580**	5,580
	6,924	6,924

Notes to the Financial Statements (Continued)
For the year ended 31 December 2019

31 Share capital and reserves (Continued)

(c) Reserves

Details of the movement in the Group's reserves are set out in the consolidated statement of changes in equity on pages 118 to 119. The nature and purpose of the reserves are as follows:

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

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

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

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

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

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

Notes to the Financial Statements (Continued)

For the year ended 31 December 2019

31 Share capital and reserves (Continued)

(c) Reserves (Continued)

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

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

— On 15 August 2019, the Company (through its direct wholly-owned subsidiary) (the "Purchaser") entered into the acquisition agreement with its intermediate holding company, 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 Wuhan Zhong Jian at a consideration of RMB4.7 million (equivalent to approximately HK$5.2 million) ("Wuhan Zhong Jian Acquisition"). The entire equity interest of Wuhan Zhong Jian was transferred to the Group on 16 August 2019.

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.

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

The acquisitions as described above are regarded as a business combination under common control. The financial statements have been prepared using the principles of merger accounting and the excess of considerations over the paid up capital of the acquired group as the result of the acquisitions are debited to special reserve, respectively.

(v) Capital reserve represented capital contribution relating to share-based payment borne by an intermediate holding company (see note 31(b)).

Notes to the Financial Statements (Continued)
For the year ended 31 December 2019

32 Deferred tax

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

Deferred tax assets/(liabilities)

	Tax losses HK$'000	Provisions HK$'000	Revaluation of investment properties and accelerated tax deprecation HK$'000	Provision for unused annual leave HK$'000	Total HK$'000
At 1 January 2018	5,249	30,550	(23,426)	1,108	13,481
Adjustment on adoption of HKFRS 9	—	530	—	—	530
At 1 January 2018, as restated	5,249	31,080	(23,426)	1,108	14,011
Charged to other property revaluation reserve	—	—	(7,166)	—	(7,166)
(Charged)/credited to profit or loss	(1,770)	560	(955)	51	(2,114)
Exchange realignment	(196)	(1,922)	1,565	—	(553)
At 31 December 2018	3,283	29,718	(29,982)	1,159	4,178
Charged to other property revaluation reserve	—	—	(2,989)	—	(2,989)
(Charged)/credited to profit or loss	(3,295)	6,014	(125)	141	2,735
Exchange realignment	12	(1,109)	384	—	(713)
At 31 December 2019	—	34,623	(32,712)	1,300	3,211

Notes to the Financial Statements (Continued)
For the year ended 31 December 2019

32 Deferred tax (Continued)

Deferred tax assets/(liabilities) (Continued)

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

	As at 31 December	
	2019	2018
	HK$'000	HK$'000
Deferred tax assets	**35,006**	26,427
Deferred tax liabilities	**(31,795)**	(22,249)
	3,211	4,178

Under the EIT Law of the PRC, withholding income tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards, charging at the prevailing tax rate applied in the PRC tax jurisdiction. As at 31 December 2019, deferred taxation amounting to approximately HK$50,252,000 (2018: HK$32,587,000) has not been provided for in the financial statements in respect of temporary differences attributable to accumulated profits of the PRC subsidiaries as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

As at 31 December 2019, the Group had unused tax losses of approximately HK$230,753,000 (2018: HK$182,069,000) available for offsetting against future profits. No deferred tax asset has been recognised in respect of tax losses amounted to HK$230,753,000 (2018: HK$168,405,000) due to the unpredictability of future profit streams. Included in the tax losses are losses of approximately HK$28,148,000 as at 31 December 2019 (2018: HK$28,637,000) that will expire within five years from the end of the reporting period. Other tax losses may be carried forward indefinitely.

33 Notes to consolidated statement of cash flows

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

	Bank borrowings HK$'000	Other payable-Interest payable HK$'000	Lease liabilities HK$'000	Amount due to immediate holding company (Non-trade) HK$'000	Total HK$'000
As at 31 December 2017	265,000	399	—	1,417	266,816
Cash flows					
— inflow from financing activities	—	—	—	3,835	3,835
— outflow from financing activities	(265,000)	(3,638)	—	(3,705)	(272,343)
Exchange realignment	—	—	—	—	—
Non-cash transactions	—	3,239	—	—	3,239
As at 31 December 2018	**—**	**—**	**—**	**1,547**	**1,547**
Cash flows					
— inflow from financing activities	**—**	**—**	**—**	**4,797**	**4,797**
— outflow from financing activities	**—**	**—**	**(23,841)**	**(6,344)**	**(30,185)**
Exchange realignment	**—**	**—**	**(964)**	**—**	**(964)**
Adoption of HKFRS 16 (Note 3)	**—**	**—**	**26,862**	**—**	**26,862**
Non-cash transactions	**—**	**—**	**52,448**	**—**	**52,448**
As at 31 December 2019	**—**	**—**	**54,505**	**—**	**54,505**

34 Operating lease commitment

The Group as lessor

As at 31 December 2019, completed investment properties and inventories of car parking spaces with carrying amounts of HK$145,898,000 (2018: HK$132,586,000) and HK$418,408,000 (2018: HK$37,142,000) respectively, were let out under operating leases.

Property rental income earned is HK$2,865,000 for the year ended 31 December 2019 (2018: HK$2,443,000). The office leased out has committed tenants for 1 to 5 years without termination options granted to tenants and the car parking spaces were leased out on a temporary short-term basis.

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

	As at 31 December	
	2019	2018
	HK$'000	HK$'000
Within one year	**2,460**	1,862
In the second to fifth year inclusive	**2,550**	3,334
	5,010	5,196

The Group as lessee

From 1 January 2019, the Group has recognised right-of-use assets for these leases, except for short-term and low-value leases, see notes 3 and 19 for further information.

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

	As at 31 December	
	2019	2018
	HK$'000	HK$'000
Within one year	**6,963**	26,541
In the second to fifth year inclusive	**—**	12,620
	6,963	39,161

34 Operating lease commitment (Continued)

The Group as lessee (Continued)

The operating lease commitments as lessee as at 31 December 2019 represents short-term and low-value leases under HKFRS 16 (note 3), while operating lease commitments as lessee as at 31 December 2018 related to all leases before the adoption of HKFRS 16 on 1 January 2019 (note 3). Lease payments represent rentals payable by the Group for certain of its office properties and dormitories. Leases are negotiated and rentals are fixed for 1 month to 5 years.

The Company had commitments for future minimum lease payment under non-cancellable leases which falls due within one year of HK$363,000 (2018: HK$3,695,000) and in the second to fifth year inclusive of HK$Nil (2018:HK$2,773,000). It represented rental payable by the Company for its office property, lease is negotiated and rental is fixed for 1 year (2018: 3 years).

35 Capital commitments

Significant capital commitments contracted for at the end of the reporting period but not recognised as liabilities is as follows:

	As at 31 December	
	2019	2018
	HK$'000	HK$'000
Capital investment into subsidiaries and a joint venture	**112,034**	—
Acquisition of property, plant and equipment and intangible assets	**8,983**	—
	121,017	—

36 Performance guarantees

As at 31 December 2019, the Group provided counter indemnities to a fellow subsidiary and banks amounting to approximately HK$128,929,000 as at 31 December 2019 (2018: HK$94,467,000) for performance guarantees issued by the fellow subsidiary and the bank in respect of certain property management service contracts undertaken by the Group.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2019

37 Related party transactions

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

The table set forth below summarises the name of the major related parties which are entities as defined in the HKAS 24 Revised "Related Party Disclosures" and the nature of their relationship with the Group as at 31 December 2019:

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

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

(a) Year-end balances

Details of balances with immediate holding company, fellow subsidiaries and related companies are disclosed in notes 26 and 30.

(b) Transactions with related parties

Nature of transaction	Note	**Year ended 31 December** **2019** **HK$'000**	2018 HK$'000
Intermediate holding company/Immediate holding company/Fellow subsidiaries			
Property management income and engineering income	(i)	**792,969**	498,561
Rental paid and utility expenses	(ii)	**85,407**	76,877
Related companies			
Property management income and engineering income	(i)	**153,697**	111,228

37 Related party transactions (Continued)

(b) Transactions with related parties (Continued)

Notes:

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

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

Save as disclosed elsewhere in the consolidated financial statements, the related party transactions during the year ended 31 December 2019 and 2018 in respect of items (i) and (ii) above for property management income and engineering income and rental paid and utility expenses constitute continuing connected transactions as defined in Chapter 14A of the Listing Rules subject to respective capped amounts.

(c) Performance guarantees

As at 31 December 2019, the Group provided counter indemnities to a fellow subsidiary amounting to approximately HK$64,965,000 (2018: HK$47,932,000) for performance guarantees issued by the fellow subsidiary in respect of certain property management service contracts undertaken by the Group.

(d) Five highest paid individuals

Of the five individuals with the highest emoluments in the Group, two (2018: one) were directors of the Company whose emoluments are included in note 14. The emoluments of the remaining three (2018: four) individuals were set out below.

	Year ended 31 December	
	2019	2018
	HK$'000	HK$'000
Basic salaries, allowances and benefits-in-kinds	**4,470**	4,418
Performance-related bonus	**6,817**	7,049
Contribution to provident fund schemes	**591**	509
	11,878	11,976

Notes to the Financial Statements (Continued)

For the year ended 31 December 2019

37 Related party transactions (Continued)

(d) Five highest paid individuals (Continued)

Their emoluments were within the following bands:

	Year ended 31 December 2019	2018
HK$2,500,001 to HK$3,000,000	—	2
HK$3,000,001 to HK$3,500,000	—	2
HK$3,500,001 to HK$4,000,000	2	—
HK$4,500,001 to HK$5,000,000	1	—
	3	4

These individuals did not receive any emoluments as inducement to join or upon joining the Company or as compensation for loss of office during the years ended 31 December 2019 and 2018.

(e) Key management compensation

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

	Year ended 31 December 2019 HK$'000	2018 HK$'000
Short-term benefits	36,418	30,835
Contribution to provident fund schemes	2,146	1,483
	38,564	32,318

Notes to the Financial Statements (Continued)
For the year ended 31 December 2019

37 Related party transactions (Continued)

(e) Key management compensation (Continued)

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

	Year ended 31 December	
	2019	2018
HK$1,500,001 to HK$2,000,000	**1**	1
HK$2,000,001 to HK$2,500,000	**—**	2
HK$2,500,001 to HK$3,000,000	**—**	2
HK$3,000,001 to HK$3,500,000	**2**	2
HK$3,500,001 to HK$4,000,000	**3**	—
HK$4,500,001 to HK$5,000,000	**1**	—
	7	7

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

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

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

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

Notes to the Financial Statements (Continued)

For the year ended 31 December 2019

38 Particulars of subsidiaries

As at 31 December 2019, the Company has direct and indirect interests in the following subsidiaries:

Name of subsidiary	Place of incorporation/ establishment	Date of incorporation/ establishment	Registered/ issued and paid up capital	Attributable equity interest of the Group Direct %	Attributable equity interest of the Group Indirect %	Principal activities	Place of operations
China Overseas Property Services Limited	Hong Kong	23 December 1986	HK$100	100	—	Real estate management and investment holding	Hong Kong
Gold Court (Macau) Property Services Limited	Macau	8 September 2005	MOP250,000/ MOP25,000	96	4	Real estate management	Macau
中海物業管理有限公司	PRC	7 April 1995	RMB50,000,000	100	—	Real estate management and investment holding	PRC
China Overseas Property Management Trade Mark Limited	Hong Kong	10 April 2015	HK$1	100	—	Holding of trademarks	Hong Kong
China Overseas Building Management Limited	Hong Kong	16 May 1991	HK$100	—	100	Real estate management	Hong Kong
China Overseas Security Services Limited	Hong Kong	28 May 2003	HK$2	—	100	Provision of security services	Hong Kong
Meport Services Limited	Hong Kong	30 May 1989	HK$100	—	100	Provision of building cleaning and maintenance services	Hong Kong
Meport (Macau) Engineering Services Limited	Macau	19 July 2018	MOP25,000	—	100	Provision of building cleaning and maintenance services	Macau
上海中海物業管理有限公司	PRC	26 June 1995	RMB5,050,000	—	100	Real estate management	PRC

Notes to the Financial Statements (Continued)

For the year ended 31 December 2019

38 Particulars of subsidiaries (Continued)

Name of subsidiary	Place of incorporation/ establishment	Date of incorporation/ establishment	Registered/ issued and paid up capital	Attributable equity interest of the Group Direct %	Indirect %	Principal activities	Place of operations
深圳市興海物聯科技有限公司	PRC	29 June 1998	RMB20,000,000	—	100	Provision of repair and maintenance services	PRC
深圳市興海投資有限公司	PRC	14 August 1998	RMB2,000,000	—	100	Provision of automation and other equipment upgrade services	PRC
深圳市興海機電工程有限公司 (formerly known as 深圳市中海電梯工程有限公司)	PRC	28 December 1998	RMB5,000,000	—	100	Provision of repair and maintenance services	PRC
長春中海物業管理有限公司	PRC	14 November 2003	RMB3,000,000	—	100	Real estate management	PRC
成都中海物業管理有限公司	PRC	25 May 2001	RMB5,000,000	—	100	Real estate management	PRC
湖南省中海海惠物業管理有限公司	PRC	12 September 2005	RMB2,000,000	—	84	Real estate management	PRC
深圳市中海商業服務有限公司	PRC	10 October 2000	RMB5,000,000	—	60	Real estate management	PRC
中海物業管理廣州有限公司	PRC	28 August 1995	RMB15,800,000	—	100	Real estate management	PRC
河南(海略)信息科技有限公司	PRC	20 December 2018	RMB1,000,000	—	100	Provision of service through online-to-offline ("O2O") platform	PRC
北京中海物業管理有限公司	PRC	21 January 1999	RMB5,000,000	—	100	Real estate management	PRC

Notes to the Financial Statements (Continued)

For the year ended 31 December 2019

38 Particulars of subsidiaries (Continued)

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

Notes to the Financial Statements (Continued)
For the year ended 31 December 2019

38 Particulars of subsidiaries (Continued)

Name of subsidiary	Place of incorporation/ establishment	Date of incorporation/ establishment	Registered/ issued and paid up capital	Attributable equity interest of the Group Direct %	Attributable equity interest of the Group Indirect %	Principal activities	Place of operations
廣東中海物業服務有限公司	PRC	25 August 1995	RMB10,000,000	—	100	Real estate management	PRC
天津中海物業管理服務有限公司	PRC	12 March 2010	RMB3,000,000	—	100	Real estate management	PRC
天津中海津信物業服務有限公司	PRC	23 May 1996	RMB500,000	—	100	Real estate management	PRC
中海海惠物業服務有限公司	PRC	16 May 2008	RMB50,000,000	—	100	Real estate management	PRC
深圳市百利行物業發展有限公司	PRC	23 August 2004	RMB3,000,000	—	100	Real estate management	PRC
武漢中建捷誠物業管理有限公司	PRC	14 August 2009	RMB3,500,000	—	100	Real estate management	PRC
鄭洲中海僑城物業管理有限公司	PRC	25 July 2019	RMB5,000,000	—	51	Real estate management	PRC
福建中海深藍物業管理有限公司	PRC	7 January 2019	RMB10,000,000	—	100	Real estate management	PRC
西安中海物業管理有限公司	PRC	25 March 2019	RMB20,000,000/ RMB0	—	100	Real estate management	PRC
甘肅中海泊悦物業管理有限公司	PRC	26 July 2019	RMB20,000,000/ RMB0	—	100	Real estate management	PRC
廣東中海星城際物業服務有限公司	PRC	19 June 2019	RMB5,000,000/ RMB0	—	51	Real estate management	PRC
杭州優你互聯科技有限公司	PRC	1 August 2019	RMB2,000,000/ RMB500,000	—	100	Provision of service through O2O platform	PRC

Notes to the Financial Statements (Continued)

For the year ended 31 December 2019

38 Particulars of subsidiaries (Continued)

Name of subsidiary	Place of incorporation/ establishment	Date of incorporation/ establishment	Registered/ issued and paid up capital	Attributable equity interest of the Group Direct %	Attributable equity interest of the Group Indirect %	Principal activities	Place of operations
海納萬商物業管理有限公司	PRC	26 June 2019	RMB5,000,000	—	100	Real estate management	PRC
四川中海園林工程有限公司	PRC	12 July 2019	RMB20,000,000/ RMB0	—	100	Provision of repair and maintenance services	PRC
廣東省美博工程服務有限公司	PRC	12 October 2019	RMB5,000,000/ RMB0	—	100	Provision of repair and maintenance services	PRC
上海中海百村物業管理經營有限公司	PRC	29 September 2019	RMB5,000,000	—	51	Real estate management	PRC
寧波中海物業管理有限公司	PRC	30 October 2019	RMB20,000,000/ RMB0	—	100	Real estate management	PRC
重慶中海海惠物業管理有限公司	PRC	29 October 2019	RMB5,000,000/ RMB0	—	100	Real estate management	PRC
淮安高新中海物業管理有限公司	PRC	11 December 2019	RMB5,000,000/ RMB0#	—	51	Real estate management	PRC

\# Subsequent to year ended 31 December 2019, the registered capital of the subsidiary amounting to RMB2,500,000 was paid up.

39 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.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2019

40 Company statement of financial position

	Note	As at 31 December 2019 HK$'000	2018 HK$'000
Non-current assets			
Property, plant and equipment		**2,719**	1,112
Right-of-use assets		**2,233**	—
Investment in subsidiaries		**167,524**	167,524
		172,476	168,636
Current assets			
Deposits and prepayments and other receivables		**1,866**	1,506
Amount due from immediate holding company		**—**	500
Amounts due from subsidiaries		**82,601**	36,071
Bank balances and cash		**24,244**	35,257
		108,711	73,334
Current liabilities			
Other payables and accrued expenses		**20,771**	21,299
Tax liabilities		**8,611**	—
Lease liabilities		**2,691**	—
Amounts due to fellow subsidiaries		**743**	—
Amounts due to a subsidiary		**102,930**	35,549
		135,746	56,848
Net current (liabilities)/assets		**(27,035)**	16,486
Total assets less current liabilities		**145,441**	185,122
Net assets		**145,441**	185,122
Capital and reserves			
Share capital	31(a)	**3,287**	3,287
Reserves	40(a)	**142,154**	181,835
Total equity		**145,441**	185,122

The statement of financial position of the Company was approved by the Board of Directors on 20 March 2020 and was signed on its behalf by:

Yang Ou
Director

Pang Jinying
Director

Notes to the Financial Statements (Continued)

For the year ended 31 December 2019

40 Company statement of financial position (Continued)

(a) Reserves of the Company

	Capital reserve HK$'000	Retained profits HK$'000	Total HK$'000
The Company			
At 1 January 2018	751	193,363	194,114
Profit and total comprehensive income for the year	—	102,261	102,261
Capital contribution relating to share-based payment borne by intermediate holding company (Note 31(b))	500	—	500
2017 final dividend approved (Note 16)	—	(49,303)	(49,303)
2018 interim dividend declared (Note 16)	—	(65,737)	(65,737)
At 31 December 2018	1,251	180,584	181,835
Adjustment on adoption of HKFRS16, net of tax	—	(876)	(876)
Profit and total comprehensive income for the year	—	95,018	95,018
Capital contribution relating to share-based payment borne by intermediate holding company (Note 31(b))	4,225	—	4,225
2018 final dividend approved (Note 16)	—	(65,737)	(65,737)
2019 interim dividend declared (Note 16)	—	(72,311)	(72,311)
At 31 December 2019	5,476	136,678	142,154

The Company's reserves available for distribution to shareholders at 31 December 2019 represent the balance of capital reserve and retained profits of approximately HK$142.2 million (2018: approximately HK$181.8 million).

Capital reserve represented capital contribution relating to share-based payment borne by an intermediate holding company.

Five-Year Financial Summary

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

(a) Consolidated results

	For the year ended				
	2015 HK$'000 (Note)	2016 HK$'000 (Note)	2017 HK$'000 (Restated)	2018 HK$'000 (Restated)	**2019 HK$'000**
Revenue	3,268,646	3,296,695	3,373,313	4,177,531	**5,465,521**
Direct operating expenses	(2,607,546)	(2,529,479)	(2,570,458)	(3,327,206)	**(4,375,097)**
Gross profit	661,100	767,216	802,855	850,325	**1,090,424**
Other income and gains, net	23,728	29,650	47,839	48,606	**66,154**
Gain arising from changes in fair value of investment properties	4,150	769	6,930	4,345	**2,572**
Selling and administrative expenses	(467,601)	(467,263)	(403,153)	(336,809)	**(395,755)**
Net (impairment losses)/reversal of impairment provision on financial assets — trade and other receivables	(22,264)	15,349	(16,466)	(6,987)	**(867)**
Operating profit	199,113	345,721	438,005	559,480	**762,528**
Share of profit of an associate	157	161	161	200	**193**
Share of profit of a joint venture	—	—	—	—	**177**
Finance costs	(1,988)	(6,963)	(8,910)	(3,239)	**(2,352)**
Profit before tax	197,282	338,919	429,256	556,441	**760,546**
Income tax expenses	(54,969)	(104,607)	(121,715)	(148,949)	**(216,406)**
Profit for the year	142,313	234,312	307,541	407,492	**544,140**
Attributable to:					
Owners of the Company	141,267	237,529	307,112	403,189	**537,840**
Non-controlling interest	1,046	(3,217)	429	4,303	**6,300**
	142,313	234,312	307,541	407,492	**544,140**
EARNINGS PER SHARE (HK cents)					
Basic and diluted	4.30	7.23	9.34	12.27	**16.36**

Note:

For presentation purpose, the consolidated results as at 31 December 2015 and 2016 were not restated in respect of Wuhan Zhong Jian. Thereafter, the consolidated results as at 31 December 2017 and 2018 were restated by including the financial information of Wuhan Zhong Jian as if the current group structure had been in existence throughout the periods presented.

Five-Year Financial Summary (Continued)

(b) Consolidated net assets

	As at 31 December				
	2015 HK$'000 (Note)	2016 HK$'000 (Note)	2017 HK$'000 (Restated)	2018 HK$'000 (Restated)	**2019 HK$'000**
Non-current assets					
Investment properties	70,576	66,641	106,083	132,586	**145,898**
Property, plant and equipment	48,813	38,744	34,924	40,935	**56,471**
Right-of-use assets	—	—	—	—	**61,656**
Intangible assets	387	—	5,419	6,232	**11,657**
Prepaid lease payments for land	3,866	3,206	1,965	1,458	**—**
Interest in an associate	330	191	352	552	**145**
Interest in a joint venture	—	—	—	—	**3,164**
Available-for-sale financial assets	1,199	1,120	—	—	**—**
Amount due from a related company	—	—	90,393	85,842	**—**
Prepayments	—	—	—	—	**5,540**
Deferred tax assets	13,295	23,144	29,510	26,427	**35,006**
	138,466	133,046	268,646	294,032	**319,537**
Current assets					
Inventories	11,514	9,899	9,664	37,142	**418,408**
Trade and other receivables	323,361	371,307	470,369	592,068	**766,247**
Deposits and prepayments	23,624	29,599	40,486	61,476	**97,406**
Prepaid lease payment for land	433	404	301	226	**—**
Amount due from immediate holding company	—	57	96	384	**231**
Amounts due from fellow subsidiaries	175,079	117,285	53,703	150,670	**90,220**
Amounts due from related companies	3,907	107,887	11,056	32,806	**107,613**
Tax prepaid	—	871	39	—	**—**
Bank balances and cash	2,059,382	2,417,288	2,711,107	2,398,559	**2,495,693**
	2,597,300	3,054,597	3,296,821	3,273,331	**3,975,818**
Current liabilities					
Trade and other payables	1,153,785	1,355,079	1,595,479	1,608,976	**1,745,903**
Receipts in advance and other deposits	491,087	505,696	651,660	670,591	**740,090**
Lease liabilities	—	—	—	—	**22,044**
Amount due to immediate holding company	—	651	1,417	1,547	**—**
Amounts due to fellow subsidiaries	35,307	47,102	57,488	8,822	**4,332**
Amounts due to related companies	8,393	26,238	3,794	2,496	**6,588**
Tax liabilities	112,213	111,365	108,467	118,286	**177,439**
Bank borrowing	184,000	—	—	—	**—**
	1,984,785	2,046,131	2,418,305	2,410,718	**2,696,396**
Net current assets	612,515	1,008,466	878,516	862,613	**1,279,422**
Total assets less current liabilities	750,981	1,141,512	1,147,162	1,156,645	**1,598,959**

Five-Year Financial Summary (Continued)

(b) Consolidated net assets (Continued)

	As at 31 December				
	2015 HK$'000 (Note)	2016 HK$'000 (Note)	2017 HK$'000 (Restated)	2018 HK$'000 (Restated)	**2019** **HK$'000**
Non-current liabilities					
Lease liabilities	—	—	—	—	**32,461**
Deferred tax liabilities	7,085	10,283	16,029	22,249	**31,795**
Bank borrowings	—	310,000	265,000	—	**—**
	7,085	320,283	281,029	22,249	**64,256**
Net assets	743,896	821,229	866,133	1,134,396	**1,534,703**
Capital and reserves					
Share capital	3,287	3,287	3,287	3,287	**3,287**
Reserves	731,464	813,356	857,468	1,121,902	**1,510,586**
Equity attributable to owners of the Company	734,751	816,643	860,755	1,125,189	**1,513,873**
Non-controlling interests	9,145	4,586	5,378	9,207	**20,830**
Total equity	743,896	821,229	866,133	1,134,396	**1,534,703**

Note:

For presentation purpose, the consolidated net assets as at 31 December 2015 and 2016 were not restated in respect of Wuhan Zhong Jian. Thereafter, the consolidated net assets as at 31 December 2017 and 2018 were restated by including the financial information of Wuhan Zhong Jian as if the current group structure had been in existence throughout the periods presented.

Particulars of Major Properties & Property Interests

(a) Property held for investment

	Usage	Leasehold/ Freehold	Attributable interest %
Level 2, Southern Office Podium, Haili Building, 1018 Wenjin Middle Road, Luohu District, Shenzhen, Guangdong Province, the PRC	Office	Leasehold	100%
26 car parking spaces, Haili Building, 1018 Wenjin Middle Road, Luohu District, Shenzhen, Guangdong Province, the PRC	Carparks	Leasehold	100%
21 car parking spaces, Haibin Plaza, 1040 Fuiqiang Road, Futian District, Shenzhen, Guangdong Province, the PRC	Carparks	Leasehold	100%
94 car parking spaces, Zhonghai Lee Garden, 1070 Nanshan Avenue, Nanshan District, Shenzhen, Guangdong Province, the PRC	Carparks	Leasehold	100%
19 car parking spaces, Zhonghai Jinyuan, 951–961 Binjiang East Road, Haizhu District, Guangzhou, Guangdong Province, the PRC	Carparks	Leasehold	100%
26 car parking spaces, Haixing Plaza, 1 Ruijin South Road, Huangpu District, Shanghai, the PRC	Carparks	Leasehold	100%
Level 2, Eastern & Western Office Podium, Haili Building, 1018 Wenjin Middle Road, Luohu District, Shenzhen, Guangdong Province, the PRC	Office	Leasehold	100%

Particulars of Major Properties & Property Interests (Continued)

(a) Property held for investment (Continued)

	Usage	Leasehold/ Freehold	Attributable interest %
Unit D5 and D6–2 on Level 4, Haixing Plaza, 1 Ruijin South Road, Huangpu District, Shanghai, the PRC	Office	Leasehold	100%
Unit C2 on Level 2, Haihua commercial building, 8 Dapu Road, Huangpu District, Shanghai, the PRC	Retail	Leasehold	100%
Units 01 and 02 on Level 1 and swimming pool on Level –1 & 1, Zhonghai Xinyuan, 23&25 8th Lane of Qinzhou South Road, Xuhui District, Shanghai, the PRC	Retail	Leasehold	100%
Unit 2001 on Level 20, 1 Linglan Street, Cannes Garden, Tianhe District, Guangzhou, Guangdong Province, the PRC	Residential	Leasehold	100%

Particulars of Major Properties & Property Interests (Continued)

(b) Property held as inventories

	Usage	Leasehold/ Freehold	Attributable interest (%)
107 car parking spaces located at Zhonghai Tianfushan, Jindun Road, Shahekou District, Dalian, Liaoning Province, the PRC	Carparks	Leasehold	100%
105 car parking spaces located at Zhonghai Linanfu, 28 Hangzhou Road, Shibei District, Qingdao, Shandong Province, the PRC	Carparks	Leasehold	100%
154 car parking spaces located at Zhongxin Haibin Garden, Longhu District, Shantou, Guangdong Province, the PRC	Carparks	Leasehold	100%
172 car parking spaces located at Riverside Palace, Alley No. 1259, Deyuan Road, Jiading District, Shanghai, the PRC	Carparks	Leasehold	100%
1,232 car parking spaces located at Sixinli, Tianjin, Heiniucheng Road and Dongting Road, Hexi District, Tianjin, the PRC	Carparks	Leasehold	100%
575 car parking spaces located at Wufuli, Tianjin, the intersection of Heiniucheng Road and Dongting Road, Hexi District, Tianjin, the PRC	Carparks	Leasehold	100%
218 car parking spaces located at Top Metropolitan Marina, Tianjin, the intersection of Jingjintang Expressway and Weihai Road, Tanggu, Binhai New District, Tianjin, the PRC	Carparks	Leasehold	100%
2,900 car parking spaces located at the North Garden of Glory City, Guangzhou, Guangdong Province, the PRC	Carparks	Leasehold	100%

China Overseas Property Holdings Limited

Suite 703, 7/F, Three Pacific Place,
1 Queen's Road East, Hong Kong

Tel : 2988 0600

Fax : 2988 0606

www.copl.com.hk

MIX
Paper from
responsible sources
FSC™ C007445
FSC
www.fsc.org