中海物業
CHINA OVERSEAS PROPERTY

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

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

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2020 AND PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION

FINANCIAL HIGHLIGHTS

1. For the year ended 31 December 2020, the gross floor area ("GFA") under our management increased by 20.4% or 30.9 million sq.m. to 182.3 million sq.m. against last year, in which, new jobs secured from independent third-parties accounted for 22.8%.

2. Revenue increased by 19.7% to HK$6,544.9 million for the year ended 31 December 2020, comparing to HK$5,465.5 million in the last year. Operating profit rose by 22.5% to HK$934.1 million (2019: HK$762.5 million).

3. Profit attributable to shareholders of the Company for the year ended 31 December 2020 increased by 30.2% to HK$700.0 million against last year (2019: HK$537.8 million). Basic and diluted earnings per share was HK21.30 cents (2019: HK16.36 cents), representing an increase of 30.2%. Average return on equity in 2020 was 38.2% (2019: 40.8%).

4. The Board recommended the payment of a final dividend of HK4.2 cents per share (2019: HK2.8 cents per share) for the year ended 31 December 2020.

The board of directors (the "Board") of China Overseas Property Holdings Limited (the "Company" or "COPL") is pleased to announce the annual consolidated results of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2020. The annual turnover of the Group increased by 19.7% to HK$6,544.9 million from HK$5,465.5 million of last year. Operating profit rose by 22.5% to HK$934.1 million (2019: HK$762.5 million). The profit attributable to shareholders of the Company increased by 30.2% to HK$700.0 million (2019: HK$537.8 million). Basic and diluted earnings per share was HK21.30 cents (2019: HK16.36 cents). Average return on equity was 38.2% (2019: 40.8%). 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 HK4.2 cents (2019: HK2.8 cents) per share for the year 2020. Together with the interim dividend of HK2.2 cents (2019: HK2.2 cents) per share distributed in October 2020, total dividends for the year will amount to HK6.4 cents (2019: HK5.0 cents) per share. The proposed final dividend is subject to the approval by the shareholders of the Company at the annual general meeting to be held on 3 June 2021. (the "2021 AGM").

As an avant-garde in the property management industry in the People's Republic of China ("PRC" or "China") with first-class qualifications, the Group was established in Hong Kong in 1986, and have gained over 30 years of cultivation in Hong Kong and Macau. We set foot in Chinese Mainland in 1991. The Group fully integrates the property management experiences in Hong Kong into the practical situation in Mainland China. We adhere to the brand concept of "building happiness and leading the trend" to promote continuous growth in resources, the enterprise spirit of "progress whole-heartedly each day" to lead the balanced enhancement of capabilities, the core value of "customer-orientation, guaranteed quality and value creation" to a healthy promotion of efficiency, and the service awareness of "serving with heart every single day" to create a reputation of quality. Adhering to the primitive intention of "creating delightful living", firmly believing in "quality and enthusiasm", the firm faith of the Group over the years and in the future, we are committed to achieving long-term sustainable and steady growth for our shareholders by cultivating the quality of our services and seeking win-win cooperation in this period of uncertainty and rapid changes in the external environment.

In 2020, facing the crisis caused by the sudden outbreak of the COVID-19 pandemic, COPL was the first in the industry to initiate imminent emergency response in the early stage to reinforce the frontline, building a strong health defense for nearly 900 projects and 1.06 million households. We detected the first imported confirmed case in Hong Kong at the Hong Kong West Kowloon High Speed Rail Station, receiving recognition from the Chief Executive. Our outstanding performance in various places, such as Beijing and Guangzhou, was applauded by Xinhua News Agency, CCTV Xinwen, CCTV Economic News. We safeguarded the health of 5 million households at all time, from the epidemic outbreak, business and production resumption, normalised epidemic control to scattered cases in various regions. During the pandemic, we provided intelligent and warm services for pandemic prevention and control to property owners through our Artificial Intelligence (“AI”) customer service robot designed for such purpose, and published the Community Pandemic Prevention Daily (社區防疫日報) in real time on the UN+ Mobile Application (“APP”) so that property owners could keep abreast of the latest information on the pandemic. To meet the diverse needs of customers who are self-quarantining, we provided innovative services, such as surrogate purchase and delivery, disposal of domestic waste, and disinfection of expressed delivery and supplies, to facilitate the lives of property owners. Through closed-off management, COPL has assisted the government in conducting thorough inspections and health promotion and education, consolidating the line of defense at grassroots level for pandemic prevention and control, highlighting the role of property service enterprises and realizing the value of the “last mile” service. At the same time, the property management industry’s resistance to cyclicity and risk is prominent. Pandemic prevention and control have rapidly made remote working, online education, and online shopping a new way of production and life. New technology products such as contact-free lifts, access control, and intelligent temperature detection equipment will accelerate their access to neighborhood management, further enhancing the progress of technological intelligence in the property management industry. The newly promulgated Civil Code of the PRC in May 2020 systematically defines the relationship of responsibilities and rights between property management enterprises and property owners, owners’ meetings, owners’ committees, and government departments, and regulates the focus of conflicts and difficulties in the practice of property management in the past. On 5 January 2021, ten departments under the State Council, including the Ministry of Housing and

Urban-Rural Development of the PRC, jointly issued the Circular on Strengthening and Improving the Administration of Residential Property (《關於加強和改進住宅物業管理工作的通知》), which encourages a variable adjustment mechanism for property management fees, enhances the penetration rate of property management services, and seeks to improve the collection rate of management fees. Under the new legal environment, enterprises that operate with integrity, technological innovation, and management innovation will have more market opportunities.

To ensure the long-term sustainable and stable operation, we encourage ourselves with the corporate spirit of "progress whole-heartedly each day" and the sincere attitude of "service with heart every single day", and forge ahead for standardization and delicacy of property management. We pursue our leading strength of serving customers' multi-dimensional needs to co-build us as a "good neighbour" branding in the community with customers. To this end, we invited customers to participate in the establishment of a multi-dimensional, open and transparent surveillance by conducting customer interviews, on-site visits and engaging quality inspectors. In 2020, we received 65 "co-development, co-management and co-sharing" projects for assessment; launched a campaign for community quality improvement and introduced over 20 types of customer-friendly services such as haircut, printing and food purchase during the pandemic outbreak. We kept on enhancing the attractiveness and competitiveness of our service and products, and have established a differentiated services menu featuring free selection and flexible combinations, through which we managed to provide quality service that commensurates with price and achieve openness and transparency. The Company, accordingly, realized the transformation from traditional service standards to menu-based service products, and has promoted itself as a fertile ground for unit area value creation and new business cultivation on an ongoing basis. Benefiting from the improvement of service quality, in 2020, the Group successfully increase its fee charges for 37 projects, while customer satisfaction attains a score of 92, which kept in line with the industry benchmark level.

The confidence in achieving long-term sustainable and stable growth also comes from the accelerated urbanization in the PRC, which has driven the property management industry into a period of rapid development, the growth and stability of the industry, the gradual market recognition of the value of quality services, and the significant enhancement of the Group's market expansion and service product development capabilities. In 2020, the Group have established business in 122 cities in total by exploring the market, with operations covering Hong Kong and Macau and employing approximately 45,398 employees. The types of properties under management include boutique residential buildings, commercial complexes, A plus-grade office buildings, government properties, industrial parks and others, with 297 pre-sales sites projects, 974 property management projects and nearly 182.3 million square meters ("sq.m.") of service area. We have won bids for projects such as the largest urban forest belt construction project in China and the public–private partnership for the landscape water system and road network project in Handan, and taken up new businesses such as urban services, aviation, high-speed rail, universities and industrial parks. COPL has successfully secured several projects under the Hospital Authority in Hong Kong and Macau regions, and as such the number of public hospitals and medical institutions under the Hospital Authority that COPL serves has increased to 16, accounting for over 30% of the total number of hospitals in Hong Kong. COPL has also successfully secured a number of contracts under various government executive departments, and as such the number of government departments that COPL serves has increased to 21, showing that our business expansion capabilities have enhanced significantly. COPL provide full lifecycle services with a focus on construction products. We offers developers whole-process property consulting and management services in the property development stage, which include product positioning consulting, gardening, interior fine finishing and vetting of building plans, advice on equipment and facility selection, pre-delivery services, delivery supporting services, delivery inspection services and engineering service quality monitoring, representing a significant improvement in our upstream and downstream supply chain integration. Currently, the Group serves over 100 corporate customers who are the world's top 500 companies and becomes the most reliable business partner of central enterprises, state-owned enterprises and private enterprises. In 2020, it was named as "Top 10 Listed Property Service Enterprises 2020" and "2020 China TOP 20 Property Management Service Enterprises with Outstanding Operating Performance" (「2020 中國物業服務企業運營表現 TOP20」), "2020 Most Valuable Brands of Property Management Service" (「2020 中國物業服務企業品牌價值 NO.1」) and was included in Morgan Stanley Capital International Index (MSCI) China Index as a constituent in May 2020. It was also included in the Shanghai-Hong Kong connect list in September 2020, receiving high recognition from the capital market.

We believe that long-term sustainable and stable growth is based on a more refined management. The Group continues to promote its digital transformation based on technologies including Internet of Things middle platform, artificial intelligence and intelligent hardware, with a commitment to actualize the full closed-loop intelligent operation of smart office, smart park and smart property. In terms of scientific research and innovation, we applied for more than 160 intellectual property rights in 2020, tapped 20 patented technologies, and took the lead in exporting patent maps for the industry, so as to nourish "new momentum" for technological development. Xinghai Wulian (興海物聯), a wholly owned subsidiary engaged intechnology innovation, has developed the X-StarT Internet of Things platform, which realizes the unified access to the community application of “five identifications”, namely identifying people, cars, videos, equipment and intercom. It covers a wide range of application scenarios such as owner's daily life and community management, while the new 5G technology, big data processing, artificial intelligence and other cutting-edge digital technologies are aligned with user needs, spatial attributes, equipment functions and service contents. “Lake Lantern 1, Foshan”, the smart model community of COPL, has long enjoyed the smart park experience rarely seen in traditional properties, such as automatic license plate recognition, intelligent identification of abnormal crowds by high-definition cameras, intelligent patrol post deployment by AI alarm system, one-click door opening by APP and remote elevator call for visitors.

As a platinum member of Building Owners and Managers Association International, an international accreditation organization, “Hainawanshang”(海納萬商), a commercial property service brand under the Group, continues to cultivate its position in non-residential premises such as office buildings, commercial complexes, industrial parks, government and public construction as well as colleges and universities, with the new development engine powered by full life-cycle and asset operation along the entire business chain, so as to support the Group in achieving its vision of “becoming an outstanding global service provider in asset management”. Meanwhile, the Group offers community value-added services under the brand of UN+ (優你互聯), which aims to create a vibrant and sustainable business environment for its communities by use of both online and offline channels, and expand its services reach through market-oriented strategies. The brand actively innovates its incentive mechanism and conceives new value-added services, so as to deepen its foothold in current market and explore the potentials of projects under our management, which will enable us to meet our customers' ever-increasing demand for wonderful life.

The Group adheres to the commonly acclaimed motto of "Assemble all Ambitionists and Inspire the Highflyers". We actively explored and took full advantage of the market-oriented principle and fostered the resilience and agility of our organization to catch up with the business development. We pursue top-notch efficiency and vitality in our organization to provide sustainable momentum for the long-term growth of the Group.

The year 2020 was a historical watershed as the nation endeavored to stabilize employment, safeguard livelihood and emerge victorious against poverty, the Group also strived to meet the society's expectations during this crucial time and actively participated in community service. The Group engaged over 35,000 grassroots workers that engage in cleaning, security, greening, maintenance and other works, organised special recruitment campaigns targeted at poverty-stricken regions, provided job opportunities, protected labour safety, improved service skills and promoted the poverty alleviation through stabilising employment. In order to alleviate poverty through consumption, the Group fully utilized its two E-Commence platforms, namely "Haihui Youxuan" (海惠優選) and "China Overseas Youjia" (中海優家), to sell agricultural products from poverty-stricken regions with a value of over RMB17.5 million, established long-term charity sale channels in the communities and launched ongoing promotion activities to increase the revenue received by families from poverty-stricken regions , signed donation contracts to help the local economy, and contributed to the construction of "China Overseas Wen Jia He Hope Primary School" (中國海外溫家河希望小學). It initiated "Green China Overseas•Eco-friendly Carnival" (綠動中海・環保嘉年華) to work with owners for promoting green lifestyle; actively coordinated with social work agencies, nursing homes, hope primary schools, maternal and child care service centres to launch volunteer activities, including "Flower and Youth" (花兒與少年), "Dream Summer Vacation" (嚮往的暑假) and "Warm Double Ninth Festival with COPL" (溫暖重陽、中海相伴), donating teaching aids and books to schools and rehabilitation devices to patients with breast cancer. In the times of fighting against typhoons and other natural disasters, COPL "bears owners' needs in mind and takes immediate actions to solve problems for owners" (想業主所想，急業主所急), took proactive and timely actions to avoid casualties and material property losses, and fulfilled its service commitment and social responsibility with practical actions.

In 2021, the novel coronavirus pandemic continues to create uncertainties to the world. Faced with unprecedented transformation in a century, and to ensure a quality development which is balanced, sustainable and healthy, we must preserve co-ordinated development and security in our new development philosophy. Looking ahead, we must strengthen our competitive edge, be pro-active, play a decent first move, take initiatives, and embrace changes in the emerging strategic opportunity period. We must also learn, take responsibilities, and strive in the fierce full market competition, roll-out the 14th Five-Year Plan whole-heartedly, and rebuild the reputation of "No.1 Butler".

REVENUE AND OPERATING RESULTS

The Group is one of the leading property management companies in the PRC, with operations covering Hong Kong and Macau, which strives to preserve and add value to the properties under our management by providing high-quality and sophisticated services to the customers and maximising customer satisfaction. During the year, the GFA under our management increased by 20.4% or 30.9 million sq.m. to 182.3 million sq.m. against last year, in which, new jobs secured from independent third-parties accounted for 22.8%. This continuously strengthened our revenue base and improved our market position.

Despite facing several waves of attacks from "Coronavirus Disease 2019" pneumonia epidemic ("COVID-19") prevailing globally in the year, especially at the early stage of its outbreak, we strived to increase total revenue moderately by 19.7% to HK$6,544.9 million for the year ended 31 December 2020, comparing to HK$5,465.5 million of last year. The increase were mainly arisen from (i) the increase in GFA under our management for the core traditional property management sector with higher proportion of lump-sum basis contracts, and included factors such as increase in property management fee; and (ii) business growth 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 and the impacts of COVID-19 at the early stage of outbreak.

During the year, although our normal business operations have gradually resumed from the early attacks of COVID-19 and the disease was more or less under better control, the value-added service business for the residents sector was particularly vulnerable and plans were seriously affected with idle costs. In addition, prevention and active control measures against the disease inevitably brought additional costs amounting to approximately HK$62.2 million, that was mitigated by corresponding government relief of approximately HK$33.4 million (including HK$31.4 million for staff cost related subsidies) and unconditional government grants of approximately HK$17.8 million classified under “other income and gains, net” below. This was further alleviated by an unparalleled government relief policy on provident fund contribution amounting to HK$132.3 million. On the other hand, in order to catch up the curtailment of operations at the early stage of disease outbreak, pro-active deployment of back office supporting staff to support revitalized front line projects was made in the second half of 2020 to strengthen expansion and boost production capacity. Overall, direct operating expenses raised relatively faster than our revenue growth at 22.3% year-on-year, to HK$5,349.4 million. As a result, gross profit margin slipped to 18.3% for the year (2019: 20.0%). Nonetheless, with the increasing business scales, the gross profit increased by 9.6% to HK$1,195.4 million for the year (2019: HK$1,090.4 million).

Other income and gains, net was HK$121.2 million for the year (2019: HK$66.2 million), mainly represented by unconditional government grants and interest income of HK$71.8 million and HK$42.5 million respectively (2019: HK$30.4 million and HK$34.8 million respectively). The increase in unconditional government grants was mainly attributable to the government subsidies against COVID-19 of HK$17.8 million for the year, with the remaining from revamped value-added tax and other taxes beneficial policies with additional increase of HK$18.4 million. The increase in interest income mainly benefited from a higher level of cash balances against last year together with more effective treasury management.

Fair value loss of investment properties amounting to HK$4.8 million (2019: fair value gain of HK$2.6 million). As announced on 21 August 2020, the Group acquired a commercial property in Chongqing, China for rental purpose at a consideration of RMB 12.5 million (equivalent to approximately HK$13.9 million). Taking into account the impact of Renminbi appreciation at the end of the financial year as recognised in other comprehensive income since last year end, the carrying value of investment properties thus increased to HK$162.6 million (2019: HK$145.9 million) as at 31 December 2020.

After deducting selling and administrative expenses of HK$339.6 million (2019: HK$395.8 million) and net impairment of trade receivables and payments on behalf of property owners for properties of HK$38.2 million (2019: HK$0.9 million), operating profit increased by 22.5% to HK$934.1 million (2019: HK$762.5 million) for the year. The decease in selling and administrative expenses was mainly due to the pro-active deployment of back office supporting staff to support revitalized front line projects made in the second half of 2020 to strengthen expansion and boost production capacity. The increase in net impairment of trade receivables and payments on behalf of property owners for properties are the compound effects of (i) continuing expansion of operating scale but at lower impairment rate on trade and retention receivables of 10.9% (2019: 12.3%) for the year due to tightened controls on the age of debts; and (ii) increase in provision on certain commission-based projects that were more vulnerable to uncertain market conditions upon slowdown of community activities as affected by the pandemic disease.

Income tax expenses increased mildly by 3.7% against last year to HK$224.4 million (2019: HK$216.4 million), as a result of tax benefits enjoyed by certain PRC subsidiaries at preferential enterprise income tax rates during the year. Meanwhile, overprovision of enterprise income tax amounting to HK$11.6 million was reversed while withholding income tax provision of HK$15.7 million (2019: HK$17.2 million) in respect of dividends distributed/ expected to be distributed from a PRC subsidiary was recognised during the year as part of the income tax expenses.

Overall, profit attributable to shareholders of the Company for the year ended 31 December 2020 increased by 30.2% to HK$700.0 million (2019: HK$537.8 million).

SEGMENT INFORMATION

PROPERTY MANAGEMENT SERVICES

During 2020, the continuous improvement of service quality and customer satisfaction helped us solidifying our strong brand recognition as a renowned property management service provider for mid- to high-end properties in our core stream business. 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, gardening, interior fine finishing, vetting of building plans, facilities and equipment 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 proximate business relationships with them. These would help us to secure new property management engagements and made inroads to independent third parties sities. The strategic clientele management policy bears fruit in 2020 and the GFA under our management increased by 20.4% to 182.3 million sq.m. with 30.9 million sq.m. intakes in the year. The portion of GFA under management from independent third-parties at year end increased to 10.6% (2019: 8.1%).

For the year ended 31 December 2020, revenue from property management services constituted 74.2% of total revenue (2019: 75.2%), and increased by 18.2% from last year to HK$4,857.4 million (2019: HK$4,107.7 million). The increase in revenue from property management services was mainly arisen from the increase in GFA under our management with higher proportion of lump-sum basis contracts, and 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 2020, approximately 94.2% and 5.8% of the segment revenue were generated from regular property management contracts under lump sum basis and commission basis respectively (2019: 93.4% and 6.6% respectively).

During the year, the segment gross profit margin from regular property management contracts under lump sum basis and commission basis was 10.9% and 100.0% respectively (2019: 10.2% and 100.0% respectively). Overall, the weighted average segment gross profit margin was relatively stable at 16.1% for the year (2019: 16.2%). Accordingly, with continuing increase in segment revenue, the gross profit of our property management services segment increased by 17.5% from last year to HK$780.1 million for the year ended 31 December 2020 (2019: HK$664.1 million). Although we committed additional costs on monitoring community health and preventive measures against COVID-19, these were offset largely by corresponding government relief and unconditional government grants classified under "other income and gains, net". Direct operating cost was further reduced by an unparalleled government relief policy on provident fund contribution. On the other hand, back office supporting staff was pro-actively deployed to support revitalized front line projects in the second half of 2020 to strengthen expansion and boost production capacity.

Accordingly, after deducting segment administrative expenses and taking into account of other income and net impairment of trade receivables and payments on behalf of contracts on commission basis, the segment profit of the property management services increased by 56.2% to HK$670.9 million for the year (2019: HK$429.5 million). The improvement of segment result was also due to (i) increase in other income that was beefed up with increased interest income due to higher cash balances and effective treasury management as well as unconditional government grants towards COVID-19; and (ii) reduced administrative expenses by pro-active deployment of supporting staff to front line as mentioned above.

VALUE-ADDED SERVICES

Revenue from the value-added services segment constituted 25.5% of total revenue for the year ended 31 December 2020 (2019: 24.6%). During the year, although our normal business operations have gradually resumed from the early attacks of COVID-19 when the disease was more or less under better control, the value-added service business for the residents sector was particularly vulnerable and plans were seriously affected with idle costs. The segment revenue, with a lower growth rate than that of the operating costs, increased by 23.7% to HK$1,668.2 million (2019: HK$1,348.2 million). The sub-segment revenue from value-added services to non-residents (for property developers and other property management companies) and residents increased by 27.8% and 15.2% to HK$1,171.6 million and HK$496.6 million respectively (2019: HK$917.1 million and HK$431.1 million respectively).

For value-added services to non-residents sub-segment, the services cover engineering, vetting of building plans, facilities and equipment evaluation proposals, 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) expansion of "Xinghai Wulian" (興海物聯)'s intelligent building & construction and technical support for specific engineering business for the development of smart communities to meet residents' smart park experience; (ii) gradually resumption in business volumes on pre-delivery services (such as security, cleaning and repair and maintenance services for display units in pre-sales offices for developing properties) and inspection services rendered to property developers; and (iii) the increase in consultancy services revenue.

In respect of value-added services to residents sub-segment, 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). 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 meeting the various needs of residents of the properties, which promotes the life style quality and satisfaction of our customers. During the year, the increase in revenue was mainly arisen from huge demand on our retail business such as fresh food distribution and epidemic prevention materials under the disease, and the recovery of our property agency business and various needs of residents, which was partly offset with the revenue slowdown on common area rental assistance and home improvement under COVID-19.

In respect of the profitability, the gross profit margin of the value-added services segment for the year dropped to 24.6% (2019: 31.3%), of which, (i) that of value-added services to non-residents sub-segment decreased to 20.1% (2019: 24.9%) because of price competition upon market expansion and increase in direct operating expenses at a pace relatively faster than our revenue growth with the impact of the disease; (ii) the gross profit margin of value-added services to residents sub-segment dropped to 35.2% (2019: 45.0%) as a result of the change in sales mix with significant demands for daily fresh food products and epidemic prevention materials that command lower profit margin against revenue slowdown on common area rental assistance and home improvement.

Overall, the gross profit of value-added services slightly decreased by 2.8% to HK$410.0 million (2019: HK$422.0 million). Of which, (i) the gross profit of value-added services to non-residents sub-segment increased by 3.1% to HK$235.1 million (2019: HK$228.1 million); and (ii) the gross profit of value-added services to residents sub-segment decreased by 9.8% to HK$174.9 million (2019: HK$193.9 million).

Accordingly, the segment profit from value-added services, after having allowed for segment overhead, decreased by 12.3% against last year to HK$342.1 million (2019: HK$390.1 million).

CAR PARKING SPACES TRADING BUSINESS

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.

During the year ended 31 December 2020, revenue from the car parking spaces trading business segment doubled to HK$19.3 million from last year (2019: HK$9.6 million), with segment profit increased to HK$5.1 million during the year (2019: HK$4.3 million).

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 2020, net working capital amounted to HK$1,783.7 million (as at 31 December 2019: HK$1,279.4 million).

Bank balances and cash increased by 48.5% to HK$3,705.7 million from last year end (as at 31 December 2019: HK$2,495.7 million), in which, 96.9% were denominated in Renminbi and 3.1% were denominated in Hong Kong Dollar/Macau Pataca.

CAPITAL EXPENDITURES

The capital expenditures, which mainly represent additions to/ payment on investment properties, leasehold improvement, motor vehicles, machinery and equipment, furniture, fixtures, office equipment, leasehold right-of-use assets (including capitalised lease commitments) and software systems, were HK$85.8 million for the year ended 31 December 2020.

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

The Group had no material acquisitions, disposals, significant investments and future plans of material investment during the year ended 31 December 2020.

PRINCIPAL RISK MANAGEMENT STRATEGIES

1. OPERATING EFFICIENCY

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

2. CUSTOMERS AND SUPPLIERS RELATIONSHIP MANAGEMENT .

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

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

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

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

3. MONITORING OF FOREIGN EXCHANGE EXPOSURE

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

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

COMPLIANCE WITH RELEVANT LAWS AND REGULATION

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

ENVIRONMENTAL POLICIES AND PERFORMANCE

We are committed to sustainable development and adopt high standards for energy conservation and carbon-emission reduction for our managed projects, a number of which have been credited 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:

- Implementation of waste classification system to regulate the process of waste delivery, collection, transportation and disposal, and establishment of waste classification management and protection teams to supervise the effectiveness of the waste classification system in Shanghai, Guangzhou, Beijing and other cities;
- energy-efficient centralised air-conditioning systems and water-recycling systems; and
- advocated green procurement and purchased low energy consumption and lowed emission products encouraged by national policies.

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 2020, the capital commitments of the Group was HK$9.6 million, which mainly related to equity capital investment in a joint venture and acquisition of equipment and software. In addition, the Group provided counter-indemnities amounting to approximately HK$171.2 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 2020.

SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

The Group had no significant events occurred after the year ended 31 December 2020, which have material impact on the performance and the value of the Group.

EMPLOYEES

As at 31 December 2020, the Group had approximately 45,398 employees (as at 31 December 2019: 41,244).

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 2020 was approximately HK$3,232.3 million (net of government relief of HK$31.4 million) (2019: HK$2,867.2 million), of which, HK$2,993.8 million and HK$238.5 million was recognised in direct operating expenses and selling and administrative expenses respectively (2019: HK$2,545.3 million and HK$321.9 million respectively).

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

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2020

	Notes	**2020** **HK$'000**	2019 HK$'000
Revenue	*5*	**6,544,877**	5,465,521
Direct operating expenses		**(5,349,433)**	(4,375,097)
Gross profit		**1,195,444**	1,090,424
Other income and gains, net		**121,157**	66,154
Fair value (loss)/gain of investment properties, net		**(4,790)**	2,572
Selling and administrative expenses		**(339,588)**	(395,755)
Impairment of financial assets, net		**(38,162)**	(867)
Operating profit		**934,061**	762,528
Finance costs		**(3,161)**	(2,352)
Share of profit of a joint venture		**538**	177
Share of profit of an associate		**183**	193
Profit before tax	*6*	**931,621**	760,546
Income tax	*7*	**(224,424)**	(216,406)
Profit for the year		**707,197**	544,140
Attributable to:			
Shareholders of the Company		**700,008**	537,840
Non-controlling interests		**7,189**	6,300
		707,197	544,140
		HK Cents	HK Cents
Earnings per share attributable to shareholders of the Company	*9*		
Basic and diluted		**21.30**	16.36

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2020

	2020	2019
	HK$'000	HK$'000
Profit for the year	**707,197**	544,140
Other comprehensive income		
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of subsidiaries of the Company	**96,892**	(17,952)
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:		
Surplus on revaluation of an owner-occupied property upon change in use, net of income tax	**-**	8,997
Other comprehensive income/(loss) for the year, net of income tax	**96,892**	(8,955)
Total comprehensive income for the year	**804,089**	535,185
Attributable to:		
Shareholders of the Company	**795,112**	529,188
Non-controlling interests	**8,977**	5,997
	804,089	535,185

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

	Notes	2020 HK$'000	2019 HK$'000
Non-current assets			
Property, plant and equipment		**68,411**	56,471
Investment properties		**162,559**	145,898
Right-of-use assets		**72,017**	61,656
Intangible assets		**20,948**	11,657
Interest in a joint venture		**3,771**	3,164
Interest in an associate		**328**	145
Due from a related company		**88,894**	-
Prepayments		**2,353**	5,540
Deferred tax assets		**38,600**	35,006
Total non-current assets		**457,881**	319,537
Current assets			
Inventories	*10*	**606,471**	418,408
Trade and retention receivables	*11*	**846,135**	567,562
Prepayments, deposits and other receivables		**384,565**	296,091
Due from the immediate holding company	*12*	**893**	231
Due from fellow subsidiaries	*12*	**129,165**	90,220
Due from related companies	*12*	**63,559**	107,613
Cash and bank balances		**3,705,703**	2,495,693
Total current assets		**5,736,491**	3,975,818
Current liabilities			
Trade payables	*13*	**461,113**	427,487
Other payables and accruals		**2,282,234**	1,318,416
Receipts in advance and other deposits		**934,831**	740,090
Lease liabilities		**24,794**	22,044
Due to fellow subsidiaries	*14*	**18,118**	4,332
Due to related companies	*14*	**18,269**	6,588
Income tax payables		**213,422**	177,439
Total current liabilities		**3,952,781**	2,696,396
Net current assets		**1,783,710**	1,279,422
Total assets less current liabilities		**2,241,591**	1,598,959

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

As at 31 December 2020

	Note	**2020** **HK$'000**	2019 HK$'000
Non-current liabilities			
Lease liabilities		**38,612**	32,461
Deferred tax liabilities		**18,673**	31,795
Total non-current liabilities		**57,285**	64,256
Net assets		**2,184,306**	1,534,703
Equity			
Equity attributable to shareholders of the Company			
Issued capital	*15*	**3,287**	3,287
Reserves		**2,145,544**	1,510,586
		2,148,831	1,513,873
Non-controlling interests		**35,475**	20,830
Total equity		**2,184,306**	1,534,703

1. GENERAL INFORMATION

China Overseas Property Holdings Limited (the "Company") is an exempted company with limited liability incorporated in the Cayman Islands and shares of which are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The registered office of the Company is located at 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 immediate holding company of the Company is China Overseas Holdings Limited, a company incorporated in Hong Kong and its ultimate holding company is China State Construction Engineering Corporation (中國建築集團有限公司) ("CSCEC"), which is a state-owned enterprise established in the People's Republic of China (the "PRC") and is under the control of the State-owned Assets Supervision and Administration Commission of the State Council of the PRC.

During the year, the Company and its subsidiaries (collectively referred to as the "Group") are principally engaged in the provision of property management services and value-added services; and the trading of car parking spaces.

The financial statements which have been prepared for the year ended 31 December 2020 were approved for issue by the Board on 25 March 2021.

2. BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance (Cap. 622) and The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). They have been prepared under the historical cost convention, except for investment properties which have been measured at fair value. These financial statements are presented in Hong Kong dollar ("HK$"), which is the functional currency of the Company, and values are rounded to the nearest thousand, except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2020. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

2. BASIS OF PREPARATION (CONTINUED)

Basis of consolidation (continued)

The financial statements of the subsidiaries are prepared for the same reporting period as the Company. Adjustments are made to bring in to line any dissimilar accounting policies that may exist. Other than those subsidiaries acquired under business combinations under common control in prior years which are consolidated from the date when combining entities first come under the control of the controlling shareholder of the Company or from the earliest date presented in these financial statements, whichever is the latter, the results of other subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the shareholders of the Company and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group’s share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

Save as described in note 3 “Changes in accounting policies and disclosures”, the accounting policies used in preparing the consolidated financial statements are consistent with those of the annual financial statements for the year ended 31 December 2019.

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the *Conceptual Framework for Financial Reporting 2018* (the “Conceptual Framework”) and the following revised HKFRSs for the first time for the current year's financial statements:

Amendments to HKFRS 3	*Definition of a Business*
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	*Interest Rate Benchmark Reform*
Amendment to HKFRS 16	*Covid-19-Related Rent Concessions* (early adopted)
Amendments to HKAS 1 and HKAS 8	*Definition of Material*

The adoption of the Conceptual Framework and the revised HKFRSs in the current year did not have any significant impact on the financial position and performance of the Group.

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements:

Amendments to HKFRS 3	*Reference to the Conceptual Framework*[2]
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	*Interest Rate Benchmark Reform – Phase 2*[1]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
Amendments to HKAS 1	*Classification of Liabilities as Current or Non-current*[3,5]
Amendments to HKAS 16	*Property, Plant and Equipment: Proceeds before Intended Use*[2]
Amendments to HKAS 37	*Onerous Contracts – Cost of Fulfilling a Contract*[2]
Annual Improvements to HKFRSs 2018–2020	Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41[2]

1 Effective for annual periods beginning on or after 1 January 2021
2 Effective for annual periods beginning on or after 1 January 2022
3 Effective for annual periods beginning on or after 1 January 2023
4 No mandatory effective date yet determined but available for adoption
5 As a consequence of the amendments to HKAS 1, Hong Kong Interpretation 5 Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause was revised in October 2020 to align the corresponding wording with no change in conclusion

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 the 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.

4. OPERATING SEGMENT INFORMATION

For management purpose, the Group is organised into business segments based on their products and services and has three reportable operating segments as follows:

(a) The property management services segment engages in provision of property management services such as security, repairs and maintenance, cleaning and garden landscape maintenance for residential communities (including mixed-use properties), commercial properties, government properties and construction sites.

(b) The value-added services segment engages in provision of (i) value-added services to non-residents (such as property developers and other property management companies), including engineering, vetting of building plans, facilities and equipment evaluation proposals, pre-delivery (such as security, cleaning and repair and maintenance services for display units in pre-sale offices for developing properties), move-in assistance, delivery inspection, engineering service quality monitoring and consulting services, etc. and (ii) value-added services to residents, representing community asset management services (such as rental assistance, agency and custody for real estate transactions, common area rental assistance and rental of self-owned properties), living service operations (to meet the various needs of residents of the properties) and commercial service operations (to meet the needs of business users).

(c) The car parking spaces trading business segment engages in trading of various types of car parking spaces.

Management monitors the results of the Group’s operating segments separately for the purpose of making decisions about measurements including resource allocation and performance assessment. Segment performance is evaluated based on various considerations, including but not limited to reportable segment profit, which is measured consistently with the Group’s profit before tax except that corporate expenses including professional fees, staff costs and other corporate expenses are excluded from such measurement.

Inter-segment revenue and transfers are transacted with reference to the charging prices used for revenue from third parties at the then prevailing market prices.

4. OPERATING SEGMENT INFORMATION (CONTINUED)

Year ended 31 December 2020

	Property management services HK$'000	Value-added services HK$'000	Car parking spaces trading business HK$'000	Total HK$'000
Reportable segment revenue				
Revenue from external customers (note 5)	4,857,365	1,668,164	19,348	6,544,877
Inter-segment revenue	59,100	151,776	-	210,876
	4,916,465	1,819,940	19,348	6,755,753
Reconciliation:				
Elimination of inter-segment revenue				(210,876)
Reported total revenue				6,544,877
Reportable segment results	670,940	342,067	5,063	1,018,070
Reconciliation:				
Corporate expenses, net				(86,449)
Profit before tax				931,621

	Property management services HK$'000	Value-added services HK$'000	Car parking spaces trading business HK$'000	Corporate and other unallocated HK$'000	Total HK$'000
Other segment information					
Interest income	41,824	612	17	16	42,469
Additions to items of property, plant and equipment	18,046	5,871	-	44	23,961
Additions to investment properties	-	13,944	-	-	13,944
Additions to intangible assets	8,791	5,188	-	-	13,979
Additions to right-of-use assets	29,024	2,544	-	5,673	37,241
Loss on disposal of items of property, plant and equipment	131	-	-	-	131
Loss on early termination of lease contracts	52	35	-	-	87
Impairment/(reversal of impairment) of financial assets, net	38,454	(292)	-	-	38,162
Depreciation and amortisation	41,419	4,412	-	3,807	49,638
Fair value loss of investment properties, net	-	4,790	-	-	4,790
Share of profit of a joint venture	538	-	-	-	538
Share of profit of an associate	183	-	-	-	183

4. OPERATING SEGMENT INFORMATION (CONTINUED)

Year ended 31 December 2019

	Property management services HK$'000	Value-added services HK$'000	Car parking spaces trading business HK$'000	Total HK$'000
Reportable segment revenue				
Revenue from external customers (note 5)	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	5,643,550
Reconciliation:				
Elimination of inter-segment revenue				(178,029)
Reported total revenue				5,465,521
Reportable segment results	429,484	390,088	4,314	823,886
Reconciliation:				
Corporate expenses, net				(63,340)
Profit before tax				760,546

	Property management services HK$'000	Value-added services HK$'000	Car parking spaces trading business HK$'000	Corporate and other unallocated HK$'000	Total HK$'000
Other segment information					
Interest income	34,430	269	10	43	34,752
Additions to items of 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 disposal of items of property, plant and equipment	814	-	-	-	814
Impairment of financial assets, net	867	-	-	-	867
Depreciation and amortisation	35,550	1,825	-	3,451	40,826
Fair value gain of investment properties, net	-	2,572	-	-	2,572
Share of profit of a joint venture	177	-	-	-	177
Share of profit of an associate	193	-	-	-	193

4. OPERATING SEGMENT INFORMATION (CONTINUED)

Geographical information

(a) Revenue from external customers

	2020	2019
	HK$'000	HK$'000
Mainland China:		
Hua Nan Region	**1,912,669**	1,760,960
Hua Dong Region	**965,836**	825,554
Hua Bei Region	**1,113,150**	936,522
Northern Region	**485,487**	436,384
Western Region	**1,159,670**	746,898
	5,636,812	4,706,318
Hong Kong and Macau	**908,065**	759,203
	6,544,877	5,465,521

The revenue information above is based on locations of customers.

(b) Non-current assets

	2020	2019
	HK$'000	HK$'000
Mainland China:		
Hua Nan Region	**172,821**	158,854
Hua Dong Region	**70,456**	71,348
Hua Bei Region	**9,354**	10,219
Northern Region	**4,602**	14,171
Western Region	**39,334**	11,469
	296,567	266,061
Hong Kong and Macau	**29,721**	15,161
	326,288	281,222

The non-current assets information above is based on the locations of the assets and excludes interests in a joint venture and an associate, balance due from a related company and deferred tax assets.

5. REVENUE

Disaggregated revenue information

Type of goods or services

Revenue from contracts with customers disaggregated by type of goods or services (i.e. provision in property management services, provision in value-added services and trading of car parking spaces) are recognised in respective reportable operating segments (i.e. property management services, value-added services and car parking spaces trading business), and the details of which are set out in note 4 "Operating segment information".

Timing of revenue recognition

Year ended 31 December 2020

Segments	**Property management services HK$'000**	**Value-added services HK$'000**	**Car parking spaces trading business HK$'000**	**Total HK$'000**
At point in time	**-**	**300,066**	**19,003**	**319,069**
Over time	**4,857,365**	**1,364,725**	**-**	**6,222,090**
Total revenue from contracts with customers	**4,857,365**	**1,664,791**	**19,003**	**6,541,159**
Revenue from another source				
- rental income	**-**	**3,373**	**345**	**3,718**
Total revenue from external customers	**4,857,365**	**1,668,164**	**19,348**	**6,544,877**

Year ended 31 December 2019

Segments	Property management services HK$'000	Value-added services HK$'000	Car parking spaces trading business HK$'000	Total HK$'000
At point in time	-	220,328	9,509	229,837
Over time	4,107,712	1,125,107	-	5,232,819
Total revenue from contracts with customers	4,107,712	1,345,435	9,509	5,462,656
Revenue from another source				
- rental income	-	2,727	138	2,865
Total revenue from external customers	4,107,712	1,348,162	9,647	5,465,521

Geographical market

All revenue were generated in the PRC (including Mainland China, Hong Kong and Macau).

6. PROFIT BEFORE TAX

	2020 HK$'000	2019 HK$'000
Profit before tax is arrived at after charging:		
Employee benefit expenses including directors' and chief executive's remuneration and share-based payment (note)	**3,232,283**	2,867,220
Sub-contracting costs	**1,164,218**	798,509
Utility costs	**517,172**	398,525

Note: During the year ended 31 December 2020, share-based payment to certain directors, senior management and other employees amounting to HK$4,189,000 (2019: HK$4,225,000) were recognised in profit or loss, with a corresponding credit to equity. In addition, government subsidies under COVID-19 amounting to HK$31,351,000 were received in 2020.

7. INCOME TAX

An analysis of the Group's income tax is as follows:

	2020 HK$'000	2019 HK$'000
Current:		
Hong Kong	**889**	1,778
Macau	**299**	624
Overprovision in prior years – Hong Kong and Macau	**(528)**	(199)
Mainland China	**233,633**	199,707
Overprovision in prior years – Mainland China	**(11,596)**	-
The PRC withholding income tax	**15,730**	17,231
	238,427	219,141
Deferred	**(14,003)**	(2,735)
Total	**224,424**	216,406

Notes:

(a) A summary of applicable income tax rates of the jurisdictions in which the Group operates during the year is as follows:

	2020 %	2019 %
Hong Kong	**16.5**	16.5
Macau	**12**	12
Mainland China*	**25**	25

* In accordance with the relevant tax rates and regulations of the PRC, certain subsidiaries of the Group established in Mainland China are subject to preferential enterprise income tax rates.

(b) The PRC withholding tax is imposed on dividends distributed or expected to be distributed from a PRC subsidiary to the Company at the prevailing tax rate of 5% (2019: 5%).

8. DIVIDENDS

The dividend paid in 2020 and 2019 was HK$164,343,000 and HK$138,048,000 respectively. A final dividend of HK4.2 cents per share in respect of the year ended 31 December 2020, amounting to a total dividend of HK$138,048,000, is to be proposed at the annual general meeting on 3 June 2021. These financial statements do not reflect this dividend payable.

	Dividend declared/ proposed	**Dividend paid and recorded in the financial statements**	
		2020	2019
	HK$'000	**HK$'000**	HK$'000
2018:			
Final dividend of HK2.0 cents per ordinary share	65,737		65,737
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	**92,032**	
	164,343		
2020:			
Interim dividend of HK2.2 cents per ordinary share	72,311	**72,311**	
Final dividend of HK4.2 cents per ordinary share	138,048		
Total	210,359	**164,343**	138,048

9. EARNINGS PER SHARE

The calculation of the basic earnings per share amounts is based on the profit for the year attributable to shareholders of the Company of HK$700,008,000 (2019: HK$537,840,000), and the weighted average number of ordinary shares of 3,286,860,460 (2019: 3,286,860,460) in issue during the year.

No adjustment has been made to the basic earnings per share amounts presented for each of the years ended 31 December 2020 and 2019 for a dilution as the Group had no dilutive potential ordinary shares in issue during these years.

10. INVENTORIES

Inventories of the Group are right-of-use on car parking spaces, which are all located in Mainland China and are held for trading.

During the year, the Group purchased right-of-use on car parking spaces (including value-added tax) from fellow subsidiaries in a total amount of HK$141,733,000 (2019: HK$391,222,000) and associates of a fellow subsidiary in a total amount of HK$56,208,000 (2019: HK$Nil).

11. TRADE AND RENTENTION RECEIVABLES

	2020 HK$'000	2019 HK$'000
Trade receivables	**909,016**	647,250
Retention receivables	**40,256**	-
Trade and retention receivables	**949,272**	647,250
Less: Impairment	**(103,137)**	(79,688)
	846,135	567,562

Note:

Trade receivables are non-interest bearing and arise from the provision of property management services from properties managed under lump sum basis and value-added services. Property management services income from properties managed under lump sum basis are received in accordance with the terms of the relevant property management services agreements and they are due for payment by the residents upon the issuance of demand note by the Group. 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.

The Group's credit terms of its trade receivables are negotiated with and entered into under normal commercial terms with tenants of the properties managed under lump sum basis and customers of value-added services. The Group does not hold any collateral or other credit enhancements over these balances.

An ageing analysis of the gross trade receivables as at the end of the reporting period, based on the invoice date, is as follows:

	2020 HK$'000	2019 HK$'000
Within 1 month	**245,478**	155,935
1 to 3 months	**184,391**	144,581
3 to 12 months	**289,185**	167,499
1 to 2 years	**64,337**	65,440
Over 2 years	**125,625**	113,795
	909,016	647,250

12. BALANCES DUE FROM THE IMMEDIATE HOLDING COMPANY, FELLOW SUBSIDIARIES AND RELATED COMPANIES

	2020 HK$'000	2019 HK$'000
Balance due from the immediate holding company		
Trade nature	**893**	231
Balances due from fellow subsidiaries		
Trade nature	**129,165**	90,220
Balances due from related companies (including joint ventures and associates of fellow subsidiaries)		
Trade nature	**63,559**	22,838
Non-trade nature	**88,894**	84,775
	152,453	107,613
Total balances due from related parties	**282,511**	198,064

The following is an ageing analysis of trade nature balances due from related parties, based on the invoice date, at the end of the reporting period:

	2020 HK$'000	2019 HK$'000
Balance due from the immediate holding company		
Within 1 month	**283**	80
1 to 3 months	**335**	89
Over 3 months	**275**	62
	893	231
Balances due from fellow subsidiaries		
Within 1 month	**62,378**	35,952
1 to 3 months	**27,583**	21,708
3 to 12 months	**18,782**	20,486
1 to 2 years	**12,738**	7,003
Over 2 years	**7,684**	5,071
	129,165	90,220
Balances due from related companies		
Within 1 month	**13,926**	5,867
1 to 3 months	**33,968**	3,348
3 to 12 months	**10,088**	10,251
1 to 2 years	**4,541**	2,540
Over 2 years	**1,036**	832
	63,559	22,838

13. TRADE PAYABLES

An ageing analysis of the trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	2020 HK$'000	2019 HK$'000
Within 1 month	**171,054**	114,028
1 to 3 months	**74,106**	56,445
Over 3 months	**215,953**	257,014
	461,113	427,487

14. BALANCES DUE TO FELLOW SUBSIDIARIES AND RELATED COMPANIES

The following is a breakdown and ageing analysis of trade nature balances due to related parties, based on the invoice date, at the end of the reporting period:

	2020 HK$'000	2019 HK$'000
Balances due to fellow subsidiaries – trade nature		
Within 1 month	**4,225**	4,021
1 to 3 months	**96**	20
3 to 12 months	**610**	83
1 to 2 years	**1,235**	52
Over 2 years	**89**	-
	6,255	4,176
Contract liabilities	**11,863**	156
	18,118	4,332

	2020 HK$'000	2019 HK$'000
Balances due to related companies (including joint ventures and associates of fellow subsidiaries) – trade nature		
Within 1 month	**765**	4,591
1 to 3 months	**451**	190
3 to 12 months	**2,490**	169
1 to 2 years	**557**	-
Over 2 years	**222**	-
	4,485	4,950
Contract liabilities	**13,784**	1,638
	18,269	6,588

15. ISSUED CAPITAL

	2020 HK$'000	2019 HK$'000
Issued and fully paid:		
3,286,860,460 ordinary shares of HK$0.001 each	**3,287**	3,287

16. COMPARATIVE AMOUNTS

Certain comparative amounts have been reclassified to conform to the current year's presentation and disclosures.

PROPOSED FINAL DIVIDEND

After taking into account the dividend policy of the Group, business results for the year and future business development plans, the Board has recommended the declaration of a final dividend of HK4.2 cents per share for the year ended 31 December 2020 (for the year ended 31 December 2019: a final dividend of HK2.8 cents per share) representing a total amount of approximately HK$138,048,000, subject to the approval of shareholders of the Company (the "Shareholders") at the forthcoming annual general meeting to be held on Thursday, 3 June 2021 (the "2021 AGM"). The proposed final dividend will be paid to the Shareholders on Tuesday, 6 July 2021 whose names appear on the Company's register of members (the "Register of Members") on Wednesday, 16 June 2021.

ANNUAL GENERAL MEETING

The 2021 AGM will be held on Thursday, 3 June 2021 at 2:30 p.m.. The notice of the 2021 AGM, which constitutes part of a circular to Shareholders, will be sent together with the 2020 annual report in due course.

CLOSURE OF REGISTERS OF MEMBERS

For the purposes of determining the eligibility of the Shareholders to attend and vote at the 2021 AGM, and the eligible Shareholders' entitlement to the proposed final dividend, the Register of Members will be closed as appropriate as set out below:

(i) For determining the Shareholders' eligibility to attend and vote at the 2021 AGM:

Latest time to lodge transfer documents for registration with the Company's branch share registrar and transfer office in Hong Kong	At 4:30 p.m. on Friday, 28 May 2021
Closure of the Register of Members	Monday, 31 May 2021 to Thursday, 3 June 2021 (both days inclusive)
Record Date	Thursday, 3 June 2021

(ii) Subject to the passing of the final dividend proposal agenda at the 2021 AGM, for determining the eligible Shareholders' entitlement to the proposed final dividend:

Latest time to lodge transfer documents for registration with the Company's branch share registrar and transfer office in Hong Kong	At 4:30 p.m. on Tuesday, 8 June 2021
Closure of the Register of Members	Wednesday, 9 June 2021 to Wednesday, 16 June 2021 (both days inclusive)
Record Date	Wednesday, 16 June 2021

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

AUDIT COMMITTEE AND REVIEW OF ACCOUNTS

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

The Audit Committee has discussed and reviewed with management the annual results and consolidated accounts of the Group for the year ended 31 December 2020.

SCOPE OF WORK OF ERNST & YOUNG

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2020 as set out in the preliminary announcement have been agreed by the Group's auditor, Ernst & Young, to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by Ernst & Young in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Ernst & Young on the preliminary announcement.

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

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

COMPLIANCE WITH THE MODEL CODE

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") as its own code for dealing in securities of the Company by the Directors. After specific enquiry, all Directors confirmed that they have complied with the required standard regarding securities transactions set out therein throughout the year ended 31 December 2020.

Relevant employees who are likely to be in possession of inside information of the Group are also subject to compliance with written guidelines on no less exacting terms than the Model Code.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

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

During the year ended 31 December 2020, the Company has adopted and complied with all the code provisions of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

The annual results announcement is published on the Company's website (http://www.copl.com.hk) and the Stock Exchange's designated website (http://www.hkexnews.hk). The Company's annual report for the year ended 31 December 2020 will be available on the same websites and will be dispatched to the Shareholders in due course.

PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION

The Board of the Company proposes to amend the Articles of Association of the Company (the "Articles") to reflect the changes brought about by the amendments to the applicable laws and regulations including the Companies Law of the Cayman Islands and the Listing Rules of the Stock Exchange and to provide the Company with more flexibility to adapt to changing market practices and needs.

The proposed amendments to the Articles are subject to the approval of the Shareholders by way of special resolution at the 2021 AGM of the Company to be convened.

A circular containing, inter alia, further details concerning the proposed amendments to the Articles and a notice convening the 2021 AGM will be dispatched to the Shareholders in due course.

APPRECIATION

I would like to express my heartfelt gratitude to the Board and all employees for their efforts and to our business partners and shareholders for their long-term supports.

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

Hong Kong, 25 March 2021

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