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

Stock Code: 2669

2017
ANNUAL REPORT

PROPERTY ASSETS
TO BE ENTRUSTED

中海夢
安居樂業

海納川
厚德載物

物所託
情真似海

業精細
愛融情中

COPL Official
Website

COPL Official
Wechat

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Corporate Overview

Governance

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Corporate Information

Board of Directors

Chairman And Non-executive Director

Yan Jianguo *(Chairman) (appointed on 13 June 2017)*
Xiao Xiao *(Chairman) (resigned on 13 June 2017)*

Executive Directors

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

Independent Non-executive Directors

Lim Wan Fung, Bernard Vincent
Suen Kwok Lam
Yung Wing Ki, Samuel

Committees

Audit Committee

Yung Wing Ki, Samuel *(Chairman)*
Lim Wan Fung, Bernard Vincent
Suen Kwok Lam

Nomination Committee

Yan Jianguo *(Chairman) (appointed on 13 June 2017)*
Xiao Xiao *(Chairman) (resigned on 13 June 2017)*
Lim Wan Fung, Bernard Vincent
Suen Kwok Lam
Yung Wing Ki, Samuel

Remuneration Committee

Suen Kwok Lam *(Chairman)*
Yan Jianguo *(appointed on 13 June 2017)*
Xiao Xiao *(resigned on 13 June 2017)*
Lim Wan Fung, Bernard Vincent
Yung Wing Ki, Samuel

Company Secretary

Leung Yim Yu *(appointed on 18 March 2017)*
Ko Hiu Fung *(resigned on 18 March 2017)*

Authorised Representatives

Yan Jianguo *(appointed on 13 June 2017)*
Yang Ou *(appointed on 22 March 2018)*
Luo Xiao *(alternate representative to Yan Jianguo)*
Kam Yuk Fai *(alternate representative to Yang Ou)*

Independent Auditor

PricewaterhouseCoopers
Certified Public Accountants

Registered Office

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

Head Office and Principal Place of Business in Hong Kong

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

Branch Office in Hong Kong

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

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 22, Hopewell Centre,
183 Queen's Road East, Hong Kong

Legal Advisors

As to Hong Kong laws:

Mayer Brown JSM

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 Relations

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

Public Relations

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

Share Listing

The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited
(Stock Code: 2669)

Financial Calendar

Final Results Announcement:
22 March 2018

Closure of Register of Members:

(i) 2018 Annual General Meeting

Latest time to lodge transfer documents for registration:
not later than 4:30 p.m. on 31 May 2018

Closure of Register of Members:
1 June 2018 to 7 June 2018

(ii) Proposed Final Dividend

Latest time to lodge transfer documents for registration:
not later than 4:30 p.m. on 12 June 2018

Closure of Register of Members:
13 June 2018 to 15 June 2018

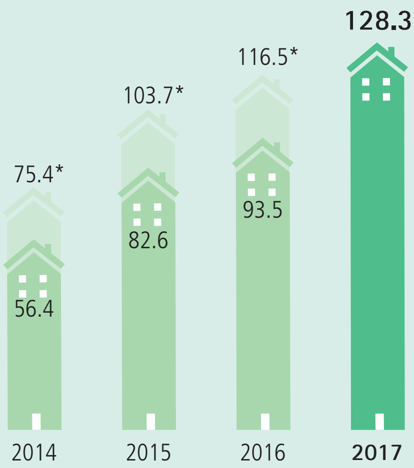
2018 Annual General Meeting:
7 June 2018

Proposed Final Dividend Payment Date:
29 June 2018

Business and Financial Highlights

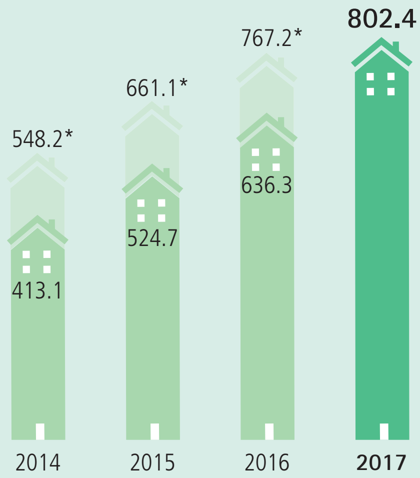
Gross Floor Area under Management as at Year Ended

(Million sq.m.)



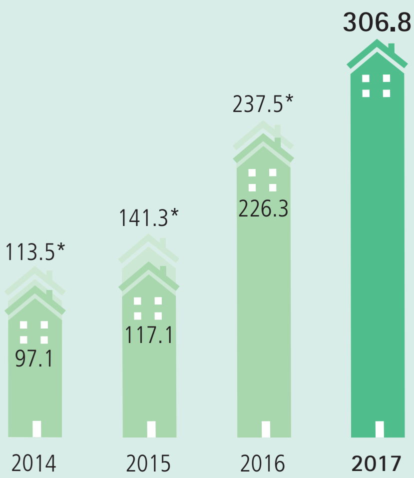
Gross Profit

(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 3 of the "Notes to the Financial Statements"*

Business and Financial Highlights (Continued)

	Formula	2017	2016	Change
Operating Scale:				
Gross floor area under management as at year ended (million sq.m.)		**128.3**	93.5	+37.3%
Employee headcount		**30,014**	22,637	+32.6%
Revenue (HK$ million):				
– before business combination under common control		**2,714.2**	2,563.4	+5.9%
– after business combination under common control		**3,357.8**	3,296.7*	+1.9%
Profitability & Rates of Return:				
Gross profit (HK$ million):				
– before business combination under common control		**712.5**	636.3	+12.0%
– after business combination under common control		**802.4**	767.2*	+4.6%
Profit attributable to owners of the Company (HK$ million)		**306.8**	237.5*	+29.1%
Earnings per share (HK cents)		**9.33**	7.23*	+29.0%
Average return on equity	Profit attributable to owners of the Company÷Average capital and reserves attributable to owners of the Company	**36.7%**	30.6%*	N/A
Liquidity:				
Bank balances and cash (HK$ million)		**2,711.0**	2,417.3*	+12.2%
Bank borrowings (HK$ million)		**265.0**	310.0	-14.5%
Current ratio	Total current assets÷Total current liabilities	**1.4**	1.5*	-6.7%
Gearing ratio	Total borrowings÷ Equity attributable to owners of the Company	**31.0%**	38.0%*	N/A

N/A: Not applicable

* *Restated under merger accounting, for details, please refer to note 3 of the "Notes to the Financial Statements"*

Company Profile

Our Vision

To become a benchmark enterprise with excellence in China's property management sector.

Our Mission

Provide continuing career development for our staff;
Create a perfect living environment with high-quality service for our customers.
Continue to lead the industry development with excellent performance;
Take public interest and low carbon, environmental protection as our corporate responsibility.

Our Philosophy

Always adding value for customers through honourable and progressive business practices.

Our Principles and Promise

Principles: Always put customer first with service priority.

Promise: To be a trusted manager of property assets.

Penetrating Market with Craftsmanship, Expediting Development with Network

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

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

The Group has completed its nationwide strategic layout in 73 cities, and the properties under its management include residential properties, hotels, commercial complexes, Grade A+ office buildings and government properties. As for its operations in Hong Kong, apart from providing property management services for luxurious residential property projects developed by COLI, it also help managing commercial buildings, shopping malls, large scale housing estates, public housing estates, private properties, public facilities, customs checkpoints, Central Government's representative offices in Hong Kong as well as military sites. The Group has over 30,000 employees and more than 600 contracted property projects with a GFA of over 120 million sq.m.. It has become a reputable brand name in the sector underpinned by a nationwide strategic network and a global management vision.

Company Profile (Continued)

Nurturing COPL Craftsmen

Adhering to fine workmanship spirits (工科中海) and pragmatic manner, COPL commits itself to details and effective repair and maintenance of buildings and facilities. It constantly enhances its professional ability to preserve and increase the value of property, carefully plans for the entire life cycle of the equipment and facilities through standardizing and intensifying the maintenance of equipment room and introducing a three-tier equipment and facilities maintenance mechanism and a dual-manager management model, accomplishing a hassle-free engineering service chain system with the application of such information platforms as equipment room remote monitoring system, equipment and facilities management platform, intensive maintenance system and energy consumption control platform.

COPL has been making vigorous efforts to build a "craftsmen's regime (工匠體系)", aiming to cultivate the personality, mentality and skills of a good craftsman in its day-to-day operations and develop the craftsmanship spirits underpinned by excellence. Specific programmes including certification for technical experts, certification for job-related qualifications, nomination of "Outstanding Security Management Coaches" as well as contests such as the "Golden Screw" (金螺絲) and "Golden Skilled Technician" (金能手) have been regularly organized to facilitate its team-building initiative and selection of high-calibre talents for promotion, in a bid to encourage innovation and set exemplary models of good craftsmanship, thus enhance its competitiveness in the property management sector in terms of human resources.

Company Profile (Continued)

Constructing a Technology-Based Property Management Service System Powered by "Xinghai Wulian"

Xinghai Wulian (興海物聯), a subsidiary of COPL, is a national high-tech enterprise and a leading smart park service provider in China, providing its customers with a full spectrum of engineering services ranging from planning, design, implementation, delivery, maintenance to operation, for a wide range of intelligent buildings and structures, including residential communities, urban complex, commercial office buildings, hotels and industrial parks. It has expanded its business scope to the supporting services such as the operation and maintenance of mechanical and electrical equipment in the building, thus forming a Shenzhen-based nationwide network covering over 70 cities with more than 600 projects.

Following the rapid development of Internet of Things and cloud computing technology, Xinghai Wulian has been actively developing its dual-core engine on the "IoT-based Big Data Platform + Equipment and Facilities Operation and Maintenance Platform" by exploiting COPL's strong advantages in resources and platform, aiming to provide overall solutions for smart industrial parks based on the dual platforms, construct COPL-branded smart communities with excellent engineering services and establish a technology-oriented property management service system, better serve the needs of property owners for a better life as well as leading the industry development trend.

Creating an "UN+" Internet Ecosystem with "U+" service as its carrier

The Internet is gradually changing the living environment and consumption preferences of our customers. In order to serve their customized and diversified needs, Shenzhen UN+ Internet Technology Company (深圳市優你家互聯網科技有限公司), a subsidiary of COPL, is actively applying information technology to improve its service quality and vigorously developing its diversified services based on the mobile Internet platform, aiming to achieve a win-win situation with its customers, merchants, properties and collaborators relying on its four major business lines, i.e. basic property service operation, community assets operation, customers' assets operation and daily services operation, its "three-dimensional product mix" consisting of resources utilization, assets operation and service provision and an "operational carrier", i.e. the open and compatible "U+" Internet ecosystem, while actively exploiting opportunities for business growth in the fields of housing brokerage, household fitting and renovation, butler services, commodity sales and innovation services. By integrating various service resources, the Group has upgraded the content and experience of its property services. At the same time, in combination with the community environment, COPL is striving to foster a new service regime with a commercial ecosystem with enduring vitality, aiming to keep abreast of its customers' needs and improve their experiences, constantly upgrade its products and services and wholeheartedly build a COPL-branded smart community together with its customers.

UN+ 优你互联

Highlights in 2017

January

COPL fulfilled its corporate social responsibility and fully supported the Walk for Millions by the Community Chest for 2017/18

As always, the Group has actively supported charitable events in Hong Kong. Our colleagues and their families joined the Walk for Millions by the Community Chest to raise the charity funds for the family and child welfare agencies in Hong Kong.

March

The second "COPL Cup — Skill & Technique Tournament" Successfully Concluded

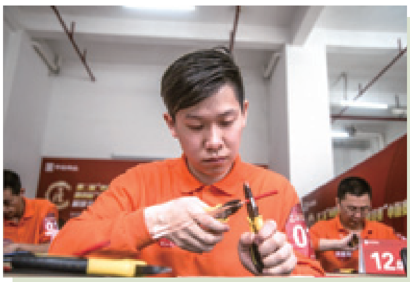
COPL organised its second "COPL Cup — Skill & Technique Tournament" with an aim to promote the corporate spirits of craftsmanship, improve the basic service skills of its employees, enhance service quality and customer satisfaction, facilitate team-building and identify potential talents.

Highlights in 2017 (Continued)

April

"Green COPL • Green Carnival" (綠動中海 • 環保嘉年華)

In order to raise the public awareness of environment protection, COPL organized a themed community activity known as "Green COPL • Green Carnival", which combined the concept of low-carbon lifestyle with volunteer activities and public services, in an attempt to explore and innovate solutions to the environmental problems, and create an environment-friendly, healthy, pleasant and sustainable lifestyle for its customers.



May

Li Gang and Chen Cheng from COPL were among the Top 10 contestants in the National Professional Skills & Techniques Contest for Property Management Industry and were awarded the title of "Competent Technician in National Residential and Urban/Rural Construction"

On 21 May, the first National Professional Skills & Techniques Contest for Property Management Industry (全國物業管理行業職業技能競賽) was concluded successfully. Thanks to their excellent skills and unruffled attitudes, Li Gang and Chen Cheng, the two contestants representing COPL, made it to the finals out of the 191 contestants and were placed among the Top 10 in the property manager group and the electrician group respectively, and dubbed "Competent Technician in National Residential and Urban/Rural Construction" (全國住房城鄉建設行業技術能手).

Highlights in 2017 (Continued)

June

COPL received numerous awards and honours such as the "China's Top 100 Property Management Companies in 2017"

On 16 June, COPL received numerous awards and honours, including "2018–2017 Top 100 Property Management Companies in China for Ten Consecutive Years", "2017 China Top 10 Property Management Companies in terms of Comprehensive Strength", "2017 China Top 10 Property Management Companies in terms of Business Size", "2017 China's Leading Property Management Companies in terms of Service Quality" and "2017 China's Leading Property Management Companies in terms of Customer Satisfaction".

First "Environmental, Social and Governance Report" published by COPL

On 28 June, COPL published its first "Environmental, Social and Governance Report" to disclose the Group's measures and performance regarding the sustainable development issues in 2016 in a transparent and open manner, demonstrating the Group's strategies and commitment to sustainability.

Highlights in 2017 (Continued)

September

COPL once again dubbed "China's Leading Brand of China Property Service Companies" with a Brand Value of RMB4.89 billion

On 14 September, COPL received two honours, i.e. "2017 Specialized Operational Leading Brand of China Property" and "2017 Service Quality Leading Brand of China Property Service Companies (with a Brand value of RMB4.89 billion)".

COPL again honoured with "China's Blue-chip Property Enterprise" and "Enterprise with Excellent Investment Value"

On 26 September, the 2017 Annual Meeting of China's Blue-Chip Property Enterprises hosted by "The Economic Observer" (經濟觀察報) was convened in Beijing with a theme of "Innovation and Origin". COPL was again honoured with the two distinguished titles, i.e. "China's Blue-Chip Property Enterprise" (中國藍籌物業企業) and "Enterprise with Excellent Investment Value" (卓越投資價值企業) in recognition of its outstanding service quality and brilliant development prospect.

Highlights in 2017 (Continued)

October

COPL attended the 1st International Property Management Industry Expo

During 11 to 13 October, COPL attended the 1st International Property Management Industry Expo (首屆國際物業管理產業博覽會) at Shenzhen Convention Center. With a theme of "Humanity + Innovation + Interconnection", COPL's exhibition booth demonstrated its comprehensive strengths and professional brand image to the social public and industry peers.

Mr. Yang Hong, Member of Shenzhen Municipal Standing Committee and Municipal Government Party, visited China Overseas Property Exhibition Hall escorted by the team members of COPL.

Mr. Shen Jianzhong, Chairman of China Property Management Institute, and leaders from Guangdong Property Management Association, Shenzhen Property Management Association and property management associations of other regions presented at the China Overseas Property Exhibition Hall.

Acquisition of the Entire Equity Interest of CITIC Property by COPL

On 20 October, COPL announced that its wholly-owned subsidiary intended to acquire the entire equity interest of the Target Company, i.e. CITIC Property, from CITIC Real Estate and Beijing CITIC Real Estate, which were wholly-owned by China Overseas Land & Investment Limited, at a consideration of RMB190 million. The acquisition was completed on 21 December 2017.

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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)

MAJOR AND CONNECTED TRANSACTION

AND

CONTINUING CONNECTED TRANSACTIONS

THE ACQUISITION

On 20 October 2017, the Purchaser, a wholly owned subsidiary of the Company, and the Sellers, wholly owned subsidiaries of COLI, entered into the Sale and Purchase Agreement, pursuant to which the Purchaser conditionally agreed to purchase and the Sellers conditionally agreed to sell the entire equity interests of the Target Company for a consideration of RMB190.0 million (equivalent to approximately HK$223.5 million). The Target Group is principally engaged in property management businesses in Mainland China.

CONTINUING CONNECTED TRANSACTIONS

COLI Services

On 20 October 2017, COLI and the Company entered into the COLI Target Services Agreement in relation to the Services to be provided by the Target Group to COLI Group after the Acquisition.

On 20 October 2017, COLI and the Company entered into the COLI Prevailing Services Agreement to increase the caps for the transactions under the Previous COLI Services Agreements and renew the transactions thereunder.

COGO Services

On 20 October 2017, COGO and the Company entered into the COGO Target Services Agreement in relation to the Services to be provided by the Target Group to COGO Group for the New Projects after the Acquisition.

On 20 October 2017, COGO and the Company entered into the COGO Prevailing Services Agreement to increase the caps for and expand the scope for the transactions for the Prevailing Projects under the Previous COGO Services Agreement and renew the

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Highlights in 2017 (Continued)

December

Six of COPL's Project Managers were awarded "China's 100 Role Model Community Property Managers in 2017"

On 12 December, at the awarding ceremony of "China's 100 Role Model Community Property Managers in 2017" (2017中國100標桿社區物業經理) hosted by Sina Finance, Leju, ZhongFang YanXie, Shanghai Securities News and China Entrepreneur in Beijing, six excellent project managers from COPL (namely, Feng Zhiquan, Yang Xiaodong, Liu Xiaohong, Yao Jiayong, Liu Dongchen, Liu Hongtao) were on the list of final winners.

CARBONCARE® ESG LABEL
Commitment in
Enhanced Environmental Disclosure
in the next ESG report
Awarded Year 2017

COPL was awarded the "CarbonCare® ESG Label"

The Group was awarded the "CarbonCare® ESG Label" by CarbonCare InnoLab to compliment COPL's efforts in building a solid foundation for the environmental policies and KPIs, as a company which not only complies with the essential steps as required by the listing rules of The Stock Exchange of Hong Kong, but also formulates credible plans for further reporting improvements.

Honours and Awards in 2017

Award	Organiser
China's Top 100 Property Service Enterprises in 2017	China Index Academy
2008–2017 Top 100 Property Management Companies in China for Ten Consecutive Years	China Index Academy
2017 China Top 10 Property Management Companies in terms of Comprehensive Strength	China Index Academy
2017 China Top 10 Property Management Companies in terms of Business Size	China Index Academy
2017 China's Leading Property Management Companies in terms of Service Quality	China Index Academy
2017 China's Leading Property Management Companies in terms of Customer Satisfaction	China Index Academy
2017 Specialized Operational Leading Brand of China Property Services Companies & 2017 Service Quality Leading Brand of China Property Service Companies (with a brand value of RMB4.89 billion)	China Index Academy

Award	Organiser
China's Blue-chip Property Enterprise	The Economic Observer (經濟觀察報)
Enterprise with Excellent Investment Value	The Economic Observer (經濟觀察報)
China's TOP 10 Community Services Providers in 2017	Yihan Zhiku (億翰智庫)
Caring Company	Hong Kong Council of Social Service
Top Brands of Shenzhen (2017–2019)	Shenzhen Top Brand Evaluation Committee
CarbonCare® ESG Label	CarbonCare InnoLab

Chairman's STATEMENT

Chairman's Statement

Introduction

I am pleased to announce the annual consolidated results of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2017. In our ongoing adherence to the customer-oriented business strategy, we have provided premium property management services in Mainland China, Hong Kong and Macau on the back of the recognition and support of property developers and owners with whom we have developed longstanding partnerships. By leveraging on the strong brand recognition of "China Overseas Property", the Group seized business opportunities in a timely manner and effectively addressed business risks by strengthening our control over resources application and allocation, while pursuing business diversification with ongoing expansion in terms of geographic coverage and business volume. On 20 October 2017, the Group entered into a sale and purchase agreement with China Overseas Land & Investment Limited to acquire its subsidiaries engaged in property management businesses over approximately 120 property management contracts located mainly in Beijing, Tianjin, Changsha, Shenzhen, Guangzhou, Huizhou, Shantou, Qingdao, Suzhou, Zhongshan, Foshan, Dongguan, Chengdu, Chongqing, Dalian, Haikou, Huangshan, Lushan, Sanya and Zhuhai at a consideration of RMB190.0 million (equivalent to approximately HK$228.9 million), adding 24.1 million sq.m. to our management portfolio. These property management companies had already entrusted the Group to manage their business operation since 15 September 2016. The transaction was completed on 21 December 2017. The acquisition will broaden the Group's market coverage, provide prospective synergy effect and allow the Group to capture additional market share of the property management market in Mainland China.

As at 31 December 2017, the Group provided property management services to up to 646 properties located across 73 cities and regions in Hong Kong, Macau, and the People's Republic of China (the "PRC"), with a total gross floor area ("GFA") under management of approximately 128.3 million sq.m., supported by 30,014 employees. The type of properties under management include mid-to high-end residential units/commercial buildings, commercial complex, hotels and government properties.

The Group operates a diverse yet complementary range of closely inter-related businesses. Apart from providing premium basic property management services, such as security, repair and maintenance, cleaning and landscape which would preserve and add value to properties and enhance their reputation, we have also fostered sound working relationships with property developers during the property development stage by providing comprehensive, end-to-end property management services including consultation relating to product positioning, recommendations for equipment models selection, services prior to delivery, move-in assistance services, delivery inspection services, as well as engineering services quality control and consulting services. We provide full solution for property services to the satisfaction of developers, who are more likely to recommend our appointment as property manager upon completion of the development in the future. Through the provision of sound property management services, we have also developed close relationship with the communities we serve and have earned their trust. Such relationship is conducive to the expansion of our operation from mobile application for customers' assets and daily services and our effort to tap the immense potential spending powers of these communities.

Chairman's Statement

Results

For the year ended 31 December 2017, taking into account the acquiring of the property management contracts, total GFA of the properties under our management increased by 37.3% or 34.8 million sq.m. to 128.3 million sq.m., comparing with last year end before the acquisition. New/renewed property management contracts secured during this year amounted to a total contract sum of approximately HK$828.4 million, with a total contract sum (for property management contracts with fixed expiry dates) for services to be rendered of approximately HK$1,530.5 million as of 31 December 2017.

As a result of the acquisition, the consolidated financial statements would be presented using the merger basis of accounting. The comparative figures of last year would be restated accordingly. The annual turnover of the Group increased by 1.9% to HK$3,357.8 million against HK$3,296.7 million (restated) in the last year. Operating profit for the year raised by 26.6% to HK$437.5 million (2016: HK$345.7 million (restated)). The profit attributable to owners of the Company for the year ended 31 December 2017 increased by 29.1% to HK$306.8 million, comparing to HK$237.5 million (restated) in 2016. Basic and diluted earnings per share was HK9.33 cents (2016: HK7.23 cents (restated)), representing an increase of 29.0%. Average return on equity was 36.7% (2016: 30.6% (restated)).

Proposed Final Dividend

After taking into account the Group's business results for the year and its future business development plans, the Board recommended the declaration of a final dividend of HK1.5 cents per share (2016: HK1.1 cents) for the year ended 31 December 2017. Together with the interim dividend of HK1.5 cents distributed in October 2017 (2016: HK1.1 cents), total dividends for the year will amount to HK3.0 cents (2016: HK2.2 cents).

The proposed final dividend is subject to the approval by the shareholders of the Company at the forthcoming annual general meeting to be held on 7 June 2018 (the "2018 AGM").

Chairman's Statement (Continued)

Prospects

The Economy

Morning twilight began to emerge by the end of 2017 after years of gloomy economic performance. The global major economies showed signs of recovery and geopolitics tension was also mitigated during the year. The Brexit negotiation was progressing smoothly and the EU economy looked relatively optimistic after the bombardment of uncertain variables had withered away. On the other hand, after the economic indicators became stable, the U.S. Federal Reserve raised interest rate by 1/4% at Hong Kong local time 2:00a.m. on 22 March 2018 further to its interest rate increase for the third time in December during last year as expected, and had also implied the likely hike in future. Augmented by the tax reform of reducing the profits tax of U.S. enterprise significantly as advocated by Donald Trump, the U.S. President, it will drive the return of capital fund back to the States and pose certain pressure on inflation. In China, however, the Central Economic Working Conference held at the end of last year had already set out the tune of its economic directions in 2018, i.e., to maintain a proactive fiscal policy and a prudent and moderate monetary policy. The meeting also emphasized that the focus in next three years is to prevent and reconcile major financial risks, enable the effective control of macroeconomic leveraging, so as to maintain the Renminbi exchange rate basically stable and at a reasonable and balanced level.

Currently, in terms of middle-income group, China has the world's largest population. Its GDP growth rate for the year was 6.9%, which was slightly higher than the yearly target of 6.5% set out by the government. Inflation has been relatively low at 1.6%, while per capita disposable income grew by a nominal 9.0% year-on-year or 7.3% after deducting the pricing factor, reflecting that the per capita disposable income had grown in line with the economic development. In 2018, as the inaugurated year of the 19th CPC National Congress, China will adhere to progressing positively while maintaining stability, taking structural supply-side reforms as the principal line of its economic works, allowing the market to play a decisive role in resources allocation, facilitating the balance of supply and demand, eliminating their imbalance, lowering the costs of real economy and institutional transactions, motivating the vitality of various market players, enhancing technological innovation and optimizing traditional enterprises, advocating a new housing system that encourages both renting and purchasing to promote the stable and healthy development of the real estate market. China's economic development will enter into a new era of transiting from high-speed growth to high-quality development. While accelerating the pace of stable growth, China will strive to promote reform, adjust structure, benefit people's livelihood and prevent risks to maintain a continuous and healthy economic development, strengthen and improve people's livelihood, strive to achieve the goal of building a moderately well-off society in an all-round manner.

Property Management

Ample opportunities for development have been provided to the property management sector in China in recent years following the implementation of the "National New-type Urbanisation Plan (2014－2020)"(《國家新型城鎮化規劃（2014－2020年）》) and the continuous development of the nation's property market. The property management sector has gradually evolved from a labour-intensive business focusing on traditional basic services to an internet-driven operation characterised by centralisation, automation and application of smart devices. The role of the property manager has transformed from a provider of basic property services to a connector and integrator of services and a platform operator. Through the upgrade of hardware equipment to smart devices and the application of the mobile internet technologies, property management companies have succeeded in improving the efficiency and effectiveness of their services while achieving cost reduction. The multi-dimensional daily needs of patrons under a shared economic environment have facilitated the development of a diverse range of value-added services. The property management business can extend vertically to the business chain of the property development sector, as well as horizontally to the integrated resources for daily services. Property management companies are embracing new prospects of profit growth on the back of an extended scope of property services, thanks to the introduction of innovations and upgrades in services. The gradual improvement and relaxation of relevant policies of the government and the industry, as well as the development towards market-oriented pricing for property services will further drive the healthy development of the property management sector.

Chairman's Statement (Continued)

Prospects (Continued)

Property Management (Continued)

Driven by the information technologies relating to the Internet, the Internet of Things and the influx of capital investments, the previously highly fragmented market of the property management sector has been undergoing a process of integration with accelerating pace and magnitude. The sector has seen a significantly enhanced level of industry concentration in the midst of leapfrog development, and large-scale, premium property management companies enjoying sound reputation, economies of scale and profitability will secure greater opportunities for development.

Group Strategy

The Group competes with its major rivals primarily on branding, service quality, scale and profitability. We concentrate on providing quality management services to our clients, and provide differentiated service products to suit their different needs so as to establish a positive brand image. With a proven track record of 30 years of service, we built up a comprehensive service quality monitoring system, and received international service standard certification. We have adopted information technology to improve our quality of service and strive to promote customer satisfaction continuously. While endeavouring to maintain a high quality of service, we also strive to enhance labour productivity, control management overhead cost and boost efficiency through establishing our IT-driven smart platforms.

We focus on market development for mid-to high-end residential and commercial properties to maintain our growth in market share and operating scale. In 2017, apart from organic growth, by synthetic growth, the Group acquired a total of approximately 120 property management projects adding an aggregate of 34.8 million square meters under our management, such activities had consolidated our position as one of the leading property management companies in the PRC.

In view of the potential spending power of the huge population living in residential communities, we are committed to the ongoing development of diversified value-added services to meet the needs of owners, tenants and users across the board for different types of services. Meanwhile, we have been making vigorous efforts to develop our online platform by applying new technologies, such as the mobile internet and the Internet of Things, so that we can offer quicker and more intuitive experience to customers and enhance our overall competitiveness in the property management sector.

Chairman's Statement (Continued)

Prospects (Continued)

Group Strategy (Continued)

As one of the leading property management companies in the PRC, it is our mission to keep on leading the industry development through performance excellence by providing perfect inhabitation enjoyment to our customers with high quality services, preserving and enhancing the assets value of clients' properties with comprehensive assets management programmes, providing a pleasant working environment with opportunities for career development for our staff, building our brand image upon word-of-mouth credentials, and exploring the property management market continuously to create shareholders' value. We would implement the following key business strategies to achieve our objectives of meeting customers' needs and continuous business growth:

- **Leverage our leading "China Overseas Property" brand name to expand our business scope**

  By focusing on our core competency of managing such properties in major cities in the PRC, as well as in Hong Kong and Macau, we would solidify our strong brand recognition as a property management service provider for mid-to high-end properties. We intend to expand our range of service offerings to provide more comprehensive and differentiated service solutions to customers, while leveraging on our experience in managing high-end properties in Hong Kong to develop actively the high-end and mixed-use property management market in the PRC and abroad.

  In order to leverage on our strength in managing mid-to high-end properties, we would enhance our cooperation with property developers whose profiles are consistent with our brand image and market positioning, especially in relation to the expansion of property management services for commercial properties. Furthermore, to continue expanding our scope of operations, we would endeavor to engage in asset holdings and its long-term operations, aiming at fulfilling diverse customer requirements and enhancing customer satisfaction, in an attempt to develop a diversified portfolio of value-added services.

- **Further expand our business coverage through consolidation of our advanced property management knowhow**

  We will leverage on our extensive experience in managing mid-to high-end properties to devote our efforts in providing property management consultancy to the full phases of property development, and continue to expand our consulting services, professional and technical advisory services as well as the one-stop property management consultation. We will provide bespoke services to meet our customers' demands, such as planning design assessments, engineering consultancy and design and equipment advisory services, achieve the goal of lowering development costs and optimizing property functions. Our management knowhow offerings include property management scheme design and modernised quality control techniques, which would help to enhance management efficiency and lower the costs of property management services. Meanwhile, we would leverage on the business platform to integrate resources across the value-chain horizontally and vertically, and collaborate with business partners to explore new business opportunities, such as providing leasing and the operating of offices and commercial properties.

Chairman's Statement (Continued)

Prospects (Continued)

Group Strategy (Continued)

- **Improve experience in residential living through diversified value-added services and online and offline platforms**

  Apart from providing high-quality basic services, we have always been committed to providing personalized, diversified and professional value-added services to owners to cater for their ever-increasing consuming demand. In facing owners' demand, we provide services such as property leasing and sale, house proprietary certificate agency, new property renovation, refurbishment and daily housing and home appliances maintenance services. We offer services such as car cleaning, repair and maintenance. We also provide shopping services covering food and household supplies retailing and periodic delivery, home services such as cleaning and housekeeping as well as entertainment services like tourism and leisure. We also cater for the new consumption trends such as providing elderly care, education and other innovative services, aiming to meet owners' diversified living needs comprehensively.

  To enable owners to have convenient and precise access to various services, enhance the relationship between owners and China Overseas Property (as a professional property administrator) and the connection among owners and foster a harmonious and symbiotic community atmosphere, we developed and rolled out a mobile app platform specially tailored for owners to capacitate them to enjoy basic services such as fee payment, repair, door opening, visitors call, carpark drive-in and exiting and property notice checking, and social intercourse with neighbours, activity participation, access to news information as well as commercial services such as shopping and consumption using their phones.

- **Further enhance our service quality while maximising our cost efficiency**

  In close tandem with customers' requirements, we assure effective supervision over service quality and improvements in management efficiency through innovations in management and technology, thereby enhancing our core competency in the business.

  Automation and standardisation are key factors in our strategy to improve cost efficiency and enhance service quality. We will continue to implement measures based on smart devices in our processes and enhance standardisation in our operations. The use of smart systems, such as the smart visitor-access control system for residential buildings and car-park management system, would reduce dependence on manual operations in favour of the provision of standardised services. These would ensure the consistency of service quality and minimise the occurrence of human errors, thereby safeguarding our brand name and reputation. By adhering to the corporate values of "attention to details" and "professionalism", we make unremitting efforts to improve basic property service management standard and service specifications. We promoted the standard sample projects of machine rooms to set an example of property management locally and for the entire industry, aiming to make China Overseas Property as a symbol of "quality service". Through IT-based strategic planning, standardisation will apply in customer-relations management, on-site quality supervision, equipment control and cost control systems, and an IT-based administration platform supporting our future development strategies will be constructed, thereby developing innovative capabilities compatible with business models of the future digital era. We also maintain close relationships with quality vendors and subcontractors to ensure consistency and reliability of our service quality.

Chairman's Statement (Continued)

Prospects (Continued)

Group Strategy (Continued)

- **Further enhance our service quality while maximising our cost efficiency (Continued)**

  Our technical engineering teams have been applying their expertise to provide vigorous assistance in the environmental and energy saving campaigns, maintenance of equipment and facilities, and project risk management. In this connection, we obtained three awards for energy saving initiatives and two awards for clean production from the government, six national patents and two computer authorships. In future, we would continue to strengthen our cost control and resources planning, and carry on the establishment of China Overseas Property intelligent communities and its intelligent management, with a view to maximising service quality and cost benefits.

- **Attract, develop and retain talent to support our business growth**

  We have adopted a series of human resources strategies to attract, nurture and retain talents. Over the past three decades, we have developed a professional, dedicated and loyal management team to provide sufficient talent for business growth. We mainly select our management staff through internal promotion but will also recruit talents that befit our development strategy and corporate culture via the "Sons of the Sea" and "Sea's Recruits" schemes.

  We tailor our training programmes for managers at various levels (from entry-level staff to senior management) to address their needs for different skill sets including the provision of timely and attractive learning opportunities to our staff via the online college. To supplement our recruiting and training efforts, we will continue to develop long-term partnerships with vocational institutions and industrial organisations for human resources planning as well as establishing various training camps.

  We design competitive compensation packages and performance review systems. Through regular performance reviews, allowances for special positions, bonuses for key assignments, special contractual arrangements and job sub-contracting, we incentivise our employees and boost productivity by ensuring that compensation is tied to performance. Furthermore, our continuous adoption of multi-dimensional performance assessment and competitive recruitment allows us to offer wider career development opportunities to our staff.

  We have always been persisting our "craftsmanship spirit" underpinned by excellence and professionalism, and engaged vigorously in building a "craftsmen's regime" for our employees, aiming to foster the personality, mentality and skills of a good craftsman and develop China Overseas Property's own teams with 18 crafts. The building of junior staff teams is facilitated through the 18-Craft Lecture Hall and training programmes such as "Dream Dandelion" and "Seahawks". The "18-Craft Contest" serves to encourage innovation and facilitate selection of technical personnel by way of competition. Through the "18-Craft" certification and registration process, we provide qualified professionals. At the first national professional property management skills contest held in May 2017, all our representatives made it to the finals and two of them were placed among the top 10 in the property manager group and in the electrician group respectively, and awarded the title of "Able Technician in National Residential and Urban/Rural Construction", providing an exemplary model for other craftsmen and highlighting our competitive edge in human resources in the property management industry.

Chairman's Statement (Continued)

Prospects (Continued)

Group Strategy (Continued)

In our daily operations, we at China Overseas Property are always mindful of our vocation: active participation in the betterment of community welfare. In this regard, exemplary cases of property management workforce who have put public interests above their personal concerns and taken honourable actions in line with their duties have been noted. Our Shenyang Security Management Team saved the life of a charcoal-intoxicated flat owner; a repair technician at our Suzhou office safeguarded the lives and properties of flat owners by risking his own safety to catch a thief; and our project manager was awarded the "Capital City's Labour Medal" by Beijing General Labour Union. What's more, we have been actively involved in the charity programme known as "Village and Campus Walk". The Company has visited primary and secondary schools in impoverished villages and provided assistance to upgrade their teaching facilities earnestly to bridge up the gap in education between rural areas and cities. The spirit underpinning the countless examples of spontaneous acts of excellence on the part of individual employees and our well-recognised commitment to corporate social responsibility will continue to be fulfilled, promulgated and strengthened by our staff.

During 2017, we garnered numerous awards and honours (please refer to "Honours and Awards in 2017" section in the Annual Report for details) on the back of our superior general strengths and excellent standards in service and management. Such recognition from industry and property owners have further testified the reputation of China Overseas Property. In future, we will further improve our service quality with the application of information technologies and expedite the upgrade of smart applications through management innovation and the promotion of smart technologies. With ongoing enhancements in resource integration, complementary benefits and the capacity for mutual growth, we shall be well-positioned to meet customers' increasing demand for different types of services and offer experience of better and more convenient services.

Appreciation

I would like to take this opportunity to express sincere appreciation for my fellow directors, our dedicated staff and our loyal shareholders for their relentless support.

Yan Jianguo
Chairman and Non-executive Director

Management DISCUSSION & ANALYSIS

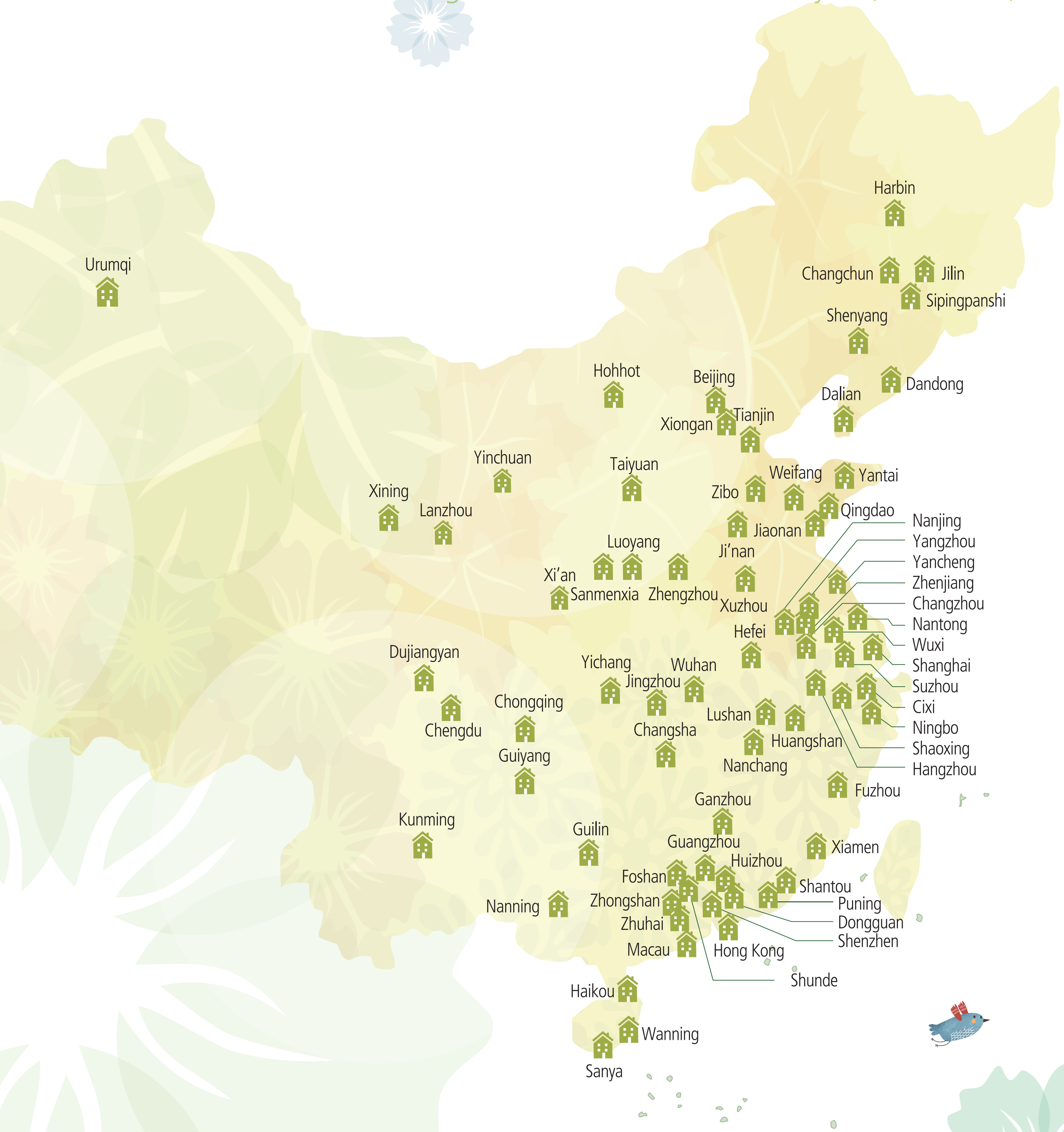
Management Discussion and Analysis

73 CITIES & REGIONS

Total GFA of the properties under our management

128.3 million sq.m.

Management Discussion and Analysis (Continued)



Management Discussion and Analysis (Continued)

Business Review

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 2017, the Group extended its geographic coverage and business volumes through the acquisition of property management businesses of approximately 120 property management contracts in the PRC from China Overseas Land & Investment Limited ("COLI") at a consideration of RMB190.0 million (equivalent to approximately HK$228.9 million) (the "Acquisition"). The GFA under our management increased by 37.3% to 128.3 million sq.m. from 93.5 million sq.m. in the last year, including the new business volumes from the Acquisition of 24.1 million sq.m.. This further strengthened our revenue base and improved our market position. According to 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 companies in the Acquisition at the outset. The 2016's comparative figures were restated accordingly.

Despite the fact that our property management services revenue was promising with increasing GFA under our management, it was partly offset by: (i) the extension of the pilot programme of replacing business tax with value-added tax in the domestic services industry in the PRC since 1 May 2016 (the "VAT Reform"); (ii) the average effect of depreciation of Renminbi against Hong Kong dollar during the past twelve months; (iii) increased proportion of commission-based property management contracts; and (iv) the decrease in preliminary revenue from property management projects under the Acquisition. Accordingly, total revenue only increased by 1.9% to HK$3,357.8 million for the year ended 31 December 2017, comparing to HK$3,296.7 million (restated) in the last year. Stripping out the effect of the Acquisition, total revenue for the year would be HK$2,714.2 million, with an increase of 5.9% against last year.

Management Discussion and Analysis (Continued)

Business Review (Continued)

Revenue and Operating Results (Continued)

On the other hand, direct operating expenses increased by 1.0% to HK$2,555.4 million for the year from HK$2,529.5 million (restated) in 2016, and was in line with the increase in revenue.

In 2017, with the business volumes from the Acquisition, the gross profit further increased by 4.6% on the new foundation against the restated amount in last year to HK$802.4 million (affected by merger accounting, the gross profit in 2016 increased by 20.6% to HK$767.2 million (restated)). Gross profit margin improved to 23.9% for the year from 23.3% (restated) in the last year, mainly due to (i) increase in proportion of segment revenue from property management services under commission basis; (ii) reasonably strengthened cost controls; and (iii) increase in proportion of revenue from value-added services out of total revenue.

Other income and gains, net, significantly increased by 61.2% to HK$47.8 million for the year (2016: HK$29.7 million (restated)), of which, interest income and unconditional government grants amounted to HK$38.5 million and HK$6.9 million respectively (2016: HK$18.0 million (restated) and HK$8.6 million (restated) respectively). The increase in interest income mainly benefited from a higher level of cash balances against last year together with more effective treasury management.

During the year, to streamline assets allocation, certain properties held for own-use were changed for rental purpose, the carrying value of investment properties thus increased to HK$106.1 million for the year from HK$66.6 million at last year. Accordingly, fair value gain on investment properties for the year was HK$6.9 million (2016: HK$0.8 million).

After deducting administrative expenses of HK$419.6 million for the year (2016: HK$451.9 million (restated)), operating profit increased by 26.6% to HK$437.5 million for the year (2016: HK$345.7 million (restated)). The decrease in administrative expenses was mainly arisen from (i) reduced cost upon efficiency enhancement; (ii) affected by the Acquisition, an one-off provision for severance payment (a total of approximately HK$23.0 million; of which HK$14.0 million was charged into administrative expenses) made in 2016 upon re-alignment of the management structure of the acquired projects and establishment of staff redundancy plan; and (iii) exchange gain of HK$21.2 million arisen from the appreciation of Renminbi at year end on dividend received/receivable from a PRC subsidiary (2016: exchange loss of HK$8.6 million). However, the above favorable effects were partly offset by the one-off net reversal of impairment in 2016, amounted to a total of HK$33.4 million, upon improved management controls over the procedures to recover receivables and advances in timely manners.

Income tax expenses increased by 16.2% against last year to HK$121.6 million for the year (2016: HK$104.6 million (restated)), mainly due to increase in profit before tax. Withholding income tax of HK$8.7 million (2016: HK$11.8 million) in respect of dividends distributed from a PRC subsidiary was recognised during the year.

Overall, profit attributable to owners of the Company for the year ended 31 December 2017 increased by 29.1% to HK$306.8 million (2016: HK$237.5 million (restated)).

Management Discussion and Analysis (Continued)

Segment Information

Property Management Services

During 2017, the GFA under our management increased by 37.3% to 128.3 million sq.m. from 93.5 million sq.m. in the last year, including the new business volumes from the Acquisition of 24.1 million sq.m.. Through providing one-stop shop property management solutions to properties under development (including product positioning consultation, facilities and equipments evaluation proposals, pre-delivery services, move-in assistance services, delivery inspection services and engineering service quality monitoring), we were able to enhance revenue, gain early access to those properties and maintain close business relationships with them, which would help us to secure those new property management engagements.

For the year ended 31 December 2017, revenue from property management services constituted 92.2% of total revenue (2016: 93.1% (restated)), and slightly increased by 0.9% against last year to HK$3,094.7 million (with the business volumes from the Acquisition, affected by the merger accounting, the revenue from property management services in 2016 increased by 31.4% to HK$3,067.7 million (restated)). The slowdown of revenue increase was partly due to the significant increase on the base figure due to the effect of merger accounting. Stripping out the effect of the Acquisition, total revenue for the property management service segment would increase by 5.0% to HK$2,451.1 million. In addition, part of the revenue was offset by (i) the impact of the VAT Reform; (ii) the average effect of depreciation of Renminbi against Hong Kong dollar during the past twelve months; (iii) increased proportion of commission-based property management contracts; and (iv) the decrease in preliminary revenue from property management projects under the Acquisition.

Management Discussion and Analysis (Continued)

Segment Information (Continued)

Property Management Services (Continued)

For the year ended 31 December 2017, approximately 86.1% and 7.3% of the segment revenue were generated from regular property management contracts under lump sum basis and commission basis respectively (2016: 84.5% (restated) and 6.3% (restated) respectively). Other property management services, including (for property developers) pre-delivery services and move-in assistance services, represented 6.6% of the remaining segment revenue (2016: 9.2% (restated)). Overall, the segment gross profit margin slightly increased to 21.3% for the year against 21.1% (restated) in the last year. Accordingly, the gross profit of our property management services segment increased by 2.0% to HK$660.6 million for the year ended 31 December 2017 (with the business volumes from the Acquisition, affected by the merger accounting, the gross profit from property management services in 2016 increased by 25.3% to HK$647.6 million (restated)).

After deducting administrative expenses and taking into accounts of other income, the segment profit of the property management services increased by 11.5% to HK$328.9 million for the current year (2016: HK$295.0 million (restated)). The improvement of segment result was mainly due to reduced administrative expenses upon efficiency enhancement, together with increase in interest income upon a higher level of cash balances against last year together with more effective treasury management. In addition, in current year, there were absence of the one-off net reversal of impairment on receivables and advances and the one-off provision for severance payment made upon re-alignment of the management structure of the acquired projects and establishment of staff redundancy plan in 2016 as a result of the Acquisition.

Value-Added Services

Customers' recognition of our traditional property management services facilitates the expansion of our community leasing, sales and other services to residents and tenants of the properties under our management, and promotes the life style quality of our customers. The services offered through our online-to-offline platform further diversifies our product offerings and marketing channels for our community leasing, sales and other services business. These services cover (i) basic services, including revenue from community services, which involved the use of community resources and property assistance services, etc., (ii) "smart" services, such as visitor booking and carpark space availability query systems and (iii) other services, such as consultancy services, housing and other agency services, group purchasing and household assistance services, etc.

Management Discussion and Analysis (Continued)

Segment Information (Continued)

Value-Added Services (Continued)

For the year ended 31 December 2017, revenue from value-added services segment constituted 7.8% of total revenue (2016: 6.9% (restated)), and increased by 14.9% to HK$263.1 million (2016: HK$229.0 million). While the profit margin of this segment increased to 53.9% for the year (2016: 52.2%), the gross profit increased by 18.6% to HK$141.8 million in 2017 from HK$119.6 million in 2016. This was mainly due to the continue development of O2O business and expansion of our community leasing, sales and other services to residents and tenants of the properties under our management, and promotes the life style quality of our customers.

The segment profit from value-added services, having allowed for segment overhead and taking into accounts of fair value gain of investment properties, increased by 27.6% against last year to HK$130.4 million (2016: HK$102.2 million).

Liquidity, Financial Resources and Debt Structure

The Group adopts prudent financial policies, with effective financial and cash management under centralized supervision, and maintains appropriate leverage with adequate cash balances. As at 31 December 2017, net working capital amounted to HK$873.9 million (as at 31 December 2016: HK$1,008.5 million (restated)).

Bank balances and cash increased by 12.2% to HK$2,711.0 million (as at 31 December 2016: HK$2,417.3 million (restated)) of which 92.4% were denominated in Renminbi and 7.6% were denominated in Hong Kong Dollar/Macau Pataca.

These were well above the total unsecured borrowings of HK$265.0 million from HK$550.0 million long-term revolving loan facilities. Of which, HK$160.0 million and HK$105.0 million were repayable between 1 and 2 years and between 2 and 5 years respectively. The Group was in a net cash position, with a gearing ratio (total borrowings divided by total equity attributable to owners of the Company) of 31.0% as at 31 December 2017. Interest of such borrowings was charged at floating rates with a weighted average of 2.56% per annum.

Capital Expenditures

The capital expenditures, which mainly represent additions to motor vehicles, machinery and equipment, furniture, fixtures, office equipment and software systems, were HK$17.2 million for the year ended 31 December 2017.

Material Acquisitions, Disposals, Significant Investment and Future Plans of Material Investment

On 20 October 2017, China Overseas Property Management Company Limited（中海物業管理有限公司）, a wholly-owned subsidiary of the Company, as the purchaser (the "Purchaser") entered into a sale and purchase agreement (the "Sale and Purchase Agreement") with CITIC Real Estate Group Company Limited（中信房地產集團有限公司）and Beijing CITIC Real Estate Company Limited（北京中信房地產有限公司）, the wholly-owned subsidiaries of COLI, as the sellers (the "Sellers") whereas the Purchaser agreed to acquire the entire equity interests of CITIC Property Services Company Limited（中信物業服務有限公司, hereinafter referred to as "CITIC Property Services"）from the Sellers (the "Acquisition") for a total consideration of RMB190.0 million (equivalent to approximately HK$228.9 million) subject to the terms and conditions of the Sale and Purchase Agreement.

CITIC Property Services and its subsidiaries are principally engaged in property management business in the PRC which currently providing property management services to around 120 properties across 20 cities in the PRC.

Management Discussion and Analysis (Continued)

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

The Acquisition and the transactions contemplated thereunder has been duly approved by the independent shareholders of the Company at an extraordinary general meeting held on 12 December 2017 and the transfer of the entire issued shares of CITIC Property Services from the Sellers to the Purchaser has been duly completed on 21 December 2017.

Details of the Acquisition have been disclosed in the Company's announcement dated 20 October 2017 and circular dated 24 November 2017.

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 2017.

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)

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

3. Monitoring of Foreign Exchange Exposure

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

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

Management Discussion and Analysis (Continued)

Compliance with Relevant Laws and Regulation

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

Environmental Policies and Performance

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

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

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

Contingent Liabilities

The Group provided counter-indemnities amounting to approximately HK$70.6 million as at 31 December 2017, for guarantees issued in respect of certain property management service contracts for which we are required to provide performance bonds in the ordinary course of business.

Except as disclosed above, we had no other material outstanding contingent liabilities as at 31 December 2017.

Significant Events After the Reporting Period

The Group had no significant events occurred after the year ended 31 December 2017, which have material impact on the performance and the value of the Group.

Employees

As at 31 December 2017, the Group had approximately 30,014 employees (as at 31 December 2016: 28,478 (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 2017 was approximately HK$1,842.4 million (2016: HK$1,812.6 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.

Human Resources AND SUSTAINABLE DEVELOPMENT

Human Resources and Sustainable Development

Talents Recruitment

The Group has always uphold the concepts of "Employees are the greatest wealth of enterprises and the most critical element to achieve sustainable development". During the year, in order to cope with the Group's rapid development, we strengthened our all-rounded bringing in of high calibre talents and successfully recruited talents to join the Group through different channels, aiming to supplement the talents team for our headquarters and companies at all levels. Furthermore, we have built a long-term and stable staff echelon mechanism to lay a solid and sound foundation for the sustainable development of the Company.

Talents Recruitment

Strategic Co-operation with higher universities

Recruitment of Fresh Graduates

On the Job Training for Security Staff

Employee Training and Development

Upholding our people-oriented principle, the Group emphasised staff training and encouraged personal growth as a way to build the core competitiveness of the team, and improve the overall quality, management skills and professional skills of individual staff members. We designed training programmes for management staff at all levels to equip them with different skills, including back up talents, staff echelon, potential talents and front line backbone staff. Through organising a series of training activities, we actively created a harmonious and healthy working atmosphere and a positive learning atmosphere to boost morale and the sense of belonging to the Group.

Human Resources and Sustainable Development (Continued)

Training for Customer Service Staff

Employee Training and Development (Continued)

Group organised various training camps, quality development training, short-term offsite exchange, video conferences and seminars for our staff members. We also evaluated the training results and provided feedback to attendants by online training assessment system and on-site training assessment system.

During the year, the Group held over 900 specific training programmes for different types of staff at all levels and recorded more than 18,000 enrollments. We also conducted ordinary training of over 32,000 hours. Those programmes effectively promoted the learning and development of our employees, raised their abilities to perform duties, and provided sufficient and high quality human resources for the Group's business development.

Orientation Camp for Fresh Graduates


Training for Project Managers


Employees' Outward Development Training


Spring Hiking Activity for Employees

Employee Care

Upholding our people-oriented principle, the Group's headquarters and its entities specifically set up fraternity club and different kinds of interest groups. Through abundant staff activities, we effectively relieved employee stress. Meanwhile, the Group emphasised the building of good interpersonal relationship and positive working climate, and assisted employees in achieving work-life balance, which improved their sense of satisfaction and belonging to the Group.

Corporate Governance Report

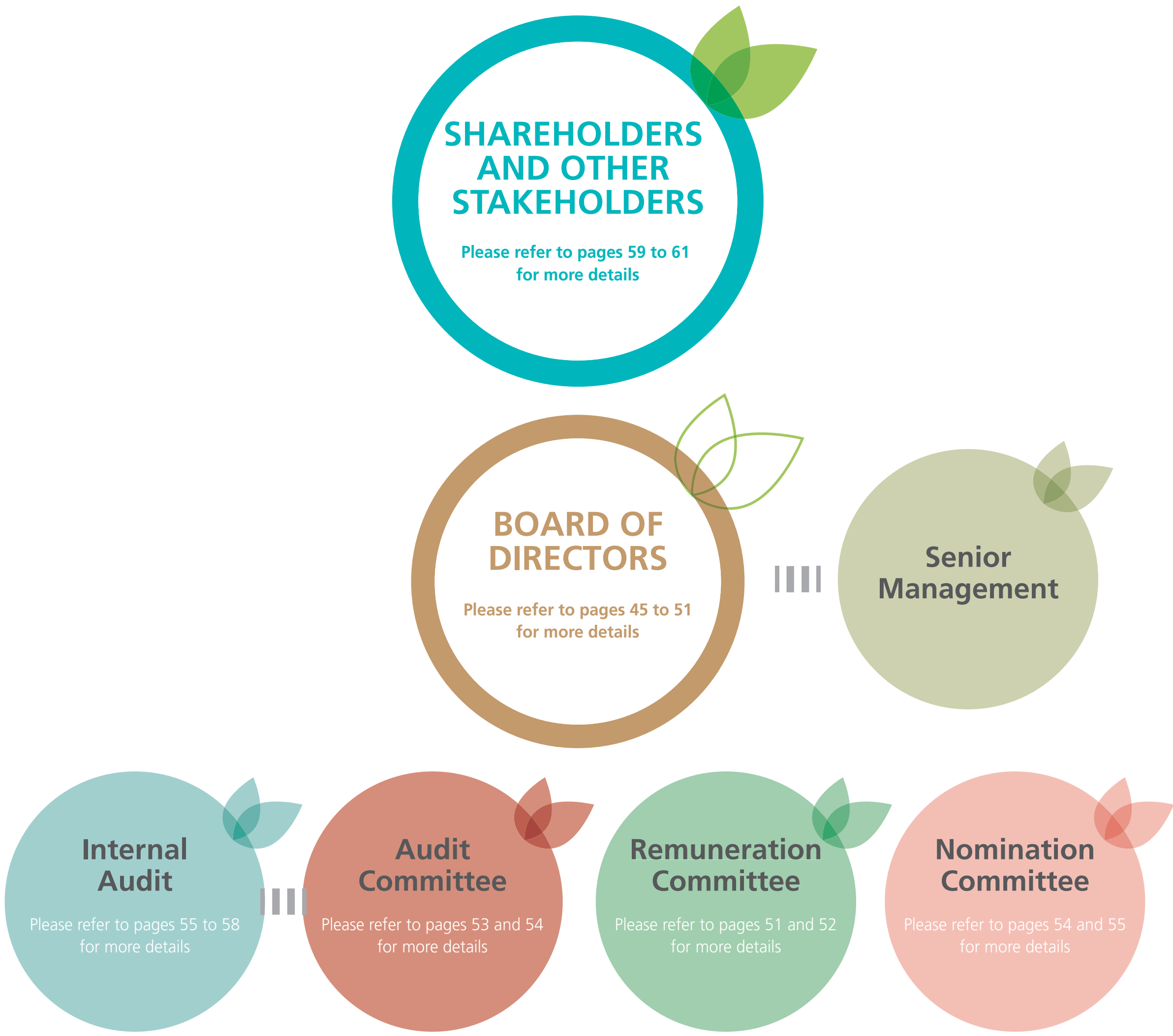
Corporate Governance Practices

China Overseas Property Holdings Limited (the "Company", together with its subsidiaries, the "Group") acknowledges the important roles of its board of directors (the "Board") in providing effective leadership and direction to the Group's business, and ensuring transparency and accountability of the Group's operations and the Board recognises that good corporate governance leads to the success of the Group and enhances its shareholders' value. As such, the Board is committed to maintaining high standard of business ethics, healthy corporate culture and good corporate governance at all times by establishing and implementing corporate governance policies and practices appropriate to the conduct and growth of the Group's business.

During the year ended 31 December 2017, the Company has adopted and complied with all the code provisions of the Corporate Governance Code (the "CG Code") as set out in Appendix 14 to the Rules (the "Listing Rules") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

Corporate Governance Structure

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



A. Board

A1. Board's Role and Delegation

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

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

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

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

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

Corporate Governance Report (Continued)

A. Board (Continued)

A2. Board Composition

The composition of the Board during the year ended 31 December 2017 and up to the date of this Annual Report is as follows:

Chairman and Non-executive Director:	
Mr. Yan Jianguo	*(Chairman, appointed on 13 June 2017)*
Mr. Xiao Xiao	*(Chairman, resigned on 13 June 2017)*
Executive Directors:	
Dr. Yang Ou	*(Chief Executive Officer, appointed on 22 March 2018)*
Ms. Wang Qi	*(Vice Chairman and Chief Executive Officer, resigned on 22 March 2018)*
Mr. Luo Xiao	*(Vice President)*
Mr. Shi Yong	*(Vice President)*
Mr. Kam Yuk Fai	*(Chief Financial Officer)*
Independent Non-executive Directors:	
Mr. Lim Wan Fung, Bernard Vincent	
Mr. Suen Kwok Lam	
Mr. Yung Wing Ki, Samuel	

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

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

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

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

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 giving strategic advice and formulating development plans of the Group while the Chief Executive Officer is responsible for the overall strategic direction, management and business operations of the Group.

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").

All Directors (including Non-executive Directors) have entered into the letters of appointment or service contracts (as the case may be) with the Company for a term of three years subject to retirement from office by rotation and re-election at annual general meetings in accordance with the provisions of the Articles. The procedures for appointment, election and removal of Directors is posted on the website of the Company (www.copl.com.hk).

Pursuant to the articles 84(1) & 84(2) of the Articles, Mr. Shi Yong, Mr. Lim Wan Fung, Bernard Vincent and Mr. Suen Kwok Lam will retire by rotation at the forthcoming annual general meeting (the "2018 AGM") and pursuant to the article 83(3) of the Articles, Dr. Yang Ou will hold office until the 2018 AGM. All of them, being eligible, will offer themselves for re-election at the 2018 AGM.

A5. Board Diversity

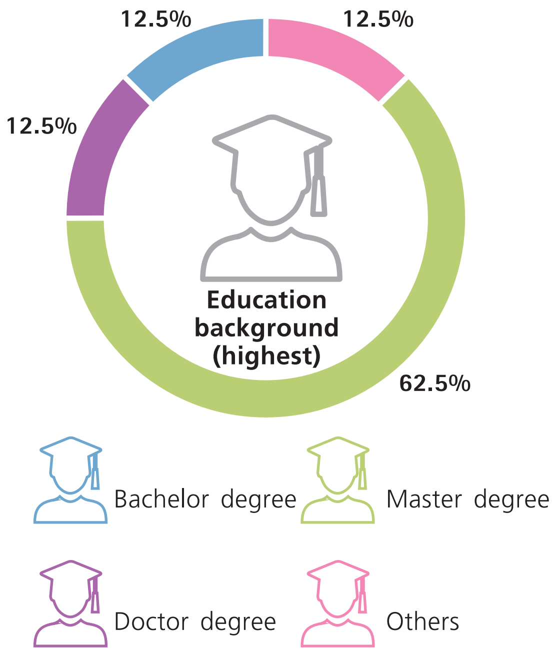
The Board has maintained the necessary balance of skills and experiences appropriate for the business and objectives of the Group and for the exercise of independent judgement. The Independent Non-executive Directors bring different business and financial expertise, experiences and independent judgement 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.

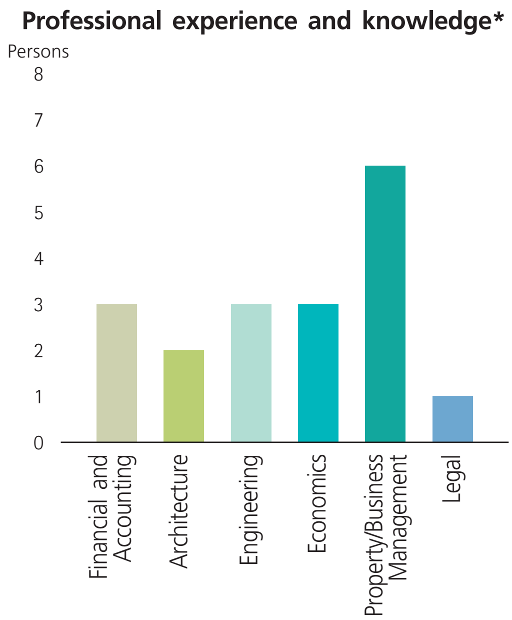
Corporate Governance Report (Continued)

A. Board (Continued)

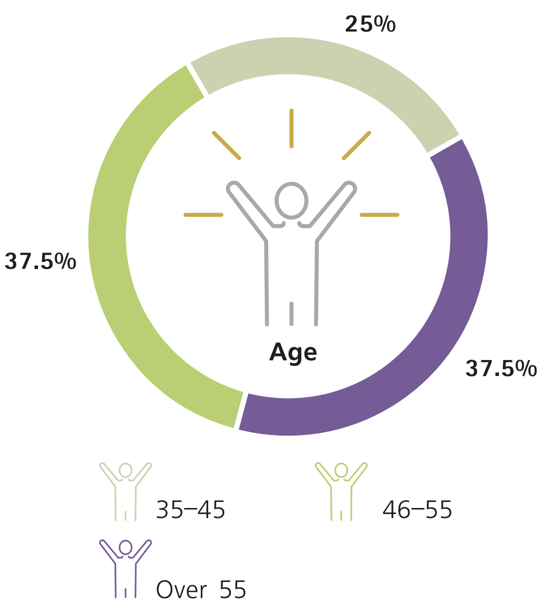
A5. Board Diversity (Continued)

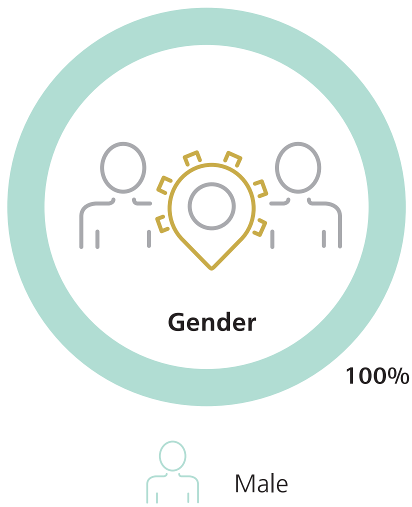
The Company also recognises and embraces the benefits of having a diverse Board to enhance its effectiveness as well as improve the quality of its performance. The Board has adopted a Board Diversity Policy effective since October 2015, a copy of which is available on the Company's website (www.copl.com.hk). 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 eight 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 62 to 68 of this Annual Report:





* 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 on an annual basis to ensure the continued effectiveness of the policy and will make recommendations to the Board of any amendment of the policy where necessary.

A6. Confirmation of Independence

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

A7. Directors Training

Pursuant to the code provision A.6.5, the Company has received from the Directors of the Company below a record of the type(s) of training they received for the year ended 31 December 2017.

Directors	Type(s) of training (See remarks)
Mr. Yan Jianguo (appointed on 13 June 2017)	B, C
Mr. Xiao Xiao (resigned on 13 June 2017)	N/A
Dr. Yang Ou (appointed on 22 March 2018)	N/A
Ms. Wang Qi (resigned on 22 March 2018)	B
Mr. Luo Xiao	B
Mr. Shi Yong	B
Mr. Kam Yuk Fai	A, B
Mr. Lim Wan Fung, Bernard Vincent	A, B
Mr. Suen Kwok Lam	A, B
Mr. Yung Wing Ki, Samuel	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 Board meeting. Directors are given the opportunity to comment on the draft Board agenda to include items that they would like to discuss.

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

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 2017 are set out in the table below:

Directors	Board Meetings	Audit Committee Meetings	Remuneration Committee Meetings	Nomination Committee Meetings	General Meetings
Non-executive director:					
Mr. Yan Jianguo (appointed on 13 June 2017)	2/2	N/A	0/0	1/1	1/2
Mr. Xiao Xiao (resigned on 13 June 2017)	3/4	N/A	2/3	1/2	1/1
Executive directors:					
Dr. Yang Ou (appointed on 22 March 2018)	N/A	N/A	N/A	N/A	N/A
Ms. Wang Qi (resigned on 22 March 2018)	6/6	N/A	N/A	N/A	3/3
Mr. Luo Xiao	6/6	N/A	N/A	N/A	3/3
Mr. Shi Yong	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. Lim Wan Fung, Bernard Vincent	6/6	4/4	3/3	3/3	3/3
Mr. Suen Kwok Lam	6/6	4/4	3/3	3/3	3/3
Mr. Yung Wing Ki, Samuel	6/6	4/4	3/3	3/3	3/3

Notes:

(i) The attendance figure represents actual attendance/the number of meetings the relevant Director is entitled to attend.

(ii) General meetings including one annual general meeting and two extraordinary general meetings held during the year 2017.

In addition, during the year ended 31 December 2017, Mr. Xiao Xiao, the former chairman of the Company, has held a meeting with the Independent Non-executive Directors to discuss corporate governance and other matters without the presence of Executive Directors.

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") contained in Appendix 10 to the Listing Rules as its own code for dealing in the securities of the Company by the Directors of the Company. The Company has also established written guidelines on terms whereof being no less exacting than the Model Code (the "Employees Written Guidelines") governing securities transactions by the relevant employees who are likely to possess inside information of the Company and/or its securities.

After specific enquiries by the Company, all Directors of the Company have confirmed that they have complied with the requirements set out in the Model Code during the year. No incident of non-compliance of the Employees Written Guidelines by the relevant employees was noted by the Company.

In case when the Company is aware of any restricted period for dealings in the Company's securities, the Company will notify its Directors and relevant employees in advance.

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 2017, 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 CG 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 (appointed as the Chairman of the Board on 13 June 2017 following the resignation of Mr. Xiao Xiao as the Chairman of the Board on the same date), Mr. Suen Kwok Lam, Mr. Yung Wing Ki, Samuel and Mr. Lim Wan Fung, Bernard Vincent. The chairman of the Committee is Mr. Suen Kwok Lam.

Corporate Governance Report (Continued)

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 directors 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 2017, the Remuneration Committee has held three meetings during which the Remuneration Committee has performed the following major works:

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

— reviewed the proposed remuneration packages of an Executive Director and a senior management and recommend the proposals to the Board for approval;

— reviewed the proposed Director's fee of a newly appointed Non-executive Director and recommend 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 2017 are disclosed in note 13 and note 35(e) respectively to the financial statements contained in this Annual Report.

B. Board Committees (Continued)

B2. Audit Committee

During the year, the Audit Committee comprises a total of three Independent Non-executive Directors of the Company, namely, Mr. Yung Wing Ki, Samuel, Mr. Suen Kwok Lam and Mr. Lim Wan Fung, Bernard Vincent 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 2017, 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 2017;

— discussed and considered the recommended disclosures in the 2016 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 2016 and for the six months ended 30 June 2017 and the quarterly financial information for the year ended 31 December 2017;

— 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 risk management report prepared by PricewaterhouseCoopers which was engaged by the Company to conduct an overall review on the Group's risk management system in terms of design, implementation and risk identification, assessment and mitigation measures;

— 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 2016; and

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

The attendance record of each committee member at the meetings is set out at A9 — Attendance at Board Meetings, Committee Meetings and Shareholders' Meetings of 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 2017, 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 (appointed as the Chairman of the Board on 13 June 2017 following the resignation of Mr. Xiao Xiao as the Chairman of the Board on the same date), Mr. Suen Kwok Lam, Mr. Yung Wing Ki, Samuel and Mr. Lim Wan Fung, Bernard Vincent. The chairman of the Committee is currently Mr. Yan Jianguo.

The main duties and responsibilities of the Nomination Committee include:

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

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

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

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

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

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, 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. External recruitment professionals might be engaged to carry out selection process when necessary.

Corporate Governance Report (Continued)

B. Board Committees (Continued)

B3. Nomination Committee (Continued)

For the year ended 31 December 2017, the Nomination Committee has held three meetings during which the Nomination Committee has performed the following major works:

— recommended to the Board on the appointment of Mr. Yan Jianguo as the Chairman of the Board and Non-executive Director;

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

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

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

The attendance record of each committee member at the meetings is set out at A9 — Attendance at Board Meetings, Committee Meetings and Shareholders' Meetings of 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 2017.

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.

Corporate Governance Report (Continued)

D. Risk Management and Internal Control (Continued)

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

Risk Management and Internal Control Systems Operation

The Group has completed the setting up of the risk management system framework at the end of 2016 through the engagement of PricewaterhouseCoopers ("PricewaterhouseCoopers") in providing risk management consultancy services. The risk management system of the Group is implemented on a hierarchical basis, through combining the Top-down and Bottom-up approaches to identify risk management procedures, conduct assessment and prioritise risk levels.

During the year, the Group conducted its annual risk assessment, during which the Group prioritised key risks from the five major risk categories, namely, business/strategy risk, market risk, operation risk, financial and reporting risk, compliance and regulatory risk, and took corresponding measures to address these possible risks, the details of which are as follows:

1. Set up a brand operation and news planning department (品牌運營及宣傳策劃部), create a new position of brand director, whose responsibility is to build-up and manage the "China Overseas Property" brand independently and formulates policies to regulate and improve our management's monitoring of media communication, crisis and potential risks.

2. The Group discusses the Group's strategic directions by organising analysis meetings on operational and management strategy and adjusts and updates the strategic directions according to the current situations through collecting information regarding the micro and macro environmental changes as well as changes on customers' preference.

D. Risk Management and Internal Control (Continued)

Risk Management and Internal Control Systems Operation (Continued)

3. A series of activities aim at enhancing the capability and competence of handling emergency and risk prevention of the Group and its individual units are implemented by the professional management and intelligence department (專業管理及智能化部), such as the promulgation of the Manual on Emergency Handling "突發事件應急處理工作手冊" to clearly define risk handling procedures for emergency and reduce or eliminate community safety risks through a number of activities.

4. After conducting a research on industry counterparts regarding benchmark enterprise and an in-depth analysis of the competitive strengths of the enterprises, the quality control and market development department (品質管理及市場開發部) issued the "Working Guidelines and Incentive Measures on Market Business Expansion of China Overseas Property "中海物業市場拓展業務工作指引及激勵辦法", which clearly defined our market development vision in achieving quality market expansion.

5. The human resources and administration department (人力資源及行政管理部) prioritises its focus on building up three talents teams, namely the "reserve", "echelon" and "potential" to improve human resources tier-building mechanism and continues to introduce measures to ensure the reasonable deployment of human resources.

6. Through industry research and corporate strengths analysis, the value-added service and internet operation department (增值服務及互聯網運營部) formulated the development direction and strategy of every business line. Regular analysis meetings regarding the performance of various business/operation lines in China will be conducted to keep abreast of the business dynamics and development trends.

7. A series of informatisation planning and implementation in tackling system upgrade, network security and information sharing and communication assurance were carried out by the information centre (信息中心). The application system set up including the upgrading of intranet portal system and financial system to improve work efficiency and synergy of the organisation at all levels.

8. Perform periodic review on caps aggregation on connected transactions. For connected transactions, each department should identify, review and estimate the cap for next three years when evaluating contracts. Application and reporting of new cap to the Stock Exchange should be made in advance according to the potential business needs of the Company. We engaged PricewaterhouseCoopers, our external auditors, to provide opinions after reviewing the connected transactions and also through internal cross-checking and inspection to monitor the operation of the transactions.

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

Corporate Governance Report (Continued)

D. Risk Management and Internal Control (Continued)

Risk Management and Internal Control Systems Operation (Continued)

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

Annual Confirmation

During the year under review, the risk management report and the internal control report were submitted to the Audit Committee for review at least semi-annually. The Board, through the Audit Committee, has reviewed reports concerning risk management and internal control systems and also conducted annual review on the effectiveness of the risk management and internal control systems (which included financial, operational and compliance controls) and unanimously considered that the risk management and internal control systems and procedures of the Group for the financial year ended 31 December 2017 were effective and adequate. The Group will continue to strengthen its corporate risk management framework and implementation to meet the best practice within the industry. The aforementioned risk management and internal control systems aim to provide reasonably assurance, rather than eliminating the risk of failing to achieve business objectives. Therefore, such systems can only provide reasonable but not absolute assurance of not having any material misrepresentation or losses.

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

E. Company Secretary

According to the Rule 3.29 of the Listing Rules, the Company Secretary of the Company has taken not less than 15 hours of relevant professional training for the year ended 31 December 2017.

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 2017 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 acquisition of property management business) for the year ended 31 December 2017 are analysed below:

Type of services provided by the external auditor	Fees paid/ payable HK$'000
— Audit services	5,527
— Non-audit services	1,822
TOTAL:	7,349

G. Constitutional Documents

There was no change in the Company's constitutional documents during the year ended 31 December 2017. 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) Communications with Shareholders

The Group recognises 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).

The Company maintains a website (www.copl.com.hk) where information of 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:

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

Corporate Governance Report (Continued)

H. Communications with Shareholders and Investors (Continued)

(b) General Meetings

General meetings serve as a communication platform where the Board can maintain a face-to-face dialogue with shareholders and investors. Notice of the general meetings together with the shareholders circular and other documents will be sent to shareholders at least 21 clear days for annual general meeting and at least 14 clear days for extraordinary general meetings.

During the year, one annual general meeting and two extraordinary general meetings were held. Chairman of the Board, the Chairman of the respective Board committees, all Independent Non-executive Directors, representatives of the external auditor and other external professionals were presented at the respective general meetings to answer questions raised by shareholders and investors at the meetings.

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:

I.1. Convening of Extraordinary General Meeting on Requisition by Shareholders

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

I.2. Procedures for Putting Forward Proposals at General Meetings by Shareholders

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

Corporate Governance Report (Continued)

I. Shareholders' Rights (Continued)

I.3. Procedures for Directing Shareholders' Enquiries to the Board

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

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

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

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

Directors and Senior Management

Non-Executive Director

Mr. Yan Jianguo

Chairman and Non-executive Director

Aged 51, was appointed as Chairman and Non-executive Director, Chairman and member of the Nomination Committee, member of the Remuneration Committee and authorised representative of the Company with effect from 13 June 2017. Mr. Yan graduated from Chongqing Institute of Architectural and Engineering (now known as Chongqing University) majoring in Industrial and Civil Construction in 1989 and obtained an MBA degree from Guanghua School of Management in Peking University in 2000. Mr. Yan joined China State Construction Engineering Corporation (中國建築集團有限公司, formerly known as 中國建築工程總公司) ("CSCEC") in 1989 and had been seconded to China Overseas Land & Investment Limited ("COLI", Stock Code: 688, a company listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") twice. During the year 1990 to 1992, he had been working for the Shenzhen Branch of China Overseas Property Group and had held a number of positions, including site engineer and Department Head. He was assigned to COLI again from 2001 to 2011 and had been Assistant General Manager of Guangzhou Branch, Deputy General Manager of Shanghai Branch, General Manager of Suzhou Branch, General Manager of Shanghai Branch, Vice Managing Director of China Overseas Property Group and President of Northern China Region. Mr. Yan had worked in CSCEC from 2011 to June 2014 and had been Director of the General Office, Chief Information Officer and Assistant General Manager. Mr. Yan joined Longfor Properties Co. Ltd. (Stock Code: 960, a company listed on the Stock Exchange) in June 2014 and resigned on 5 December 2016. During the period, he had held a number of positions including Executive Director and the Senior Vice President. Mr. Yan then rejoined COLI and was appointed as Executive Director and Chief Executive Officer on 7 December 2016 and effective from 1 January 2017. Mr. Yan was elected as the Chairman of COLI on 8 May 2017 and effective from 13 June 2017. Mr. Yan was also appointed as the Chairman and Non-executive Director of China Overseas Grand Oceans Group Limited (Stock Code: 81, a company listed on the Stock Exchange) ("COGO") with effect from 13 June 2017. Mr. Yan is currently the Executive Director and deputy general manager of China Overseas Holdings Limited, the controlling shareholder of the Company. Mr. Yan has about 28 years' experience in construction business, real estate investment and management.

Executive Directors

Dr. Yang Ou

Executive Director and Chief Executive Officer

Aged 40, was appointed as Executive Director and Chief Executive Officer of the Company on 22 March 2018. Dr. Yang graduated from Nanjing University of Science and Technology in the PRC with a Bachelor of Engineering degree in Materials Science in June 2000. He obtained his Master degree in Architecture and Civil Engineering from Chongqing University in the PRC in December 2006, a Master degree in Business Administration from National University of Singapore in June 2011 and a Doctor degree in management from The Hong Kong Polytechnic University in September 2015. He obtained qualifications in securities practice in December 2001, as a senior economist (business administration specialty in December 2009, materials science and engineering in June 2011) and a senior engineer in architecture and civil engineering in August 2013. Since September 2014, he has been an instructor at the VENCI-CIH Learning Centre (英國特許房屋經理學會中國學習中心). Since December 2014 and May 2015 respectively, Dr. Yang has been the corporate mentor of the MBA Education Centre of Shantou University and Southwest Jiaotong University in the PRC. Dr. Yang was appointed as the Executive Director and Vice President of the Company for the period from 25 June 2015 to 5 May 2016. From July 2013 to February 2014, he was the chairman of the board of three subsidiaries of the Group engaged in value-added services. From 2002 to 2015, he served as the director and deputy general manager of China Overseas Property Management Chengdu Company Limited (成都中海物業管理有限公司), the director and assistant general manager of China Overseas Xingye (Chengdu) Development Limited (中海興業（成都）發展有限公司), the director and general manager of the client relationship department of COLI, the general manager of China Overseas Property Management Company Limited (中海物業管理有限公司) and the property management department of COLI, being responsible for the overall management and operation of the business in PRC and the general manager of China Overseas Grand Oceans Property Shantou Limited (汕頭市中海宏洋地產有限公司), a subsidiary of COGO. Dr. Yang was the president of Sichuan District of Country Garden Holdings Company Limited (a company listed on the Stock Exchange, stock code: 2007) from June 2016 to June 2017. Dr. Yang rejoined COLI as general manager of customer services department of COLI since June 2017. Dr. Yang has over 16 years of industry experience in property development and management.

Directors and Senior Management (Continued)

Executive Directors (Continued)

Mr. Luo Xiao

Executive Director and Vice President

Aged 45, was appointed as Executive Director and Vice President of the Company on 25 June 2015. Mr. Luo is also a director of certain subsidiaries of the Company. He is responsible for supervision, financial and information management of the Group. Mr. Luo graduated from Zhongnan University of Economics and Law in the PRC with a Bachelor of Economics in Accounting and a Master of Business Administration. He is a qualified senior accountant. Prior to joining the Group, he worked for the auditing bureau of CSCEC, held the positions of assistant general manager and deputy general manager of the intendance and audit department of China Overseas Holdings Limited, the general manager of the efficiency monitoring department of a subsidiary of COLI as well as the general manager of the efficiency management department of COLI, mainly responsible for supervision and audit of its business, and the general manager of the client relationship department of COLI. Mr. Luo became a supervisor of China Overseas Property Management Limited (中海物業管理有限公司) ("CO Property Management") and the vice chairman of its board since August 2012, and has been responsible for overseeing the financial and legal matters of the property management business of the Group in the PRC. Mr. Luo has approximately 21 years of experience in finance, auditing and corporate governance.

Mr. Shi Yong

Executive Director and Vice President

Aged 49, was appointed as Executive Director and Vice President of the Company on 25 June 2015. Mr. Shi is also a director of certain subsidiaries of the Company. He is responsible for human resources and administrative management of the Group. Mr. Shi graduated from Tianjin University in the PRC with a dual Bachelor degree in Civil Engineering and Technical Economics and is a qualified senior economist. Prior to joining the Group, he worked for the human resources department of CSCEC, he held various positions in China Overseas Holdings Limited and its subsidiaries and COLI and its subsidiaries (together the "COLI Group") including deputy general manager of China Overseas Xingye (Xi'an) Limited (中海興業（西安）有限公司), deputy general manager of Shenzhen China Overseas Property Limited (深圳中海地產有限公司) and general manager of Zhongshan China Overseas Real Estate Development Limited (中山市中海房地產開發有限公司). Mr. Shi was the general manager of the integrated management department of COGO and a director of a subsidiary of COGO. He has been involved in human resources matters of the Group since May 2015. Mr. Shi has approximately 25 years of experience in corporate human resources management.

Mr. Kam Yuk Fai

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

Aged 54, has been appointed as an Executive Director and Deputy Chief Financial Officer of the Company since June 2015. Mr. Kam is promoted to the Chief Financial Officer of the Company with effect from 13 December 2017. He is also a director of certain subsidiaries of the Company. He is responsible for the financial management of the Group. Mr. Kam is a qualified accountant, being a fellow member of the Association of Chartered Certified Accountants and an associate member of the Hong Kong Institute of Certified Public Accountants. He graduated from the Hong Kong Polytechnic (now Hong Kong Polytechnic University) with a Professional Diploma in Accountancy, and also held a Master degree in Business Administration from the University of Strathclyde in Britain. Prior to joining the Group, he had held various senior finance positions, and from 1997 to 2010 he served in a company listed on the Main Board of the Stock Exchange and his last held position was the group financial controller. He had held positions in COGO from March 2010 to June 2015 and his last held position in COGO was the general manager of its Finance & Treasury Department (HK). He had been a member of the Advisory Panel to the Business and IT Studies of the School of Continuing Education, Hong Kong Baptist University from 1 January 2009 to 31 December 2010, and is currently a trustee of Hong Kong Open Printshop Limited, a non-profit charitable organisation in Hong Kong. Mr. Kam has over 30 years of experience in the fields of accounting, auditing and finance.

Directors and Senior Management (Continued)

Independent Non-Executive Directors

Mr. Lim Wan Fung, Bernard Vincent

JP, PPHKIA, MHKIUD, Independent Non-executive Director

Aged 60, was appointed as Independent Non-executive Director of the Company on 9 October 2015. Mr. Lim also serves as a member of audit committee, remuneration committee and nomination committee of the Company. He is responsible for giving independent strategic advice and guidance on the business and operations of the Group. He has been a principal of AD+RG Architecture Design and Research Group Ltd. since February 2001. He is a Registered Architect (Hong Kong) and has been a member of the Hong Kong Institute of Architects (HKIA) since November 1984, Authorized Person (List of Architects) (Hong Kong) since May 1985, a member of Royal Institute of British Architects since March 1985, Asia Pacific Economic Cooperation (APEC) Architect since December 2005, PRC Class 1 Registered Architect Qualification (中華人民共和國一級註冊建築師) since August 2007. He was appointed as a Justice of the Peace in 2008 by the Government of Hong Kong. He became member of Shenzhen Registered Architects Association (深圳市註冊建築師協會) in September 2012.

He has also been a National Committee member of the 12th Chinese People's Political Consultative Conference of the PRC (中國人民政治協商會議第十二屆全國委員會委員) in February 2013 and Committee member of the 3rd Chinese People's Political Consultative Conference of Chongqing City (中國人民政治協商會議重慶市第三屆委員會委員) in 2008, an Adjunct Professor of the School of Architecture of The Chinese University of Hong Kong in 2014, member of the Hong Kong Housing Authority, chairman of its Building Committee and member of its Strategic Planning Committee since April 2012, 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 and Committee Member of the Chinese General Chamber of Commerce since November 2014.

Mr. Lim was a president of Hong Kong Institute of Architects, a president of the Hong Kong Institute of Urban Design and a member of Town Planning Board from 2004 to 2010, a member of Antiquities Advisory Board of Development Bureau from 2005 to 2010, an adviser to the Guangdong Registered Architects Association (廣東省註冊建築師協會) in 2008 and a member of the Energy Advisory Committee of Environment Bureau from 2004 to 2010.

Mr. Lim obtained a Bachelor of Arts in Architectural Studies (1st Hons) from the University of Hong Kong in November 1979, a Bachelor degree in Architecture (Distinction) from the University of Hong Kong in November 1981 and a Master of Science in Urban Planning from the University of Hong Kong in November 1985.

Directors and Senior Management (Continued)

Independent Non-Executive Directors (Continued)

Mr. Suen Kwok Lam

BBS, MH, JP, Independent Non-executive Director

Aged 71, was appointed as Independent Non-executive Director of the Company on 9 October 2015. Mr. Suen also serves as chairman of the remuneration committee and a member of the 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. He has over 42 years of experience in property management, and served in Hsin Chong Real Estate Management Ltd. from 1970 to 1997 with the last held position of director and general manager. Mr. Suen joined Henderson Land Development Company Limited (stock code: 12, a company listed on the Main Board of the Stock Exchange) in 1997 and has been an executive director thereof since January 2002. He previously served as an executive director of Henderson Investment Limited (stock code: 97, a company listed on the Main Board of the Stock Exchange) from July 1999 until his retirement in June 2011. He is the vice president of Hong Kong Institute of Real Estate Administrators and obtained individual membership of the Real Estate Developers Association of Hong Kong in January 1999. He was the president of the Hong Kong Association of Property Management Companies from 2003 to 2007. He was awarded the Medal of Honour in 2005, appointed as a Justice of the Peace in 2011 and awarded the Bronze Bauhinia Star in 2015 by the Government of Hong Kong respectively. He was a member of the 13th Chinese People's Political Consultative Conference of the Shunde District of Foshan City (中國人民政治協商會議佛山市順德區第十三屆委員會委員) until 2016, and was a member of the 10th Chinese People's Political Consultative Conference of Changsha City (中國人民政治協商會議長沙市第十屆委員會委員) from 2008 to 2012. He is also the president and vice chairman of Federation of Hong Kong Guangdong Community Organisations. Mr. Suen was also elected as an Honorary Fellow by the Hong Kong Institute of Housing in 2007.

Mr. Yung Wing Ki, Samuel

SBS, MH, JP, Independent Non-executive Director

Aged 59, was appointed as Independent Non-executive Director of the Company on 9 October 2015. Mr. Yung also serves as chairman of audit committee and a member of remuneration committee and nomination committee of the Company. He is responsible for giving independent strategic advice and guidance on the business and operations of the Group. Mr. Yung has over 36 years of experience in the insurance sector. He is currently an executive district director of AIA International Limited and an independent non-executive director of China South City Holdings Limited (stock code: 1668, a company listed on the Main Board of the Stock Exchange). He has been an independent non-executive director of China Overseas Insurance Limited ("COIL"), a wholly-owned subsidiary of China State Construction International Holding Limited (stock code: 3311, a company listed on the Main Board of the Stock Exchange), since 14 October 2014 and was also a member of the audit committee of COIL since 15 December 2014. Mr. Yung was an independent non-executive director of Camsing International Holding Limited (formerly known as "Fittec International Group Limited") (stock code: 2662, a company listed on the Main Board of the Stock Exchange) from January 2016 to May 2016. Mr. Yung is also presently a member of the National Committee of the Chinese People's Political Consultative Conference, the founding president of Hong Kong Professionals and Senior Executives Association, a member cum chairperson of Finance Committee of the Board of Management of the Chinese Permanent Cemeteries, a member of Court of the Open University of Hong Kong. Mr. Yung was elected the "Ten Outstanding Young Persons Award" in 1994. He was awarded the Medal of Honor in 2001, appointed as a Justice of the Peace in 2007 and awarded the Silver Bauhinia Star in 2011 by the Government of Hong Kong respectively. He was also a Standing member of the Chinese People's Political Consultative Conference of Jilin (中國人民政治協商會議吉林省委員會常務委員), Standing Committee member of All-China Youth Federation, member of Commission on Strategic Development of Hong Kong, member of Central Policy Unit, the chairman of Betting and Lotteries Commission of Home Affairs Bureau, chairman of Hong Kong United Youth Association, chairman of Top Outstanding Young Persons Association, board member of General Agents and Managers Association International and chairman of its International Committee, president of The Life Underwriters Association of Hong Kong and chairman of General Agents and Managers Association of Hong Kong. He was awarded an Executive Master degree in Business Administration from the Hong Kong University of Science and Technology and has attained certain professional qualifications, including Certified Financial Planner, Registered Financial Consultant, Fellow Chartered Financial Practitioner, Chartered Life Practitioner, Certified Manager of Financial Advisor and Chartered Insurance Agency Manager.

Directors and Senior Management (Continued)

Senior Management

Mr. Ye Xiang

Vice President

Aged 45, 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), as well as Chairman of Guangdong Logan Property Management Limited (廣東龍光集團物業管理有限公司). He has approximately 26 years of experience in real estate and property management.

Mr. Wong Kai Sang

Senior Vice President

Aged 62, 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 28 years of property management experience in Hong Kong.

Mr. Liu Zhonghua

Vice President

Aged 53, 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 29 years of experience in electrical and mechanical engineering project management and 21 years of experience in property management in Hong Kong.

Directors and Senior Management (Continued)

Senior Management (Continued)

Mr. Wang Zhigang

Assistant President

Aged 44, was appointed as Assistant President of the Company on 25 June 2015. He is also a director of certain subsidiaries of the Company. He is responsible for the operation of the Group's property management business in Hong Kong and Macau. Mr. Wang graduated from Tongji University in the PRC with a Bachelor degree in Materials Science in July 1996, and obtained professional certificates in Construction Engineering Management and Real Estate Management in Tongji University. Mr. Wang hold a Master degree in Construction and Civil Engineering from Huazhong University of Science and Technology in the PRC in December 2006. He is a qualified senior engineer. Mr. Wang has been a Chartered Member of the Chartered Institute of Housing since March 2015 and has been a member of the Hong Kong Institute of Housing since 2017. Mr. Wang joined the COLI Group in July 1996 and was employed in a subsidiary of COLI until August 2001. From September 2001 to February 2012, he served different positions in various subsidiaries of CO Property Management such as assistant general manager and general manager. From October 2010 to August 2013, he was also the deputy general manager and then the general manager of China Overseas Property (Commercial Property) Management Company (中海物業（商業物業）管理公司), a commercial properties branch of CO Property Management. He has been the deputy general manager of CO Property Management since August 2013. Mr. Wang has approximately 22 years of property management experience in the PRC.

Ms. Li Xiaohua

Assistant President

Aged 43, 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 the human resources and administrative management of the property management business of the Group in the PRC. Ms. Li graduated from Provincial Party School of Liaoning Province in the PRC with a degree in Accounting in December 1997. She joined COLI Group in 1999, and has served various positions in COLI Group including assistant general manager of the human resources department from September 2007 to December 2010 and deputy general manager of COLI Group's property management department, which oversees CO Property Management and other PRC subsidiaries of the Group from December 2010 to September 2012. Served as deputy general manager of CO Property Management from August 2012 onwards. Ms. Li has approximately 19 years of human resources experience in the PRC.

Mr. Li Zhen Xi

Assistant President

Aged 44, 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 22 years of experience in operation of property management.

Directors and Senior Management (Continued)

Senior Management (Continued)

Ms. Han Fang

Assistant President

Aged 45, 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 15 years of experience in operation of property management.

Company Secretary

Ms. Leung Yim Yu

Ms. Leung joined the Company in October 2016 and was appointed as the Company Secretary of the Company on 18 March 2017. She is responsible for company secretarial matters of the Group. Ms. Leung holds a Bachelor's Degree in Business Administration and is an associate member of The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators in the United Kingdom. Prior to joining the Group, Ms. Leung worked in a number of listed companies as company secretary and has extensive experience in company secretarial practice.

Report of Directors

The board of directors (the "Board" or "Directors") of China Overseas Property Holdings Limited ("the Company") present the annual report and the audited financial statements of the Company and its subsidiaries (together the "Group") for the year ended 31 December 2017.

Principal Activities

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

Segment Information

An analysis of the Group's revenue and contribution to results by principal activities and geographical area and operations for the year ended 31 December 2017 is set out in note 8 to the financial statements.

Results and Appropriations

The results of the Group for the year ended 31 December 2017 are set out in the consolidated income statement and consolidated statement of comprehensive income on pages 98 and 99 respectively.

An interim dividend of HK1.5 cents per share was paid to shareholders of the Company (the "Shareholders") in October 2017 (2016: HK1.1 cents per share).

The Board have recommended the declaration of a final dividend of HK1.5 cents per share for the year ended 31 December 2017 (for the year ended 31 December 2016: a final dividend of HK1.1 cents per share) representing a total amount of approximately HK$49,303,000, subject to the approval of Shareholders at the forthcoming annual general meeting to be held on 7 June 2018 (the "2018 AGM"). The proposed final dividend will be paid to Shareholders on 29 June 2018 whose names appear on the Company's register of members on 15 June 2018.

Closure of Register of Members

(a) Entitlement to attend and vote at the 2018 AGM

The register of members of the Company will be closed from 1 June 2018 to 7 June 2018 (both days inclusive) for the purpose of determining the right to attend and vote at the 2018 AGM. During that period, no transfer of shares will be registered. In order to be entitled to attend and vote at the 2018 AGM, all share transfer documents accompanied with corresponding share certificates must be lodged with the branch share registrar of the Company in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on 31 May 2018.

Report of Directors (Continued)

Closure of Register of Members (Continued)

(b) Entitlement to the proposed final dividend

The register of members of the Company will also be closed from 13 June 2018 to 15 June 2018 (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 2018 AGM. During that period, no transfer of shares will be registered. In order to be qualified for entitlement to the final dividend, all share transfer documents accompanied with the corresponding share certificates must be lodged with the branch share registrar of the Company in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on 12 June 2018.

Reserves

Movements in the reserves of the Group and of the Company during the year are set out in note 30(c) and note 37(a) to the financial statements.

Distributable Reserves

Distributable reserves of the Company at 31 December 2017 were approximately HK$194.1 million (2016: approximately HK$131.6 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 175 and 176.

Major Suppliers and Customers

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

Shares Issued

Details of the shares issued for the year ended 31 December 2017 are set out in note 30(a) to the financial statements.

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

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

Borrowings

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

Report of Directors (Continued)

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, appointed on 13 June 2017)*
Mr. Xiao Xiao *(Chairman and Non-executive Director, resigned on 13 June 2017)*

Executive Directors

Dr. Yang Ou *(Chief Executive Officer, appointed on 22 March 2018)*
Ms. Wang Qi *(Vice Chairman and Chief Executive Officer, resigned on 22 March 2018)*
Mr. Luo Xiao *(Vice President)*
Mr. Shi Yong *(Vice President)*
Mr. Kam Yuk Fai *(promoted to Chief Financial Officer on 13 December 2017)*

Independent Non-executive Directors

Mr. Lim Wan Fung, Bernard Vincent
Mr. Suen Kwok Lam
Mr. Yung Wing Ki, Samuel

In accordance with articles 84(1) and 84(2) of the Company's articles of association, Mr. Shi Yong, Mr. Lim Wan Fung, Bernard Vincent and Mr. Suen Kwok Lam will retire by rotation at the 2018 AGM and in accordance with article 83(3) of the Company's articles of association, Dr. Yang Ou will hold office until the 2018 AGM. Dr. Yang Ou, Mr. Shi Yong, Mr. Lim Wan Fung, Bernard Vincent and Mr. Suen Kwok Lam, being eligible, will offer themselves for re-election at the 2018 AGM.

Confirmation of Independence on Independent Non-executive Directors

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

Directors' Service Contracts

No Director proposed for re-election at the 2018 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.

Report of Directors (Continued)

Contracts of Significance with Controlling Shareholder

Save as disclosed under the section headed "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

China Overseas Land & Investment Limited ("COLI"), a connected person of the Company as defined under the Listing Rules, acquired certain companies from CITIC Group including 14 companies (the "Entrusted Companies") that are engaged in property management business in the PRC (the "Competing Business") in 2016. On 18 October 2016, Hainan Ruler Limited ("HRL"), a wholly-owned subsidiary of COLI, and the Company entered into the entrusted management agreement ("Entrusted Management Agreement") for a term of one year commencing from 15 September 2016 and ending on 14 September 2017, as supplemented by an agreement dated 13 September 2017 ("Supplemental Agreement") to extend the term of the Entrusted Management Agreement for one year commencing from 15 September 2017 and ending on 14 September 2018, whereas the Company was entrusted to manage the business operation and administration of the Entrusted Companies.

During the year, the Company acquired certain Entrusted Companies from COLI Group and upon completion of the acquisition, the Company and HRL entered into a termination agreement to terminate the Entrusted Management Agreement and Supplemental Agreement with effect from 29 December 2017.

Since Mr. Yan Jianguo is the current Chairman and Non-executive Director of the Company and is also acting as the Chairman, Chief Executive Officer and Executive Director of COLI, he is considered to have interest in the Competing Business until completion of the acquisition on 21 December 2017.

Save as disclosed above, all Directors (except Independent Non-executive Directors) of the Company have confirmed that they did not have any interests in business which competed or was likely to compete, either directly or indirectly, with the business of the Group during the year as required to be disclosed pursuant to Rule 8.10 of the Listing Rules.

Emoluments of Directors and Senior Management

Information regarding directors' emoluments and senior management's emoluments are set out in notes 13 and 35(e) to the financial statements.

Permitted Indemnity Provision

The articles of association of the Company provides that, amongst others, the Directors and other officers of the Company being acting in relation to any of the affairs of the Company shall be indemnified and secured harmless out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which they shall or may incur or sustain by or by reason of any act done, concurred in or omitted in or about the execution of their duty, or supposed duty, in their respective offices provided that this indemnity shall not extend to any matter in respect of any fraud or dishonesty which may attach to any said persons. Such provision and the Directors and Officers Liability Insurance Policy maintained by the Company which provides insurance coverage for liabilities of the Directors and officers of the Company and its subsidiaries were in force during the year ended 31 December 2017 and remained in force as of the date of this Annual Report.

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 62 to 68 of this Annual Report.

Report of Directors (Continued)

Directors' and Chief Executive's Interests in Securities

As at 31 December 2017, the Directors and the chief executive of the Company and their respective associates had the following interests in the shares of the Company's associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code"):

Long Positions in Shares of the Company's Associated Corporations

Name of Director	Name of associated corporation	Nature of interest	Number of ordinary shares	Approximate percentage of issued share capital (%)
Luo Xiao	China State Construction Engineering Corporation Limited ("CSCECL")	Beneficial owner	150,000 A shares (Note 1)	0.0005 (Note 2)
Shi Yong	CSCECL	Beneficial owner	150,000 A shares (Note 1)	0.0005 (Note 2)
Shi Yong	Far East Global Group Limited ("Far East Global")	Beneficial owner	1,000,000 shares	0.046 (Note 3)

Notes:

1. The A shares (ordinary shares) are restricted shares granted under the A-shares Restricted Stock Incentive Plan (Phase II) of CSCECL subject to a lock-up period of 2 years from the date of grant (i.e. 29 December 2016) ("Lock-up Period"). During the Lock-up Period, these shares are not transferable, nor subject to any guarantee, indemnity or pledge. After the Lock-up Period, these shares, upon the fulfillment of certain conditions, can be transferrable in equal tranche in three years.

2. The percentage represents the number of shares interested divided by the number of issued shares of CSCECL as at 31 December 2017 (i.e. 30,000,000,000 shares).

3. The percentage represents the number of shares interested divided by the number of issued shares of Far East Global as at 31 December 2017 (i.e. 2,155,545,000 shares).

Save as disclosed above, as at 31 December 2017, no interests and short positions were held or deemed or taken to be held under Part XV of the SFO by any Director or chief executive of the Company or their respective associates in the shares and underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Part XV of the SFO or pursuant to the Model Code or which are required pursuant to Section 352 of the SFO to be entered in the register referred to therein. Nor any of the Directors and chief executive of the Company (including their spouses and children under the age of 18) had, as at 31 December 2017, any interest in, or had been granted any right to subscribe for the shares and options of the Company and its associated corporations (within the meaning of Part XV of the SFO), or had exercised any such rights.

Report of Directors (Continued)

Arrangements to Acquire Shares or Debentures

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

Substantial Shareholders' Interests in Securities

As at 31 December 2017, the following parties (other than Directors or the chief executive of the Company) were the substantial shareholders of the Company (as defined under the Listing Rules) and had interests in the shares and underlying shares of the Company as recorded in the register maintained by the Company pursuant to Section 336 of the SFO:

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

Notes:

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

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

3. The percentage represents the number of shares interested divided by the number of issued shares of the Company as at 31 December 2017 (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 2017, the Company had not been notified by any other person (other than Directors or the chief executive of the Company) who had an interest or a short position in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

Report of Directors (Continued)

Connected Transaction

On 20 October 2017, China Overseas Property Management Company Limited (中海物業管理有限公司), a wholly-owned subsidiary of the Company, as the purchaser (the "Purchaser") entered into a sale and purchase agreement (the "Sale and Purchase Agreement") with CITIC Real Estate Group Company Limited (中信房地產集團有限公司) and Beijing CITIC Real Estate Company Limited (北京中信房地產有限公司), the wholly-owned subsidiaries of COLI, as the sellers (the "Sellers") whereas the Purchaser agreed to acquire the entire equity interests of CITIC Property Services Company Limited (中信物業服務有限公司) ("CITIC Property Services") from the Sellers (the "Acquisition") for a total consideration of RMB190 million subject to the terms and conditions of the Sale and Purchase Agreement.

CITIC Property Services and its subsidiaries (the "Target Group") are principally engaged in property management business in the PRC which currently providing property management services to around 120 properties across 20 cities in the PRC.

Since COLI is the connected person of the Company (as defined under the Listing Rules), the Acquisition, other than as a major transaction under Chapter 14 of the Listing Rules, constituted connected transaction between COLI and the Company and was subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Prior to the Acquisition, a member of the Target Group as the lender and a member of China Overseas Grand Oceans Group Limited ("COGO" and its subsidiaries, together, "COGO Group"), a connected person of the Company (as defined under the Listing Rules), as a borrower has entered into a loan agreement (the "Loan Agreement") amounting to RMB75 million which is unsecured, interest bearing at 4.75% per annum determined with reference to the 1-year lending rate of The People's Bank of China and repayable in three years from the date of the Loan Agreement. Upon completion of the Acquisition, the Loan Agreement constituted as connected transaction between COGO Group and the Group under Chapter 14A of the Listing Rules. Since the applicable percentage ratio (as defined under the Listing Rules) in respect of the Loan Agreement is 0.1% or above but less than 5%, the Loan Agreement is subject to the annual review, reporting and announcement requirements under Chapter 14A of the Listing Rules.

The Acquisition and the transactions contemplated thereunder has been duly approved by Shareholders (other than CSCEC and its associates) of the Company ("Independent Shareholders") at an extraordinary general meeting held on 12 December 2017 and the transfer of the entire issued shares of CITIC Property Services from the Sellers to the Purchaser has been duly completed during the year.

Details of the Acquisition has been disclosed in the Company's announcement dated 20 October 2017 and circular dated 24 November 2017.

Report of Directors (Continued)

Continuing Connected Transactions

Prior to 23 October 2015 (the "Listing Date"), the date on which the shares of the Company were listed on the Main Board of the Stock Exchange, the Group has been entering into certain transactions on a continuing basis with connected persons of the Company (as defined under the Listing Rules) and such transactions constituted continuing connected transactions of the Company under Chapter 14A of the Listing Rules upon the Listing Date.

During the year, the Directors expect that the Group will continue to participate in competitive tender to provide property management services, engineering services and security services to connected persons, the Company has entered into various new framework agreements with connected persons to increase the caps under the respective continuing connected transactions and to renew the transactions contemplated thereunder. In addition, the Group has also entered into certain new transactions on a continuing basis with connected persons arising from the Acquisition and from other ordinary course of businesses.

Continuing Connected Transactions with CSCEC, CSCECL and COHL

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

CSCEC Services Agreement

Prior to the Listing Date, the Group has been providing property management services to certain office premises in the PRC owned or leased by CSCECL and its subsidiaries (excluding COHL Group) ("CSCECL Group") in the ordinary and usual course of business of the Group from time to time. After the Listing Date, the Group continued to provide property management services to CSCECL Group and the estimated total fees payable to the Group by CSCECL Group for the property management services for the respective periods from 1 June 2015 to 31 December 2015, each of the two years ending 31 December 2017, and for the period between 1 January 2018 and 31 May 2018 (details as disclosed in the listing document issued by the Company on 14 October 2015) are all less than HK$3,000,000 with the applicable percentage ratios in respect of fees payable to the Group by CSCECL Group being less than 5%.

On 30 June 2016, after completion of the transfer of the entire issued share capital of Treasure Trinity Limited from COLI to COHL, Treasure Trinity Limited and its subsidiaries ("Treasure Trinity Group") became the wholly-owned subsidiaries of COHL and the provision of property management services from the Group to Treasure Trinity Group constituted the continuing connected transactions between the Group and COHL and its subsidiaries ("COHL Group"). The estimated total fees payable to the Group by COHL Group for the property management services for the two years ending 31 December 2017 and for the period between 1 January 2018 and 31 May 2018 (details as disclosed in the announcement of the Company dated 30 June 2016) are all less than HK$3,000,000 with the applicable percentage ratios in respect of fees payable to the Group by COHL Group being less than 5%.

Accordingly, the provision of property management services to CSCECL Group and COHL Group were regarded as de minimis continuing connected transactions and were exempt from reporting, announcement, annual review and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Report of Directors (Continued)

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

CSCEC Services Agreement (Continued)

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

The CSCEC Services Agreement has commenced on 1 October 2017.

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, details are disclosed under the subsection headed "Aggregation of Continuing Connected Transactions" below.

Details of the CSCEC Services Agreement has been disclosed in the Company's announcement dated 7 August 2017 and circular dated 30 August 2017. The CSCEC Services Agreement has been duly approved by Independent Shareholders of the Company at an extraordinary general meeting held on 26 September 2017.

For the year ended 31 December 2017, the total amount paid to the Group by CSCEC Group for the provision of property management services and engineering services was HK$44,418,000, which did not exceed HK$52,500,000, being the sum of pro-rated estimates of fees of HK$2,400,000 for the period from 1 January 2017 to 30 September 2017 and the cap of HK$50,100,000 for the period from 1 October 2017 to 31 December 2017.

COHL Licensing Agreement

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

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

Report of Directors (Continued)

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

COHL Licensing Agreement (Continued)

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, details are disclosed under the subsection headed "Aggregation of Continuing Connected Transactions" below.

Details of the COHL Licensing Agreement has been disclosed in the Company's announcement dated 26 June 2017.

For the period from 1 October 2017 to 31 December 2017, the total amount paid to COHL Group in respect of the licensing of the Licensed Premises under the COHL Licensing Agreement was HK$1,120,000 which did not exceed the maximum total amount payable to COHL Group of HK$1,121,000.

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

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

1. **Previous COLI Property Management Services Agreement**

   On 9 October 2015, the Company and COLI entered into a framework agreement as supplemented by a supplemental agreement dated 30 June 2016 (the "Previous COLI Property Management Services Agreement") pursuant to which the Group agreed to provide property management services to COLI Group's residential communities and commercial properties in the PRC, Hong Kong and Macau on terms set out therein for the period from 1 June 2015 and ending on 31 May 2018 provided that the maximum total amounts payable to the Group by COLI Group for property management services under the Previous COLI Property Management Services Agreement for the period between 1 June 2015 and 31 December 2015 shall not exceed HK$264,400,000, for each of the two years ending 31 December 2017 shall not exceed HK$402,363,000 (revised cap) and HK$457,541,000 (revised cap) respectively, and for the period between 1 January 2018 and 31 May 2018 shall not exceed HK$207,459,000 (revised cap).

   As the applicable percentage ratios in respect of the caps under the Previous COLI Property Management Services Agreement are, on their own and on an annual basis, 5% or more, the transactions contemplated under the Previous COLI Property Management Services Agreement are subject to the annual review, reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. The Previous COLI Property Management Services Agreement is also subject to aggregation requirements under Rules 14A.81 and 14A.82(1) of the Listing Rules, details as disclosed under the subsection headed "Aggregation of Continuing Connected Transactions" below.

Report of Directors (Continued)

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

1. Previous COLI Property Management Services Agreement (Continued)

On 20 October 2017, the Company and COLI entered into the COLI Services Agreement (as defined below) which has commenced on 1 January 2018 and the Previous COLI Property Management Services Agreement has been terminated upon the commencement of the COLI Services Agreement. Please refer to the subsection headed "COLI Service Agreement" below for details.

For the year ended 31 December 2017, the total amount paid to the Group by COLI Group for the property management services under the Previous COLI Property Management Services Agreement was HK$226,117,000 which did not exceed the revised cap of HK$457,541,000.

2. Previous COLI Engineering Services Agreement

On 9 October 2015, the Company and COLI entered into a framework agreement (the "Previous COLI Engineering Services Agreement") pursuant to which the Group agreed to provide engineering services, including automation projects, specialized engineering, and repair and maintenance and upgrade projects of equipment and machinery to COLI Group's residential communities and commercial properties in the PRC from time to time on terms set out therein for the period from 1 June 2015 and ending on 31 May 2018 provided that the maximum total amounts payable to the Group by COLI Group under the Previous COLI Engineering Services Agreement for the period between 1 June 2015 and 31 December 2015 shall not exceed HK$25,500,000, for each of the two years ending 31 December 2017 shall not exceed HK$29,800,000 and HK$31,600,000 respectively, and for the period between 1 January 2018 and 31 May 2018 shall not exceed HK$14,000,000.

As the applicable percentage ratios in respect of the caps under the Previous COLI Engineering Services Agreement are, on their own and on an annual basis, 0.1% or more but less than 5%, the transactions contemplated under the Previous COLI Engineering Services 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 Previous COLI Engineering Services Agreement is also subject to aggregation requirements under Rules 14A.81 and 14A.82(1) of the Listing Rules, details as disclosed under the subsection headed "Aggregation of Continuing Connected Transactions' below.

The Previous COLI Engineering Services Agreement has been terminated on 1 January 2018 upon the commencement of the COLI Services Agreement on 1 January 2018. Please refer to the subsection headed "COLI Service Agreement" below for details.

For the year ended 31 December 2017, the total amount paid to the Group by COLI Group under the Previous COLI Engineering Services Agreement was HK$10,142,000 which did not exceed the cap of HK$31,600,000.

Report of Directors (Continued)

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

3. COLI Services Agreement

On 20 October 2017, the Company and COLI entered into a new framework agreement ("COLI Services Agreement") pursuant to which the Group (excluding 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 Target Group) by COLI Group for the provision of such services under the COLI Services Agreement for each of the two years ending 31 December 2019 shall not exceed HK$634,300,000 and HK$725,200,000 respectively, and for the period between 1 January 2020 and 30 June 2020 shall not exceed HK$420,700,000.

The COLI Services Agreement has commenced on 1 January 2018. The Previous COLI Property Management Services Agreement and the Previous COLI Engineering Services Agreement have been terminated upon the commencement of the COLI Services Agreement.

As 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, 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. The COLI Services Agreement is also subject to aggregation requirements under Rules 14A.81 and 14A.82(1) of the Listing Rules, details are disclosed under the subsection headed "Aggregation of Continuing Connected Transactions" below.

Details of the COLI Services Agreement has been disclosed in the Company's announcement dated 20 October 2017 and circular dated 24 November 2017. The COLI Services Agreement has been duly approved by Independent Shareholders of the Company at an extraordinary general meeting held on 12 December 2017.

4. COLI Target Services Agreement

During the year, the Company has acquired the Target Group from COLI Group. The Target Group has been providing 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 from time to time and it is expected that the Target Group will continue to provide such services to COLI Group after the acquisition. Since Target Group will become the wholly-owned subsidiary of the Company upon completion of the acquisition, the provision of the said services to COLI Group by the Target Group will constitute continuing connected transactions between the Group and COLI Group.

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

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

4. COLI Target Services Agreement (Continued)

As 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. The COLI Target Services Agreement is also subject to aggregation requirements under Rules 14A.81 and 14A.82(1) of the Listing Rules, details are disclosed under the subsection headed "Aggregation of Continuing Connected Transactions" below.

COLI Target Services Agreement has commenced on 1 January 2018. Details of the COLI Target Services Agreement has been disclosed in the Company's announcement dated 20 October 2017 and circular dated 24 November 2017. The COLI Target Services Agreement has been duly approved by Independent Shareholders of the Company at an extraordinary general meeting held on 12 December 2017.

5. Previous COLI Leasing Agreement and COLI Leasing Agreement

On 9 October 2015, the Company and COLI entered into a framework agreement as supplemented by a supplemental agreement dated 30 June 2016 (the "Previous COLI Leasing Agreement") pursuant to which the Group might lease properties from COLI Group on terms set out therein for the period from 1 June 2015 and ending on 31 May 2018 provided that the maximum total rent payable to COLI Group by the Group for the lease of properties under the Previous COLI Leasing Agreement for the period between 1 June 2015 and 31 December 2015 shall not exceed HK$3,900,000, for each of the two years ending 31 December 2017 shall not exceed HK$4,129,000 (revised cap) and HK$1,850,000 (revised cap) respectively, and for the period between 1 January 2018 and 31 May 2018 shall not exceed HK$750,000 (revised cap).

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

The COLI Leasing Agreement has commented on 1 October 2017 and the Previous COLI Leasing Agreement has been terminated upon the commencement of the COLI Leasing Agreement.

As the applicable percentage ratios in respect of the caps under each of the Previous COLI Leasing Agreement and the COLI Leasing Agreement are on their own 0.1% or more but less than 5% on an annual basis, the transactions contemplated under the Previous COLI Leasing Agreement and 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 Previous COLI Leasing Agreement and the COLI Leasing Agreement are also subject to aggregation requirements under Rules 14A.81 and 14A.82(1) of the Listing Rules, details are disclosed under the subsection headed "Aggregation of Continuing Connected Transactions" below.

Report of Directors (Continued)

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

5. Previous COLI Leasing Agreement and COLI Leasing Agreement (Continued)

Details of the COLI Leasing Agreement has been disclosed in the Company's announcement dated 21 August 2017.

For the year ended 31 December 2017, the total amount paid to the COLI Group by the Group for the lease of properties under the Previous COLI Leasing Agreement and the COLI Leasing Agreement was HK$2,486,000 which did not exceed HK$5,400,000, being the sum of pro-rated cap of HK$1,400,000 and the cap of HK$4,000,000 under the respective agreements.

6. COLI Property Management Utilities Charges Agreement

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

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.

The COLI PM Utilities Charges Agreement has commenced on 1 October 2017. Details of the COLI PM Utilities Charges Agreement has been disclosed in the Company's announcement dated 21 August 2017.

For the year ended 31 December 2017, the total amount paid to the COLI Group by the Group in respect of the utilities charges for the period between 1 October 2017 and 31 December 2017 under the COLI PM Utilities Charges Agreement was HK$5,388,000 which did not exceed the cap of HK$16,400,000.

7. Entrusted Management Agreement

On 18 October 2016, the Company and HRL, entered into the Entrusted Management Agreement pursuant to which HRL agreed to entrust the Company to manage the Entrusted Companies which are principally engaged in property management businesses in PRC owned by COLI Group in respect of their business operation and administration for a term of one year, with monthly entrusted management fee of RMB500,000. Accordingly, the entrusted management fee paid under the Entrusted Management Agreement for the year ended 31 December 2016 shall not exceed RMB1,750,000 and for the year ended 31 December 2017 shall not exceed RMB4,250,000. The total amounts of entrusted management fees payable to the Group by COLI Group under the Entrusted Management Agreement were RMB6,000,000.

Report of Directors (Continued)

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

7. Entrusted Management Agreement (Continued)

On 13 September 2017, the Company and HRL entered into a Supplemental Agreement to extend the term of the Entrusted Management Agreement for one year from 15 September 2017 to 14 September 2018 with monthly entrusted management fee of RMB500,000. Accordingly, the entrusted management fee paid under the Supplemental Agreement for the year ended 31 December 2017 shall not exceed RMB1,750,000 and for the year ending 31 December 2018 shall not exceed RMB4,250,000. The total amounts of entrusted management fees payable to the Group by COLI Group under the Supplemental Agreement were RMB6,000,000.

As the applicable percentage ratios in respect of the caps under each of the Entrusted Management Agreement and the Supplemental Agreement are 0.1% or more but less than 5%, the Entrusted Management Agreement and the Supplemental Agreement and the transactions contemplated thereunder are subject to 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 2017, the total amounts paid to the Group by COLI Group for managing the Entrusted Companies under the Entrusted Management Agreement and the Supplemental Agreement were, in aggregate, RMB6,000,000 (equivalent to approximately HK$6,977,000) which did not exceed the aggregated cap under the Entrusted Management Agreement and Supplemental Agreement of RMB6,000,000.

On 29 December 2017, the Company and HRL entered into a termination agreement ("Termination Agreement") to terminate the Entrusted Management Agreement and the Supplemental Agreement with effect from 29 December 2017 upon completion of acquisition of the Target Group.

Details of the Entrusted Management Agreement, the Supplemental Agreement and the Termination Agreement have been disclosed in the Company's announcements dated 18 October 2016, 13 September 2017 and 29 December 2017 respectively.

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

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

1. Previous CSCIHL Security Services Agreement, Previous CSCIHL Property Management Services Agreement and CSCIHL Services Agreement

On 26 June 2015, the Company and CSCIHL entered into a framework agreement as supplemented by a supplemental agreement dated 9 October 2015 (the "Previous CSCIHL Security Services Agreement") to govern the provision of security services for the work sites of CSCIHL Group in Hong Kong by the Group to CSCIHL Group for the period from 1 July 2015 and ending on 30 June 2018 provided that the maximum total contract sums that may be awarded to the Group by CSCIHL Group under the Previous CSCIHL Security Services Agreement for the period between 1 July 2015 and 31 December 2015 shall not exceed HK$10,000,000, for each of the two years ending 31 December 2017 shall not exceed HK$20,000,000 and HK$20,000,000 respectively, and for the period between 1 January 2018 and 30 June 2018 shall not exceed HK$10,000,000.

Report of Directors (Continued)

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

1. Previous CSCIHL Security Services Agreement, Previous CSCIHL Property Management Services Agreement and CSCIHL Services Agreement (Continued)

On 30 June 2016, the Company and CSCIHL entered into a framework agreement (the "Previous CSCIHL Property Management Services Agreement") pursuant to which the Group agree to provide property management services to CSCIHL Group's commercial properties in Hong Kong for the period from 25 June 2016 and ending on 31 May 2018 provided that the maximum total amounts payable to the Group by CSCIHL Group for the property management services under the Previous CSCIHL Property Management Services Agreement for the period between 25 June 2016 and 31 December 2016 shall not exceed HK$2,331,000, for the year ended 31 December 2017 shall not exceed HK$4,300,000 and for the period between 1 January 2018 and 31 May 2018 shall not exceed HK$2,100,000.

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

The CSCIHL Services Agreement has commenced on 1 October 2017 and the Previous CSCIHL Property Management Services Agreement and Previous CSCIHL Security Services Agreement have been terminated upon the commencement of the CSCIHL Services Agreement.

As the applicable percentage ratios in respect of the caps under each of the Previous CSCIHL Security Services Agreement and the Previous CSCIHL Property Management Services Agreement are on their own and on an annual basis, 0.1% or more but less than 5%, the transactions contemplated under each of the Previous CSCIHL Security Services Agreement and the Previous CSCIHL Property Management Services 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 Previous CSCIHL Security Services Agreement and the Previous CSCIHL Property Management Services Agreement are also subject to aggregation requirements under Rules 14A.81 and 14A.82(1) of the Listing Rules, details as disclosed under the subsection headed "Aggregation of Continuing Connected Transactions" below.

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, details are disclosed under the subsection headed "Aggregation of Continuing Connected Transactions" below.

Report of Directors (Continued)

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

1. Previous CSCIHL Security Services Agreement, Previous CSCIHL Property Management Services Agreement and CSCIHL Services Agreement (Continued)

Details of the CSCIHL Services Agreement has been disclosed in the Company's announcement dated 7 August 2017 and circular dated 30 August 2017. The CSCIHL Services Agreement has been duly approved by Independent Shareholders of the Company at an extraordinary general meeting held on 26 September 2017.

For the year ended 31 December 2017, 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 Previous CSCIHL Security Services Agreement, Previous CSCIHL Property Management Services Agreement and CSCIHL Services Agreement was HK$11,073,000 which did not exceed HK$35,700,000, being the sum of pro-rated cap of HK$18,300,000 under the Previous CSCIHL Security Services Agreement and Previous CSCIHL Property Management Services Agreement, and HK$17,400,000 under the CSCIHL Services Agreement.

2. Previous CSCIHL Leasing Agreement and CSCIHL Leasing Agreement

On 30 June 2016, the Group and CSCIHL entered into a framework agreement (the "Previous CSCIHL Leasing Agreement") pursuant to which the Group might lease properties from CSCIHL Group for the period from 25 June 2016 and ending on 31 May 2018 provided that the maximum total rent payable to CSCIHL Group by the Group for the period between 25 June 2016 and 31 December 2016 shall not exceed HK$2,519,000, for the year ending 31 December 2017 shall not exceed HK$4,900,000 and for the period between 1 January 2018 and 31 May 2018 shall not exceed HK$2,200,000.

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

The CSCIHL Leasing Agreement has commenced on 1 October 2017 and the Previous CSCIHL Leasing Agreement has been terminated upon the commencement of the CSCIHL Leasing Agreement.

As the applicable percentage ratios in respect of the caps under each of the Previous CSCIHL Leasing Agreement and the CSCIHL Leasing Agreement are 0.1% or more but less than 5% on an annual basis, the transactions contemplated under the Previous CSCIHL Leasing Agreement and 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 Previous CSCIHL Leasing Agreement and the CSCIHL Leasing Agreement are also subject to aggregation requirements under Rules 14A.81 and 14A.82(1) of the Listing Rules, details as disclosed under subsection headed "Aggregation of Continuing Connected Transactions" below.

Details of the CSCIHL Leasing Agreement has been disclosed in the Company's announcement dated 7 August 2017.

Report of Directors (Continued)

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

2. Previous CSCIHL Leasing Agreement and CSCIHL Leasing Agreement (Continued)

For the year ended 31 December 2017, the amount of total rent paid to the CSCIHL Group for the leasing of properties under the Previous CSCIHL Leasing Agreement and the CSCIHL Leasing Agreement was HK$4,140,000 which did not exceed HK$5,000,000, being the sum of pro-rated cap of HK$3,700,000 and the cap of HK$1,300,000 under the respective agreements.

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

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

1. Previous COGO Property Management Services Agreement

On 1 June 2015, the Company and COGO entered into a framework agreement (the "Previous COGO Property Management Services Agreement") to govern the provision of property management services by the Group to COGO Group for the period from 1 June 2015 and ending on 31 May 2018 provided that the maximum total amounts payable to the Group by COGO Group under the Previous COGO Property Management Services Agreement for the period between 1 June 2015 and 31 December 2015 shall not exceed RMB30,000,000, for each of the two years ending 31 December 2017 shall not exceed RMB50,000,000 and RMB60,000,000 respectively, and for the period between 1 January 2018 and 31 May 2018 shall not exceed RMB35,000,000.

On 20 October 2017, the Company and COGO entered into the COGO Services Agreement (as defined below) which has commenced on 1 January 2018 and the Previous COGO Property Management Services Agreement has been terminated upon the commencement of the COGO Services Agreement. Please refer to the below subsection headed "COGO Services Agreement" for details.

As the applicable percentage ratios in respect of the caps under the Previous COGO Property Management Services Agreement are, on their own and on an annual basis, 0.1% or more but less than 5%, the transactions contemplated under the Previous COGO Property Management Services 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 Previous COGO Property Management Services Agreement is also subject to aggregation requirements under Rules 14A.81 and 14A.82(1) of the Listing Rules, details as discussed under the subsection headed "Aggregation of Continuing Connected Transactions' below.

For the year ended 31 December 2017, the total amount paid to the Group by COGO Group for property management services under the Previous COGO Property Management Services Agreement was RMB42,068,000 (equivalent to approximately HK$48,916,000) which did not exceed the cap of RMB60,000,000.

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

2. COGO Services Agreement

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

The COGO Services Agreement has commenced on 1 January 2018. The Previous COGO Property Management Services Agreement has been terminated upon the commencement of the COGO Services Agreement.

As the applicable percentage ratios in respect of the caps under the COGO Services Agreement are on their own 0.1% or more but less than 5% on an annual basis, the transactions contemplated under the COGO 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 COGO Services Agreement is also subject to aggregation requirements under Rules 14A.81 and 14A.82(1) of the Listing Rules, details are disclosed under the subsection headed "Aggregation of Continuing Connected Transactions" below.

Details of the COGO Services Agreement has been disclosed in the Company's announcement dated 20 October 2017 and circular dated 24 November 2017. The COGO Services Agreement has been duly approved by Independent Shareholders of the Company at an extraordinary general meeting held on 12 December 2017.

3. COGO Target Services Agreement

The Target Group has been providing property management services to the New Projects from time to time and it is expected that the Target Group will continue 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 New Projects after the acquisition of the Target Group by the Group. Since the Target Group will become the wholly-owned subsidiary of the Company upon completion of the acquisition, the provision of the said services to the New Projects by the Target Group to COGO Group will constitute continuing connected transactions between the Group and COGO Group.

Report of Directors (Continued)

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

3. COGO Target Services Agreement (Continued)

On 20 October 2017, the Company and COGO entered into a new framework agreement ("COGO Target Services Agreement") pursuant to which 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.

As the applicable percentage ratios in respect of the caps under the COGO Target Services Agreement are on their own 0.1% or more but less than 5% on an annual basis, the transactions contemplated under 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. The COGO Target Services Agreement is also subject to aggregation requirements under Rules 14A.81 and 14A.82(1) of the Listing Rules, details are disclosed under the subsection headed "Aggregation of Continuing Connected Transactions" below.

The COGO Target Services Agreement has commenced on 1 January 2018. Details of the COGO Target Services Agreement has been disclosed in the Company's announcement dated 20 October 2017 and circular dated 24 November 2017. The COGO Target Services Agreement has been duly approved by Independent Shareholders of the Company at an extraordinary general meeting held on 12 December 2017.

Aggregation of Continuing Connected Transactions

1. Aggregation of leasing transactions

The Directors of the Company are of the view that the Previous COLI Leasing Agreement, the Previous CSCIHL Leasing Agreement, 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 Previous COLI Leasing Agreement, the Previous CSCIHL Leasing Agreement, 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 will be 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 2017, the transaction amounts under the Previous COLI Leasing Agreement, the Previous CSCIHL Leasing Agreement, the COHL Licensing Agreement, the COLI Leasing Agreement and the CSCIHL Leasing Agreement were, in aggregate, HK$7,746,000, which was more than 0.1% but less than 5% of the applicable percentage ratios, 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.

Aggregation of Continuing Connected Transactions (Continued)

2. Aggregation of property management and related transactions

The Directors of the Company are of the view that (i) the Previous COLI Property Management Services Agreement; (ii) the Previous COLI Engineering Services Agreement; (iii) the Previous CSCIHL Security Services Agreement; (iv) the Previous CSCIHL Property Management Services Agreement; (v) the Previous COGO Property Management Services Agreement; (vi) the CSCEC Services Agreement; (vii) the COLI Services Agreement; (viii) the COLI Target Services Agreement; (ix) the CSCIHL Services Agreement; (x) the COGO Services Agreement and (xi) the COGO Target Services Agreement and (xii) 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 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 Previous COLI Property Management Services Agreement; (ii) the Previous COLI Engineering Services Agreement; (iii) the Previous CSCIHL Security Services Agreement; (iv) the Previous CSCIHL Property Management Services Agreement and (v) the Previous COGO Property Management Services Agreement, we have applied for, and the Stock Exchange has granted to us, a waiver from strict compliance with the announcement and independent shareholders' approval requirements under Rule 14A.105 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 2017, the transaction amounts under the above respective agreements were, in aggregate, HK$340,666,000, which was more than 5% of the applicable percentage ratios, 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.

Report of Directors (Continued)

Review and Approval (Continued)

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

The auditor has issued his unqualified letter containing his findings and conclusions in respect of the continuing connected transactions disclosed by the Group on pages 76 to 88 of this Annual Report as below:

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

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

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

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

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

Change in Information of Director

Pursuant to Rule 13.51(B)(1) of the Listing Rules, the change in the information of Director since the publication of the 2017 interim report up to the date of this Annual Report is set out below:

- the Director's remuneration of Mr. Yan Jianguo has been adjusted from HK$1,000,000 to HK$500,000 per annum with effect from 1 January 2018.

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.

Report of Directors (Continued)

Public Float

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

Pre-Emptive Rights

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

Tax Relief and Exemption

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

Corporate Governance

Principal corporate governance practices adopted by the Company are set out in the Corporate Governance Report on pages 44 to 61 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 28 to 39 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.

Report of Directors (Continued)

Auditor

PricewaterhouseCoopers has acted as auditor of the Company since the year of 2012. The financial statements have been audited by PricewaterhouseCoopers who will retire and, being eligible, offer themselves for re-appointment at the 2018 AGM.

A resolution will be proposed at the 2018 AGM to re-appoint PricewaterhouseCoopers as auditor of the Company.

On behalf of the Board

Yan Jianguo
Chairman and Non-executive Director

Hong Kong, 22 March 2018

Independent Auditor's Report

羅兵咸永道

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

Opinion

What we have audited

The consolidated financial statements of China Overseas Property Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 98 to 174, which comprise:

- the consolidated statement of financial position as at 31 December 2017;
- 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 2017, 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
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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 from property management services under lump sum basis and payments on behalf of property owners for properties managed under commission basis *Refer to notes 3, 4 and 23 to the consolidated financial statements.* As at 31 December 2017, the Group had gross trade receivables of HK$422.3 million, which are mainly arisen from property management services under lump sum basis ("Trade Receivables under Lump Sum Basis"), and HK$104.2 million of gross payments on behalf of property owners for properties managed under commission basis ("Other Receivables under Commission Basis") (collectively "Receivables"). Management has assessed the recoverability of the Receivables and impairment provision of HK$47.9 million and HK$89.1 million were made, respectively, against the Trade Receivables under Lump Sum Basis and Other Receivables under Commission Basis as at 31 December 2017. 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, reasons behind the outstanding settlements, aging profile, subsequent settlement, and repayment ability of the property owners in respect of properties managed.	Our audit procedures in relation to the recoverability of the Trade Receivables under Lump Sum Basis included: • We evaluated the design and operating effectiveness of key internal controls with particular focus on the monitoring and assessment of the recoverability of Trade Receivables under Lump Sum Basis; • We obtained management's assessment on the recoverability of Trade Receivables under Lump Sum Basis, assessed its reasonableness with reference to the reasons behind the outstanding settlement, aging profile and historical settlement patterns, and corroborated management's explanation to underlying documentation and correspondence with the property owners; • We tested, on a sample basis, the aging of Trade Receivables under Lump Sum Basis as at 31 December 2017 to invoices, and the settlement of Trade Receivables under Lump Sum Basis during the year to cash receipts and the related supporting documentation; • We also tested, on a sample basis, the subsequent settlement of Trade Receivables under Lump Sum Basis to cash receipts and the related supporting documentation.

Independent Auditor's Report (Continued)

Key Audit Matters (Continued)

Key Audit Matter	How our audit addressed the Key Audit Matter
	Our audit procedures in relation to the recoverability of Other Receivables under Commission Basis included: • We evaluated the design and operating effectiveness of key internal controls with particular focus on the monitoring and assessment of the recoverability of Other Receivables under Commission Basis; • We obtained management's assessment on the recoverability of Other Receivables under Commission Basis, assessed its reasonableness with reference to the reasons behind making payments on behalf of property owners and the repayment history/ability of property owners, and corroborated management's explanation to underlying documentation and correspondence with the property owners; • We tested, on a sample basis, the key assumptions (including the property management fee and collection rates, staff costs and sub-contracting fees) used in the assessment of repayment ability of property owners 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.

- 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.

Independent Auditor's Report (Continued)

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

- 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, 22 March 2018

Consolidated Income Statement

For the year ended 31 December 2017

	Note	Year ended 31 December 2017 HK$'000	2016 HK$'000 (Restated)
Revenue	7	**3,357,800**	3,296,695
Direct operating expenses		**(2,555,385)**	(2,529,479)
Gross profit		**802,415**	767,216
Other income and gains, net	9	**47,795**	29,650
Gain arising from changes in fair value of investment properties	16	**6,930**	769
Administrative expenses		**(419,603)**	(451,914)
Operating profit		**437,537**	345,721
Share of profit of an associate		**161**	161
Finance costs	10	**(8,910)**	(6,963)
Profit before tax		**428,788**	338,919
Income tax expenses	11	**(121,599)**	(104,607)
Profit for the year	12	**307,189**	234,312
Attributable to:			
Owners of the Company		**306,760**	237,529
Non-controlling interests		**429**	(3,217)
		307,189	234,312
EARNINGS PER SHARE (HK cents)			
Basic and diluted	14	**9.33**	7.23

The notes on pages 104 to 174 are an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2017

	Year ended 31 December	
	2017	2016
	HK$'000	HK$'000
		(Restated)
Profit for the year	**307,189**	234,312
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	**17,433**	—
Item that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of subsidiaries of the Company	**63,633**	(59,249)
	81,066	(59,249)
Total comprehensive income for the year	**388,255**	175,063
Total comprehensive income attributable to:		
Owners of the Company	**387,463**	178,604
Non-controlling interests	**792**	(3,541)
	388,255	175,063

The notes on pages 104 to 174 are an integral part of these consolidated financial statements.

Consolidated Statement of Financial Position

As at 31 December 2017

	Note	As at 31 December 2017 HK$'000	2016 HK$'000 (Restated)
Non-current assets			
Investment properties	16	**106,083**	66,641
Property, plant and equipment	17	**34,924**	38,744
Intangible assets	18	**5,419**	—
Prepaid lease payments for land	19	**1,965**	3,206
Interest in an associate	20	**352**	191
Available-for-sale financial assets	21	**—**	1,120
Amount due from a related company	24	**90,393**	—
Deferred tax assets	31	**29,510**	23,144
		268,646	133,046
Current assets			
Inventories	22	**9,664**	9,899
Trade and other receivables	23	**467,253**	371,307
Deposits and prepayments		**40,486**	29,599
Prepaid lease payments for land	19	**301**	404
Amount due from immediate holding company	24	**96**	57
Amounts due from fellow subsidiaries	24	**49,486**	117,285
Amounts due from related companies	24	**11,056**	107,887
Tax prepaid		**39**	871
Bank balances and cash	25	**2,711,015**	2,417,288
		3,289,396	3,054,597
Current liabilities			
Trade and other payables	26	**1,592,755**	1,355,079
Receipts in advance and other deposits	27	**651,660**	505,696
Amount due to immediate holding company	28	**1,417**	651
Amounts due to fellow subsidiaries	28	**57,488**	47,102
Amounts due to related companies	28	**3,794**	26,238
Tax liabilities		**108,346**	111,365
		2,415,460	2,046,131
Net current assets		**873,936**	1,008,466
Total assets less current liabilities		**1,142,582**	1,141,512
Non-current liabilities			
Deferred tax liabilities	31	**16,029**	10,283
Bank borrowings	29	**265,000**	310,000
		281,029	320,283
Net assets		**861,553**	821,229
Capital and reserves			
Share capital	30(a)	**3,287**	3,287
Reserves	30(c)	**852,888**	813,356
Equity attributable to owners of the Company		**856,175**	816,643
Non-controlling interests		**5,378**	4,586
Total equity		**861,553**	821,229

The financial statements on pages 98 to 174 were approved by the Board of Directors on 22 March 2018 and were signed on its behalf by:

Yang Ou
Director

Luo Xiao
Director

The notes on pages 104 to 174 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2017

	Attributable to owners of the Company										
	Share capital HK$'000 (Note 30(a))	Other property revaluation reserve HK$'000 (Note 30(c)(i))	Translation reserve HK$'000 (Note 30(c)(ii))	PRC statutory reserve HK$'000 (Note 30(c)(iii))	Special reserve HK$'000 (Note 30(c)(iv))	General reserve HK$'000	Capital reserve HK$'000 (Note 30(c)(v))	Retained profits HK$'000	Subtotal HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1 January 2016, as previously reported	3,287	—	722	35,771	18,138	34,509	—	537,934	630,361	—	630,361
Acquisition of the CITIC Acquired Property Management Group (Note 3)	—	—	(5,913)	4,530	111,791	—	—	(6,019)	104,389	9,145	113,534
At 1 January 2016, as restated	3,287	—	(5,191)	40,301	129,929	34,509	—	531,915	734,750	9,145	743,895
Profit for the year	—	—	—	—	—	—	—	237,529	237,529	(3,217)	234,312
Exchange differences on translation of subsidiaries of the Company	—	—	(58,925)	—	—	—	—	—	(58,925)	(324)	(59,249)
Total comprehensive income for the year	—	—	(58,925)	—	—	—	—	237,529	178,604	(3,541)	175,063
Acquisition of the companies engaging in the property management business in connection with the CITIC Reorganisation (Note 3)	—	—	—	—	(13,755)	—	—	—	(13,755)	—	(13,755)
Transfer to PRC statutory reserve	—	—	—	116	—	—	—	(116)	—	—	—
Dividends to then owners of subsidiaries under the CITIC Acquired Property Management Group before the CITIC Reorganisation (Note 15)	—	—	—	—	—	—	—	(7,359)	(7,359)	(1,018)	(8,377)
2015 final dividend paid (Note 15)	—	—	—	—	—	(34,509)	—	(4,933)	(39,442)	—	(39,442)
2016 interim dividend paid (Note 15)	—	—	—	—	—	—	—	(36,155)	(36,155)	—	(36,155)
	—	—	—	116	(13,755)	(34,509)	—	(48,563)	(96,711)	(1,018)	(97,729)
At 31 December 2016, as restated	3,287	—	(64,116)	40,417	116,174	—	—	720,881	816,643	4,586	821,229
At 1 January 2017, as previously reported	3,287	—	(52,209)	35,783	18,138	—	—	723,130	728,129	—	728,129
Acquisition of the CITIC Acquired Property Management Group (Note 3)	—	—	(11,907)	4,634	98,036	—	—	(2,249)	88,514	4,586	93,100
At 1 January 2017, as restated	3,287	—	(64,116)	40,417	116,174	—	—	720,881	816,643	4,586	821,229
Profit for the year	—	—	—	—	—	—	—	306,760	306,760	429	307,189
Surplus on revaluation of properties transferred from self-use properties to investment properties, net of tax	—	17,433	—	—	—	—	—	—	17,433	—	17,433
Exchange differences on translation of subsidiaries of the Company	—	—	63,270	—	—	—	—	—	63,270	363	63,633
Total comprehensive income for the year	—	17,433	63,270	—	—	—	—	306,760	387,463	792	388,255
Capital contribution relating to share-based payment borne by intermediate holding company (Note 30(b))	—	—	—	—	—	—	751	—	751	—	751
Acquisition of the companies engaging in the property management business in connection with the CITIC Reorganisation (Note 3)	—	—	—	—	(22,706)	—	—	—	(22,706)	—	(22,706)
Acquisition of the CITIC Acquired Property Management Group in connection with the COP Acquisition (Note 3)	—	—	—	—	(228,916)	—	—	—	(228,916)	—	(228,916)
Transfer to PRC statutory reserve	—	—	—	5,187	—	—	—	(5,187)	—	—	—
Dividends to then owners of subsidiaries under the CITIC Acquired Property Management Group before the CITIC Reorganisation (Note 15)	—	—	—	—	—	—	—	(11,602)	(11,602)	—	(11,602)
2016 final dividend paid (Note 15)	—	—	—	—	—	—	—	(36,155)	(36,155)	—	(36,155)
2017 interim dividend paid (Note 15)	—	—	—	—	—	—	—	(49,303)	(49,303)	—	(49,303)
	—	—	—	5,187	(251,622)	—	751	(102,247)	(347,931)	—	(347,931)
At 31 December 2017	3,287	17,433	(846)	45,604	(135,448)	—	751	925,394	856,175	5,378	861,553

The notes on pages 104 to 174 are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2017

	Note	Year ended 31 December 2017 HK$'000	2016 HK$'000 (Restated)
OPERATING ACTIVITIES			
Profit before tax		**428,788**	338,919
Adjustments for:			
Share of profit of an associate		**(161)**	(161)
Finance costs		**8,910**	6,963
Write back of trade and other receivables previously written off		**—**	(1,121)
Impairment provision/(reversal of impairment provision) for trade and other receivables, net		**16,466**	(14,275)
Reversal of impairment provision for amounts due from fellow subsidiaries and related companies — trade, net		**—**	(1,074)
Depreciation and amortisation		**16,294**	16,240
Share-based payment		**751**	—
Gain arising from changes in fair value of investment properties		**(6,930)**	(769)
Interest income		**(38,543)**	(17,966)
Dividend income		**—**	(899)
Gain on disposals of property, plant and equipment, net		**(1,458)**	(171)
Gain on disposals of available-for-sale financial assets		**(471)**	—
Written-off of intangible assets		**—**	1,091
Provision for severance payment		**—**	22,991
Operating cash flows before movements in working capital		**423,646**	349,768
Decrease in inventories		**978**	904
Increase in trade and other receivables, deposits and prepayments		**(102,996)**	(60,445)
Increase in amount due from immediate holding company — trade		**(39)**	(57)
Decrease/(increase) in amounts due from fellow subsidiaries — trade		**57,747**	(58,960)
Decrease/(increase) in amounts due from related companies — trade		**16,620**	(2,722)
Increase in trade and other payables, receipts in advance and other deposits		**249,879**	309,682
Increase/(decrease) in amounts due to fellow subsidiaries — trade		**8,004**	(11,388)
(Decrease)/increase in amounts due to related companies — trade		**(829)**	4,515
Cash generated from operations		**653,010**	531,297
Income taxes paid		**(137,808)**	(106,053)
NET CASH FROM OPERATING ACTIVITIES		**515,202**	425,244

Consolidated Statement of Cash Flows (Continued)

For the year ended 31 December 2017

	Note	Year ended 31 December 2017 HK$'000	2016 HK$'000 (Restated)
INVESTING ACTIVITIES			
Interest received		**31,583**	20,132
Dividend received from an associate		**—**	300
Purchase of property, plant and equipment		**(11,351)**	(9,388)
Purchase of intangible assets		**(3,602)**	(775)
Acquisition of the companies engaging in the property management business in connection with the CITIC Reorganisation		**(36,461)**	—
Increase in bank deposits over three months maturity		**(250,000)**	—
Acquisition of the CITIC Acquired Property Management Group	3, 28	**(183,133)**	—
Net proceeds on disposal of available-for-sale financial assets		**1,634**	—
Net proceeds on disposals of property, plant and equipment		**2,962**	874
NET CASH (USED IN)/FROM INVESTING ACTIVITIES		**(448,368)**	11,143
FINANCING ACTIVITIES			
Interest paid	32	**(8,784)**	(6,704)
Decrease in amounts due from fellow subsidiaries — non-trade		**15,817**	3,099
Increase in amounts due from related companies — non-trade		**(3,025)**	—
(Decrease)/increase in amounts due to fellow subsidiaries — non-trade	32	**(57,350)**	35,890
Decrease in amounts due to related companies — non-trade	32	**(22,795)**	(16,369)
Advance from amount due to immediate holding company	32	**1,417**	651
Repayment to amount due to immediate holding company	32	**(651)**	—
New bank borrowing	32	**105,000**	336,000
Repayment of bank borrowing	32	**(150,000)**	(210,000)
Dividends paid to owners of the Company	15	**(85,458)**	(75,597)
NET CASH (USED IN)/FROM FINANCING ACTIVITIES		**(205,829)**	66,970
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(138,995)**	503,357
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**2,417,288**	2,059,382
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		**173,686**	(145,451)
CASH AND CASH EQUIVALENTS AT END OF YEAR	25	**2,451,979**	2,417,288

The notes on pages 104 to 174 are an integral part of these consolidated financial statements.

Notes to the Financial Statements

For the year ended 31 December 2017

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, formerly known as 中國建築工程總公司) ("CSCEC"), an entity established in the People's Republic of China (the "PRC") and the PRC government is a substantial shareholder of CSCEC.

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

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

The financial statements are presented in Hong Kong dollars ("HK$"), which are the same as the functional currency of the Company.

2 Application of new and revised Hong Kong Financial Reporting Standards

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

Amendment to HKFRS 12	Disclosure of Interest in Other Entities
Amendments to HKAS 7	Statement of Cash Flows
Amendments to HKAS 12	Income Taxes

The application of the above new and revised HKFRSs in the current year has had no material impact on the Group's results and financial position. The amendments to HKAS 7 require additional disclosures of changes in liabilities arising from financing activities which is set out in note 32.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2017

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.

Annual Improvements Project	Annual Improvements 2014–2016 Cycle[1]
Annual Improvements Project	Annual Improvements 2015–2017 Cycle[2]
HKFRS 2 (Amendments)	Classification and Measurement of Share-based Payment Transactions[1]
HKFRS 9	Financial Instruments[1]
HKFRS 9 (Amendments)	Prepayment Features with Negative Compensation[2]
HKFRS 15	Revenue from Contracts with Customers[1]
HKFRS 15 (Amendments)	Clarifications to HKFRS 15[1]
HKAS 28 (Amendments)	Long-term Interests in Associates and Joint Ventures[2]
HKAS 40 (Amendments)	Transfers of Investment Property[1]
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration[1]
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments[2]
HKFRS 16	Leases[2]
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]

1 Effective for annual periods beginning on or after 1 January 2018
2 Effective for annual periods beginning on or after 1 January 2019
3 The mandatory effective date will be determined

The Group's preliminary assessment of the relevant impact of these new or revised standards and amendments is set out below.

HKFRS 9 Financial Instruments

HKFRS 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. The Group has reviewed its financial assets and liabilities and did not expect significant impact on the classification, measurement and derecognition. Hedge accounting is not applicable to the Group.

Under the standard, a new impairment model for financial assets requires the recognition of impairment provisions based on expected credit losses (ECL) rather than only incurred credit losses as is the case under HKAS 39. It applies to financial assets classified at amortised cost, debt instruments measured at fair value through other comprehensive income, contract assets under HKFRS 15 Revenue from Contracts with Customers, lease receivables, loan commitments and certain financial guarantee contracts.

The new impairment model mainly affect the impairment assessment of trade receivables from property management services under lump sum basis and payments on behalf of property owners for properties managed under commission basis of the Group. The Group is in the process of making an assessment of the potential impact on consolidated statement of financial position and consolidated income statement.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2017

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

HKFRS 15 Revenue from Contracts with Customers

The HKICPA has issued a new standard for the recognition of revenue. This will replace HKAS 18 which covers contracts for goods and services and HKAS 11 which covers construction contracts and the related literature. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer.

The standard permits either a full retrospective or a modified retrospective approach for the adoption.

The Group is mainly engaged in provision of property management and value-added services, services is mainly rendered over time. The Group did not expect significant impact on application of the standard.

HKFRS 16 Leases

HKFRS 16 will result in almost all leases being recognised on the statement of financial position, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised and initially measured on a present value basis that virtually balance of each other while total assets and total liabilities would be increased accordingly. The only exceptions are short-term and low-value leases. Accordingly, a lessee should recognise depreciation of the right-of use asset and interest on the financial liability instead of rental expenses, and also classifies cash repayments on the financial liability into a principal portion and an interest portion and presents them in the statement of cash flows.

The accounting for lessors will not significantly change.

The standard will affect primarily the accounting for the Group's operating leases, and the Group is in the process of making an assessment of the potential impact on consolidated statement of financial position and consolidated income statement.

For other new or revised standards and amendments, the Group has already commenced an assessment of their impact, certain of which may by relevant to the Group's operations and may give rise to changes in accounting policies, changes in disclosures and remeasurement of certain items in consolidated financial statements.

3 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.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2017

3 Significant accounting policies (Continued)

Application of business combination under common control

The COLI Acquisition

On 15 September 2016, 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 (the "Stock Exchange"), has completed the acquisition of the entire equity interest of 中信房地產集團有限公司 (CITIC Real Estate Group Company Limited*) ("CITIC Real Estate" or "CITIC Acquired Group") pursuant to the acquisition agreement entered into between COLI as the purchaser, and CITIC Corporation Limited and CITIC Pacific Limited as the sellers (the "COLI Acquisition"). These CITIC entities as the sellers are collectively referred as the CITIC Seller Group. CITIC Acquired Group is principally engaged in property development and property management businesses.

The CITIC Reorganisation

In preparation for the transfer of the property management business held by CITIC Real Estate to 中信物業服務有限公司 (CITIC Property Service Company Limited*) ("CITIC Property Service"), CITIC Real Estate has undergone a series transfer of equity interests, in which the equity interests of all other companies engaging in the property management business under CITIC Real Estate, were transferred to CITIC Property Service (the "Property Management Business Acquisition") at an aggregated consideration of RMB31,150,000 (equivalent to approximately HK$36,461,000).

Upon completion of the above transfers, on 13 July 2017, CITIC Property Service became the holding company of all the CITIC Acquired Group companies engaging in property management business (the "CITIC Reorganisation").

The COP Acquisition

On 20 October 2017, the Company (through its wholly-owned subsidiary) (the "Purchaser") entered into the acquisition agreement with CITIC Real Estate and 北京中信房地產有限公司 (Beijing CITIC Real Estate Company Limited*), which were wholly-owned subsidiaries of COLI, pursuant to which the Purchaser agreed to acquire the entire equity interest of CITIC Property Service and its subsidiaries (together, the "CITIC Acquired Property Management Group") at a consideration of RMB190.0 million (equivalent to approximately HK$228.9 million) (the "COP Acquisition"). The entire equity interest of CITIC Property Service was transferred to the Group on 21 December 2017.

* The English name of the companies are translations from their Chinese names and are for identification purposes only. If these are any inconsistencies, the Chinese names shall prevail.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2017

3 Significant accounting policies (Continued)

Application of business combination under common control (Continued)

Basis of Presentation

For the COLI Acquisition, as COLI and CITIC Seller Group were state-owned entities and were under common control of the State Council of the PRC before and after the COLI Acquisition, the COLI Acquisition was accounted for as a business combination under common control. The assets and liabilities of the entities are consolidated by COLI using the existing book values from the controlling parties' perspective from the earliest date when the CITIC Acquired Group first came under the control of the State Council of the PRC.

For the Property Management Business Acquisition, the companies now comprising the CITIC Acquired Property Management Group were under common control of CITIC Real Estate immediately before and after the CITIC Reorganisation, which CITIC Real Estate's ultimate controlling party is the State Council of the PRC. Pursuant to the CITIC Reorganisation, the entities included in the CITIC Acquired Property Management Group are transferred to and held by the CITIC Property Service. The Property Management Business Acquisition is merely a reorganisation of the CITIC Acquired Property Management Group's property management business with no change in management of such business and the ultimate owner of CITIC Acquired Property Management Group remain the same. Accordingly, the CITIC Acquired Property Management Group resulting from the Property Management Business Acquisition is regarded as a continuation of its property management business under the ultimate controlling party and the Property Management Business Acquisition is regarded as a capital reorganisation.

For the purpose of these consolidated financial statements, the companies now comprising the 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.

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 CITIC Acquired Property Management Group companies 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 the CITIC Acquired Property Management Group on the consolidated income statement and the consolidated statement of financial position.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2017

3 Significant accounting policies (Continued)

Application of business combination under common control (Continued)

Basis of Presentation (Continued)

Consolidated income statement

For the year ended 31 December 2016

	The Group (before business combination under common control) HK$'000	Effects of business combination under common control of the CITIC Acquired Property Management Group HK$'000	Consolidated HK$'000
Revenue	2,563,360	733,335	3,296,695
Direct operating expenses	(1,927,043)	(602,436)	(2,529,479)
Gross profit	636,317	130,899	767,216
Other income and gains, net	26,135	3,515	29,650
Gain arising from changes in fair value of investment properties	769	—	769
Administrative expenses	(330,114)	(121,800)	(451,914)
Operating profit	333,107	12,614	345,721
Share of profit of an associate	161	—	161
Finance costs	(6,963)	—	(6,963)
Profit before tax	326,305	12,614	338,919
Income tax expenses	(100,009)	(4,598)	(104,607)
Profit for the year	226,296	8,016	234,312
Attributable to:			
Owners of the Company	226,296	11,233	237,529
Non-controlling interests	—	(3,217)	(3,217)
	226,296	8,016	234,312

Notes to the Financial Statements (Continued)

For the year ended 31 December 2017

3 Significant accounting policies (Continued)

Application of business combination under common control (Continued)

Basis of Presentation (Continued)

Consolidated income statement (Continued)

For the year ended 31 December 2017

	The Group (before business combination under common control) HK$'000	Effects of business combination under common control of the CITIC Acquired Property Management Group HK$'000	Consolidated HK$'000
Revenue	2,714,223	643,577	3,357,800
Direct operating expenses	(2,001,760)	(553,625)	(2,555,385)
Gross profit	712,463	89,952	802,415
Other income and gains, net	44,011	3,784	47,795
Gain arising from changes in fair value of investment properties	6,930	—	6,930
Administrative expenses	(345,685)	(73,918)	(419,603)
Operating profit	417,719	19,818	437,537
Share of profit of an associate	161	—	161
Finance costs	(8,910)	—	(8,910)
Profit before tax	408,970	19,818	428,788
Income tax expenses	(111,311)	(10,288)	(121,599)
Profit for the year	297,659	9,530	307,189
Attributable to:			
Owners of the Company	297,659	9,101	306,760
Non-controlling interests	—	429	429
	297,659	9,530	307,189

Notes to the Financial Statements (Continued)

For the year ended 31 December 2017

3 Significant accounting policies (Continued)

Application of business combination under common control (Continued)

Basis of Presentation (Continued)

Consolidated statement of financial position

At 31 December 2016

	The Group (before business combination under common control) HK$'000	Effects of business combination under common control of the CITIC Acquired Property Management Group HK$'000	Adjustments HK$'000 (Note)	Consolidated HK$'000
Non-current assets				
Investment properties	66,641	—	—	66,641
Property, plant and equipment	26,978	11,766	—	38,744
Prepaid lease payments for land	3,206	—	—	3,206
Interest in an associate	191	—	—	191
Available-for sale financial assets	—	1,120	—	1,120
Deferred tax assets	2,032	21,112	—	23,144
	99,048	33,998	—	133,046
Current assets				
Inventories	97	9,802	—	9,899
Trade and other receivables	289,988	81,319	—	371,307
Deposits and prepayments	26,514	3,085	—	29,599
Prepaid lease payments for land	404	—	—	404
Amount due from immediate holding company	57	—	—	57
Amounts due from fellow subsidiaries	32,885	84,400	—	117,285
Amounts due from related companies	6,936	100,951	—	107,887
Tax prepaid	871	—	—	871
Bank balances and cash	2,112,309	304,979	—	2,417,288
	2,470,061	584,536	—	3,054,597
Current liabilities				
Trade and other payables	1,030,432	324,647	—	1,355,079
Receipts in advance and other deposits	413,360	92,336	—	505,696
Amount due to immediate holding company	651	—	—	651
Amounts due to fellow subsidiaries	3,046	44,056	—	47,102
Amounts due to related companies	4,285	21,953	—	26,238
Tax liabilities	68,923	42,442	—	111,365
	1,520,697	525,434	—	2,046,131
Net current assets	949,364	59,102	—	1,008,466
Total assets less current liabilities	1,048,412	93,100	—	1,141,512
Non-current liabilities				
Deferred tax liabilities	10,283	—	—	10,283
Bank borrowing	310,000	—	—	310,000
	320,283	—	—	320,283
Net assets	728,129	93,100	—	821,229
Capital and reserves				
Share capital	3,287	63,597	(63,597)	3,287
Reserves	724,842	24,917	63,597	813,356
Equity attributable to owners of the Company	728,129	88,514	—	816,643
Non-controlling interests	—	4,586	—	4,586
Total equity	728,129	93,100	—	821,229

Notes to the Financial Statements (Continued)

For the year ended 31 December 2017

3 Significant accounting policies (Continued)

Application of business combination under common control (Continued)

Basis of Presentation (Continued)

Consolidated statement of financial position (Continued)

At 31 December 2017

	The Group (before business combination under common control) HK$'000	Effects of business combination under common control of the CITIC Acquired Property Management Group HK$'000	Adjustments HK$'000 (Note)	Consolidated HK$'000
Non-current assets				
Investment in the CITIC Acquired Property Management Group	228,916	—	(228,916)	—
Investment properties	106,083	—	—	106,083
Property, plant and equipment	26,523	8,401	—	34,924
Intangible assets	5,419	—	—	5,419
Prepaid lease payments for land	1,965	—	—	1,965
Interest in an associate	352	—	—	352
Amount due from a related company	—	90,393	—	90,393
Deferred tax assets	6,387	23,123	—	29,510
	375,645	121,917	(228,916)	268,646
Current assets				
Inventories	—	9,664	—	9,664
Trade and other receivables	349,811	117,442	—	467,253
Deposits and prepayments	36,897	3,589	—	40,486
Prepaid lease payments for land	301	—	—	301
Amount due from immediate holding company	96	—	—	96
Amounts due from fellow subsidiaries	23,416	26,070	—	49,486
Amounts due from related companies	9,688	1,368	—	11,056
Tax prepaid	39	—	—	39
Bank balances and cash	2,378,677	332,338	—	2,711,015
	2,798,925	490,471	—	3,289,396
Current liabilities				
Trade and other payables	1,232,281	360,474	—	1,592,755
Receipts in advance and other deposits	529,653	122,007	—	651,660
Amount due to immediate holding company	1,417	—	—	1,417
Amounts due to fellow subsidiaries	57,429	59	—	57,488
Amounts due to related companies	3,794	—	—	3,794
Tax liabilities	52,199	56,147	—	108,346
	1,876,773	538,687	—	2,415,460
Net current assets/(liabilities)	922,152	(48,216)	—	873,936
Total assets less current liabilities	1,297,797	73,701	(228,916)	1,142,582
Non-current liabilities				
Deferred tax liabilities	16,029	—	—	16,029
Bank borrowings	265,000	—	—	265,000
	281,029	—	—	281,029
Net assets	1,016,768	73,701	(228,916)	861,553
Capital and reserves				
Share capital	3,287	63,597	(63,597)	3,287
Reserves	1,013,481	4,726	(165,319)	852,888
Equity attributable to owners of the Company	1,016,768	68,323	(228,916)	856,175
Non-controlling interests	—	5,378	—	5,378
Total equity	1,016,768	73,701	(228,916)	861,553

Notes to the Financial Statements (Continued)

For the year ended 31 December 2017

3 Significant accounting policies (Continued)

Application of business combination under common control (Continued)

Basis of Presentation (Continued)

Consolidated statement of financial position (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. 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 2017

3 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 HKAS 39 "Financial Instruments: Recognition and Measurement" 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.

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.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2017

3 Significant accounting policies (Continued)

Basis of Consolidation (Continued)

Business Combinations — acquisition method

Acquisitions of business are 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.

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.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2017

3 Significant accounting policies (Continued)

Basis of Consolidation (Continued)

Business Combinations — acquisition method (Continued)

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

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with HKAS 39, or HKAS 37 "Provisions, Contingent Liabilities and Contingent Assets", as appropriate, with the corresponding gain or loss being 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 2017

3 Significant accounting policies (Continued)

Interests in Associates

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

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

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

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

The requirements of HKAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 "Impairment of Assets" as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

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

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

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.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2017

3 Significant accounting policies (Continued)

Investment Properties (Continued)

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

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

Property, Plant and Equipment

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

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

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

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

Intangible Assets

The Group's intangible assets include computer software.

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

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;

Notes to the Financial Statements (Continued)

For the year ended 31 December 2017

3 Significant accounting policies (Continued)

Intangible Assets (Continued)

- Adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and

- The expenditure attributable to the software product during its development can be reliably measured.

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

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

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

Impairment Losses on Non-Financial Assets

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

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

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.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2017

3 Significant accounting policies (Continued)

Financial Instruments

Financial assets and 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 assets and 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 fair value through profit or loss) 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 fair value through profit or loss are recognised immediately in profit or loss.

Financial Assets

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

Effective interest method

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

Loans and receivables

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

Notes to the Financial Statements (Continued)

For the year ended 31 December 2017

3 Significant accounting policies (Continued)

Financial Instruments (Continued)

Financial Assets (Continued)

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period.

Investment in available-for-sale financial assets that do not have quoted market price in the active market in which the variability in the range of reasonable fair value measurement is significant and the probabilities of the various estimates within the range cannot be reasonably assessed and used when measuring fair value, is measured at cost in accordance with HKAS 39 because its fair value cannot otherwise be measured reliably.

Recognition and measurement

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

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

Impairment of financial assets

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

Objective evidence of impairment could include:

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

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

Notes to the Financial Statements (Continued)

For the year ended 31 December 2017

3 Significant accounting policies (Continued)

Financial Instruments (Continued)

Financial Assets (Continued)

Impairment of financial assets (Continued)

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

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

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

Financial Liabilities and Equity Instruments

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

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

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

Effective Interest Method

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

Interest expense is recognised on an effective interest basis.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2017

3 Significant accounting policies (Continued)

Financial Instruments (Continued)

Derecognition

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.

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

Offsetting Financial Instruments

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

Inventories

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

Cash and Cash Equivalents

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

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.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2017

3 Significant accounting policies (Continued)

Borrowings

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

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

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

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

Borrowing Costs

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

Segment Reporting

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

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.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2017

3 Significant accounting policies (Continued)

Foreign Currencies (Continued)

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

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

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

Leases

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

The Group as lessor

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

The Group as lessee

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

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

Notes to the Financial Statements (Continued)

For the year ended 31 December 2017

3 Significant accounting policies (Continued)

Leasehold Land and Building

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

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

Taxation

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

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

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

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

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

Notes to the Financial Statements (Continued)

For the year ended 31 December 2017

3 Significant accounting policies (Continued)

Taxation (Continued)

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

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

Share Capital

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

Revenue Recognition

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

Property management services and value-added services

Revenue from property management services (both under lump sum basis and under commission basis) and value-added services is recognised when services are rendered.

For property management service income from properties managed under lump sum basis, where the Group acts as principal, the Group entitles to revenue at the value of property management service fee received by the properties. For property management service income from properties managed under commission basis, where the Group acts as an agent of the property owner, the Group entitles revenue at a pre-determined percentage of the property management fee received by the properties.

Dividend Income

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

Interest Income

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial assets to that asset's net carrying amount on initial recognition.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2017

3 Significant accounting policies (Continued)

Government Grants

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

Employee Benefits

Retirement Benefit Costs

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

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

Termination benefits

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

Bonus Plans

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

Employee Leave Entitlements

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

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

Notes to the Financial Statements (Continued)

For the year ended 31 December 2017

3 Significant accounting policies (Continued)

Share-based payments

Share-based payment transactions among group entities

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

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

Provisions

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

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

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

Dividend Distribution

Dividend distribution to the Company's shareholders and the then owners of respective subsidiaries under the CITIC Acquired Property Management Group is recognised as a liability in the Group's and the Company's financial statements in the period in which the dividends are approved by the Company's and respective subsidiaries' shareholders or directors, where appropriate.

4 Key sources of estimation uncertainty

In the application of the Group's accounting policies, which are described in note 3, 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.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2017

4 Key sources of estimation uncertainty (Continued)

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

(a) Allowances on doubtful receivables

The Group makes allowances on doubtful receivables based on an assessment of the recoverability of the receivables. Allowances are provided on receivable where events or changes in circumstances indicate that the receivable may not be collectible. The identification of doubtful receivables requires the use of judgment and estimates.

To determine whether there is any objective evidence of doubtful receivables, the management takes into consideration a number of factors, including, among others, reasons behind the outstanding settlements, aging profile and subsequent settlement of the property owners in respect of properties managed.

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 properties managed under commission basis and costs paid centrally and shared by these properties. 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.

To determine whether there is any objective evidence of impairment loss, the management takes into consideration a number of factors, including, among others, reasons behind the outstanding settlements, subsequent settlement and repayment ability of the property owners in respect of properties managed.

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$106,083,000 (2016: HK$66,641,000). 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.

4 Key sources of estimation uncertainty (Continued)

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

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

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

(e) Current taxation and deferred taxation

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

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

5 Capital risk management

Capital risk

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

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

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

Notes to the Financial Statements (Continued)

For the year ended 31 December 2017

5 Capital risk management (Continued)

Capital risk (Continued)

The gearing ratio as at year end are as follows:

Financial metric	Formula	As at 31 December 2017	2016 (Restated)
Gearing ratio	Total borrowings divided by total equity attributable to owners of the Company	**31.0%**	38.0%

The Group was in a net cash position as at 31 December 2016 and 2017.

6 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 3.

(a) Categories of financial instruments

	As at 31 December 2017 HK$'000	2016 HK$'000 (Restated)
Financial assets		
Trade and other receivables	**467,253**	371,307
Deposits	**10,713**	6,852
Amount due from immediate holding company	**96**	57
Amounts due from fellow subsidiaries	**49,486**	117,285
Amounts due from related companies	**101,449**	107,887
Bank balances and cash	**2,711,015**	2,417,288
Loans and receivables at amortised costs	**3,340,012**	3,020,676
Available-for-sale financial assets	**—**	1,120
	3,340,012	3,021,796
Financial liabilities		
Trade and other payables	**1,592,755**	1,355,079
Other deposits	**255,303**	197,343
Amount due to immediate holding company	**1,417**	651
Amounts due to fellow subsidiaries	**57,488**	47,102
Amounts due to related companies	**3,794**	26,238
Bank borrowings	**265,000**	310,000
Financial liabilities at amortised costs	**2,175,757**	1,936,413

Notes to the Financial Statements (Continued)

For the year ended 31 December 2017

6 Financial instruments (Continued)

(b) Financial risk management objectives and policies

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

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

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

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

(i) Market risk

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

Interest rate risk

The Group's cash flow interest rate risk relates primarily to its variable-rate bank balances amounting to approximately HK$2,711,015,000 (2016: HK$2,417,288,000 (restated)), and variable-rate bank borrowings amounting to approximately HK$265,000,000 (2016: HK$310,000,000). Bank borrowings issued at variable rates exposes the Group to cash flow interest rate risk which is partially offset by cash at banks held at variable rates. Management monitors interest rate exposure on dynamic basis and will consider hedging significant interest rate exposure should the need arise.

Interest rate risk sensitivity analysis

The analysis is prepared assuming the amount of assets/liabilities outstanding at the end of the reporting period was outstanding for the whole year. A 100 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 100 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$24,460,000 (2016: HK$21,073,000 (restated)). This is mainly attributable to the Group's exposure to cash flow interest rates on its variable-rate bank balances and bank borrowings.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2017

6 Financial instruments (Continued)

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

(i) Market risk (Continued)

<u>Currency risk</u>

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

(ii) Credit risk

As at 31 December 2017, 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 trade 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.

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 party in the past, and is not aware of any significant financial difficulties experienced by the immediate holding company, fellow subsidiaries and related companies. The details are disclosed in note 24.

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

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

Notes to the Financial Statements (Continued)

For the year ended 31 December 2017

6 Financial instruments (Continued)

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

(ii) Credit risk (Continued)

Under the Group's policy, such payments on behalf of property owners for properties managed under commission basis must be settled within a set period of time depending on the nature of the payment. For payments made on behalf of property owners due to the Group's centralised payment procedures, 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. In this regard, the directors of the Company consider that the credit risk in respect of the receivables from property owners is significantly reduced.

In addition, the Group assesses the estimated future cash flows in respect of recovering from payments on behalf of property owners for properties managed under commission basis at the end of the reporting period to determine that adequate impairment losses are made.

The Group's credit risk on liquid funds 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.

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.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2017

6 Financial instruments (Continued)

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

(iii) Liquidity risk (Continued)

	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 2017					
Trade and other payables	1,592,755	—	—	1,592,755	1,592,755
Other deposits	255,303	—	—	255,303	255,303
Amount due to immediate holding company	1,417	—	—	1,417	1,417
Amounts due to fellow subsidiaries	57,488	—	—	57,488	57,488
Amounts due to related companies	3,794	—	—	3,794	3,794
Bank borrowings	7,230	164,876	106,394	278,500	265,000
	1,917,987	164,876	106,394	2,189,257	2,175,757
As at 31 December 2016 (restated)					
Trade and other payables	1,355,079	—	—	1,355,079	1,355,079
Other deposits	197,343	—	—	197,343	197,343
Amount due to immediate holding company	651	—	—	651	651
Amounts due to fellow subsidiaries	47,102	—	—	47,102	47,102
Amounts due to related companies	26,238	—	—	26,238	26,238
Bank borrowings	7,468	7,468	313,416	328,352	310,000
	1,633,881	7,468	313,416	1,954,765	1,936,413

(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 (excluding available-for-sale financial assets in which fair value cannot be reasonably measured).

Notes to the Financial Statements (Continued)

For the year ended 31 December 2017

7 Revenue

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

	Year ended 31 December	
	2017	2016
	HK$'000	HK$'000
		(Restated)
Property management services	**3,094,681**	3,067,735
Value-added services	**263,119**	228,960
Total revenue	**3,357,800**	3,296,695

8 Segment information

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

Property management services

Provision of (i) services such as security, repairs and maintenance, cleaning and garden landscape maintenance provided to mid- to high-end residential communities (including mixed-use properties), commercial properties, government properties and construction sites and (ii) services to other enterprises, such as (for property developers) pre-delivery services, move-in assistance services, delivery inspection services and engineering service quality monitoring.

Value-added services

Provision of (i) engineering services such as (for property developers) automation consulting and engineering product sales and (for property management companies) inspection services, repair and maintenance services and equipment upgrade services, and (ii) community leasing, sales and other services where residents and tenants of the properties under our management are offered a diversified range of online and offline services (such as common area rental assistance, purchase assistance and rental assistance for properties that have been delivered to owners by developers and household assistance services) through the online to offline ("O2O") platform and consulting services (for other property management companies).

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

Notes to the Financial Statements (Continued)

For the year ended 31 December 2017

8 Segment information (Continued)

Segment revenue and results

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

	Property management services HK$'000	Value-added services HK$'000	Elimination HK$'000	Consolidated HK$'000
Year ended 31 December 2017				
Reportable segment revenue				
— from external customers	3,094,681	263,119	—	3,357,800
— inter-segment revenue	—	59,818	(59,818)	—
	3,094,681	322,937	(59,818)	3,357,800
Reportable segment profit	328,860	130,397	—	459,257
Corporate expenses, net			(i)	(30,469)
Profit before tax				428,788
Year ended 31 December 2016 (restated)				
Reportable segment revenue				
— from external customers	3,067,735	228,960	—	3,296,695
— inter-segment revenue	—	46,879	(46,879)	—
	3,067,735	275,839	(46,879)	3,296,695
Reportable segment profit	294,987	102,207	—	397,194
Corporate expenses, net			(i)	(58,275)
Profit before tax				338,919

(i) Including net exchange gain mainly arising from dividend received/receivable from a subsidiary of the Group of HK$21,199,000 (2016: net exchange loss of HK$8,597,000).

The accounting policies of the reportable segments are the same as the Group's accounting policies described in note 3.

Segment profit included profits from the Company, the subsidiaries and share of profit of an associate whereas corporate expenses mainly representing professional fees, directors' emoluments and other corporate expenses. 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 2017

8 Segment information (Continued)

Segment assets and liabilities

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

	Property management services HK$'000	Value-added services HK$'000	Unallocated HK$'000	Consolidated HK$'000
At 31 December 2017				
Segment assets	**3,205,412**	**222,125**	**130,505**	**3,558,042**
Segment liabilities	**(2,325,223)**	**(82,175)**	**(289,091)**	**(2,696,489)**
At 31 December 2016 (restated)				
Segment assets	3,019,448	142,077	26,118	3,187,643
Segment liabilities	(1,952,288)	(75,381)	(338,745)	(2,366,414)

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.

Other segment information

	Property management services HK$'000	Value-added services HK$'000	Unallocated HK$'000	Consolidated HK$'000
Year ended 31 December 2017				
Amounts included in the measurement of segment results and segment assets:				
Interest income	**38,454**	**77**	**12**	**38,543**
Additions to property, plant and equipment	**11,089**	**259**	**3**	**11,351**
Additions to intangible assets	**3,001**	**2,874**	**—**	**5,875**
Gain/(loss) on disposals of property, plant and equipment	**1,471**	**(13)**	**—**	**1,458**
Gain on disposals of available-for-sale financial assets	**471**	**—**	**—**	**471**
Impairment provision for trade and other receivables, net	**16,466**	**—**	**—**	**16,466**
Depreciation and amortisation	**15,958**	**214**	**122**	**16,294**
Gain arising from changes in fair value of investment properties	**—**	**6,930**	**—**	**6,930**
Share of profit of an associate	**161**	**—**	**—**	**161**

Notes to the Financial Statements (Continued)

For the year ended 31 December 2017

8 Segment information (Continued)

Other segment information (Continued)

	Property management services HK$'000	Value-added services HK$'000	Unallocated HK$'000	Consolidated HK$'000
Year ended 31 December 2016 (restated)				
Amounts included in the measurement of segment results and segment assets:				
Interest income	17,928	38	—	17,966
Additions to property, plant and equipment	9,109	221	58	9,388
Additions to intangible assets	775	—	—	775
Gain on disposals of property, plant and equipment	163	8	—	171
Written off of intangible assets	1,091	—	—	1,091
Reversal of impairment provision for trade and other receivables, net	14,021	254	—	14,275
Reversal of impairment provision for amounts due from fellow subsidiaries and related companies — trade, net	1,074	—	—	1,074
Write back of trade and other receivables previously written off	1,121	—	—	1,121
Provision for severance payment	22,991	—	—	22,991
Depreciation and amortisation	15,976	183	81	16,240
Gain arising from changes in fair value of investment properties	—	769	—	769
Share of profit of an associate	161	—	—	161

Revenue by types of services

An analysis of the Group's revenue for the year by types of services is set out in note 7.

Information about geographical areas

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

Notes to the Financial Statements (Continued)

For the year ended 31 December 2017

8 Segment information (Continued)

Information about geographical areas (Continued)

	Revenue by geographical market Year ended 31 December	
	2017	2016
	HK$'000	HK$'000
		(Restated)
Hua Nan Region	**1,029,812**	1,118,797
Hua Dong Region	**448,078**	390,466
Hua Bei Region	**607,867**	617,485
Northern Region	**278,442**	272,552
Western Region	**541,738**	469,617
The PRC	**2,905,937**	2,868,917
Hong Kong and Macau	**451,863**	427,778
	3,357,800	3,296,695

	Non-current assets by geographical market (Note (i)) As at 31 December	
	2017	2016
	HK$'000	HK$'000
		(Restated)
Hua Nan Region	**95,346**	76,867
Hua Dong Region	**37,489**	17,182
Hua Bei Region	**5,954**	6,076
Northern Region	**4,520**	3,325
Western Region	**2,207**	1,785
The PRC	**145,516**	105,235
Hong Kong and Macau	**2,875**	3,356
	148,391	108,591

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

Information about major customers

Except for revenue from COLI in 2016, a fellow subsidiary of the Company, there was no individual customer who accounted for over 10% of the Group's revenue for both years. Revenue from fellow subsidiaries of the Company in aggregate is disclosed in note 35(b) to the financial statements.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2017

9 Other income and gains, net

	Year ended 31 December	
	2017	2016
	HK$'000	HK$'000
		(Restated)
Other income and gains, net include:		
Interest income	**38,543**	17,966
Unconditional government grants	**6,930**	8,610

10 Finance costs

	Year ended 31 December	
	2017	2016
	HK$'000	HK$'000
Interest and initial cost on bank borrowings	**8,910**	6,963

11 Income tax expenses

	Year ended 31 December	
	2017	2016
	HK$'000	HK$'000
		(Restated)
Current tax for the year:		
Hong Kong profits tax	**1,818**	1,184
Macau complementary income tax	**93**	198
PRC enterprise income tax ("EIT")	**116,729**	98,851
PRC withholding income tax	**8,665**	11,785
	127,305	112,018
(Over)/under-provision in prior years:		
Hong Kong profits tax	**(60)**	17
Macau complementary income tax	**(14)**	—
	(74)	17
Deferred tax (note 31)	**(5,632)**	(7,428)
Total	**121,599**	104,607

Hong Kong profits tax is calculated at 16.5% of the estimated assessable profit for the year (2016: 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% (2016: 25%).

Macau complementary income tax is calculated at the prevailing tax rate of 12% in Macau (2016: 12%).

Notes to the Financial Statements (Continued)

For the year ended 31 December 2017

11 Income tax expenses (Continued)

Under the EIT Law of the PRC, withholding income tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards, charging at the prevailing tax rate applied in the PRC tax jurisdiction. Withholding income tax amounting to HK$8.7 million (2016: HK$11.8 million) for the year ended 31 December 2017 has been provided for in the consolidated financial statements in respect of dividends declared or distributed from a PRC subsidiary to the Company during the year.

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	
	2017	2016
	HK$'000	HK$'000
		(Restated)
Profit before tax	**428,788**	338,919
Tax at the applicable tax rate of 25%	**107,197**	84,730
Tax effect of share of profit of an associate	**(40)**	(40)
Tax effect of expenses not deductible for tax purpose	**1,125**	3,430
Tax effect of income not taxable for tax purpose	**(5,319)**	(4,078)
Effect of different tax rates applicable to subsidiaries operating in Hong Kong and Macau	**(1,066)**	(705)
Income tax at concessionary tax rate	**(1,469)**	(2,180)
Tax effect of tax losses not recognised	**14,108**	10,842
Utilisation of tax losses previously not recognised	**(943)**	(1,019)
(Over)/under-provision in prior years	**(74)**	17
Withholding tax on dividends distributed from a PRC subsidiary	**8,665**	11,785
Others	**(585)**	1,825
Income tax expenses for the year	**121,599**	104,607

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.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2017

12 Profit for the year

	Year ended 31 December	
	2017	2016
	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	**2,717**	2,010
— Audit services in respect of the COP Acquisition	**2,810**	—
— Non-audit services	**1,822**	112
Other professional fees in respect of the COP Acquisition	**1,794**	—
Business tax and other levies	**15,188**	61,551
Write back of trade and other receivables previously written off	**—**	(1,121)
Impairment provision/(reversal of impairment provision) for trade and other receivables, net	**16,466**	(14,275)
Reversal of impairment provision for amounts due from fellow subsidiaries and related companies — trade, net	**—**	(1,074)
Depreciation of property, plant and equipment, included in:		
— direct operating expenses	**5,919**	7,688
— administrative expenses	**9,435**	8,059
Amortisation of prepaid lease payments for land	**294**	427
Amortisation of intangible assets	**646**	66
Staff costs:		
— general staff costs including directors' emoluments and share-based payment (Note)	**1,842,425**	1,789,624
— provision for severance payment	**—**	22,991
Sub-contracting costs	**397,796**	378,267
Equipment repairs and maintenance costs	**236,014**	257,725
Rental expenses in respect of land and building under operating leases	**24,134**	22,627
Exchange (gain)/loss	**(21,199)**	8,597
Utility costs	**191,503**	213,689
Share of tax of an associate	**26**	26
Gain on disposals of property, plant and equipment	**(1,458)**	(171)
Gain on disposals of available-for-sale financial assets	**(471)**	—
Written-off intangible assets	**—**	1,091
Cost of inventories recognised as expenses	**71,983**	49,923
Rental income in respect of investment properties under operating lease	**(2,434)**	(1,381)
Less: Outgoings	**142**	169
Rental income in respect of investment properties under operating lease, net	**(2,292)**	(1,212)

Notes to the Financial Statements (Continued)

For the year ended 31 December 2017

12 Profit for the year (Continued)

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$134.3 million (2016: HK$146.3 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.

13 Directors' emoluments

The emoluments paid or payable to the directors of the Company for the years ended 31 December 2017 and 2016 are as follows:

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

Notes to the Financial Statements (Continued)

For the year ended 31 December 2017

13 Directors' emoluments (Continued)

		Year ended 31 December 2016				
		As directors				
	Note	Directors' fees HK$'000	Basic salaries, allowances and benefits-in-kind HK$'000	Performance related bonuses (Note (a)) HK$'000	Contributions to provident fund schemes HK$'000	Total HK$'000
Executive Directors						
Wang Qi	(b)	—	1,401	6,013	239	7,653
Luo Xiao		—	708	3,429	203	4,340
Shi Yong		—	897	2,693	221	3,811
Yang Ou	(c)	—	254	—	54	308
Kam Yuk Fai		—	1,519	650	18	2,187
Non-executive Directors						
Xiao Xiao	(e)	128	—	—	—	128
Hao Jian Min	(f)	872	—	—	—	872
Independent Non-executive Directors						
Lim Wan Fung, Bernard Vincent		250	—	—	—	250
Suen Kwok Lam		360	—	—	—	360
Yung Wing Ki, Samuel		360	—	—	—	360
		1,970	4,779	12,785	735	20,269

(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 held position as the Chief Executive Officer of the Company for the years ended 31 December 2017 and 2016, and resigned from the position as the Executive Director, Vice Chairman and Chief Executive Officer of the Company on 22 March 2018.

(c) Mr. Yang retired from the position as the Executive Director of the Company on 6 May 2016, and was reappointed as the Executive Director and Chief Executive Officer of the Company on 22 March 2018.

(d) Mr. Yan was appointed as the Chairman and Non-executive Director of the Company on 13 June 2017.

(e) Mr. Xiao was appointed as the Chairman and Non-executive Director of the Company on 15 November 2016 and resigned from the positions on 13 June 2017.

(f) Mr. Hao resigned from the positions as the Chairman and Non-executive Director of the Company on 15 November 2016.

No directors waived any emoluments in both years ended 31 December 2017 and 2016.

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 2017 and 2016.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2017

14 Earning's 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 2017	2016 (Restated)
Earnings		
Earnings for the purpose of basic earnings per share (HK$'000)	**306,760**	237,529
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)	**9.33**	7.23

As there are no dilutive potential ordinary shares as at 31 December 2017 and 2016, the diluted earnings per share is equal to the basic earnings per share.

15 Dividends

The dividend paid in 2017 and 2016 was HK$85,458,000 and HK$75,597,000 respectively. A final dividend in respect of the year ended 31 December 2017 of HK1.5 cents, amounting to a total dividend of HK$49,303,000, is to be proposed at the annual general meeting on 7 June 2018. These financial statements do not reflect this dividend payable.

		Dividend paid Year ended 31 December	
		2017	2016
	HK$'000	**HK$'000**	HK$'000
2015:			
Final dividend of HK1.2 cents per ordinary share	39,442		39,442
2016:			
Interim dividend of HK1.1 cents per ordinary share	36,155		36,155
Final dividend of HK1.1 cents per ordinary share	36,155	**36,155**	
	72,310		
2017:			
Interim dividend of HK1.5 cents per ordinary share	49,303	**49,303**	
Final dividend of HK1.5 cents per ordinary share	49,303		
	98,606	**85,458**	75,597

During the years ended 31 December 2017 and 2016, the CITIC Acquired Property Management Group declared dividends of HK$11,602,000 and HK$7,359,000 to the then parent company of respective subsidiaries under the CITIC Acquired Property Management Group before the completion of the CITIC Reorganisation.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2017

16 Investment properties

	Completed properties in the PRC HK$'000
Fair value	
At 1 January 2016	70,576
Gain arising from changes in fair value of investment properties	769
Exchange realignment	(4,704)
At 31 December 2016	66,641
Gain arising from changes in fair value of investment properties	6,930
Transfer from self-used properties	25,693
Exchange realignment	6,819
At 31 December 2017	106,083

Valuation processes of the Group

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

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

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

At each financial year end the finance department:

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

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

Fair value measurements using significant unobservable inputs

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

There was change of valuation technique on the Group's office this year. The reason of change is that investment approach is more accurate with consideration of the unobservable inputs available.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2017

16 Investment properties (Continued)

Fair value measurements using significant unobservable inputs (Continued)

Information about fair value measurements using significant unobservable inputs

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

Description	Fair value at 31 December 2016 HK$'000	Valuation techniques	Unobservable inputs	Range of unobservable inputs
Completed investment properties in the PRC				
Office	16,798	Direct comparison	Unit price	RMB21,600 per square metre
Carparks	49,843	Direct comparison	Unit price	RMB129,900–RMB600,000 per carpark space
Total	66,641			

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 valuers' view of recent lettings or selling 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 valuers 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.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2017

17 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 2016, as previously reported	10,948	4,281	18,453	72,804	106,486
Acquisition of the CITIC Acquired Property Management Group	2,460	11,002	23,963	10,940	48,365
At 1 January 2016, as restated	13,408	15,283	42,416	83,744	154,851
Exchange realignment	(886)	(1,013)	(2,457)	(2,978)	(7,334)
Additions	—	991	1,726	6,671	9,388
Disposals	—	(763)	(1,010)	(2,425)	(4,198)
Transfers (note)	—	(47)	(11)	(476)	(534)
At 31 December 2016, as restated	12,522	14,451	40,664	84,536	152,173
Exchange realignment	660	1,105	2,902	4,760	9,427
Additions	8	1,014	1,560	8,769	11,351
Disposals	(2,387)	(377)	(2,084)	(3,093)	(7,941)
Transfer to investment properties	(2,767)	—	—	—	(2,767)
Transfers (note)	—	—	(12)	(354)	(366)
At 31 December 2017	8,036	16,193	43,030	94,618	161,877
DEPRECIATION					
At 1 January 2016, as previously reported	5,672	2,663	11,783	53,265	73,383
Acquisition of the CITIC Acquired Property Management Group	937	6,362	17,433	7,923	32,655
At 1 January 2016, as restated	6,609	9,025	29,216	61,188	106,038
Exchange realignment	(405)	(673)	(1,793)	(1,791)	(4,662)
Provided for the year	537	2,126	5,099	7,985	15,747
Eliminated on disposals	—	(682)	(929)	(1,884)	(3,495)
Transfers (note)	—	(4)	(4)	(191)	(199)
At 31 December 2016, as restated	6,741	9,792	31,589	65,307	113,429
Exchange realignment	374	800	2,351	2,775	6,300
Provided for the year	455	1,958	4,443	8,498	15,354
Eliminated on disposals	(1,115)	(363)	(1,972)	(2,987)	(6,437)
Transfer to investment properties	(1,542)	—	—	—	(1,542)
Transfers (note)	—	—	(3)	(148)	(151)
At 31 December 2017	4,913	12,187	36,408	73,445	126,953
CARRYING VALUES					
At 31 December 2017	3,123	4,006	6,622	21,173	34,924
At 31 December 2016, as restated	5,781	4,659	9,075	19,229	38,744

Notes to the Financial Statements (Continued)

For the year ended 31 December 2017

17 Property, plant and equipment (Continued)

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.

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

18 Intangible assets

The Group

	Software	
	2017	2016
	HK$'000	HK$'000 (Restated)
Cost		
At 1 January	**—**	633
Additions	**5,875**	775
Written off (Note (a))	**—**	(1,400)
Exchange realignment	**213**	(8)
At 31 December	**6,088**	—
Accumulated amortisation		
At 1 January	**—**	246
Amortisation	**646**	66
Written off (Note (a))	**—**	(309)
Exchange realignment	**23**	(3)
At 31 December	**669**	—
Carrying values		
At 31 December	**5,419**	—

Note (a): The intangible assets related to CITIC Acquired Property Management Group were fully written off as at 31 December 2016, as they were no longer in use since 1 January 2017.

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

Notes to the Financial Statements (Continued)

For the year ended 31 December 2017

19 Prepaid lease payments for land

	HK$'000
At 1 January 2016	4,299
Exchange realignment	(262)
Amortisation	(427)
At 31 December 2016	3,610
Exchange realignment	174
Transfer to investment properties	(1,224)
Amortisation	(294)
At 31 December 2017	2,266

Analysed for reporting purposes as:

	As at 31 December	
	2017	2016
	HK$'000	HK$'000
Non-current asset	**1,965**	3,206
Current asset	**301**	404
	2,266	3,610

20 Interest in an associate

	As at 31 December	
	2017	2016
	HK$'000	HK$'000
Cost of investments, unlisted	**—**	—
Share of post-acquisition profits and other comprehensive income, net of dividends received	**352**	191
	352	191

Set out below are the particulars of the associate as at 31 December 2017 and 2016.

Name of entity	Place of incorporation	Place of operation	As at 31 December		Principal activity
			2017	**2016**	
			%	%	
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 2017

21 Available-for-sale financial assets

	As at 31 December	
	2017	2016
	HK$'000	HK$'000
		(Restated)
Unlisted equity securities in the PRC, at cost	—	1,120

The unlisted available-for-sale equity securities were measured at cost less impairment at each reporting date because it had no quoted market price in the active market and the variability in the range of reasonable fair value measurement was significant, and the probabilities of the various estimates within the range could not be reasonably assessed and used when measuring its fair value. Accordingly, the directors of the Company are of the opinion that fair value could not be reliably measured.

The maximum exposure to credit risk at the reporting date was the carrying value of the investment.

The unlisted available-for-sale equity securities have been disposed during the year ended 31 December 2017, with a corresponding gain of HK$471,000 being recognised in the consolidated statement of comprehensive income.

22 Inventories

	As at 31 December	
	2017	2016
	HK$'000	HK$'000
		(Restated)
Consumables, at cost	—	97
Parking lots, at cost	9,664	9,802
	9,664	9,899

Notes to the Financial Statements (Continued)

For the year ended 31 December 2017

23 Trade and other receivables

	As at 31 December 2017 HK$'000	2016 HK$'000 (Restated)
Trade receivables (note (a))	**422,273**	328,007
Less: provision for impairment	**(47,902)**	(27,435)
	374,371	300,572
Payments on behalf of property owners for properties managed under commission basis (note (b))	**104,157**	110,007
Less: provision for impairment	**(89,080)**	(84,059)
	15,077	25,948
Payments on behalf of property owners for properties managed under lump sum basis, sub-contractors and staff	**57,579**	36,341
Other receivables	**20,226**	8,446
	77,805	44,787
	467,253	371,307

(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 2017 HK$'000	2016 HK$'000 (Restated)
Trade receivables, aged		
0–30 days	**96,662**	66,632
31–90 days	**70,674**	60,109
91–365 days	**118,546**	116,043
1–2 years	**68,587**	41,231
Over 2 years	**67,804**	43,992
	422,273	328,007
Less: provision for impairment	**(47,902)**	(27,435)
	374,371	300,572

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.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2017

23 Trade and other receivables (Continued)

(a) Trade Receivables (Continued)

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

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

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

In determining the recoverability of trade receivables from the property management services, the management takes into consideration a number of factors, including, among others, reasons behind the outstanding settlements, aging profile and subsequent settlement of the property owners in respect of properties managed.

The following is an aging of trade receivables which are past due but not impaired based on due date:

	As at 31 December	
	2017	2016
	HK$'000	HK$'000
		(Restated)
1–30 days	**58,403**	19,914
31–90 days	**43,345**	37,167
91–365 days	**108,164**	116,043
1–2 years	**56,455**	34,293
Over 2 years	**31,848**	23,495
	298,215	230,912

Included in the Group's trade receivable balances are debtors with carrying amounts of approximately HK$47.9 million as at 31 December 2017 (2016: HK$27.4 million (restated)), which are fully impaired. The Group did not hold any collateral over these balances.

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

	As at 31 December	
	2017	2016
	HK$'000	HK$'000
		(Restated)
At the beginning of the reporting period	**27,435**	45,584
Net impairment provision/(reversal of impairment provision) for the year	**17,777**	(16,036)
Exchange realignment	**2,690**	(2,113)
At the end of the reporting period	**47,902**	27,435

Notes to the Financial Statements (Continued)

For the year ended 31 December 2017

23 Trade and other receivables (Continued)

(b) Payments on Behalf of Property Owners for Properties Managed Under Commission Basis

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

In determining the recoverability of payments on behalf of property owners for properties managed under commission basis, the management takes into consideration a number of factors, including, among others, reasons behind the outstanding settlements, subsequent settlement and repayment ability of the property owners in respect of properties managed.

Included in the Group's payments on behalf of property owners for properties managed under commission basis are balances with carrying amounts of approximately HK$89.1 million as at 31 December 2017 (2016: HK$84.1 million (restated)), which are fully impaired. 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	
	2017	2016
	HK$'000	HK$'000
		(Restated)
At the beginning of the reporting period	**84,059**	88,221
Net (reversal of impairment provision)/impairment provision for the year	**(1,311)**	1,761
Exchange realignment	**6,332**	(5,923)
At the end of the reporting period	**89,080**	84,059

Notes to the Financial Statements (Continued)

For the year ended 31 December 2017

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

	As at 31 December	
	2017	2016
	HK$'000	HK$'000
		(Restated)
Amount due from immediate holding company		
Trade nature	**96**	57
Amounts due from fellow subsidiaries		
Trade nature	**49,486**	102,052
Non-trade nature	**—**	15,233
	49,486	117,285
Amounts due from related companies		
Trade nature	**11,056**	20,957
Non-trade nature	**90,393**	86,930
	101,449	107,887
Less: Amount classified as non-current assets		
— non-trade nature	**(90,393)**	—
Amount classified as current assets	**11,056**	107,887

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	
	2017	2016
	HK$'000	HK$'000
		(Restated)
0–30 days	**50**	20
31–90 days	**22**	37
Over 90 days	**24**	—
	96	57

Notes to the Financial Statements (Continued)

For the year ended 31 December 2017

24 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	
	2017	2016
	HK$'000	HK$'000
		(Restated)
0–30 days	**15,416**	16,428
31–90 days	**5,510**	18,108
91–365 days	**15,850**	39,066
1–2 years	**7,944**	19,650
Over 2 years	**4,766**	8,800
	49,486	102,052

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	
	2017	2016
	HK$'000	HK$'000
		(Restated)
0–30 days	**1,327**	4,377
31–90 days	**909**	4,189
91–365 days	**5,141**	6,814
1–2 years	**1,284**	3,927
Over 2 years	**2,395**	1,650
	11,056	20,957

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 provision for impairment on these balances.

Non-trade nature amounts due from fellow subsidiaries of HK$293,000 as at 31 December 2016 bear interest at 2.35% per annum are unsecured and are repayable on demand.

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

Notes to the Financial Statements (Continued)

For the year ended 31 December 2017

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

Non-trade nature amount due from a related company of HK$52,682,000 as at 31 December 2016 bears interest at 5.85% per annum is unsecured and is repayable on demand.

The remaining non-trade nature balances of amounts due from fellow subsidiaries and related companies are unsecured, interest-free and repayable demand.

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

25 Bank balances and cash

	As at 31 December	
	2017	2016
	HK$'000	HK$'000
		(Restated)
Bank balances and cash	**2,711,015**	2,417,288
Less: bank deposits over three months maturity	**(259,036)**	—
Cash and cash equivalents in the consolidated statement of cash flows	**2,451,979**	2,417,288

All bank deposits of the Group carry interest at market rates which range from 0.01% to 4.00% (2016: 0.01% to 3.25%) per annum as at 31 December 2017.

26 Trade and other payables

	As at 31 December	
	2017	2016
	HK$'000	HK$'000
		(Restated)
Trade payables	**468,169**	363,139
Special fund (Note)	**171,717**	150,666
Temporary receipts from properties managed under commission basis	**180,681**	137,034
Temporary receipts from properties managed under lump sum basis	**180,437**	209,064
Accrued staff costs	**474,003**	401,935
Payables for value-added tax and other levies	**35,125**	23,178
Other payables	**82,623**	70,063
	1,592,755	1,355,079

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.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2017

26 Trade and other payables (Continued)

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

	As at 31 December	
	2017	2016
	HK$'000	HK$'000
		(Restated)
0–30 days	**148,891**	109,893
31–90 days	**70,777**	97,834
Over 90 days	**248,501**	155,412
	468,169	363,139

27 Receipts in advance and other deposits

	As at 31 December	
	2017	2016
	HK$'000	HK$'000
		(Restated)
Receipts in advance	**396,357**	308,353
Other deposits	**255,303**	197,343
	651,660	505,696

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

	As at 31 December	
	2017	2016
	HK$'000	HK$'000
		(Restated)
Amount due to immediate holding company		
Non-trade nature	**1,417**	651
Amounts due to fellow subsidiaries		
Trade nature	**11,705**	3,046
Non-trade nature	**45,783**	44,056
	57,488	47,102
Amounts due to related companies		
Trade nature	**3,794**	4,285
Non-trade nature	**—**	21,953
	3,794	26,238

Notes to the Financial Statements (Continued)

For the year ended 31 December 2017

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

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

	As at 31 December	
	2017	2016
	HK$'000	HK$'000
		(Restated)
0–30 days	**13**	170
31–90 days	**36**	—
91–365 days	**11,656**	2,293
1–2 years	**—**	583
	11,705	3,046

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

	As at 31 December	
	2017	2016
	HK$'000	HK$'000
		(Restated)
91–365 days	**850**	4,285
1–2 years	**2,944**	—
	3,794	4,285

The trade nature balances of amounts due to fellow subsidiaries and related companies are repayable based on normal trading terms.

The non-trade balance of amount due to immediate holding company, fellow subsidiaries and related companies are unsecured, interest-free and repayable on demand.

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

Notes to the Financial Statements (Continued)

For the year ended 31 December 2017

29 Bank borrowings

	As at 31 December	
	2017	2016
	HK$'000	HK$'000
Bank loans — unsecured	**265,000**	310,000

	As at 31 December	
	2017	2016
	HK$'000	HK$'000
The bank borrowings are repayable as follows:		
Between 1 and 2 years	**160,000**	—
Between 2 and 5 years	**105,000**	310,000
	265,000	310,000

Bank borrowings of the Group are denominated in Hong Kong dollars and bears interest at the Hong Kong Interbank Offered Rates plus a specified margin, with weighted average effective interest rate of 2.56% per annum (2016: 2.21%).

30 Share capital and reserves

(a) Share Capital

	2017		2016	
	Number of shares	**Amount**	Number of shares	Amount
		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

Pursuant to the A-shares Restricted Stock Incentive Plan (Phase II) of China State Construction Engineering Corporation Limited ("CSCECL"), an intermediate holding company of the Company, 1,110,000 incentive shares were granted to certain employees of the Company (the "Employees", including three directors and certain senior management) on 29 December 2016 (the "Grant Date") with an exercise price of RMB4.866 per share (the "Exercise Price"), subject to a lock-up period of two years' service from the Grant Date (the "Lock-up Period"). 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 each year starting from the beginning of the third year on a time-apportionment basis 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.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2017

30 Share capital and reserves (Continued)

(b) Share-based Payments (Continued)

The fair value of incentive shares on the date of grant determined using the Black-Scholes valuation model was RMB2.21 per share. The significant inputs into the model include closing price of RMB9.16 per share on the Grant Date, the Exercise Price, share-based payments cap at 40% of respective Employees' remuneration, average volatility of 44%, average dividend yield of 3.32% and an average annual risk-free interest rate of 2.84%. The volatility measured at the standard deviation of continuously compounded share returns is calculated based on statistical analysis of historical daily share prices.

During the year ended 31 December 2017, total expenses arising from share-based payment were recognised in profit or loss amounting to HK$751,000 (2016: Nil), with a corresponding credit to equity.

(c) Reserves

Details of the movement in the Group's reserves are set out in the consolidated statement of changes in equity on page 101. The nature and purpose of the reserves are as follows:

(i) Revaluation surplus 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 3.

(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) 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.

The CITIC Reorganisation and the COP Acquisition as described in note 3 is regarded as a business combination under common control. The financial statements have been prepared using the principles of merger accounting and the excess of considerations over the paid up capital of the CITIC Acquired Property Management Group as the result of the CITIC Reorganisation and the COP Acquisition is debited to special reserve.

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

Notes to the Financial Statements (Continued)

For the year ended 31 December 2017

31 Deferred tax

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

Deferred tax assets/(liabilities)

	Tax losses HK$'000	Provisions HK$'000	Revaluation of investment properties and accelerated tax deprecation HK$'000	Provision for unused annual leave HK$'000	Total HK$'000
At 1 January 2016, as restated	2,813	18,276	(14,879)	—	6,210
Credited/(charged) to profit or loss	673	6,399	(476)	832	7,428
Exchange realignment	(222)	(1,547)	992	—	(777)
At 31 December 2016, as restated	3,264	23,128	(14,363)	832	12,861
Charged to other property revaluation reserve	—	—	(5,811)	—	(5,811)
Credited/(charged) to profit or loss	1,677	5,468	(1,789)	276	5,632
Exchange realignment	308	1,954	(1,463)	—	799
At 31 December 2017	5,249	30,550	(23,426)	1,108	13,481

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	
	2017	2016
	HK$'000	HK$'000 (Restated)
Deferred tax assets	**29,510**	23,144
Deferred tax liabilities	**(16,029)**	(10,283)
	13,481	12,861

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 2017, deferred taxation amounting to approximately HK$32,056,000 (2016: HK$20,432,000 (restated)) 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.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2017

31 Deferred tax (Continued)

As at 31 December 2017, the Group had unused tax losses of approximately HK$153,273,000 (2016: HK$92,669,000 (restated)) available for offsetting against future profits. No deferred tax asset has been recognised in respect of tax losses amounted to HK$132,275,000 (2016: HK$79,612,000 (restated)) due to the unpredictability of future profit streams. Included in the tax losses are losses of approximately HK$42,559,000 as at 31 December 2017 (2016: HK$23,464,000 (restated)) that will expire within five years from the end of the reporting period. Other tax losses may be carried forward indefinitely.

32 Notes to consolidated statement of cash flows

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

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

33 Operating lease commitment

The Group as lessor

Completed investment properties with carrying amounts of HK$106,083,000 as at 31 December 2017 (2016: HK$66,641,000) were let out under operating leases.

Property rental income earned is HK$2,434,000 for the year ended 31 December 2017 (2016: HK$1,381,000). The office leased out has committed tenants for 3 to 5 years without termination options granted to tenants.

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

	As at 31 December **2017** **HK$'000**	2016 HK$'000
Within one year	**1,594**	807
In the second to fifth year inclusive	**4,062**	2,236
	5,656	3,043

Notes to the Financial Statements (Continued)

For the year ended 31 December 2017

33 Operating lease commitment (Continued)

The Group as lessee

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

	As at 31 December	
	2017	2016
	HK$'000	HK$'000
		(Restated)
Within one year	**25,433**	18,324
In the second to fifth year inclusive	**21,480**	10,568
Over five years	**512**	—
	47,425	28,892

Operating lease payments represent rentals payable by the Group for certain of its office properties and dormitories. Leases are negotiated and rentals are fixed for 3 months to 9 years.

The Company had commitments for future minimum lease payment under non-cancellable operating lease which falls due within one year of HK$3,905,000 (2016: HK$3,109,000) and in the second to fifth year inclusive of HK$6,466,000 (2016: HK$1,296,000). It represents rental payable by the Company for its office property, lease is negotiated and rental is fixed for 2 to 3 years.

34 Performance guarantees

As at 31 December 2017, the Group provided counter indemnities to a fellow subsidiary and a bank amounting to approximately HK$70,555,000 as at 31 December 2017 (2016: HK$69,010,000) for performance guarantees issued by the fellow subsidiary and the bank in respect of certain property management service contracts undertaken by the Group.

35 Related party transactions

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

Notes to the Financial Statements (Continued)

For the year ended 31 December 2017

35 Related party transactions (Continued)

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 2017:

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

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

(a) Year-end balances

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

(b) Transactions with related parties

Nature of transaction	Note	Year ended 31 December 2017 HK$'000	2016 HK$'000 (Restated)
Intermediate holding company/Immediate holding company/Fellow subsidiaries			
Property management income	(i)	**303,603**	413,931
Engineering income	(i)	**12,748**	16,171
Rental and utility expenses	(ii)	**13,134**	5,535
Entrusted management income	(iii)	**6,977**	2,071
Related companies			
Property management income	(i)	**96,630**	71,161

Notes:

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

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

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

Notes to the Financial Statements (Continued)

For the year ended 31 December 2017

35 Related party transactions (Continued)

(b) Transactions with related parties (Continued)

Except for those related party transactions of CITIC Acquired Property Management Group being accounted for as business combination under common control in the financial statements (details as below), the related party transactions during the year ended 31 December 2017 and 2016 in respect of items (i) to (iii) above for property management income, engineering income, rental and utility expense and entrusted management income also constitute continuing connected transactions as defined in Chapter 14A of the Listing Rules subject to respective capped amounts.

Transactions of CITIC Acquired Property Management Group with related parties

Nature of transaction	Year ended 31 December **2017** **HK$'000**	 2016 HK$'000 (Restated)
Intermediate holding company/Immediate holding company/Fellow subsidiaries		
Property management income	**55,518**	132,115
Related companies		
Property management income	**11,109**	—

(c) Performance guarantees

As at 31 December 2017, the Group provided counter indemnities to a fellow subsidiary amounting to approximately HK$51,454,000 (2016: HK$49,049,000) 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, three (2016: three) were directors of the Company whose emoluments are included in note 13. The emoluments of the remaining two (2016: two) individuals were set out below.

	Year ended 31 December **2017** **HK$'000**	 2016 HK$'000
Basic salaries, allowances and benefits-in-kinds	**1,456**	1,470
Performance-related bonus	**4,295**	3,765
Contribution to provident fund schemes	**18**	279
	5,769	5,514

Notes to the Financial Statements (Continued)

For the year ended 31 December 2017

35 Related party transactions (Continued)

(d) Five highest paid individuals (Continued)

Their emoluments were within the following bands:

	Year ended 31 December	
	2017	2016
HK$2,500,001 to HK$3,000,000	**1**	2
HK$3,000,001 to HK$3,500,000	**1**	—
	2	2

These individuals did not receive any emoluments as inducement to join or upon joining the Company or as compensation for loss of office during the years ended 31 December 2017 and 2016.

(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	
	2017	2016
	HK$'000	HK$'000
Short-term benefits	**34,424**	32,690
Contribution to provident fund schemes	**144**	1,294
	34,568	33,984

Other than the emoluments of the directors disclosed under note 13, the emoluments of those members of key management of the Group were within the following bands:

	Year ended 31 December	
	2017	2016
HK$1,500,001 to HK$2,500,000	**2**	3
HK$2,500,001 to HK$3,000,000	**3**	3
HK$3,000,001 to HK$3,500,000	**1**	—
	6	6

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

Notes to the Financial Statements (Continued)

For the year ended 31 December 2017

35 Related party transactions (Continued)

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

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

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

36 Particulars of subsidiaries

As at 31 December 2017, 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 %	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	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 trademark	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

Notes to the Financial Statements (Continued)

For the year ended 31 December 2017

36 Particulars of subsidiaries (Continued)

As at 31 December 2017, the Company has direct and indirect interests in the following subsidiaries: (Continued)

Name of subsidiary	Place of incorporation/ establishment	Date of incorporation/ establishment	Registered/ issued and paid up capital	Attributable equity interest of the Group		Principal activities	Place of operations
				Direct %	Indirect %		
Mepork Services Limited	Hong Kong	30 May 1989	HK$100	—	100	Provision of building cleaning and maintenance services	Hong Kong
上海中海物業管理有限公司	PRC	26 June 1995	RMB5,050,000	—	100	Real estate management	PRC
深圳市興海物聯科技有限公司 (formerly known as 深圳市中海樓宇科技有限公司)	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 (formerly known as 深圳市海惠萬家網絡信息技術有限公司)	PRC	14 August 1998	RMB2,000,000	—	100	Provision of automation and other equipment upgrade services	PRC
深圳市中海電梯工程有限公司	PRC	28 December 1998	RMB5,000,000	—	100	Provision of repair and maintenance services of elevators	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
湖南省中信物業管理有限公司 (Hunan CITIC Property Management Company Limited*)	PRC	12 September 2005	RMB2,000,000	—	84	Real estate management	PRC
深圳市中信物業管理有限公司 (Shenzhen CITIC Property Management Company Limited*)	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
北京中海物業管理有限公司	PRC	21 January 1999	RMB5,000,000	—	100	Real estate management	PRC
廣州中海機電工程有限公司	PRC	23 December 1999	RMB1,000,000	—	100	Provision of repair and maintenance services	PRC
北京中建物業管理有限公司	PRC	23 August 2003	RMB25,000,000	—	100	Real estate management	PRC
重慶海投物業管理有限公司	PRC	21 September 2012	RMB500,000	—	100	Real estate management	PRC
淄博中海親頤物業服務有限公司	PRC	18 January 2013	RMB1,000,000	—	100	Real estate management	PRC

Notes to the Financial Statements (Continued)

For the year ended 31 December 2017

36 Particulars of subsidiaries (Continued)

As at 31 December 2017, the Company has direct and indirect interests in the following subsidiaries: (Continued)

Name of subsidiary	Place of incorporation/ establishment	Date of incorporation/ establishment	Registered/ issued and paid up capital	Attributable equity interest of the Group Direct %	Indirect %	Principal activities	Place of operations
中海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 online to offline ("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
中信惠州物業服務有限公司 (CITIC Huizhou Property Service Company Limited*)	PRC	30 September 2010	RMB10,000,000	—	100	Real estate management	PRC
汕頭中信物業服務有限公司 (Shantou CITIC Property Service Company Limited*)	PRC	2 April 1992	RMB5,100,000	—	100	Real estate management	PRC
大連中信物業管理有限公司 (Dalian CITIC Property Management Company Limited*)	PRC	23 May 2000	RMB500,000	—	100	Real estate management	PRC
廣東中信物業服務有限公司 (Guangdong CITIC Property Service Company Limited*)	PRC	25 August 1995	RMB10,000,000	—	100	Real estate management	PRC
天津中信物業管理服務有限公司 (Tianjin CITIC Property Management and Service Company Limited*)	PRC	12 March 2010	RMB3,000,000	—	100	Real estate management	PRC
天津中信津信物業服務有限公司 (Tianjin CITIC JinXin Property Service Company Limited*)	PRC	23 May 1996	RMB500,000	—	100	Real estate management	PRC
中信物業服務有限公司 (CITIC Property Service Company Limited*)	PRC	16 May 2008	RMB50,000,000	—	100	Real estate management	PRC
深圳百利行物業發展有限公司 (Shenzhen Bai Li Hang Property Development Company Limited)	PRC	23 August 2004	RMB3,000,000	—	100	Real estate management	PRC

* The English name of the companies are translations from their Chinese names and are for identification purposes only. If these are any inconsistencies, the Chinese names shall prevail.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2017

37 Company statement of financial position

	Note	As at 31 December 2017 HK$'000	2016 HK$'000
Non-current assets			
Property, plant and equipment		65	184
Investment in subsidiaries		167,524	167,524
		167,589	167,708
Current assets			
Deposits and prepayments and other receivable		2,648	695
Amount due from a fellow subsidiary		2,409	—
Amounts due from subsidiaries		186,054	279,970
Bank balances and cash		127,792	25,239
		318,903	305,904
Current liabilities			
Other payables and accrued expenses		16,656	16,579
Tax liabilities		7,435	12,133
		24,091	28,712
Net current assets		294,812	277,192
Total assets less current liabilities		462,401	444,900
Non-current liabilities			
Bank borrowings		265,000	310,000
		265,000	310,000
Net assets		197,401	134,900
Capital and reserves			
Share capital		3,287	3,287
Reserves	37(a)	194,114	131,613
Total equity		197,401	134,900

The statement of financial position of the Company was approved by the Board of Directors on 22 March 2018 and was signed on its behalf by:

Yang Ou
Director

Luo Xiao
Director

Notes to the Financial Statements (Continued)

For the year ended 31 December 2017

37 Company statement of financial position (Continued)

(a) Reserves of the Company

	General reserve HK$'000	Capital reserve HK$'000	Retained profits HK$'000	Total HK$'000
THE COMPANY				
At 1 January 2016	34,509	—	7,193	41,702
Profit and total comprehensive income for the year	—	—	165,508	165,508
2015 final dividend paid (Note 15)	(34,509)	—	(4,933)	(39,442)
2016 interim dividends paid (Note 15)	—	—	(36,155)	(36,155)
At 31 December 2016	—	—	131,613	131,613
Profit and total comprehensive income for the year	—	—	147,208	147,208
Capital contribution relating to share-based payment borne by intermediate holding company (Note 30(b))	—	751	—	751
2016 final dividend paid (Note 15)	—	—	(36,155)	(36,155)
2017 interim dividends paid (Note 15)	—	—	(49,303)	(49,303)
At 31 December 2017	—	751	193,363	194,114

The Company's reserves available for distribution to shareholders at 31 December 2017 represent the balance of capital reserve and retained profits of approximately HK$194.1 million (2016: approximately HK$131.6 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				
	2013 HK$'000 (Note)	2014 HK$'000 (Restated)	2015 HK$'000 (Restated)	2016 HK$'000 (Restated)	**2017 HK$'000**
Revenue	1,844,067	2,823,496	3,268,646	3,296,695	**3,357,800**
Direct operating expenses	(1,501,155)	(2,275,328)	(2,607,546)	(2,529,479)	**(2,555,385)**
Gross profit	342,912	548,168	661,100	767,216	**802,415**
Other income and gains, net	16,463	23,970	23,728	29,650	**47,795**
Gain arising from changes in fair value of investment properties	6,516	5,177	4,150	769	**6,930**
Administrative expenses	(247,062)	(411,733)	(489,865)	(451,914)	**(419,603)**
Operating profit	118,829	165,582	199,113	345,721	**437,537**
Share of profit of an associate	146	157	157	161	**161**
Finance costs	—	—	(1,988)	(6,963)	**(8,910)**
Profit before tax	118,975	165,739	197,282	338,919	**428,788**
Income tax expenses	(33,447)	(47,517)	(54,969)	(104,607)	**(121,599)**
Profit for the year	85,528	118,222	142,313	234,312	**307,189**
Attributable to:					
Owners of the Company	85,528	113,485	141,267	237,529	**306,760**
Non-controlling interest	—	4,737	1,046	(3,217)	**429**
	85,528	118,222	142,313	234,312	**307,189**
EARNINGS PER SHARE (HK cents)					
Basic and diluted	2.61	3.46	4.30	7.23	**9.33**

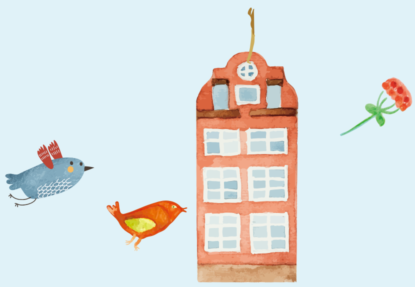
Note: For presentation purpose, the consolidated results for the year ended 31 December 2013 were not restated in respect of the CITIC Acquired Property Management Group. Thereafter, the consolidated results for the year ended 31 December 2014, 2015 and 2016 were restated by including the financial information of the CITIC Acquired Property Management Group as if the current group structure had been in existence throughout the periods presented.

Five Year Financial Summary (Continued)

(b) Consolidated net assets

	As at 31 December				
	2013 HK$'000 (Note)	2014 HK$'000 (Restated)	2015 HK$'000 (Restated)	2016 HK$'000 (Restated)	**2017 HK$'000**
Non-current assets					
Investment properties	65,441	70,402	70,576	66,641	**106,083**
Property, plant and equipment	40,997	64,796	48,813	38,744	**34,924**
Intangible assets	—	494	387	—	**5,419**
Prepaid lease payments for land	5,020	4,545	3,866	3,206	**1,965**
Interest in an associate	293	173	330	191	**352**
Available-for-sale financial assets	—	1,268	1,199	1,120	**—**
Amount due from a related company	—	—	—	—	**90,393**
Deferred tax assets	3,147	9,660	13,295	23,144	**29,510**
	114,898	151,338	138,466	133,046	**268,646**
Current assets					
Inventories	9,208	18,766	11,514	9,899	**9,664**
Financial assets at fair value through profit or loss	—	5,196	—	—	**—**
Trade and other receivables	203,474	281,222	323,361	371,307	**467,253**
Deposits and prepayments	6,263	15,608	23,624	29,599	**40,486**
Prepaid lease payments for land	459	458	433	404	**301**
Amount due from immediate holding company	—	—	—	57	**96**
Amounts due from fellow subsidiaries	297,713	640,059	175,079	117,285	**49,486**
Amounts due from related companies	1,336	2,617	3,907	107,887	**11,056**
Tax prepaid	—	747	—	871	**39**
Bank balances and cash	1,081,914	1,315,320	2,059,382	2,417,288	**2,711,015**
	1,600,367	2,279,993	2,597,300	3,054,597	**3,289,396**
Current liabilities					
Trade and other payables	608,754	948,646	1,153,785	1,355,079	**1,592,755**
Receipts in advance and other deposits	334,764	474,725	491,087	505,696	**651,660**
Amount due to immediate holding company	—	—	—	651	**1,417**
Amounts due to fellow subsidiaries	280,249	263,227	35,307	47,102	**57,488**
Amounts due to related companies	118	—	8,393	26,238	**3,794**
Tax liabilities	52,226	93,827	112,213	111,365	**108,346**
Bank borrowing	—	—	184,000	—	**—**
	1,276,111	1,780,425	1,984,785	2,046,131	**2,415,460**
Net current assets	324,256	499,568	612,515	1,008,466	**873,936**
Total assets less current liabilities	439,154	650,906	750,981	1,141,512	**1,142,582**
Non-current liabilities					
Deferred tax liabilities	8,306	6,556	7,085	10,283	**16,029**
Bank borrowings	—	—	—	310,000	**265,000**
	8,306	6,556	7,085	320,283	**281,029**
Net assets	430,848	644,350	743,896	821,229	**861,553**
Capital and reserves					
Share capital	—	—	3,287	3,287	**3,287**
Reserves	430,848	626,921	731,464	813,356	**852,888**
Equity attributable to owners of the Company	430,848	626,921	734,751	816,643	**856,175**
Non-controlling interests	—	17,429	9,145	4,586	**5,378**
Total equity	430,848	644,350	743,896	821,229	**861,553**

Note: For presentation purpose, the consolidated net assets at 31 December 2013 were not restated in respect of the CITIC Acquired Property Management Group. Thereafter, the consolidated net assets as at 31 December 2014, 2015 and 2016 were restated by including the financial information of the CITIC Acquired Property Management Group as if the current group structure had been in existence throughout the periods presented.



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