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

Stock Code : 2669

2020 Annual Report

We Manage *Happiness*


COPL
Official
Wechat

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Corporate Information

(As at 25 March 2021, date of this Annual Report)

Board of Directors

Executive Directors

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

Independent Non-executive Directors

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

Committees

Audit Committee

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

Nomination Committee

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

Remuneration Committee

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

Sustainability Steering Committee

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

Authorized Representatives

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

Company Secretary

Wong Yee Wah

Independent Auditor

Ernst & Young
Certified Public Accountants and Registered PIE Auditor

Registered Office

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

Head Office and Principal Place of Business in Hong Kong

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

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

Branch Office in Hong Kong

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

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

Corporate Information (Continued)

(As at 25 March 2021, date of this Annual Report)

Principal Share Registrar and Transfer Office

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

Hong Kong Branch Share Registrar and Transfer Office

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

Legal Advisors

As to Hong Kong laws:

Mayer Brown
Woo Kwan Lee & Lo

As to Cayman Islands laws:

Conyers Dill & Pearman

Principal Bankers

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

Investor and Public Relations

Corporate Communications Department

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

Stock Codes

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

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

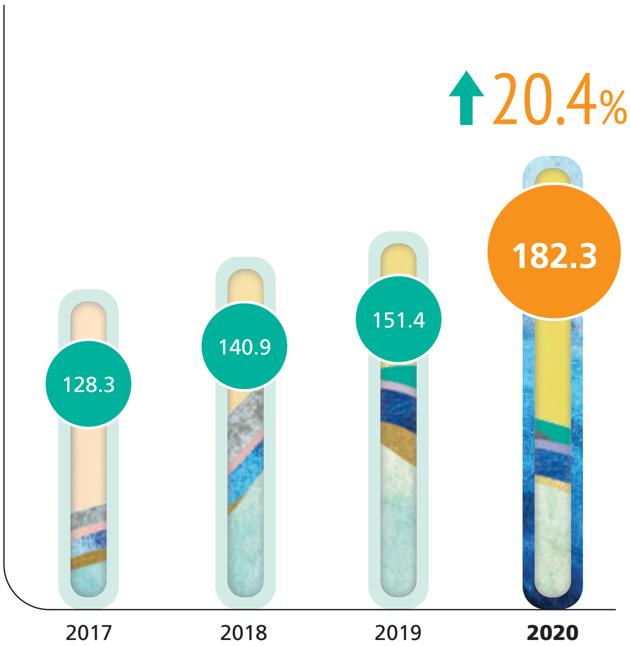
Financial Calendar 2021

Annual Results Announcement	25 March
AGM Voting and Attending Eligibility Record Date	3 June
Annual General Meeting	3 June
Final Dividend Ex-dividend Date	7 June
Final Dividend Entitlement Record Date	16 June
Final Dividend Payment Date	6 July

Business and Financial Highlights

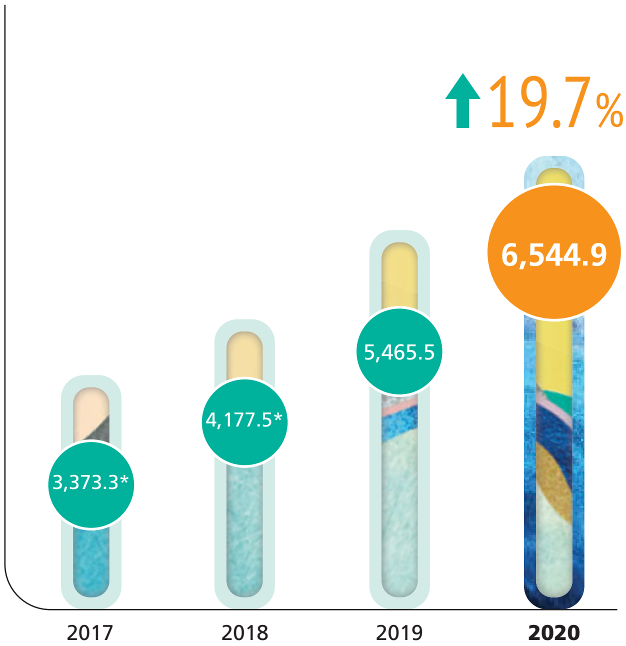
Gross Floor Area under Management as at Year Ended

(Million sq.m.)



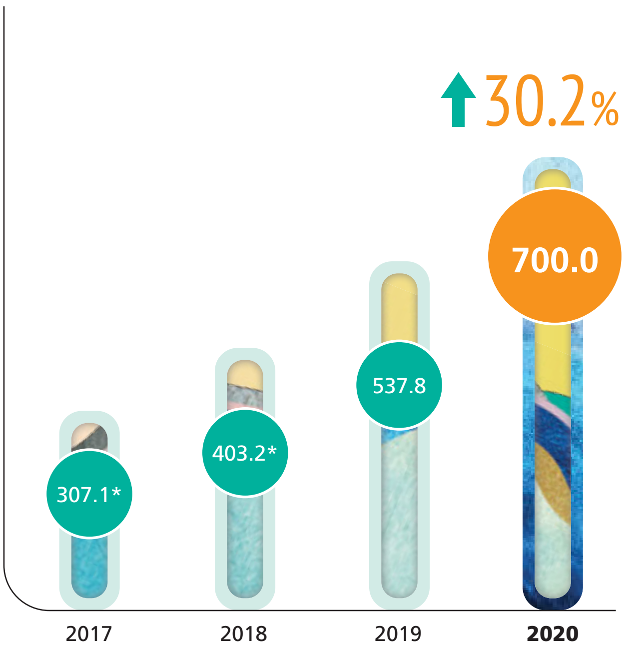
Revenue

(HK$ Million)



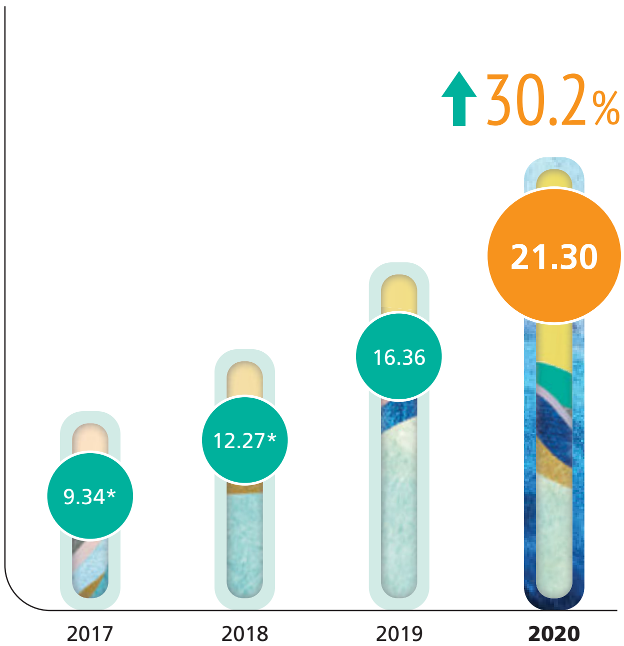
Profit Attributable to Shareholders of the Company

(HK$ Million)



Earnings per Share

(HK Cents)



* *Restated under merger accounting. For details, please refer to note 32(b) of the "Notes to the Financial Statements".*

Business and Financial Highlights (Continued)

	Formula	2020	2019	Change
Operating Scale:				
Gross floor area under management as at year ended (million sq.m.)		**182.3**	151.4	+20.4%
Employee headcount		**45,398**	41,244	+10.1%
Revenue (HK$ million)		**6,544.9**	5,465.5	+19.7%
Profitability & Rates of Return:				
Gross profit (HK$ million)		**1,195.4**	1,090.4	+9.6%
Profit attributable to shareholders of the Company (HK$ million)		**700.0**	537.8	+30.2%
Net Profit Margin	Profit for the year÷Revenue	**10.8%**	10.0%	+0.8ppt
Earnings per share (HK cents)		**21.30**	16.36	+30.2%
Dividends per share (HK cents)		**6.4**	5.0	+28.0%
Payout ratio	Dividends per share÷Earnings per share	**30.0%**	30.6%	-0.6ppt
Average return on equity	Profit attributable to shareholders of the Company÷Average capital and reserves attributable to shareholders of the Company	**38.2%**	40.8%	-2.6ppt
Liquidity:				
Current ratio	Total current assets÷Total current liabilities	**1.5**	1.5	—
Debt-to-assets ratio	Total liabilities÷Total assets	**64.7%**	64.3%	+0.4ppt

ppt: percentage points

Highlights of the Group in 2020

Jan

Convening of the First Business Partner Conference

On 17 January, COPL convened its first business partner conference with the theme of "Growing Together". Approximately 150 people from 97 business partners and media outlets attended the conference, at which strategic business partners and quality business partners were commended, and the management and partners gave speeches on topics such as business ecology and intelligence.

Mar

Xinghai Wulian became Huawei's Software Service Provider for the First Time

Xinghai Wulian (興海物聯) has successfully undertaken two software framework projects, namely Huawei Agent Gateway and Smart City IoT Platform, and officially became Huawei's software service provider, establishing a milestone in its software business.

2019 Annual Results Analyst Briefing

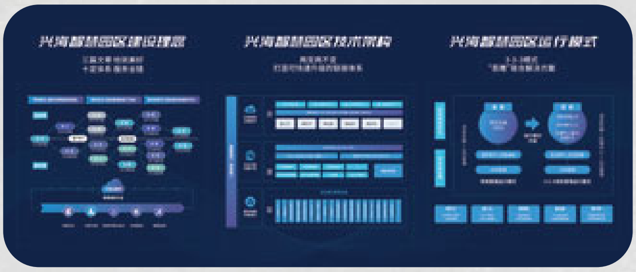
On 20 March, COPL held the 2019 Online Annual Results Analyst Briefing. Leading brokerage firms and institutional investors from local and overseas communicated with the management via telephone and live webcast sessions on issues of concerns to the market, such as the impact of the epidemic, value-added services and scale expansion.

Highlights of the Group in 2020 (Continued)

Jun

Releasing Prototype System of Xinghai Smart Park

Xinghai Wulian (興海物聯) has adopted the consulting model to explore smart parks and implement standard methodologies, forming the operation model of standardized smart parks for replication and promotion in the whole industry.



Carrying out Themed Activities for China Overseas' Anniversary

On 6 June, COPL celebrated the 41st Anniversary of China Overseas Group. Various departments expressed their blessings to it through different activities.

Convening of Annual General Meeting and Extraordinary General Meeting

COPL successfully held its Annual General Meeting of 2020 and Extraordinary General Meeting, where the Directors and the management exchanged views on business with shareholders to ensure adequate communication between the two parties.

Highlights of the Group in 2020 (Continued)

Jul

Awarded the No. 1 Most Valuable Brand of China Property Management Service in 2020

On 31 July, the "Chinese Real Estate Brand Convention 2020" (二零二零中國房地產品牌大會) jointly organised by China Real Estate News Agency (中國房地產報社), China Real Estate Web (中國房地產網), China Real Estate News Media (中房報新媒體) and Zhongfang Think Tank (中房智庫) was held in Beijing. COPL was awarded the No. 1 Most Valuable Brand of China Property Management Service in 2020 (二零二零中國物業服務企業品牌價值百強榜No. 1).

Convening of COPL Business Operations Review Meeting 2020

On 31 July, COPL convened Business Operations Review Meeting 2020 on the theme of "A Great Leap Forward in the Pioneering and Innovative Management" (開拓創新，跨越發展), which was a consummation of our works under the "13th Five-Year Plan" with solid progress in the implementation of the strategy featuring "One Base, Two Wings and Four Drivers" (一體兩翼四驅), laying a solid foundation for our new development under the "14th Five-Year Plan".

Highlights of the Group in 2020 (Continued)

Aug

The 2020 Management Trainee Orientation Course Graduation Ceremony was held successfully

The 2020 Management Trainee Orientation Course of COPL was held successfully from 10 August to 17 August. There were nearly 300 trainees from all around the country participating in this orientation course.

Mr. Zhang Guiqing visited Zhuoni Country to examine and review poverty alleviation work

On 20 August, Mr. Zhang Guiqing, the Chairman of the Board of Directors of COPL, visited Zhuoni County of Gansu Province and signed the donation contract and sale & purchase agreement for poverty alleviation project to help local economic development. The review was carried out with Mr. Han Mingsheng and Mr. Zhang Luping, the Governor and the Vice Governor of Zhuoni County, respectively.

Live-streaming of poverty-alleviating products sets new sales record on Guozixiaoxin live-streaming platform

On 27 August, UN+ (優你互聯) participated in the "Baixian Baipin Yang Zihao" (百縣百品央字號) live commerce activity organized by State-owned Assets Supervision and Administration Commission of the State Council (SASAC) and the number of viewers reached 10.538 million on the day of live-streaming, with more than 8.2 million likes and the sales figures of RMB7.6 million, setting a new record of live commerce by Guozixiaoxin (國資小新).

Highlights of the Group in 2020 (Continued)

Sep

COPL received a number of awards from China Property Management Institute

On 28 September, China Property Management Institute held the Sixth National Property Management Industry Media Work Exchange Meeting (第六屆全國物業管理行業媒體工作交流會), 2020 Property Management Industry Development Index Report Release Conference (二零二零物業管理行業發展指數報告發佈會) and National Property Management Industry Anti-epidemic Advanced Deeds Report Conference (全國物業管理行業抗疫先進事蹟報告會) at Zhengzhou. COPL were ranked first in the list of 2020 Top 100 Influential WeChat Public Account in Property Management (二零二零全國物業管理微信公眾號影響力TOP100).

Receiving the title of "Property Hero" at the of the National Property Management Industry Anti-epidemic Advanced Deeds Report Conference

On 29 September, Mr. Feng Jianrong, project manager of Shenyang Company, Mr. Qiu Xiaochun, project manager of Guangzhou Company, and Ms. Cui Qianqian, property manager of Changchun Company, were awarded the honorary title of "Property Hero" at National Property Management Industry Anti-epidemic Advanced Deeds Report Conference (全國物業管理行業抗疫先進事蹟報告會).

Oct

COPL celebrated the Fifth Anniversary of Listing

On 23 October, COPL held its 5th Anniversary of Listing event with the theme "Building Happiness and Leading the Trend" (精築幸福，創領潮流).

Mr. Zhang Guiqing visited Alibaba headquarters for research and exchange

On 28 October, Mr. Zhang Guiqing, the Chairman of the Board of Directors of COPL, met with Mr. Ku Wei, the Vice President of Alibaba Group, at Alibaba headquarters. Both parties have initiated in-depth discussion on digital transformations and establishments of smart communities.

Highlights of the Group in 2020 (Continued)

Nov

COPL organised the First "IT Week"

On 16 November, the first "IT Week" (信息科技週), organised by COPL, was held at the Shenzhen headquarters, with more than 20 events focusing on "Information Creates Value, Technology Changes the Way We Live" (信息創造價值，科技改變生活). The seminar presented different varieties and dynamic interactions between online and offline. It demonstrated the experiences in exploring innovations and outstanding contributions of COPL in services of quality, constructions in information technology, smart parks and epidemic prevention and control in recent years.

Launch of Xinghai Wulian "Xiaoqi Shopping Mall"

On 17 November, Xinghai Wulian (興海物聯) "Xiaoqi Shopping Mall" (小七商城) was officially launched and made its live streaming debut that night, promoting smart homes gadgets in our everyday life, including Nokia smart routers, Midea smart locks, MR Glasses etc., with more than 100,000 viewers.

COPL entered into Strategic Equity Agreements with China Construction Sixth Engineering Division Corp Ltd

On 25 November, COPL entered into strategic equity agreements with a real estate agency under China Construction Sixth Engineering Division Corp Ltd, under which COPL acquired 51% equity interest in Tianjin Zhongjian Property Services Company Limited (天津中建物業服務有限公司). It is a milestone for our cooperation and paves the way for the subsequent take over projects developed by China Construction Sixth Engineering Division Corp Ltd.

COPL received a rating AAA from Global Times and Huanqiu.com

On 26 November, the ESG Summit at the 2020 Global Trends Conference, organised by Global Times and Huanqiu.com (環球網), released "the list of ESG performance of the listed property management industry". COPL ranked first on the list and received the highest rating AAA among the 23 listed property companies in Hong Kong in the published Environmental, Social, Governance (ESG) Reports 2019.

Honours and Awards of the Group in 2020

No.	Award	Organiser
1 2	Well-known Property Management Enterprise in Greater Bay Area in 2020 2020 Guangdong Province Property Services Comprehensive Development Strength Enterprise	Guangdong Property Management Industry Institute
3 4	Top 100 Blue Chip Property Enterprises 2020 (藍籌物業百強企業) Comprehensive Value Enterprise Amongst Listed Companies 2020 (2020上市公司綜合價值企業)	The Economic Observer
5	Celebrity and Enterprise Hall of Fame 2020 (2020名人名企堂)	China Property Management Magazine
6	2020 Top 100 Influential WeChat Public Account In Property Management (2020微信公眾號影響力Top 100)	China Property Management Media Collaboration
7 8 9	2020 Top 100 Most Valuable Brand of Property Management Service 2020 Top 500 Property Management Companies 2020 Leading Companies in Residential Property Service	China Property Management Research Institution Shanghai E-house China R&D Institute China Real Estate Appraisal Centre (中國房地產測評中心)
10	2020 Top 10 Listed Company of Property Management Service	China Property Management Institute Shanghai E-house China R&D Institute China Real Estate Appraisal Centre (中國房地產測評中心)
11	2020 Top 10 China Property Enterprises in Terms of Digital Strength (2020中國地產數字力TOP10物企)	E-House Group CRIC National Real Estate CIO Alliance (全國房地產CIO聯盟)

Honours and Awards of the Group in 2020 (Continued)

No.	Award	Organiser
12	Anti-Epidemic Frontline Model Enterprise in China Real Estate Industry 2020 (2020中國房地產行業抗擊疫情模範先鋒企業)	China Real Estate News Agency (中國房地產報社) China Real Estate Web (中國房地產網) China Real Estate News Media (中房報新媒體) Zhongfang Think Tank (中房智庫) China Real Estate News Public Sentiment (中房報輿情中心)
13	China Commercial Property Service Premium Brand 2020 (2020中國商業物業服務優選品牌企業)	
14	The No. 1 Most Valuable Brand of China Property Management Service in 2020 (2020中國物業服務企業品牌價值百強榜No. 1)	
15	2020 China Property Service Excellence Top 10 (2020中國物業服務力10強)	E-House Group CRIC
16	2020 China Property Quality Service Brand (2020中國物業優質服務品牌)	
17	Shenzhen Top Brand Certificate (深圳市知名品牌授權書)	Shenzhen Top Brand Evaluation Committee
18	2020 ARC Awards Bronze Award — Cover Photo/Design: Real Estate Management	MerComm, Inc
19	Honors Award — Cover Photo/Design: Real Estate Investment Trust (REIT): Various & Multi-Use	
20	2020/21 MERCURY Awards Gold Award — Interior Design: Traditional Format: Asia/Pacific	MerComm, Inc
21	Honors Award — Cover Design: Drawings/Illustrations	
22	Honors Award — Overall Presentation: Other/Misc. — Property Management	
23	2020 Galaxy Awards Gold Award — Design — Annual Reports: Traditional — Hong Kong	MerComm, Inc

Chairman's Statement

The ocean gathers tens of thousands of rivers flow into it and embracing all makes it mighty .

Chairman's Statement

Mr. Zhang Guiqing

Chairman and Executive Director

Chairman's Statement (Continued)

In 2020, facing the crisis caused by the sudden outbreak of the COVID-19 pandemic, COPL was the first in the industry to initiate imminent emergency response in the early stage to reinforce the frontline, building a strong health defense for nearly 900 projects and 1.06 million households. To ensure the long-term sustainable and stable operation, we encourage ourselves with the corporate spirit of "progress whole-heartedly each day" and the sincere attitude of "service with heart every single day", and forge ahead for standardization and delicacy of property management.

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

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

Chairman's Statement (Continued)

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

To ensure the long-term sustainable and stable operation, we encourage ourselves with the corporate spirit of "progress whole-heartedly each day" and the sincere attitude of "service with heart every single day", and forge ahead for standardization and delicacy of property management. We pursue our leading strength of serving customers' multi-dimensional needs to co-build us as a "good neighbour" (左鄰右里) branding in the community with customers. To this end, we invited customers to participate in the establishment of a multi-dimensional, open and transparent surveillance by conducting customer interviews, on-site visits and engaging quality inspectors. In 2020, we received 65 "co-development, co-management and co-sharing" (共建共治共享) projects for assessment; launched a campaign for community quality improvement and introduced over 20 types of customer-friendly services such as haircut, printing and food purchase during

Chairman's Statement (Continued)

the pandemic outbreak. We kept on enhancing the attractiveness and competitiveness of our service and products, and have established a differentiated services menu featuring free selection and flexible combinations, through which we managed to provide quality service that commensurates with price and achieve openness and transparency. The Company, accordingly, realized the transformation from traditional service standards to menu-based service products, and has promoted itself as a fertile ground for unit area value creation and new business cultivation on an ongoing basis. Benefiting from the improvement of service quality, in 2020, the Group successfully increase its fee charges for 37 projects, while customer satisfaction attains a score of 92, which kept in line with the industry benchmark level.

The confidence in achieving long-term sustainable and stable growth also comes from the accelerated urbanization in the PRC, which has driven the property management industry into a period of rapid development, the growth and stability of the industry, the gradual market recognition of the value of quality services, and the significant enhancement of the Group's market expansion and service product development capabilities. In 2020, the Group have established business in 122 cities in total by exploring the market, with operations covering Hong Kong and Macau and employing approximately 45,398 employees. The types of properties under management include boutique residential buildings, commercial complexes, A plus-grade office buildings, government properties, industrial parks and others, with 297 pre-sales sites projects, 974 property management projects and nearly 182.3 million square meters ("sq.m.") of service area. We have won bids for projects such as the largest urban forest belt construction project in China and the public-private partnership for the landscape water system and road network project in Handan, and taken up new businesses such as urban services, aviation, high-speed rail, universities and industrial parks. COPL has successfully secured several projects under the Hospital Authority in Hong Kong and Macau regions, and as such the number of public hospitals and medical institutions under the Hospital Authority that COPL serves has increased to 16, accounting for over 30% of the total number of hospitals in Hong Kong. COPL has also successfully secured a number of contracts under various government executive departments, and as such the number of government departments that COPL serves has increased to 21, showing that our business expansion capabilities have enhanced significantly. COPL provide full lifecycle services with a focus on construction products. We offers developers whole-process property consulting and management services in the property development stage, which include product positioning consulting, gardening, interior fine finishing and vetting of building plans, advice on equipment and facility selection, pre-delivery services, delivery supporting services, delivery inspection services and engineering service quality monitoring, representing a significant improvement in our upstream and downstream supply chain integration. Currently, the Group serves over 100 corporate customers who are the world's top 500 companies and becomes the most reliable business partner of central enterprises, state-owned enterprises and private enterprises. In 2020, it was named as "2020 Top 10 Listed Company of Property Management Service" ("2020物業服務企業上市公司十強"), "2020 China TOP 20 Property Management Service Enterprises with Outstanding Operating Performance" ("2020 中國物業服務企業運營表現TOP20") and "The No. 1 Most Valuable Brand of China Property Management Service in 2020" ("2020中國物業服務企業品牌價值百強榜 No. 1") and was included in Morgan Stanley Capital International Index (MSCI) China Index as a constituent in May 2020. It was also included in the Shanghai-Hong Kong connect list in September 2020, receiving high recognition from the capital market.

Chairman's Statement (Continued)

We believe that long-term sustainable and stable growth is based on a more refined management. The Group continues to promote its digital transformation based on technologies including Internet of Things middle platform, artificial intelligence and intelligent hardware, with a commitment to actualize the full closed-loop intelligent operation of smart office, smart park and smart property. In terms of scientific research and innovation, we applied for more than 160 intellectual property rights in 2020, tapped 20 patented technologies, and took the lead in exporting patent maps for the industry, so as to nourish "new momentum" (新動能) for technological development. Xinghai Wulian (興海物聯), a wholly owned subsidiary engaged in technology innovation, has developed the X-StarT Internet of Things platform, which realizes the unified access to the community application of "five identifications" (五看), namely identifying people, cars, videos, equipment and intercom. It covers a wide range of application scenarios such as owner's daily life and community management, while the new 5G technology, big data processing, artificial intelligence and other cutting-edge digital technologies are aligned with user needs, spatial attributes, equipment functions and service contents. "Lake Lantern 1, Foshan" (佛山千燈湖一號), the smart model community of COPL, has long enjoyed the smart park experience rarely seen in traditional properties, such as automatic license plate recognition, intelligent identification of abnormal crowds by high-definition cameras, intelligent patrol post deployment by AI alarm system, one-click door opening by APP and remote elevator call for visitors.

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

The Group adheres to the commonly acclaimed motto of "Gathering Hard-workers and Inspiring Talents" (匯聚奮進者，激勵有為者). We actively explored and took full advantage of the market-oriented principle and fostered the resilience and agility of our organization to catch up with the business development. We pursue top-notch efficiency and vitality in our organization to provide sustainable momentum for the long-term growth of the Group.

Chairman's Statement (Continued)

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

In 2021, the novel coronavirus pandemic continues to create uncertainties to the world. Faced with unprecedented transformation in a century, and to ensure a quality development which is balanced, sustainable and healthy, we must preserve co-ordinated development and security in our new development philosophy. Looking ahead, we must strengthen our competitive edge, be pro-active, play a decent first move, take initiatives, and embrace changes in the emerging strategic opportunity period. We must also learn, take responsibilities, and strive in the fierce full market competition, roll-out the 14th Five-Year Plan whole-heartedly, and rebuild the reputation of "No.1 Butler" (第一管家).

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

Zhang Guiqing
Chairman and Executive Director

Hong Kong, 25 March 2021

Management

Discussion and Analysis


The most noble quality is to be like water: it nourishes all, but is not in conflict with anything.

Management Discussion and Analysis

Gross Floor Area Under Management as at Year Ended

182.3 million sq.m.

20.4%

30.9 million sq.m.

Revenue

HK$

6,544.9 million

19.7%

Business Review

Revenue and Operating Results

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

Despite facing several waves of attacks from "Coronavirus Disease 2019" pneumonia epidemic ("COVID-19") prevailing globally in the year, especially at the early stage of its outbreak, we strived to increase total revenue moderately by 19.7% to HK$6,544.9 million for the year ended 31 December 2020, comparing to HK$5,465.5 million of last year. The increase were mainly arisen from (i) the increase in GFA under our management for the core traditional property management sector with higher proportion of lump-sum basis contracts, and included factors such as increase in property management fee; and (ii) business growth from value-added services to both non-residents and residents. These upsides were however partly offset by the effect of average depreciation of Renminbi against Hong Kong dollar during the past twelve months and the impacts of COVID-19 at the early stage of outbreak.

Management Discussion and Analysis (Continued)

Gross Profit

HK$

1,195.4 million

Business Review (Continued)

Revenue and Operating Results (Continued)

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

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

Management Discussion and Analysis (Continued)

Operating Profit

HK$ 934.1 million

22.5%

Profit Attributable to Shareholders of the Company

HK$ 700.0 million

30.2%

Business Review (Continued)

Revenue and Operating Results (Continued)

Fair value loss of investment properties amounting to HK$4.8 million (2019: fair value gain of HK$2.6 million). As announced on 21 August 2020, the Group acquired a commercial property in Chongqing, China for rental purpose at a consideration of RMB12.5 million (equivalent to approximately HK$13.9 million). Taking into account the impact of Renminbi appreciation at the end of the financial year as recognised in other comprehensive income since last year end, the carrying value of investment properties thus increased to HK$162.6 million (2019: HK$145.9 million) as at 31 December 2020.

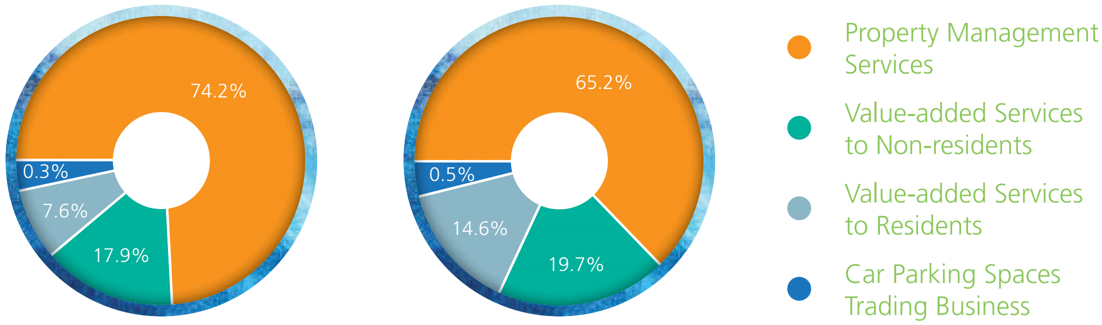
After deducting selling and administrative expenses of HK$339.6 million (2019: HK$395.8 million) and net impairment of trade receivables and payments on behalf of property owners for properties of HK$38.2 million (2019: HK$0.9 million), operating profit increased by 22.5% to HK$934.1 million (2019: HK$762.5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

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

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

Management Discussion and Analysis (Continued)

Revenue Structure **Gross Profit Structure**



Segment Information

Property Management Services

During 2020, the continuous improvement of service quality and customer satisfaction helped us solidifying our strong brand recognition as a renowned property management service provider for mid- to high-end properties in our core stream business. At the same time, possessing a diversified and one-stop business capability, including one-stop shop property management solutions to properties under development (including product positioning consultation, gardening, interior fine finishing, vetting of building plans, facilities and equipment evaluation proposals, pre-delivery services, move-in assistance services, delivery inspection services and engineering service quality monitoring services), we were able to gain early access to those properties and maintain proximate business relationships with them. These would help us to secure new property management engagements and made inroads to independent third parties sities. The strategic clientele management policy bears fruit in 2020 and the GFA under our management increased by 20.4% to 182.3 million sq.m. with 30.9 million sq.m. intakes in the year. The portion of GFA under management from independent third-parties at year end increased to 10.6% (2019: 8.1%).

For the year ended 31 December 2020, revenue from property management services constituted 74.2% of total revenue (2019: 75.2%), and increased by 18.2% from last year to HK$4,857.4 million (2019: HK$4,107.7 million). The increase in revenue from property management services was mainly arisen from the increase in GFA under our management with higher proportion of lump-sum basis contracts, and increase in property management fee, which was partly offset by the effect of average depreciation of Renminbi against Hong Kong dollar during the past twelve months.

For the year ended 31 December 2020, 94.2% and 5.8% of the segment revenue were generated from regular property management contracts under lump sum basis and commission basis respectively (2019: 93.4% and 6.6% respectively).

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

Management Discussion and Analysis (Continued)

UN+ agency services enhance residents' asset value

Segment Information (Continued)

Property Management Services (Continued)

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

Value-added Services

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

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

Management Discussion and Analysis (Continued)

Segment Information (Continued)

Value-added Services (Continued)

In respect of value-added services to residents sub-segment, our services cover (i) community asset management services (such as rental assistance, agency and custody for real estate transactions, common area rental assistance and rental of self-owned properties); (ii) living service operations (to meet the various needs of residents of the properties, including housing ecology, home improvement, new retail, home services, tourism and leisure, education and training, health and elderly care, automotive services, platform services, commercial office services, etc.); and (iii) commercial service operations (to meet the needs of business users). Both of the customers' recognition of our traditional property management services, and diversification of our product offerings and marketing channels through services offered with our online-to-offline platform facilitates meeting the various needs of residents of the properties, which promotes the life style quality and satisfaction of our customers. During the year, the increase in revenue was mainly arisen from huge demand on our retail business such as fresh food distribution and epidemic prevention materials under the disease, and the recovery of our property agency business and various needs of residents, which was partly offset with the revenue slowdown on common area rental assistance and home improvement under COVID-19.

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

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

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

Professional security team guarantees a happy living life for residents

Management Discussion and Analysis (Continued)

Segment Information (Continued)

Car Parking Spaces Trading Business

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

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

Liquidity, Financial Resources and Debt Structure

The Group adopts prudent financial policies, with effective financial and cash management under centralised supervision, and maintains appropriate and sufficient cash balances. As at 31 December 2020, net working capital amounted to HK$1,783.7 million (as at 31 December 2019: HK$1,279.4 million).

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

Capital Expenditures

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

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

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

Systematic training security team ensures customer safety

Management Discussion and Analysis (Continued)

Principal Risk Management Strategies

1. Operating Efficiency

Environmental cleaning services create better living space

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

2. Customers and Suppliers Relationship Management

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

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

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

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

Management Discussion and Analysis (Continued)

Attentive customer services meet customer expectations

Principal Risk Management Strategies (Continued)

3. Monitoring of Foreign Exchange Exposure

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

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

Compliance with Relevant Laws and Regulation

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

Environmental Policies and Performance

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

- Implementation of waste classification system to regulate the process of waste delivery, collection, transportation and disposal, and establishment of waste classification management and protection teams to supervise the effectiveness of the waste classification system in Shanghai, Guangzhou, Beijing and other cities;

- energy-efficient centralised air-conditioning systems and water-recycling systems; and

- advocated green procurement and purchased low energy consumption and lowed emission products encouraged by national policies.

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

Management Discussion and Analysis (Continued)

Capital Commitments and Contingent Liabilities

As at 31 December 2020, the capital commitments of the Group was HK$9.6 million, which mainly related to equity capital investment in a joint venture and acquisition of equipment and software. In addition, the Group provided counter-indemnities amounting to approximately HK$171.2 million, for guarantees issued in respect of certain property management service contracts for which we are required to provide performance bonds in the ordinary course of business.

Except as disclosed above, we had no other material capital commitments and outstanding contingent liabilities as at 31 December 2020.

Significant Events after the Reporting Period

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

Employees

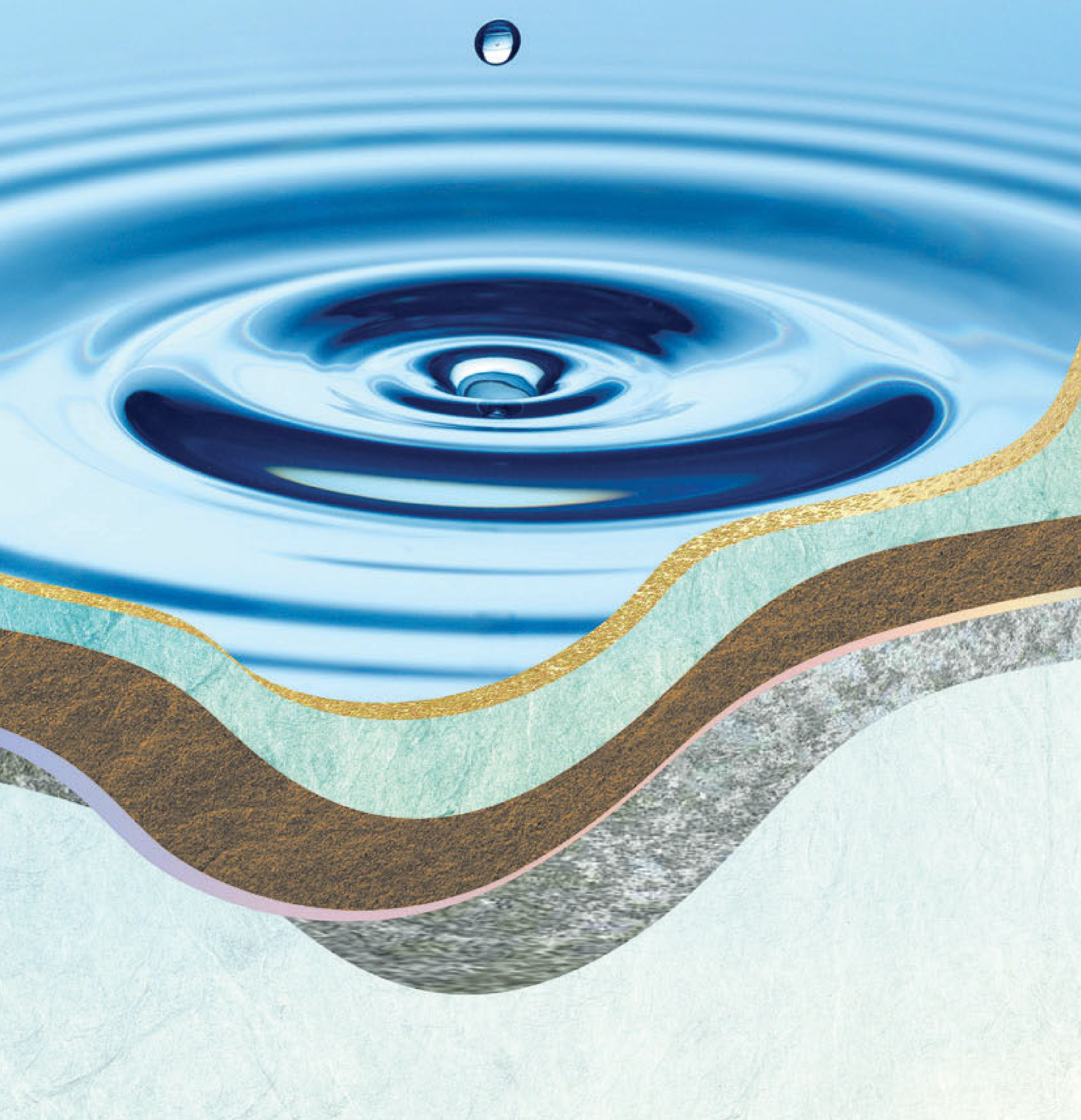
As at 31 December 2020, the Group had approximately 45,398 employees (as at 31 December 2019: 41,244).

The pay levels of these employees are commensurate with their responsibilities, performance and the prevailing market condition. The remuneration packages included basic salaries, discretionary bonus and provident fund contributions/retirement pension scheme. Certain selected key personnel of the Group were also entitled to participate in a share incentive scheme of an intermediate holding company of the Group. The total staff costs incurred for the year ended 31 December 2020 was approximately HK$3,232.3 million (net of government relief of HK$31.4 million) (2019: HK$2,867.2 million), of which, HK$2,993.8 million (2019: HK$2,545.3 million) and HK$238.5 million (2019: HK$321.9 million) was recognised in direct operating expenses and selling and administrative expenses respectively.

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

Professional frontline team provides high-quality services

Water drops can drill through a rock; with perseverance comes success.



Human Resources

and Sustainable Development

Human Resources and Sustainable Development

"Gathering Hard-workers and Inspiring Talents"

The Group adheres to the philosophy of "Gathering Hard-workers and Inspiring Talents (匯聚奮進者，激勵有為者)" and is committed to building a first-class enterprise with first-class talents. With regard to external personnel recruitment, the Group emphasises brand-building effort from the employer's side, recruiting talents from domestic and overseas high schools and society through our recruitment brands, namely "management trainees programmes" and "recruitment of talents from the community". At the same time, we use the talent map as an important tool and channel for daily recruitment work, and through study and analysis of the distribution of talent resources in the region, we accurately grasp the situation of the talent market. In addition, we also broaden external recruitment channels through school-enterprise cooperation and poverty alleviation recruitment and other ways to create job positions for workers, assume social responsibility and demonstrate the role of central enterprises. With regard to internal talent deployment, we provide employees with an open application channel in a fair and equitable manner and a flexible and reasonable rotation and substitution mechanism, with a view to providing sufficient mobility for internal personnel and improving the efficiency of talent deployment. At the same time, we have established a diversified and flexible incentive system based on value contribution to further encourage our employees to work hard and be productive.

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1. *School-enterprise cooperation*
2. *"Youthful Dreams and Directions" Management Trainee School Recruitment*
3. *Poverty Alleviation Recruitment*

Human Resources and Sustainable Development (Continued)

1

1. *Career Enhancement Programme — Training camp for developing our staff echelon*

With regard to talent cultivation, we have built a multi-dimensional talent cultivation system with different levels and classification and promoted the transformation to new roles and on-the-job capability of talents at all levels through the leadership programme, training programme, career enhancement programme and beginner programme. Through the establishment of three major reserve management talent cultivation projects, namely "Youth Leader Scheme", "Youth Management Scheme" and "Star Channel Scheme", to select young talent with high potential for systematic cultivation and to rejuvenate the organization's cadre. We have established a variety of training programmes to enhance professional capabilities, created a learning map for junior staff, and constructed a standardised curriculum system to improve the efficiency of front-line training. At the same time, we give full play to the excellent tradition of "Teaching and Mentoring" talent cultivation through the project apprenticeship cultivation system to help boost youth development. In the future, we plan to gradually establish a licensing, certification, nurturing and deployment system for the core project management team and to select and train talents who meet the professional requirements for future project management positions, so as to continue to secure talent for the Group's business development.

"Construction of a multi-dimensional talent cultivation system with multi-level classification"

Human Resources and Sustainable Development (Continued)

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4

2. *Beginner Programme — Beginner Seminar for management trainees*
3. *Star Channel Scheme*
4. *Apprenticeship ceremony of the Mentoring Scheme*

Human Resources and Sustainable Development (Continued)

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1. *"COPL Family Day" Fun Sports Day*
2. *"Building Happiness and Leading the Trend" Employee Care Outdoor Activity*
3. *"Happy Company at 9pm"*

In 2020, under the theme of "Leading the Way to Care, Happiness Always" (關愛領潮，幸福常伴), the Group carried out a variety of employee care activities, taking into account the extraordinary background of the pandemic. During the pandemic, we issued a number of guidelines on employee care to ensure timely implementation of employee protection during the extraordinary period; we also promptly purchased the novel coronavirus insurance for all employees, giving them a peace of mind. At the same time, we organised a mental health care activity for employees under the theme of "Fight the Virus, Care for the Soul" (抗擊疫情，關愛心靈) to help employees cope with the impact of the pandemic and resolve negative emotions. In addition, we also enhanced the sense of belonging of our employees and improved their happiness through various forms of care activities, such as the "COPL Family Day" (中海家庭日) open communication activities for family members, the "Tide Raiser" (領潮奮進者) competition and the "Happiness Index" (幸福指數) bulletin board.

"Caring for employees and empowering support for the fight against the pandemic"

A Review of the Anti-epidemic Work in 2020

COPL understands the importance of the lives and properties of our customers and employees. With over 30 years of service, COPL adhered to the "serving with heart every single day" mentality and deeply grasp the uncertainties of "space and people" under different unexpected factors. Facing each moment of risk, we were united and determined to persist until we succeed. By practicing this every now and then, we have established a professional mentality with a huge sense of responsibility and sensitivity befitting COPL.

A Review of the Anti-epidemic Work in 2020 (Continued)

Events of COVID-19 Prevention and Control

Early Deployment

On 14 January, COPL published the "Notice on the Prevention and Control of Respiratory Infectious Diseases in Winter and Spring" (《關於冬春季節呼吸道傳染病防控的通知》) to alert people to the high risk of the infection and spreading of contagious diseases. Therefore, the entire staff of the Group immediately took preventive actions, including but not limited to disinfecting key areas, covering elevator buttons, increasing disinfection frequency and disseminating information about the issue.

中海物业集团有限公司

关于冬春季节呼吸道传染病防控的通知

Increasing disinfection frequency on key areas

Taking the temperature of visitors and other outsiders People with abnormal conditions were denied entry to the residential area

Emergency Teleconference on the Prevention and Control of the COVID-19 Outbreak in Wuhan

Early Activation

On 20 January, COPL conducted the "Emergency Teleconference on the Prevention and Control of the COVID-19 Outbreak in Wuhan" (關於武漢新冠狀病毒疫情防控的緊急電話會議). Mr. Yan Jianguo, the Chairman of China Overseas Holdings Limited (COHL), and Mr. Ma Fujun, Assistant General Manager of COHL urged COPL to perform its duties and further emphasized the deployment of relevant prevention and control work in accordance with the instructions of the leaders of our country. As a result, the projects under management including residential projects, governmental institution properties, commercial office buildings and boundary control points were thoroughly aimed at.

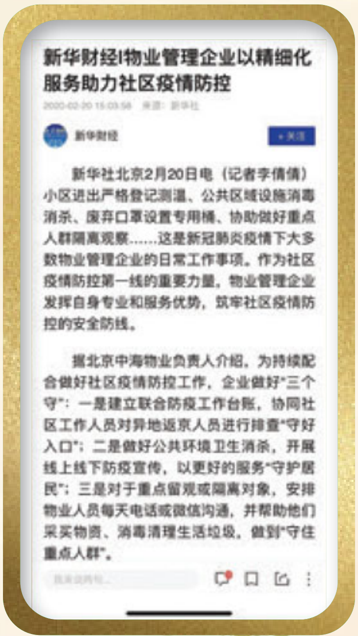
A Review of the Anti-epidemic Work in 2020 (Continued)

Early Implementation

On 28 January, the "COPL Guidelines for the Prevention and Control of COVID-19 Outbreak (Trial)" (中海物業集團防控新型冠狀病毒感染的肺炎疫情防控的工作指引（試行）》) was published to organize and stipulate the prevention and control measures for the Company and employees in "project areas where an outbreak has not occurred" and "project areas where an outbreak has occurred", directing the project management offices to carry out various epidemic prevention and control work.

Thorough Implementation of Scientific Prevention and Control | Straight to the keys to anti-epidemic work in properties

We adopted the strategy of "prevention of internal spreading and external spill-over cases" to assist, cooperate with and obey the prevention and control measures of government authorities. We communicated with the subdistrict offices and property committees in a timely manner to receive the authority or permission to enclose micro-districts temporarily, reject entry of outside individuals and vehicles, and ask the property owners in micro-districts to remind their relatives and friends to avoid visiting them. As for outside visitors such as delivery men, they must ask the owners to receive the delivery at the gate of their district.



新华财经|物业管理企业以精细化服务助力社区疫情防控

新华财经

新华社北京2月20日电（记者李倩倩）小区进出严格登记测温、公共区域设施消毒消杀、废弃口罩设置专用桶、协助做好重点人群隔离观察……这是新冠肺炎疫情下大多数物业管理企业的日常工作事项。作为社区疫情防控第一线的重要力量，物业管理企业发挥自身专业和服务优势，筑牢社区疫情防控的安全防线。

据北京中海物业负责人介绍，为持续配合做好社区疫情防控工作，企业做好"三个守"：一是建立联合防疫工作台账，协同社区工作人员对异地返京人员进行排查"守好入口"；二是做好公共环境卫生消杀，开展线上线下防疫宣传，以更好的服务"守护居民"；三是对于重点留观或隔离对象，安排物业人员每天电话或微信沟通，并帮助他们采买物资、消毒清理生活垃圾，做到"守住重点人群"。

Implementation of enclosure management in property communities

On 20 February, a reporter from Xinhua News Agency reported on the "three lines of guard" practice of COPL: firstly, to establish a joint anti-epidemic work account, and cooperate with community staff to check people returning to Beijing from other places, thus "guarding the entrance"; secondly, to ensure that public places are sanitized, circulate information about epidemic prevention online and offline to provide better serve and "guard the residents"; thirdly, to explain to people under medical observation and in quarantine the procedures of buying daily necessities, disinfection and disposal of their daily waste, thus "guarding the key group of people" and protecting the community from the epidemic.

A Review of the Anti-epidemic Work in 2020 (Continued)

Information circulation, advocation and education

On 14 February, the Xinghai AI "epidemic manager" robot developed by Xinghai Wulian (興海物聯) were officially launched. Users can obtain the latest news of the epidemic through the "epidemic manager", or look for information with one-click. WeChat Official Account, WeCom and APP are supported to access this service directly.

In April, COPL compiled the "Practical Manual of Epidemic Prevention and Control" (《疫情防控工作手冊》), clearly stipulating the manner of conducting daily prevention and control measures at the project level.

"Contact-free" delivery

In order to protect the owner's life, health and convenience to the greatest extent, and effectively solve the problem of material distribution in the "last mile", COPL set up a centralized delivery point for express delivery. The staff wearing masks and medical gloves conducted centralized disinfection of 500 to 600 express delivery items received daily. Convenient service trolleys were used to sort and assemble each unit of express delivery, and distribute the express delivery to the door of each owner through "contact-free delivery". The owners nicely called them "COPL Express Team" (中海快遞小分隊).

A Review of the Anti-epidemic Work in 2020 (Continued)

Increasing anti-epidemic assistance

The melons and fruits in Dongao Town, Wanning City, Hainan Province were growing very well this year. However, due to the outbreak of the epidemic, the harvest of melons and fruits was facing a serious unmarketable situation. In early March, COPL and its sister company in the same group jointly launched the "anti-epidemic poverty alleviation and charity activity" (戰"疫"扶貧獻愛心活動) to help farmers and alleviate poverty. We bought tens of thousands of melons and fruits and gave them to the residents of China Overseas. This helped the farmers with their urgency and reciprocated the owners, who had been supporting our anti-epidemic work ever since the outbreak of the epidemic. Our charity work and poverty alleviation activity were reported by numerous press, including but not limited to Guangzhou TV, NetEase, Tencent, and Toutiao.

Within three days, South China District of COPL Branches completed the picking, packing, loading and purchasing of 300,000 catties of fruits and vegetables, which were distributed to different regions, including Shenzhen, Guangzhou, Foshan, Huizhou, Dongguan, Hainan and Zhuhai, thereby connecting the poverty-stricken farmers in Hainan to the "Five Color Community" in the South China District of COPL projects, which are 800 kilometers apart.

People-oriented policy and care for employees

Technical support

Four pilot projects were selected in Shenyang where innovative video owner meetings were held, allowing owners to learn about the latest developments of the recent epidemic prevention work in their properties without having to leave home, and to answer questions raised by the owners and reflect the rectification of problems.

Continuing to bring to light "epidemic-fighting heroes in the properties"

In late April, South China District of China Overseas Land & Investment (COLI) arranged visit to COPL and looked back at the outstanding performance of COPL in the hundred days of epidemic. COPL staff's perseverance and courage to stay on the frontline and complete the mission was highly recognized by the management of COLI.

A Review of the Anti-epidemic Work in 2020 (Continued)

Sincere care

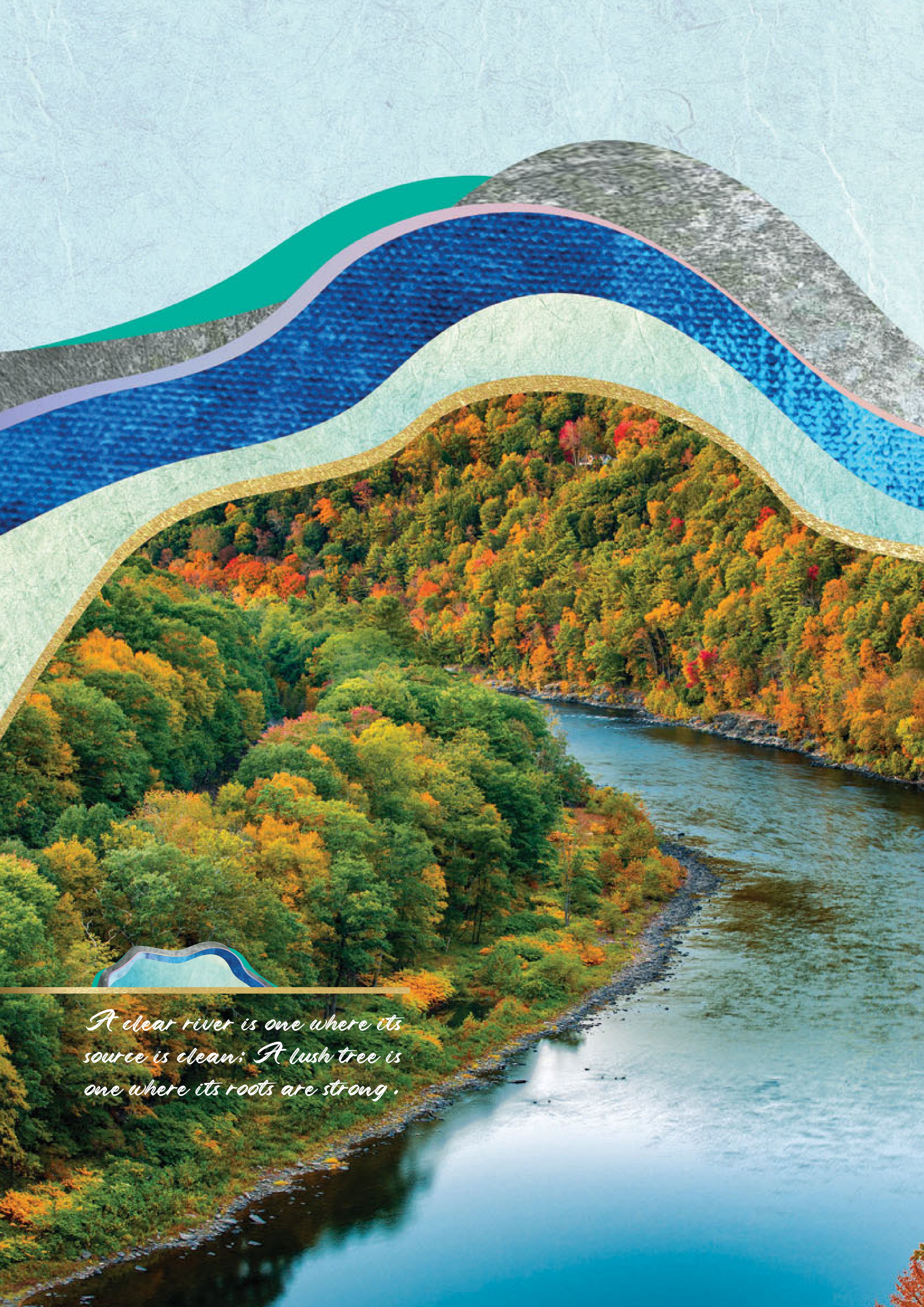
On April 23, Mr. Ding Zhigang, head of the Supervision Department of COHL, visited Shanghai to greet and pay tribute to the front-line employees of COPL in the epidemic prevention work.

On July 24, COPL invited qualified third-party testing agencies to conduct on-site testing. The venue was set in the vacant areas of the Company's headquarters where testing were conducted in a centralized manner. Queues were arranged orderly, with a safe distancing measure implemented to effectively avoid close contact. A total of 592 people, including all employees of the 11 management offices in Dalian branch of COPL and other relevant individuals of the subcontractor companies, have completed the nucleic acid test.

Committing to duties and safeguarding the frontline

During the Chinese New Year, approximately 13,500 security guards were on duty every day in nearly 800 projects in nearly 100 cities (including Hong Kong and Macau) where COPL operates, inspecting and checking to maintain order in the community. Nearly 8,600 cleaners are collecting, processing and operating disinfection of domestic garbage; nearly 5,000 managers gave up their Chinese New Year holidays or returned to work early to work on the epidemic prevention front line, so as to ensure the health and safety of the China Overseas community.

While domestic epidemic prevention and control are gaining phased success, overseas risks remain high. In the normalized business development, we still need to stick to our roots to bring happiness to our customers and employees. That is necessary in fighting the epidemic and facing different kinds of emergency situations; it is also the necessary path for service providing enterprises to survive, develop and grow, and the core strength to undertake national strategies.


A clear river is one where its source is clean; A lush tree is one where its roots are strong.

Corporate

Governance Report

Corporate Governance Report

Corporate Governance Practices

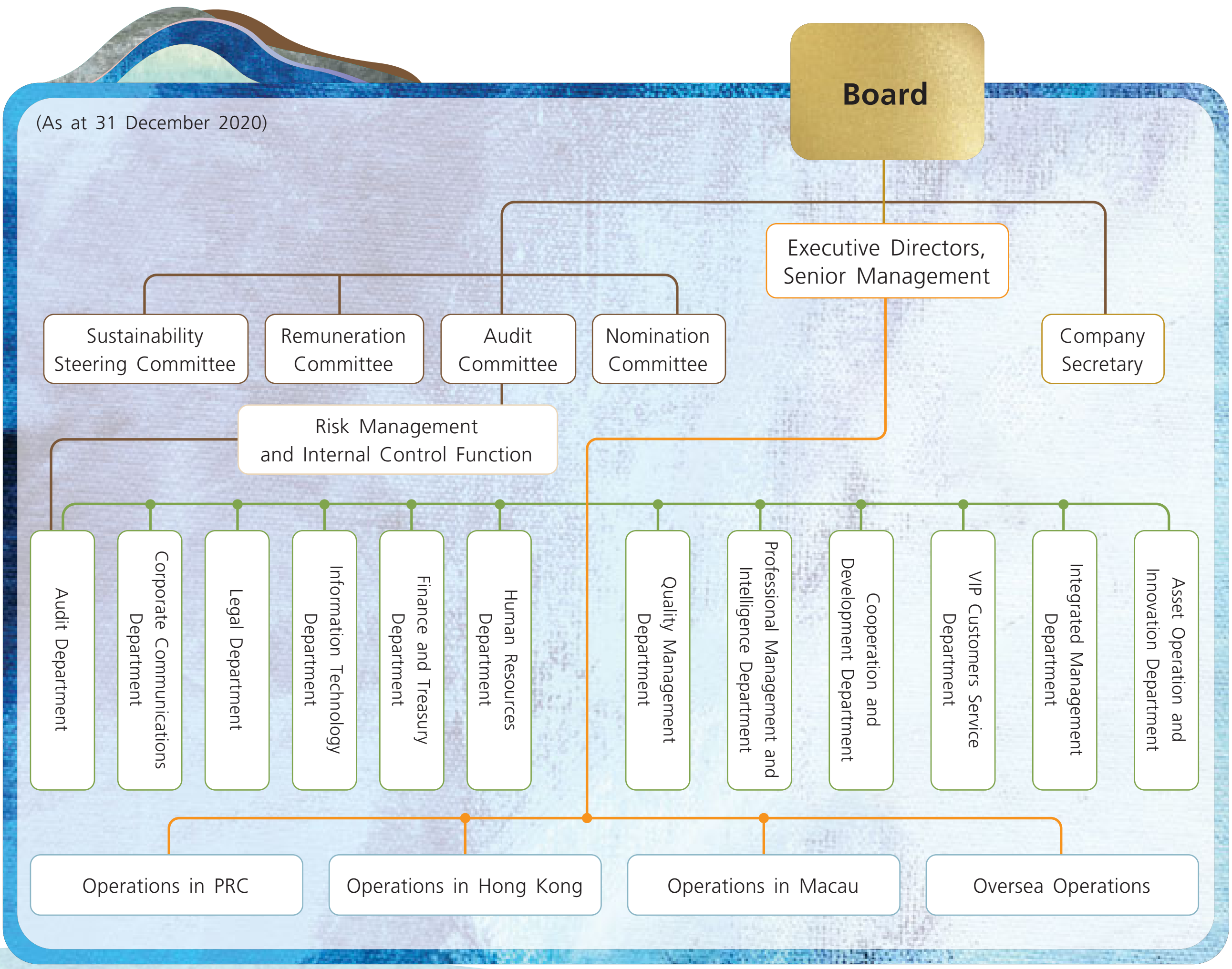
China Overseas Property Holdings Limited (the "Company", together with its subsidiaries, the "Group") acknowledges the important roles of its board of directors in providing effective leadership and direction to the Group's business, and ensuring transparency and accountability of the Group's operations.

The board (the "Board") of directors (the "Directors") of the Company recognises that good corporate governance leads to the success of the Group and enhances its shareholders' value. As such, the Board is committed to maintain 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 2020, the Company has adopted and complied with all the code provisions of the Corporate Governance Code (the "Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

Corporate Governance Structure

The Board has established a clear governance structure, it, with the support of the four Board committees, namely Audit Committee, Nomination Committee, Remuneration Committee and Sustainability Steering Committee, performs the key governance functions within the Group.



Corporate Governance Report (Continued)

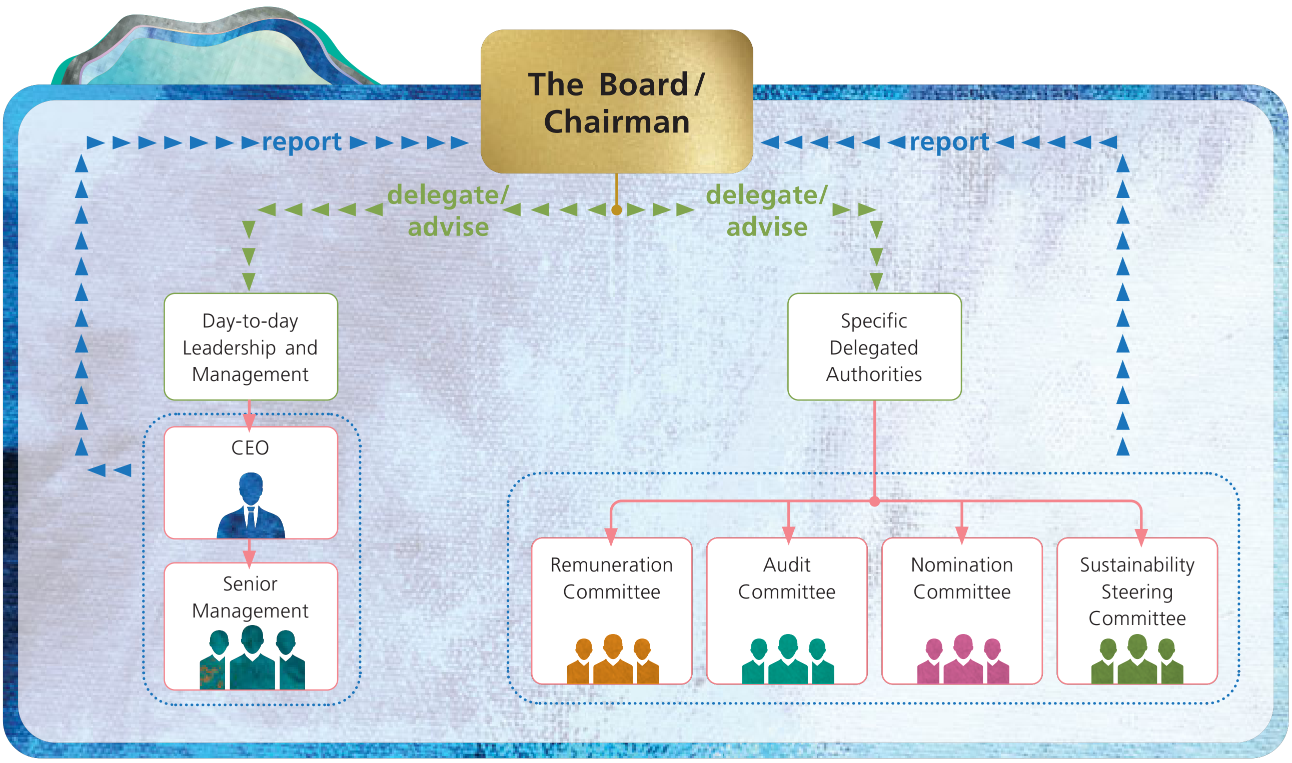
A. Board

A1. Board's Role and Delegation

The primary role of the Board is to maximize long-term shareholders value. It assumes the responsibility for providing effective and responsible leadership and control of the Group, and directing and supervising the Group's affairs in pursuit of the Group's strategic objectives. To enhance efficiency, the Board has delegated the Chief Executive Officer the day-to-day leadership and the management of the Group.

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

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



Corporate Governance Report (Continued)

A. Board (Continued)

A2. Board Composition

The composition of the Board during the year ended 31 December 2020 and up to the date of this Annual Report is as follows:

Non-executive Director:

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

Executive Directors:

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

Independent Non-executive Directors:

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

The Directors' biographical information are set out at 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. There is no relationship (including financial, business, family or other material/relevant relationship(s)) among members of the Board.

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.

A3. Chairman and Chief Executive Officer

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

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

Corporate Governance Report (Continued)

A. Board (Continued)

A4. Appointment, Re-election and Removal of Directors

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

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

Pursuant to the articles 84(1) & 84(2) of the Articles of Association, not less than one-third of the directors for the time being shall retire from office by rotation at an annual general meeting. As such, Mr. Pang Jinying, Mr. Yung, Wing Ki Samuel and Mr. Lim, Wan Fung Bernard Vincent will retire by rotation at the annual general meeting to be held in June 2021 (the "2021 AGM"). All of them, being eligible, will offer themselves for re-election at the 2021 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.

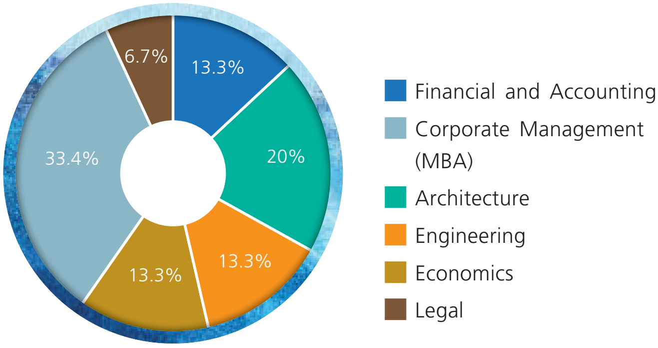
The Company also recognises and embraces the benefits of having a diverse Board to enhance its effectiveness as well as improve the quality of its performance. The Board has adopted a Board Diversity Policy effective since October 2015, a copy of which is available on the Company's website (www.copl.com.hk).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

Corporate Governance Report (Continued)

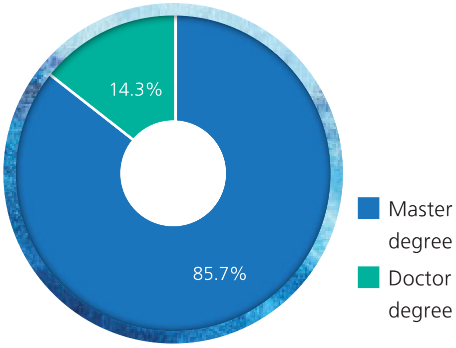
A. Board (Continued)

A5. Board Diversity (Continued)

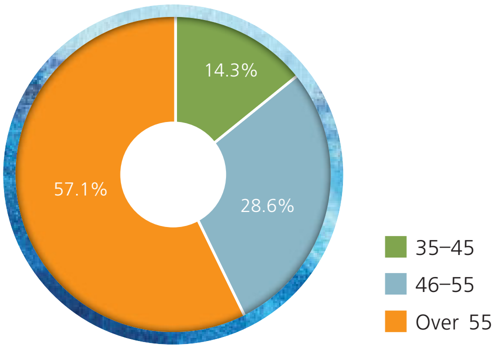
Professional experience and knowledge*:



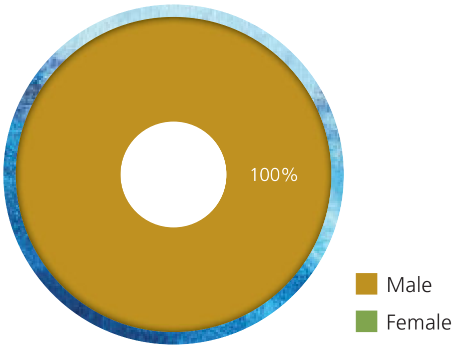
Education background (highest):



Age:



Gender:



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

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

A6. Confirmation of Independence

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

Corporate Governance Report (Continued)

A. Board (Continued)

A7. Directors Training

Pursuant to the code provision A.6.5, the Company has received from the Directors below a record of the type(s) of training they received for the year ended 31 December 2020.

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

Remarks:

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

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

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

Corporate Governance Report (Continued)

A. Board (Continued)

A8. Board Meetings

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

At least 14 days formal notice is given before each regular Board meeting and reasonable notice is given before the ad hoc board meetings. Agenda accompanying Board papers are sent to all Directors at least 3 days before each regular board meeting. Directors are given the opportunity to comment on the draft Board agenda to include items that they would like to discuss.

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.

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.

Details of the attendance records of each Board member for 2020 are provided in the section headed "Attendance at Board Meetings, Committee Meetings and Shareholders' Meetings" of this Corporate Governance Report.

A9. Model Code for Securities Transactions by Directors and Relevant Employees

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as contained in Appendix 10 to the Listing Rules as the code for dealing in securities of the Company by the Directors. After specific enquiry, all Directors confirmed that they have complied with the required standard regarding securities transactions set out therein throughout the year 2020.

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

Corporate Governance Report (Continued)

A. Board (Continued)

A10. 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 2020, the Board has reviewed the training and continuous professional development of Directors, the compliance of the Model Code and the Company's compliance with the Corporate Governance Code and disclosures in this Annual Report.

A11. Directors' and Officers' Liabilities Insurance

The Company has arranged appropriate insurance coverage in respect of legal actions against the Directors and senior management arising out of corporate activities of the Company. The insurance will be reviewed and renewed annually.

B. Board Committees

As part of good corporate governance, the Board has set up a Remuneration Committee, an Audit Committee, a Nomination Committee and a Sustainability Steering 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. The terms of reference of the Remuneration Committee, Audit Committee and Nomination Committee 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

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

Corporate Governance Report (Continued)

B. Board Committees (Continued)

B1. Remuneration Committee (Continued)

The main duties and responsibilities of the Remuneration Committee including but not limited to:

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

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

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

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

For the year ended 31 December 2020, the Remuneration Committee has held two meetings during which the Remuneration Committee has performed the following major works:

— reviewed the proposed director's remuneration of a newly appointed Chairman and Executive Director and recommended the proposal to the Board for approval; and

— reviewed the proposed remuneration packages (including bonus and benefits) of all Directors and senior management and recommended the proposal to the Board for approval.

Details of the attendance record of each Remuneration Committee member for 2020 are provided in the section headed "Attendance at Board Meetings, Committee Meetings and Shareholders' Meetings" of this Corporate Governance Report.

Corporate Governance Report (Continued)

B. Board Committees (Continued)

B1. Remuneration Committee (Continued)

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 2020 are disclosed in note 9 and note 37(d) respectively to the financial statements contained in this Annual Report.

B2. Audit Committee

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

The main duties and responsibilities of the Audit Committee including but not limited to:

— 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.

Corporate Governance Report (Continued)

B. Board Committees (Continued)

B2. Audit Committee (Continued)

For the year ended 31 December 2020, 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 2020;

— discussed and considered the recommended disclosures in the 2019 Corporate Governance Report regarding the Company's risk management and internal control systems;

— reviewed, discussed and recommended to the Board for approval of the Group's consolidated financial statements, results announcements, Chairman's statement and business review for the year ended 31 December 2019 and for the six months ended 30 June 2020 and the quarterly financial information for the periods ended 31 March 2020 and 30 September 2020;

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

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

— reviewed the continuing connected transactions and related matters of the Group for the year ended 31 December 2019; and

— recommended the proposed appointment of Ernst & Young as new external auditor (for 2020) to the Board for approval.

Details of the attendance record of each Audit Committee member for 2020 are provided in the section headed "Attendance at Board Meetings, Committee Meetings and Shareholders' Meetings" of this Corporate Governance Report.

Corporate Governance Report (Continued)

B. Board Committees (Continued)

B2. Audit Committee (Continued)

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 2020, each of CSCEC and CSCECL has complied with the Deeds of Non-competition.

B3. Nomination Committee

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

The main duties and responsibilities of the Nomination Committee including but not limited to:

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

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

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

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

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

Corporate Governance Report (Continued)

B. Board Committees (Continued)

B3. Nomination Committee (Continued)

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

For the year ended 31 December 2020, the Nomination Committee has held two meetings during which the Nomination Committee has performed the following major works:

— recommended to the Board on the appointment of Mr. Zhang Guiqing as Chairman and 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.

Details of the attendance record of each Nomination Committee member for 2020 are provided in the section headed "Attendance at Board Meetings, Committee Meetings and Shareholders' Meetings" of this Corporate Governance Report.

Corporate Governance Report (Continued)

C. 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 2020 are set out in the table below:

Directors	Board Meetings	Audit Committee Meetings	Remuneration Committee Meetings	Nomination Committee Meetings	General Meetings
Executive Directors:					
Mr. Zhang Guiqing	6/6	N/A	1/1	1/1	2/2
(appointed on 11 February 2020)					
Dr. Yang Ou	7/7	N/A	N/A	N/A	2/2
Mr. Pang Jinying	7/7	N/A	N/A	N/A	2/2
Mr. Kam Yuk Fai	7/7	N/A	N/A	N/A	2/2
Non-executive Director:					
Mr. Yan Jianguo	1/1	N/A	1/1	1/1	N/A
(resigned on 11 February 2020)					
Independent Non-executive Directors:					
Mr. Yung, Wing Ki Samuel	7/7	4/4	2/2	2/2	2/2
Mr. So, Gregory Kam Leung	7/7	4/4	2/2	2/2	2/2
Mr. Lim, Wan Fung Bernard Vincent	7/7	4/4	2/2	2/2	2/2

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

In addition, during the year ended 31 December 2020, Mr. Zhang Guiqing, the Chairman of the Board of the Company, has held a meeting with the Independent Non-executive Directors without the presence of Executive Directors.

Corporate Governance Report (Continued)

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

Directors acknowledged their responsibilities for preparing the consolidated financial statements of the Company for the year ended 31 December 2020.

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.

E. Risk Management and Internal Control

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

Managing Risks to Achieve Goals of Sustainable Growth

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

Risk Management Responsibilities

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

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

— **the Audit Committee** is responsible for overseeing the finance, internal control and risk management of the Company as well as monitoring the implementation of the relevant code provisions relating to risk management as amended, and reviewing from time to time the changes in the nature and extent of the Company's significant risks and the Company's ability to respond to changes in its business and external environment.

Corporate Governance Report (Continued)

E. Risk Management and Internal Control (Continued)

Risk Management Responsibilities (Continued)

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

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

Risk Management and Internal Control Systems Operation

The Group has continued to utilize or reinforced every duty in the three defensive lines through an established risk management system. Each respective department and project, as the first defense line, shall identify risk factors that may happen or continuously hinder the Company from achieving our development goals and conduct assessment, while formulating a series of internal control measures to prevent, mitigate and reduce the possible impact of risks. The main measures are as follows:

1. In order to cope with the risks brought by the COVID-19 pandemic, the Group has formulated epidemic prevention and control measures through the leading groups of epidemic prevention and control emergency work at all levels, and units at all levels have provided technical and material support for the frontline workers. We regularly hold meetings to review our epidemic prevention and control work at different stages. In response the changes in the trend of the pandemic, we have adjusted our prevention and control work in a timely manner based on the different aspects, such as securing anti-epidemic items, the management of owners, employees and cooperative units from the perspective of epidemic prevention and control, and urgent problems that need to be solved. By the end of the year, we have received many praises and positive media coverage for our anti-epidemic work, and there were no confirmed cases of COVID-19 among our domestic employees during the whole year.

2. In order to strengthen the control of human resources risks and to protect the occupational health and safety of employees, the Human Resources Department has issued a number of guiding policies on employee care to ensure timely implementation of employee protection during extraordinary periods. In terms of internal cultivation and reserve of talents, the Human Resources Department has established a multi-dimensional talent cultivation system with different levels and classifications, sorted out and optimized the special cultivation projects of the "Navigation Series (航系列)", and promoted the transformation of new roles and on-the-job capability of talents at all levels. We established the "Catfish Project (鯰魚計劃)" for young talents to select young talents with high potential for systematic training and to rejuvenate the organization's cadre. We have also established a variety of training programs to enhance professional competence, created a learning map for junior staff, and constructed a standardized curriculum system to improve the efficiency of front-line training. We continued to strengthen the reserve and cultivation of excellent project managers, give full play to the excellent tradition of "Teaching and Mentoring (傳幫帶)" talent cultivation, strengthen the establishment of project management capabilities, and select and cultivate talents who meet the professional requirements of future project management positions.

Corporate Governance Report (Continued)

E. Risk Management and Internal Control (Continued)

Risk Management and Internal Control Systems Operation (Continued)

3. In order to cope with the safety risks in the community, the Professional Management and Intelligence Department has established a systematic management process for safety production training and meetings, and continued to carry out special training activities such as "First-aider Training", "Monitor Examination and Rank Certification", and "Safety Management Team Leader and Safety Management Instructor Training" to enhance the awareness and ability of all employees in safety production. At the same time, a safety hazard supervision and management team was established in each project, and safety hazards were listed level by level, hierarchically controlled, supervised and managed. We continued to carry out special work such as centralized rectification and responsibility implementation for safety production.

4. In order to cope with customer relationship risks and improve customer satisfaction, the Quality Management Department organized a series of "Heartwarming + Surprise (暖心+驚喜)" customer care activities, convenience activities and activities to improve the customer satisfaction to focus on the implementation of the basic property service quality of the project site, and to attach great importance to customer experience. We issued the "Complaint Management Regulations (投訴管理辦法)", "Complaint Management Assessment Regulations (投訴管理考核辦法)", "Guidelines for Prevention and Control of Customer Complaint Risks (客戶投訴風險防控指引)" and "Cases for Prevention and Control of Customer Compensation Risks (客戶賠付風險防控案例)" to further standardize the complaint handling process through the refined management of service processes and system assessment. We combined the customer reports, reparations, consultations and business returns of the 400 Customer Center of Luoyang COPL with the follow-up and processing of each project to achieve the efficient closed-loop management of the whole process.

5. In order to cope with the risks brought by the market expansion business, the Cooperation and Development Department, following the "Notice on Standardization of Market Expansion Project Evaluation (關於規範市場拓展專案評審工作的通知)" issued in the first half of the year, has further implemented the standardization of market expansion project evaluation and clarified the responsibilities of all parties in risk control. We strictly conducted the preliminary project audit and review, and passed the project economic calculation review to exclude low-profit or loss-making projects. We established a contract and performance tracking system for unexpected and major uncontrollable factors such as outbreak of epidemics, so as to avoid the operational risks of contract performance from our partners through monitoring, early warning, trigger calls and contract cancellation.

6. To further strengthen the work of property fee collection and clearing, assessment work was increased in the second half of the year, and a combination of positive incentives and negative penalties was implemented. At the same time, each project carried out special analysis meetings, systematic training and experience sharing on debt settlement, while the leadership team took the initiative to increase the collection rate and debt settlement rate by promoting the implementation of non-cash charges and intensifying legal litigation.

Corporate Governance Report (Continued)

E. Risk Management and Internal Control (Continued)

Risk Management and Internal Control Systems Operation (Continued)

7. In order to improve the legal risk prevention and control capabilities, the Legal Department has improved the legal risk management procedures through five major measures: revision of the system, preparation of guidelines, legal review, risk warning, and supervision and inspection. After the promulgation of the Civil Code, the Legal Department invited consultants to organize a training session on legal knowledge of property management and collection techniques. The Legal Department of the Risk Control Group in Ningbo published an article "How to avoid the risks in housing safety management of property enterprises (物業企業如何規避房屋安全管理中的風險)" in "Shenzhen Property Management", which is a profound summary and study on the legal risks of the industry.

Secondly, each unit/project under the property group relied on the second defense line of each risk control working team. A total of 132 risk control meetings were held throughout the year and the risk control structure was reviewed and updated 8 times. Through meetings or self-examination, risk control teams at all levels reviewed more than 1,000 risk countermeasures, all of which were identified and evaluated in the second half of the year. They revised and improved the system, and strengthened the implementation of risk countermeasures. The evaluation results show that the implementation of various risk countermeasures can effectively hedge and mitigate the possible impact of risks.

During the year, the Audit Department, doubles as the Risk Control Working Group Office compiled typical cases to form a case library for important risks such as community safety and customer relations, and conducted corresponding risk control training for risk control teams at all levels. During the year, we have passed the effectiveness test of the corresponding control implementation by various departments and units, as well as the independent monitoring and evaluation conducted by the audit department, and formulated the main targets for risk control work in 2021.

In order to promote the construction of a standardized system, strengthen the internal control risk prevention measures and regulate the internal control evaluation standards for various types of segments, the Audit Department organized and compiled the "Internal Control Manual of China Overseas Property Holdings Limited" in 2020. It describes the key processes of the company's systems, states the main business sessions, and shows the process of each business operation from the beginning to the end through a flowchart, which serves as a reference document for internal control review of each department and unit. At the same time, we set up internal control self-testing and self-evaluation standards, completed the "Internal Control Test Draft of China Overseas Property Holdings Limited" and issued key points of internal control measures to prevent and control risks for self-testing, self-inspection and self-evaluation by superior officers, the property group and the units under our management, so as to promote the improvement mechanism of risk countermeasures for the property group by reviewing the design and implementation defects of the system.

Corporate Governance Report (Continued)

E. Risk Management and Internal Control (Continued)

Risk Management and Internal Control Systems Operation (Continued)

As the third defense line of risk control, the Audit Department is responsible for independent monitoring and evaluation duties. In the second half of the year, the Audit Department completed the audit of economic efficiency and financial income and expenditure of the Jinan's companies, the audit of financial income and expenditure and internal control compliance of the Commercial Management Department in Beijing, and the audit of rectification of audit of the Guangzhou's companies based on the annual audit plan which is formulated by risk and internal control direction in the beginning of the year. At the same time, we cooperated with the superior unit to complete the special audit for the tender management of the North China area, which was not part of the annual plan. The internal control evaluation is regarded as a special work of internal audit based on risk control throughout the internal audit project. In 2020, the audit department implemented sample evaluations on companies including those in Guangzhou, Changsha and Wuhan. In addition, we organized tests on the establishment of sound internal control systems and the compliance and effectiveness of the implementation of control measures for each unit under the property group to examine the ability of internal control measures to handle risks. Based on the test results, no major irregularities were found in the design and implementation of the system.

Annual Confirmation

During the year, a risk management and internal control report was submitted by the Audit Department to the Audit Committee for review at least semi-annually. The Board, through the Audit Committee, has reviewed reports concerning risk management and internal control systems and also conducted annual review on the effectiveness of the risk management and internal control systems of the Group and unanimously considered that the risk management and internal control systems and unanimously considered that the risk management and internal control systems and procedures of the Company for the financial year ended 31 December 2020 were adequate and effective. The Company will continue to strengthen the soundness and effectiveness of its 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).

The Board also confirms that the Company's risk management and internal control system has adequate resources and professional and experienced staff for the accounting, internal audit and financial reporting functions, and the training programs and relevant budgets received by the staff are sufficient.

F. Company Secretary

The Company Secretary of the Company is a full time employee of the Company and is appointed by the Board. The Company Secretary reports to the Boards and is responsible for advising the Board on governance matter. The Company Secretary has taken not less than 15 hours of relevant professional training for the year ended 31 December 2020 and comply with the Rule 3.29 of the Listing Rules.

Corporate Governance Report (Continued)

G. External Auditor and Auditor's Remuneration

The statement of the external auditor of the Company about its reporting responsibilities on the Company's consolidated financial statements for the year ended 31 December 2020 is set out in the section headed "Independent Auditor's Report" of this Annual Report.

The fees paid/payable to Ernst & Young, the Company's auditor, in respect of audit services and non-audit services (represented professional services rendered in connection with the Group's preliminary results announcement and continuing connected transactions) for the year ended 31 December 2020 are analyzed below:

Type of services provided by the external auditor	Fees paid/payable HK$'000
Audit services	
— audit fee in respect of annual audit	2,800
Non-audit services	218
TOTAL:	3,018

H. Constitutional Documents

There was no change in the Company's constitutional documents during the year ended 31 December 2020.

I. Communications with Shareholders and Investors

The Group recognizes the importance of transparent and timely disclosure of corporate information, which enables shareholders and investors to make the best investment decision. The Company believes that effective communication with shareholders is essential for enhancing investor relations and investors' understanding of the Group's business performance and strategies.

I1. Shareholders' Communication Policy

The Company has adopted a Shareholders Communication Policy with an aim of promoting and maintaining an on-going dialogue with shareholders and the investment community, procedures for shareholders sending enquiries and concerns to the Board and other policies concerning communication with shareholders and investors have been established in the policy. The policy can be viewed at the Company's website (www.copl.com.hk).

Corporate Governance Report (Continued)

I. Communications with Shareholders and Investors (Continued)

I2. The Company's Website

The Company maintains a website at www.copl.com.hk provides comprehensive and most updated information on the Group's businesses and projects, key corporate governance policies, announcements, financial reports, circulars and corporation information such as composition of the Board, Board committees and their respective terms of reference, biographical information of Directors and Senior Management.

I3. General Meetings

General meetings serve as a communication platform where the Board can maintain a face-to-face dialogue with shareholders and investors. Questioning by the shareholders at general meetings is encouraged and welcomed.

During the year, the Chairman of the Board and the Chairman of the respective Audit, Remuneration and Nomination Committees, other Board members and representatives of the external auditor attended the General Meetings to respond to any questions from shareholders.

I4. Enquiries

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

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

Corporate Governance Report (Continued)

J. 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:

J1. 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.

J2. 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 Acts of Cayman Islands or the Articles of Association. Shareholders who wish to move a resolution may request the Company to convene a general meeting following the procedures set out in the preceding paragraph.

J3. Procedures for Directing Shareholders' Enquiries to the Board

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

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

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

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

Directors and Senior Management

(As at 25 March 2021, date of this Annual Report)

Executive Directors

Mr. Zhang Guiqing

Chairman and Executive Director

Aged 48, has been appointed as the Chairman of the Board, Executive Director, Authorized Representative, chairman of the nomination committee and a member of the remuneration committee of the Company on 11 February 2020 and has been appointed as a member of the sustainability steering committee on 27 October 2020. He is also a director of certain subsidiaries of the Group. Mr. Zhang holds a bachelor degree from the Shenyang Jianzhu University and a master degree from the Harbin Institute of Technology. He joined a subsidiary of China Overseas Holdings Limited ("COHL", the controlling shareholder of the Company) as engineer in 1995 and since then, he worked in various business units within COHL and China Overseas Land and Investment Ltd. ("COLI", the fellow subsidiary of the Company, Stock Code: 688, a company listed on the Main Board of the Stock Exchange), such as, development management department, marketing and planning department, general manager of Suzhou, Shenzhen and Northern District regional companies. Mr. Zhang has also been appointed as director of COHL with effect from 5 March 2020. He was the executive director and chief executive officer, authorized representative and a member of remuneration committee of China Overseas Grand Oceans Group Limited ("COGO", an associate of the Company, Stock Code: 81, a company listed on the Main Board of the Stock Exchange) for the period from December 2014 to February 2020. Mr. Zhang has 25 years' experience in property development and corporate management.

Dr. Yang Ou

Executive Director and Chief Executive Officer

Aged 43, has been appointed as Executive Director and Chief Executive Officer as well as authorized representative of the Company on 22 March 2018 and has been appointed as a member of the sustainability steering committee on 27 October 2020. He is also a director of certain subsidiaries of the Group. Dr. Yang graduated from Nanjing University of Science and Technology in the PRC with a Bachelor of Engineering degree in Materials Science in June 2000. He obtained his Master degree in Architecture and Civil Engineering from Chongqing University in the PRC in December 2006, a Master degree in Business Administration from National University of Singapore in June 2011 and a Doctor degree in management from The Hong Kong Polytechnic University in September 2015. Dr. Yang obtained qualifications in securities practice in December 2001, senior economist in materials science and engineering in June 2011, a senior engineer in architecture and civil engineering in August 2013 and senior economist in business administration specialty in September 2020. Since September 2014, Dr. Yang has been an instructor at the VENCI-CIH Learning Centre (英國特許房屋經理學會中國學習中心). Since December 2014 and May 2015 respectively, Dr. Yang has been the corporate mentor of the MBA Education Centre of Shantou University and Southwest Jiaotong University in the PRC. He has been Vice President of China Property Management Institute since 26 May 2019. Dr. Yang was appointed as the Executive Director and Vice President of the Company for the period from 25 June 2015 to 5 May 2016. From July 2013 to February 2014, he was the chairman of the board of three subsidiaries of the Group engaged in value-added services. From 2002 to 2015, Dr. Yang served as the director and deputy general manager of China Overseas Property Management Chengdu Company Limited (成都中海物業管理有限公司), the director and assistant general manager of China Overseas Xingye (Chengdu) Development Limited (中海興業(成都)發展有限公司), the director and general manager of the client relationship department of COLI, the general manager of China Overseas Property Management Company Limited (中海物業管理有限公司) and the property management department of COLI, being responsible for the overall management and operation of the business in the PRC and the general manager of China Overseas Grand Oceans Property Shantou Limited (汕頭市中海宏洋地產有限公司), a subsidiary of COGO. He was the president of Sichuan District of Country Garden Holdings Company Limited (Stock Code: 2007, a company listed on the Main Board of the Stock Exchange) from June 2016 to June 2017. Dr. Yang rejoined COLI as general manager of customer services department of COLI since June 2017. Dr. Yang has over 19 years of industry experience in property development and management.

Directors and Senior Management (Continued)

(As at 25 March 2021, date of this Annual Report)

Mr. Pang Jinying

Executive Director and Vice President

Aged 53, was appointed as Executive Director and Vice President of the Company on 22 August 2018. He is also a director of certain subsidiaries of the Group. Mr. Pang graduated from the Economics and Management School of Wuhan University in July 1989, where he received his bachelor's degree in Economics. In 2001, he enrolled in the Business Administration Programme in the School of Business of Renmin University of China, and obtained a master's degree in Business Administration (MBA) in June 2004. He holds the title of senior accountant. In 1989, Mr. Pang joined Seventh Engineering Division of China State Construction Engineering Corporation (中國建築集團有限公司) ("CSCEC"). Subsequently, he joined COHL in September 2004 and served various positions in the subsidiaries of COHL. Mr. Pang also served as the assistant general manager of Finance and Treasury Department of China State Construction International Holding Limited ("CSC", the fellow subsidiary of the Company, Stock Code: 3311, a company listed on the Main Board of the Stock Exchange). He had respectively, served as the assistant general manager, deputy general manager and general manager of Finance and Treasury Department of COHL since 2007. Mr. Pang has 31 years of experience in financial management in the fields of construction contracting and real estate investment. Currently, Mr. Pang also serves as the director of Anhui Guoyuan Trust Co., Ltd., while Shenzhen China Overseas Investment Management Co., Ltd., wholly-owned by CSCEC, is the second largest shareholder of Anhui Guoyuan Trust Co., Ltd.

Mr. Kam Yuk Fai

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

Aged 57, has been appointed as an Executive Director of the Company since June 2015 and has been appointed as the Chief Financial Officer of the Company on 13 December 2017, responsible for the financial management of the Group. He is also a director of certain subsidiaries of the Group. Mr. Kam graduated from the Hong Kong Polytechnic (now The Hong Kong Polytechnic University) with a Professional Diploma in Accountancy, and also held a Master degree in Business Administration from the University of Strathclyde in Britain. He is a qualified accountant, a fellow member of the Association of Chartered Certified Accountants and an associate member of the Hong Kong Institute of Certified Public Accountants. Prior to joining the Group, Mr. Kam 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. Mr. Kam had held positions in COGO from March 2010 to June 2015 and his last held position in COGO was the general manager of its Finance & Treasury Department (HK). Mr. Kam has over 33 years of experience in the fields of accounting, auditing and finance.

Directors and Senior Management (Continued)

(As at 25 March 2021, date of this Annual Report)

Independent Non-executive Directors

Mr. Yung, Wing Ki Samuel

SBS, MH, JP, Independent Non-executive Director

Aged 62, 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, nomination committee and sustainability steering committee of the Company. He is responsible for giving independent strategic advice and guidance on the business and operations of the Group. Mr. Yung is currently an executive district director and honorable advisor of AIA International Limited as well as an honourable adviser of China South City Holdings Limited (Stock Code: 1668, a company listed on the Main Board of the Stock Exchange) (appointed after his retirement from the post of independent non-executive director on 22 September 2020). He is also presently a member of the National Committee of the Chinese People's Political Consultative Conference, the vice chairman of the Committee for Economic Affair of the National Committee of the Chinese People's Political Consultative Conference, the founding president of Hong Kong Professionals and Senior Executives Association, a member cum chairperson of Finance Committee of the Board of Management of the Chinese Permanent Cemeteries, a member of Council of Hong Kong University of Science and Technology, a member of Court of the Open University of Hong Kong and the chairman of the Hong Kong Examinations and Assessment Authority. Mr. Yung was elected the "Ten Outstanding Young Persons Award" in 1994. He was awarded the Medal of Honor in 2001, appointed as a Justice of the Peace in 2007 and awarded the Silver Bauhinia Star in 2011 by the Government of the HKSAR respectively. Mr. Yung 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, chairman of General Agents and Managers Association of Hong Kong and an independent non-executive director and a member of the audit committee of China Overseas Insurance Limited, a wholly-owned subsidiary of CSC for the period from 14 October 2014 to 31 August 2020. Mr. Yung was awarded an Executive Master degree in Business Administration from the Hong Kong University of Science and Technology and has attained certain professional qualifications, including Certified Financial Planner, Registered Financial Consultant, Fellow Chartered Financial Practitioner, Chartered Life Practitioner, Certified Manager of Financial Advisor and Chartered Insurance Agency Manager. He has over 38 years of experience in the insurance sector.

Directors and Senior Management (Continued)

(As at 25 March 2021, date of this Annual Report)

Mr. So, Gregory Kam Leung

GBS, JP, Independent Non-executive Director

Aged 62, was appointed as Independent Non-executive Director of the Company on 9 October 2018. Mr. So also serves as chairman of remuneration committee and a member of audit committee, nomination committee and sustainability steering committee of the Company. He is responsible for giving independent strategic advice and guidance on the business and operations of the Group. Mr. So graduated from Carleton University, Canada in June 1980 with a Bachelor of Arts degree in economics. In May 1984, he graduated from the University of Ottawa, Canada with a bachelor's degree in law and a Master degree in Business Administration. Mr. So has been a member of the Law Society of Alberta, Canada since June 1985, a member of the Law Society of Upper Canada in November 1988, a member of the Law Society (England and Wales) in January 1989 and a member of the Hong Kong Law Society in March 1989. He provided legal services in Canada from 1984 and continued his legal practice upon returning to Hong Kong in 1989. He has over 25 years of practice experience as a lawyer. Mr. So was appointed as the Undersecretary for Commerce and Economic Development of the third term Government of the Hong Kong Special Administrative Region on 1 June 2008. He was then appointed as the Secretary for the Commerce and Economic Development on 28 June 2011. On 1 July 2012, Mr. So was again appointed as the Secretary for Commerce and Economic Development of the fourth term Government of the Hong Kong Special Administrative Region until 30 June 2017. The Commerce and Economic Development Bureau is responsible for various policy matters including Hong Kong's external commercial relations, inward investment promotion, intellectual property protection, industry and business support, tourism, consumer protection, competition, information technology, telecommunications, broadcasting, development of innovation and technology (until November 2015), film-related issues, and creative industries. Mr. So has served as a consultant in So, Lung and Associates, Solicitors and an independent non-executive director, a member of audit committee and the chairman of risk committee of Blue Insurance Limited since 3 April 2018, an independent non-executive director and a member of audit committee of Orient Overseas (International) Limited (Stock Code: 316, a company listed on the Main Board of the Stock Exchange) since 17 May 2019, an independent non-executive director and a member of audit committee of Investcorp Holdings B.S.C. (a company listed on the Bahrain Bourse) since 23 September 2019 and an advisor of Superland Group Holdings Limited (Stock Code: 368, a company listed on the Main Board of the Stock Exchange) since 1 March 2021. Mr. So previously served as the Vice-chairman of the Democratic Alliance for the Betterment and Progress of Hong Kong, Board Member of Hong Kong Hospital Authority, Council Member of Lingnan University, Member of Commission on Strategic Development and member of the District Council of Wong Tai Sin District.

Directors and Senior Management (Continued)

(As at 25 March 2021, date of this Annual Report)

Mr. Lim, Wan Fung Bernard Vincent

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

Aged 63, was appointed as Independent Non-executive Director of the Company on 9 October 2015. Mr. Lim also serves as chairman of sustainability steering committee and a member of audit committee, remuneration committee and nomination committee of the Company. He is responsible for giving independent strategic advice and guidance on the business and operations of the Group. Mr. Lim has been a principal of AD+RG Architecture Design and Research Group Ltd. since February 2001. He is also a committee member of the Chinese General Chamber of Commerce since November 2014 and an adviser to the Guangdong Registered Architects Association (廣東省註冊建築師協會) since 2008. Mr. Lim obtained a Bachelor of Arts in Architectural Studies (1st Hons) from The University of Hong Kong in November 1979, a Bachelor degree in Architecture (Distinction) from The University of Hong Kong in November 1981 and a Master of Science in Urban Planning from The University of Hong Kong in November 1985. He 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 and member of Shenzhen Registered Architects Association (深圳市註冊建築師協會) in September 2012. Mr. Lim was appointed as a Justice of the Peace in 2008 and conferred Bronze Bauhinia Star in 2018 by the Government of HKSAR. He has 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), 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), an Adjunct Professor of the School of Architecture of The Chinese University of Hong Kong, chairman of Advisory Board of Nan Lian Garden of Home Affairs Bureau, a president of The Hong Kong Institute of Architects, a president of The Hong Kong Institute of Urban Design, a member of Town Planning Board, a member of Antiquities Advisory Board of Development Bureau, a member of the Energy Advisory Committee of Environment Bureau and a member of the Advisory Committee on Education Development Fund of Education Bureau.

Directors and Senior Management (Continued)

(As at 25 March 2021, date of this Annual Report)

Senior Management

Mr. Ye Xiang

Vice President

Aged 48, was appointed as Vice President of the Company on 13 December 2017. He is responsible for the matters of the business operation division of the Group and doubles as the general manager of the Group's Wuhan companies. 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 COHL, and general manager of property management department of China Overseas Property Group Co., Ltd. From August 2011 to May 2017, Mr. Ye served as the president of Genting Resort Secret Garden of Genting Group in Malaysia (馬來西亞雲頂集團密苑雲頂樂園), assistant president of Henderson (China) Investment Company Limited, vice president of Agile Group Holdings Limited (雅居樂集團控股有限公司) and president of A-living Group (雅生活集團). He has approximately 27 years of experience in real estate and property management.

Mr. Liu Zhonghua

Vice President

Aged 56, was appointed as Vice President of the Company on 25 June 2015. He is responsible for Xinghai Wulian (興海物聯) and gardening businesses and doubles as the general manager of the Group's Foshan companies. 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 China Overseas Property Services Limited 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 33 years of experience in electrical and mechanical engineering project management, 20 years and 5 years of experience in property management in Hong Kong and China respectively.

Directors and Senior Management (Continued)

(As at 25 March 2021, date of this Annual Report)

Mr. Wang Zhigang

Vice President

Aged 47, was appointed as Assistant President of the Company on 25 June 2015 and was promoted as Vice President of the Company on 5 March 2019. He is also a director of certain subsidiaries of the Company. He is responsible for the operation of the Group's property management business in Hong Kong and Macau and assist to manage the matters of corporate communications department of the Group. Mr. Wang graduated from Tongji University in the PRC with a Bachelor degree in Materials Science in July 1996, and obtained two 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 China Overseas Property Management Limited (中海物業管理有限公司) ("CO Property Management") such as assistant general manager and general manager. From October 2010 to August 2013, he was also the deputy general manager and then the general manager of China Overseas Property (Commercial Property) Management Company (中海物業(商業物業)管理公司), a commercial properties branch of CO Property Management. He has been the deputy general manager of CO Property Management since August 2013 and responsible for commercial, quality control, engineering, information technology management, business operation and specialized company business. Mr. Wang has approximately 25 years of property management experience in the PRC.

Ms. Li Xiaohua

Assistant President

Aged 46, 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 matters of the general office of the Group. Ms. Li graduated from Provincial Party School of Liaoning Province in the PRC with a degree in Accounting in December 1997. She joined COLI Group in 1999, and has served various positions in COLI Group including assistant general manager of the human resources department from September 2007 to December 2010 and deputy general manager of COLI Group's property management department, which oversaw CO Property Management and other PRC subsidiaries of the Group from December 2010 to September 2012. Served as deputy general manager of CO Property Management from August 2012 onwards. Ms. Li has approximately 22 years of human resources and administration management experience in the PRC.

Mr. Li Zhenxi

Assistant President

Aged 47, was appointed as Assistant President of the Company on 18 August 2015. He is responsible for the operation of the Group's property management non-residential 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 25 years of experience in operation of property management.

Directors and Senior Management (Continued)

(As at 25 March 2021, date of this Annual Report)

Ms. Han Fang

Assistant President

Aged 48, was appointed as Assistant President of the Company on 10 May 2016. She is responsible for the matters of the business operations division of the Group. 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 18 years of experience in operation of property management.

Mr. Xiao Jun Qiang

Assistant President

Aged 43, was appointed as Assistant President of the Company on 1 March 2020. He is responsible for the matters of the human resources department and doubles as the general manager of the Group's Beijing companies. He graduated from Hunan University of Arts and Science with major in Agriculture in June 1999. He graduated from Sun Yat-sen University with major in Administration Management in October 2006 and obtained senior economist in 2017. He joined COLI Group in November 2000 and served different positions in various subsidiaries of COLI including the general manager of Beijing branch office of China Overseas Property (Commercial Property) Management Company in April 2015 and general manager of the Group's Beijing companies in February 2016. He has approximately 20 years of experience in operation of property management.

Mr. Wang Meng

Assistant President

Aged 48, was appointed as Assistant President of the Company on 1 March 2020. He is responsible for the business of UN+ companies and doubles as the general manager of the Group's Chengdu companies. He graduated from Chongqing Radio & TV University with major in Real Estate Development and Management in July 1996. He studied in Sichuan Normal University with major in Social Work and Management from February 2007 to June 2009. He joined COLI Group in November 2000 and served different positions in various subsidiaries of COLI including the assistant general manager of the Group's Chengdu companies in January 2006, general manager of Chengdu branch office of China Overseas Property (Commercial Property) Management Company in November 2010, deputy general manager and general manager of the Group's Chengdu companies during March 2017 to February 2019. He has approximately 20 years of experience in operation of property management.

Report of Directors

The board (the "Board") of directors (the "Director(s)") of China Overseas Property Holdings Limited (the "Company") is pleased to present the annual report and the audited financial statements of the Company and its subsidiaries (together the "Group") for the year ended 31 December 2020.

Principal Activities

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

Segment Information

An analysis of the Group's revenue and contribution to results by principal activities and geographical area and operations for the year ended 31 December 2020 is set out in note 4 to the financial statements.

Results and Appropriations

The results of the Group for the year ended 31 December 2020 are set out in the consolidated statement of profit or loss and consolidated statement of comprehensive income on pages 110 and 111 respectively.

An interim dividend of HK2.2 cents per share was paid to shareholders of the Company (the "Shareholders") in October 2020 (2019: HK2.2 cents per share).

The Board have recommended the declaration of a final dividend of HK4.2 cents per share for the year ended 31 December 2020 (for the year ended 31 December 2019: a final dividend of HK2.8 cents per share) representing a total amount of approximately HK$138,048,000, subject to the approval of Shareholders at the forthcoming annual general meeting to be held on 3 June 2021 (the "2021 AGM"). The proposed final dividend will be paid to Shareholders on 6 July 2021 whose names appear on the Company's register of members on 16 June 2021.

Dividend Policy

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

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

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

Report of Directors (Continued)

Closure of Register of Members

(a) Entitlement to attend and vote at the 2021 AGM

The register of members of the Company will be closed from 31 May 2021 to 3 June 2021 (both days inclusive) for the purpose of determining the right to attend and vote at the 2021 AGM. During that period, no transfer of shares will be registered. In order to be entitled to attend and vote at the 2021 AGM, all share transfer documents accompanied with corresponding share certificates must be lodged with the branch share registrar of the Company in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on 28 May 2021.

(b) Entitlement to the proposed final dividend

The register of members of the Company will also be closed from 9 June 2021 to 16 June 2021 (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 2021 AGM. During that period, no transfer of shares will be registered. In order to be qualified for entitlement to the final dividend, all share transfer documents accompanied with the corresponding share certificates must be lodged with the branch share registrar of the Company in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on 8 June 2021.

Reserves

Movements in the reserves of the Group and of the Company during the year are set out in note 32 and note 42 to the financial statements.

Distributable Reserves

Distributable reserves of the Company at 31 December 2020 were approximately HK$166.2 million (2019: approximately HK$142.2 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 198 to 200.

Charitable Donations

Charitable donations made by the Group during the year amounted to HK$417,000.

Major Suppliers and Customers

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

Shares Issued

Terms meaning and details of the shares issued for the year ended 31 December 2020 are set out in note 30 to the financial statements.

Report of Directors (Continued)

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.

Equity-linked Agreement

As at 31 December 2020, the Company has not entered into any equity-linked agreement.

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 *(resigned on 11 February 2020)*

Chairman and Executive Director

Mr. Zhang Guiqing *(appointed on 11 February 2020)*

Executive Directors

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

Independent Non-executive Directors

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

In accordance with articles 84(1) and 84(2) of the Articles of Association, Mr. Pang Jinying, Mr. Yung, Wing Ki Samuel and Mr. Lim, Wan Fung Bernard Vincent will retire by rotation at the 2021 AGM. Mr. Pang Jinying, Mr. Yung, Wing Ki Samuel and Mr. Lim, Wan Fung Bernard Vincent, are being eligible, will offer themselves for re-election at the 2021 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 2021 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).

Report of Directors (Continued)

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

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

Contracts of Significance with Controlling Shareholder

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

Directors' Interest in Competing Business

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

Remuneration of Directors and Senior Management

Information regarding Directors' remuneration and Senior Management's remuneration are set out in notes 9 and 37(d) to the financial statements.

Permitted Indemnity Provision

The Articles of Association provides that, amongst others, the Directors and other officers of the Company being acting in relation to any of the affairs of the Company shall be indemnified and secured harmless out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which they shall or may incur or sustain by or by reason of any act done, concurred in or omitted in or about the execution of their duty, or supposed duty, in their respective offices provided that this indemnity shall not extend to any matter in respect of any fraud or dishonesty which may attach to any said persons. Such provision and the Directors and Officers Liability Insurance Policy maintained by the Company which provides insurance coverage for liabilities of the Directors and officers of the Company and its subsidiaries were in force during the year ended 31 December 2020 and remained in force as of the date of this Annual Report. The insurance coverage will be reviewed on an annual basis.

Biographical Details of Directors and Senior Management

The biographical details of Directors and Senior Management are set out in the section headed "Directors and Senior Management" on pages 70 to 77 of this Annual Report.

Report of Directors (Continued)

Directors' and Chief Executive's Interests in the Securities of the Company and its Associated Corporations

As at 31 December 2020, the interests and short positions of the Directors and chief executive of the Company and their respective associates in the shares, underlying shares and debentures of the Company and its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which (i) were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, to be notified to the Company and the Stock Exchange were as follows:

Long Positions in Shares and Underlying Shares of the Associated Corporations

Name of Director	Name of Associated Corporation	Nature of Interest	Number of Ordinary Shares/ Underlying Shares	Approximate Percentage of Issued Share Capital
Zhang Guiqing	China State Construction Engineering Corporation Limited ("CSCECL")	Beneficial owner	668,000 A shares	0.002%[1]
	China Overseas Land & Investments Limited ("COLI")	Beneficial owner	620,000 shares[2]	0.006%[3]
Yang Ou	CSCECL	Beneficial owner	570,000 A shares	0.001%[1]
	COLI	Beneficial owner	40,000 shares	0.0004%[3]
Pang Jinying	CSCECL	Beneficial owner	640,000 A shares	0.002%[1]
	China State Construction Development Holdings Limited ("CSC Development")	Beneficial owner	300,000 shares	0.014%[4]

Report of Directors (Continued)

Directors' and Chief Executive's Interests in the Securities of the Company and its Associated Corporations (Continued)

Long Positions in Shares and Underlying Shares of the Associated Corporations (Continued)

Notes:

1. The percentage represents the number of shares interested divided by the number of total issued shares of CSCECL as at 31 December 2020 (i.e. 41,965,071,511 shares).

2. Mr. Zhang Guiqing ("Mr. Zhang") has personal interests in (i) 20,000 shares in COLI; and (ii) 600,000 share options granted by COLI under its shares option scheme on 29 June 2018, which entitled Mr. Zhang to acquire 600,000 COLI shares at an exercise price of HK$25.85 per share within an exercise period form 29 June 2020 to 28 June 2024 (both days inclusive).

3. The percentage represents the number of shares interested divided by the number of total issued shares of COLI as at 31 December 2020 (i.e. 10,954,085,035 shares).

4. The percentage represents the number of shares interested divided by the number of total issued shares of CSC Development as at 31 December 2020 (i.e. 2,155,545,000 shares).

Save as disclosed above, as at 31 December 2020, none of the Directors and chief executive of the Company or their respective associates had held or deemed or taken to have held any interest or short position in the shares, underlying shares and debentures of the Company or any of its associated corporation within the meaning of Part XV of the SFO.

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 to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Report of Directors (Continued)

Substantial Shareholders' Interests in the Securities of the Company

As at 31 December 2020, according to the register kept by the Company under Section 336 of the SFO and so far as was known to the Directors, persons (other than Directors or chief executive of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO were as follows:

Long Positions in Shares the Company

Name of Shareholder	Capacity	Number of Ordinary Shares	Approximate Percentage of Issued Share Capital
Silver Lot Development Limited[1] ("Silver Lot")	Beneficial owner	169,712,309	5.16%[3]
China Overseas Holdings Limited[1] ("COHL")	Beneficial owner	1,841,328,751	56.02%[3]
	Interest of controlled corporation	169,712,309	5.16%[3]
CSCECL[2]	Interest of controlled corporations	2,011,041,060	61.18%[3]
China State Construction Engineering Corporation[2] ("CSCEC")	Interest of controlled corporations	2,011,041,060	61.18%[3]

Notes:

1. Silver Lot is a direct wholly-owned subsidiary of COHL and therefore, COHL is deemed to be interested in 169,712,309 shares of the Company in which Silver Lot is interested under the SFO.

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 to be interested in a total of 2,011,041,060 shares of the Company in which COHL is or is taken to be interested under the SFO.

3. The percentage represents the number of shares interested divided by the number of total issued shares of the Company as at 31 December 2020 (i.e. 3,286,860,460 shares).

Save as disclosed above, as at 31 December 2020, according to the register kept by the Company under Section 336 of the SFO and so far as was known to the Directors, there was no other person who had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

Report of Directors (Continued)

Directors' Positions in Substantial Shareholders

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

Name of Director	Name of company which had such discloseable interest or short position	Position within such company
Zhang Guiqing	COHL	Director

Connected Transactions and Continuing Connected Transactions

Definitions

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

"COGO"	China Overseas Grand Oceans Group Limited, a company incorporated in Hong Kong with limited liability, whose shares are listed on the Main Board of the Stock Exchange (stock code: 81)
"COGO Group"	COGO and its subsidiaries from time to time
"COHL"	China Overseas Holdings Limited, a company incorporated in Hong Kong with limited liability, and the controlling shareholder of the Company, COLI, CSC and COGO
"COHL Group"	COHL and its subsidiaries (excluding subsidiary(ies) or associated company listed on any stock exchange) from time to time
"COLI"	China Overseas Land & Investment Limited, a company incorporated in Hong Kong with limited liability, whose shares are listed on the Main Board of the Stock Exchange (stock code: 688)
"COLI Group"	COLI and its subsidiaries from time to time
"Company"	China Overseas Property Holdings Limited
"CSC"	China State Construction International Holdings Limited, a company incorporated in the Cayman Islands, whose shares are listed on the Main Board of the Stock Exchange (stock code: 3311)
"CSC Group"	CSC and its subsidiaries from time to time

Report of Directors (Continued)

Connected Transactions and Continuing Connected Transactions (Continued)

Definitions (Continued)

"CSCEC"	China State Construction Engineering Corporation (中國建築集團有限公司), a state-owned corporation organized and existing under the laws of the PRC, being the ultimate holding company of CSCECL, COHL, COLI, CSC, COGO and the Company
"CSCEC Group"	CSCEC and its subsidiaries (excluding subsidiary(ies) listed on any stock exchange but including CSCECL Group and COHL Group) from time to time
"CSCECL"	China State Construction Engineering Corporation Limited (中國建築股份有限公司), a company incorporated in the PRC with limited liability, whose shares are listed on the Shanghai Stock Exchange (stock code: 601668) and the controlling shareholder of COHL, COLI, CSC, COGO and the Company
"CSCECL Group"	CSCECL and its subsidiaries (excluding subsidiary(ies) listed on any stock exchange but including COHL Group) from time to time
"Group"	the Company and its subsidiaries from time to time
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Independent Shareholders"	the Shareholders other than CSCEC and its associates
"Listing Rules"	The Rules Governing the Listing of Securities on the Stock Exchange
"Macau"	the Macao Special Administrative Region of the PRC
"PRC"	the People's Republic of China, which for the purpose of this Annual Report excludes Hong Kong, Macau and Taiwan
"RMB"	Renminbi, the lawful currency of the PRC
"Share(s)"	the ordinary share(s) of HK$0.001 each in the share capital of the Company
"Shareholder(s)"	the holder(s) of Share(s)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"%"	per cent.

Report of Directors (Continued)

Connected Transactions and Continuing Connected Transactions (Continued)

Details of connected transactions and continuing connected transactions not exempted under Chapter 14A of the Listing Rules as recorded during the year ended 31 December 2020 and up to the date of this Annual Report are disclosed below, with further disclosure under the subsection headed "Aggregation of Continuing Connected Transactions" as appropriate.

1. Connected Transactions

1.1 Sale and Purchase Agreement (with COLI)

On 21 August 2020, 重慶海投物業管理有限公司 (Chongqing Haitao Property Management Company Limited*) ("Chongqing Haitao, a wholly-owned subsidiary of the Company") entered into a sale and purchase agreement (the "Sale and Purchase Agreement") with 重慶中海振興房屋銷售有限公司 (Chongqing China Overseas Zhenxing Property Company Limited*) ("Chongqing Zhenxing, a wholly-owned subsidiary of COLI") whereby Chongqing Haitao agreed to acquire and Chongqing Zhenxing agreed to sell a commercial property located at Level 7, Citic Mansion, No. 1 Jianxin South Road, Jiangbei District, Chongqing City, the PRC for a consideration of RMB12,450,000 (equivalent to approximately HK$13,944,000).

CSCEC is the ultimate holding company of COHL, which is the controlling shareholder of each of the Company and COLI respectively. Therefore, Chongqing Zhenxing, being a wholly-owned subsidiary of COLI, is a connected person of the Company and the entering into of the Sale and Purchase Agreement and the transaction contemplated thereunder constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio in respect of the Sale and Purchase Agreement and the transaction contemplated thereunder exceeds 0.1% but is less than 5%, the entering into of the Sale and Purchase Agreement and the transaction contemplated thereunder are subject to reporting and announcement requirements but exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

Details of the Sale and Purchase Agreement and the transaction contemplated thereunder have been disclosed in the Company's announcement dated 21 August 2020.

1.2 Licence Agreement (with COHL)

The Company entered into a licence agreement with COHL on 26 June 2017 (the "Previous Licence Agreement") in relation to the licensing of a premises with a gross floor area of approximately 2,989.2 square feet located at Level 7, Three Pacific Place, 1 Queen's Road East, Hong Kong, (the "Licensed Premises"). The Previous Licence Agreement with a cap of HK$3,065,000 for the period from 1 January 2020 to 30 September 2020 expired on 30 September 2020. For the period from 1 January 2020 to 30 September 2020, the total amount paid to COHL Group by the Group in respect of the Licensed Premises was HK$3,065,000, that is equal to the cap of HK$3,065,000.

In order to renew the Previous Licence Agreement, the Company entered into a licence agreement (the "Licence Agreement") with COHL on 29 September 2020. Pursuant to the Licence Agreement, COHL agreed to continue to license to the Company the right to use and occupy the Licensed Premises for a term of 1 year and 7 months commencing on 1 October 2020 and ending on 30 April 2022 (both days inclusive) with a monthly licence fee of HK$307,880 (exclusive of rates), implying a right-of-use asset value of HK$5,673,000, subject to the terms and conditions as stipulated in the Licence Agreement.

Report of Directors (Continued)

Connected Transactions and Continuing Connected Transactions (Continued)

1. Connected Transactions (Continued)

1.2 Licence Agreement (with COHL) (Continued)

COHL is the controlling shareholder of the Company and is therefore a connected person of the Company and the entering into of the Licence Agreement and the transaction contemplated thereunder constitute a connected transaction for the Company under Chapter 14A of the Listing Rules.

As the highest percentage ratio in respect of the Licence Agreement and the transactions contemplated thereunder exceeds 0.1% but is less than 5%, the entering into of the Licence Agreement and the transaction contemplated thereunder are subject to the reporting and announcement requirements but exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

Details of the Licence Agreement and the transaction contemplated thereunder have been disclosed in the Company's announcement dated 29 September 2020.

Note: In accordance with HKFRS 16 and the Listing Rules, the entering into of the Previous Licence Agreement is regarded as continuing connected transaction and the entering into of the Licence Agreement is regarded as connected transaction.

1.3 Loan Agreement (with COGO)

With reference to the circular of the Company dated 24 November 2017, 汕頭中海物業服務有限公司 (Shantou China Overseas Property Services Co., Ltd.*) ("COPL Shantou", a wholly-owned subsidiary of the Company) entered into a loan agreement (the "Previous Loan Agreement") with 中海宏洋地產汕頭投資有限公司 (China Overseas Grand Oceans Real Estate Shantou Investment Co., Ltd.*) ("COGO Shantou, a wholly-owned subsidiary of COGO) in relation to the granting of a loan in the amount of approximately RMB75,000,000 (equivalent to approximately HK$86,300,000) (the "Loan") bearing interest of 4.75% per annum by COPL Shantou to COGO Shantou. The Previous Loan Agreement expired on 18 October 2020.

On 12 October 2020, COPL Shantou entered into a loan agreement (the "Loan Agreement") with COGO Shantou whereby COPL Shantou agreed to renew the Loan granted to COGO Shantou for a term of three years commencing on 19 October 2020 and ending on 18 October 2023 (both days inclusive).

CSCEC is the ultimate holding company of COHL, which is the controlling shareholder of each of the Company and COGO respectively. Therefore, COGO Shantou, being a wholly-owned subsidiary of COGO, is a connected person of the Company and the entering into of the Loan Agreement and the transactions contemplated thereunder constitute a connected transaction for the Company under Chapter 14A of the Listing Rules.

As the highest percentage ratio in respect of the Loan Agreement and the transactions contemplated thereunder exceeds 0.1% but is less than 5%, the entering into of the Loan Agreement and the transactions contemplated thereunder are subject to the reporting and announcement requirements but exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

Details of the Loan Agreement and the transactions contemplated thereunder have been disclosed in the Company's announcement dated 12 October 2020.

Connected Transactions and Continuing Connected Transactions (Continued)

1. Connected Transactions (Continued)

1.4 Lease Agreement (with COGO)

On 30 December 2020, 中海宏洋物業管理有限公司 (China Overseas Grand Oceans Property Management Company Limited*) ("COGO Property Management", a wholly-owned subsidiary of the Company) entered into a lease agreement (the "Lease Agreement") with 中海宏洋地產集團有限公司 (China Overseas Grand Oceans Property Group Company Limited*) ("COGO Property Group", a wholly-owned subsidiary of COGO) whereby COGO Property Group agreed to lease to COGO Property Management a total of 1,154 car parking spaces and ancillary facilities including a club house and a suite in five residential developments, namely 光大花園 (EverBright Garden*), 光大西園 (EverBright Xiyuan*), 光大名築 (EverBright Mingzhu*), 西晴公寓 (Xiqing Apartment*) and 學院派 (Academism*), located in Beijing, the PRC developed by COGO Property Group and/or its subsidiaries for a term of one year commencing on 1 January 2021 and ending on 31 December 2021 (both days inclusive), for a total annual rent of RMB5,300,000 (equivalent to approximately HK$6,300,000).

CSCEC is the ultimate holding company of COHL, which is the controlling shareholder of each of the Company and COGO respectively. Therefore, COGO Property Group, being a wholly-owned subsidiary of COGO, is a connected person of the Company and the entering into of the Loan Agreement and the transactions contemplated thereunder constitute a connected transaction for the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio in respect of the Lease Agreement and the transactions contemplated thereunder exceeds 0.1% but is less than 5%, the entering into of the Lease Agreement and the transactions contemplated thereunder are subject to reporting and announcement requirements but exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

Details of the Lease Agreement and the transactions contemplated thereunder have been disclosed in the Company's announcement dated 30 December 2020.

2. Continuing Connected Transactions

2.1 Continuing Connected Transactions with CSCEC

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

CSCEC Services Agreement

On 7 August 2017, the Company entered into a framework agreement (the "Previous CSCEC Services Agreement") with CSCEC in respect of the provision of property management services and value-added services (including engineering, pre-delivery, move-in assistance, delivery inspection, engineering services quality monitoring and consulting services) (the "Services") by the Group to CSCEC Group's residential communities, commercial properties and other projects in the PRC, Hong Kong, Macau and other locations. The Previous CSCEC Services Agreement with a cap of HK$278,800,000 for the period from 1 January 2020 to 30 June 2020 expired on 30 June 2020.

Report of Directors (Continued)

Connected Transactions and Continuing Connected Transactions (Continued)

2. Continuing Connected Transactions (Continued)

2.1 Continuing Connected Transactions with CSCEC (Continued)

CSCEC Services Agreement (Continued)

As the Directors expect that the Group would continue to participate from time to time in competitive tender to provide the Services (which would be expanded to include gardening, interior fine finishing and vetting of building plans etc.) (the "Expanded Services") to CSCEC Group's commercial properties, residential communities and other projects in the PRC, Hong Kong, Macau and other locations, the Company and CSCEC entered into a new framework agreement (the "CSCEC Services Agreement") on 28 April 2020. Pursuant to the CSCEC Services Agreement, any member of the Group may provide the Expanded Services to CSCEC Group's residential communities, commercial properties and other projects in the PRC, Hong Kong, Macau and other locations for a terms of three years commencing on 1 July 2020 and ending on 30 June 2023 (both days inclusive) subject to the Expanded Services caps as listed below:

For the period from 1 July 2020 to 31 December 2020 HK$	For the year ending 31 December 2021 HK$	For the year ending 31 December 2022 HK$	For the period from 1 January 2023 to 30 June 2023 HK$
82,000,000	221,400,000	308,400,000	168,200,000

Details of the CSCEC Services Agreement have been disclosed in the Company's announcement dated 28 April 2020 and circular dated 2 June 2020.

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

For the year ended 31 December 2020, the amount paid to the Group by CSCEC Group for the provision of Services/Expanded Services was as follows:

(i) HK$27,450,000, that is below the cap of HK$278,800,000 under the Previous CSCEC Services Agreement for the period from 1 January 2020 to 30 June 2020; and

(ii) HK$58,044,000, that is below the cap of HK$82,000,000 under the CSCEC Services Agreement for the period from 1 July 2020 to 31 December 2020.

Report of Directors (Continued)

Connected Transactions and Continuing Connected Transactions (Continued)

2. Continuing Connected Transactions (Continued)

2.2 Continuing Connected Transactions with COLI Group

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

(i) COLI Services Agreement

On 20 October 2017, the Company entered into a framework agreement (the "Previous COLI Services Agreement") with COLI in respect of the provision of the Services by the Group (except the CITIC Real Estate Group as defined below) to COLI Group in respect of residential communities, commercial properties and other properties owned by COLI Group in the PRC, Hong Kong, Macau and other locations. On the same date, the Company entered into another framework agreement (the "Previous COLI Target Services Agreement") with COLI in respect of the provision of Services by 中信物業服務有限公司 (CITIC Property Service Company Limited*) (the wholly-owned subsidiary of the Company) and its subsidiaries from time to time (collectively, "CITIC Real Estate Group") to COLI Group in respect of residential communities, commercial properties and other properties owned by COLI Group in the PRC. Both of the Previous COLI Services Agreement and the Previous COLI Target Services Agreement with a total cap of HK$440,500,000 for the period from 1 January 2020 to 30 June 2020 expired on 30 June 2020.

As the Directors expect that the Group would continue to participate from time to time in competitive tender to provide the Expanded Services to COLI Group in respect of the property development projects or properties (including residential communities, commercial properties and other properties) in the PRC, Hong Kong, Macau and other locations (the "Properties") owned by COLI Group, the Company and COLI entered into a new framework agreement (the "COLI Services Agreement") on 28 April 2020. Pursuant to the COLI Services Agreement, any member of the Group may provide the Expanded Services to COLI Group in respect of the Properties owned by COLI Group for a terms of three years commencing on 1 July 2020 and ending on 30 June 2023 (both days inclusive) subject to the Expanded Services caps as listed below:

For the period from 1 July 2020 to 31 December 2020 HK$	For the year ending 31 December 2021 HK$	For the year ending 31 December 2022 HK$	For the period from 1 January 2023 to 30 June 2023 HK$
1,076,000,000	2,093,000,000	2,616,000,000	1,633,000,000

Details of the COLI Services Agreement have been disclosed in the Company's announcement dated 28 April 2020 and circular dated 2 June 2020.

As the applicable percentage ratios in respect of the aforesaid caps under the COLI Services Agreement on their own exceed 5% 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.

Report of Directors (Continued)

Connected Transactions and Continuing Connected Transactions (Continued)

2. Continuing Connected Transactions (Continued)

2.2 Continuing Connected Transactions with COLI Group (Continued)

(i) COLI Services Agreement (Continued)

For the year ended 31 December 2020, the amount paid to the Group by COLI Group for the provision of Services/Expanded Services was as follows:

(i) HK$309,649,000, that is below the total cap of HK$440,500,000 under the Previous COLI Services Agreement and the Previous COLI Target Services Agreement for the period from 1 January 2020 to 30 June 2020; and

(ii) HK$438,016,000, that is below the cap of HK$1,076,000,000 under the COLI Services Agreement for the period from 1 July 2020 to 31 December 2020.

(ii) COLI Leasing Agreement

On 21 August 2017, the Company entered into a framework agreement (the "Previous COLI Leasing Agreement") with COLI in respect of the leasing of premises to the Group by COLI Group. The Previous COLI Leasing Agreement with a cap of HK$7,000,000 for the period from 1 January 2020 to 30 June 2020 expired on 30 June 2020.

As the Directors expect that the Group would continue to lease premises from COLI Group from time to time, the Company and COLI entered into a new framework agreement (the "COLI Leasing Agreement") on 28 April 2020. Pursuant to the COLI Leasing Agreement, any member of the Group may lease premises from any member of COLI Group in accordance with the terms of the COLI Leasing Agreement, subject to the tenancy agreement recording other details terms and conditions in relation to each particular premises leased and shall be on normal commercial terms and terms no more favourable than those offered to independent third parties for a terms of three years commencing on 1 July 2020 and ending on 30 June 2023 (both days inclusive) subject to the leasing caps (being the maximum aggregate amounts payable by the Group to COLI Group as determined with reference to the maximum aggregate right-of-use asset recognized by the Group in relation to its lease arrangements with COLI Group for the relevant years/periods under the COLI Leasing Agreement) as listed below:

For the period from 1 July 2020 to 31 December 2020 HK$	For the year ending 31 December 2021 HK$	For the year ending 31 December 2022 HK$	For the period from 1 January 2023 to 30 June 2023 HK$
6,000,000	41,000,000	30,000,000	29,000,000

Details of the COLI Leasing Agreement has been disclosed in the Company's announcement dated 28 April 2020.

Report of Directors (Continued)

Connected Transactions and Continuing Connected Transactions (Continued)

2. Continuing Connected Transactions (Continued)

2.2 Continuing Connected Transactions with COLI Group (Continued)

(ii) COLI Leasing Agreement (Continued)

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

For the year ended 31 December 2020, the amount paid/committed to COLI Group by the Group for the lease of premises was as follows:

(i) HK$499,000, that is below the cap of HK$7,000,000 under the Previous COLI Leasing Agreement for the period from 1 January 2020 to 30 June 2020; and

(ii) HK$3,637,000, that is below the cap of HK$6,000,000 under the COLI Leasing Agreement for the period from 1 July 2020 to 31 December 2020.

(iii) COLI Property Management Utilities Charges Agreement

On 21 August 2017, the Company entered into a framework agreement (the "Previous COLI Property Management Utilities Charges Agreement") with COLI in respect of the Group's payment of property management utilities charges to COLI Group. The Previous COLI Property Management Utilities Charges Agreement with a cap of HK$43,000,000 for the period from 1 January 2020 to 30 June 2020 expired on 30 June 2020.

As the Directors expect that the Group would continue to make payment of utilities charges to COLI Group on behalf of tenants in properties owned by COLI Group and managed by the Group from time to time, the Company and COLI entered into a new framework agreement (the "COLI Property Management Utilities Charges Agreement") on 28 April 2020. Pursuant to the COLI Property Management Utilities Charges Agreement, COLI Group will centralise the payment of utilities charges for properties owned by COLI Group and 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 for a terms of three years commencing on 1 July 2020 and ending on 30 June 2023 (both days inclusive) subject to the utilities charges caps as listed below:

For the period from 1 July 2020 to 31 December 2020 HK$	For the year ending 31 December 2021 HK$	For the year ending 31 December 2022 HK$	For the period from 1 January 2023 to 30 June 2023 HK$
67,000,000	135,000,000	147,000,000	80,000,000

Details of the COLI Property Management Utilities Charges Agreement have been disclosed in the Company's announcement dated 28 April 2020.

Report of Directors (Continued)

Connected Transactions and Continuing Connected Transactions (Continued)

2. Continuing Connected Transactions (Continued)

2.2 Continuing Connected Transactions with COLI Group (Continued)

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

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

For the year ended 31 December 2020, the amount paid to COLI Group by the Group in respect of the utilities charge was as follows:

(i) HK$26,965,000, that is below the cap of HK$43,000,000 under the Previous COLI Property Management Utilities Charges Agreement for the period from 1 January 2020 to 30 June 2020; and

(ii) HK$49,901,000, that is below the cap of HK$67,000,000 under the COLI Property Management Utilities Charges Agreement for the period from 1 July 2020 to 31 December 2020.

(iv) COLI Car Parking Spaces Agreement

On 23 October 2019, the Company and COLI entered into a framework agreement (the "COLI Car Parking Spaces Agreement) whereby the Group might from time to time enter into transactions with COLI Group for the acquisition of rights-of-use of car parking spaces (including the right to occupy, assign or rent out, until the land use right(s) of the relevant project(s) at which the car parking spaces are located expire) as inventory of the Group, such car parking spaces being car parking spaces of developments or properties built, developed or owned by COLI Group and managed by the Group as property manager for a term of three years commencing from 1 December 2019 and ending on 30 November 2022 (both days inclusive) subject to the caps as listed below:

For the period from 1 December 2019 to 31 December 2019 HK$	For the year ended 31 December 2020 HK$	For the year ending 31 December 2021 HK$	For the period from 1 January 2022 to 30 November 2022 HK$
300,000,000	500,000,000	600,000,000	600,000,000

Details of the COLI Car Parking Spaces Agreement have been disclosed in the Company's announcement dated 23 October 2019 and circular dated 14 November 2019.

Report of Directors (Continued)

Connected Transactions and Continuing Connected Transactions (Continued)

2. Continuing Connected Transactions (Continued)

2.2 Continuing Connected Transactions with COLI Group (Continued)

(iv) COLI Car Parking Spaces Agreement (Continued)

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

For the year ended 31 December 2020, the total amount paid to COLI Group by the Group in respect of the car parking spaces under the COLI Car Parking Spaces Agreement was HK$141,732,000, that is below the cap of HK$500,000,000 for the year.

2.3 Continuing Connected Transactions with CSC Group

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

(i) CSC Services Agreement

On 7 August 2017, the Company entered into a framework agreement (the "Previous CSC Services Agreement") with CSC in respective of the provision of the Services by the Group to CSC Group's residential communities, commercial properties and other properties in the PRC, Hong Kong, Macau and other locations and CSC Group's work sites in the PRC, Hong Kong and Macau. The Previous Services Agreement with a cap of HK$21,000,000 for the period from 1 January 2020 to 30 June 2020 expired on 30 June 2020.

As the Directors expect that the Group will continue to participate from time to time in competitive tender to provider CSC Group with Expanded Services in respect of residential communities, commercial properties and other properties owned by CSC Group in the PRC, Hong Kong, Macau and other locations and CSC Group's work sites in the PRC, Hong Kong and Macau, the Company and CSC entered into a new framework agreement (the "CSC Services Agreement") on 28 April 2020. Pursuant to the CSC Services Agreement, any member of the Group may provide the Expanded Services to CSC Group in respect of residential communities, commercial properties and other properties owned by CSC Group in the PRC, Hong Kong, Macau and other locations and CSC Group's work sites in the PRC, Hong Kong and Macau for a terms of three years commencing on 1 July 2020 and ending on 30 June 2023 (both days inclusive) subject to the Expanded Services caps as listed below:

For the period from 1 July 2020 to 31 December 2020 HK$	For the year ending 31 December 2021 HK$	For the year ending 31 December 2022 HK$	For the period from 1 January 2023 to 30 June 2023 HK$
118,000,000	255,000,000	356,000,000	224,000,000

Details of the CSC Services Agreement have been disclosed in the Company's announcement dated 28 April 2020 and circular dated 2 June 2020.

Report of Directors (Continued)

Connected Transactions and Continuing Connected Transactions (Continued)

2. Continuing Connected Transactions (Continued)

2.3 Continuing Connected Transactions with CSC Group (Continued)

(i) CSC Services Agreement (Continued)

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

For the year ended 31 December 2020, the amount contracted/paid to the Group by CSC Group for the provision of Services/Expanded Services was as follows:

(i) HK$13,140,000, that is below the cap of HK$21,000,000 under the Previous CSC Services Agreement for the period from 1 January 2020 to 30 June 2020; and

(ii) HK$28,311,000, that is below the cap of HK$118,000,000 under the CSC Services Agreement for the period from 1 July 2020 to 31 December 2020.

(ii) CSC Leasing Agreement

On 7 August 2017, the Company entered into a framework agreement (the "Previous CSC Leasing Agreement") with CSC in respect of the leasing of premises to the Group by CSC Group. The Previous CSC Leasing Agreement with a cap of HK$2,600,000 for the period from 1 January 2020 to 30 June 2020 expired on 30 June 2020.

As the Directors expect that the Group would continue to lease premises from CSC Group from time to time, the Company and CSC entered into a new framework agreement (the "CSC Leasing Agreement") on 28 April 2020. Pursuant to the CSC Leasing Agreement, any member of the Group may lease premises from any member of CSC Group in accordance with the terms of the CSC Leasing Agreement, subject to the tenancy agreement recording other details terms and conditions in relation to each particular premises leased and shall be on normal commercial terms and terms no more favourable than those offered to independent third parties for a terms of three years commencing on 1 July 2020 and ending on 30 June 2023 (both days inclusive) subject to the leasing caps (being the maximum aggregate amounts payable by the Group to CSC Group as determined with reference to the maximum aggregate right-of-use asset recognized by the Group in relation to its lease arrangement with CSC Group for the relevant years/periods under the CSC Leasing Agreement) as listed below:

For the period from 1 July 2020 to 31 December 2020 HK$	For the year ending 31 December 2021 HK$	For the year ending 31 December 2022 HK$	For the period from 1 January 2023 to 30 June 2023 HK$
18,000,000	11,000,000	12,000,000	11,000,000

Details of the CSC Leasing Agreement has been disclosed in the Company's announcement dated 28 April 2020.

Report of Directors (Continued)

Connected Transactions and Continuing Connected Transactions (Continued)

2. Continuing Connected Transactions (Continued)

2.3 Continuing Connected Transactions with CSC Group (Continued)

(ii) CSC Leasing Agreement (Continued)

As the applicable percentage ratios in respect of the aforesaid caps under the CSC Leasing Agreement exceed 0.1% but are less than 5% on an annual basis, the transactions contemplated under the CSC 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 CSC Leasing Agreement is also subject to aggregation requirements under Rules 14A.81 and 14A.82(1) of the Listing Rules.

For the year ended 31 December 2020, the amount paid/committed to CSC Group by the Group for the lease of premises was as follows:

(i) HK$2,475,000, that is below the cap of HK$2,600,000 under the Previous CSC Leasing Agreement for the period from 1 January 2020 to 30 June 2020; and

(ii) HK$13,328,000, that is below the cap of HK$18,000,000 under the CSC Leasing Agreement for the period from 1 July 2020 to 31 December 2020.

2.4 Continuing Connected Transactions with COGO Group

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

(i) COGO Services Agreement

On 20 October 2017, the Company entered a framework agreement (the "Previous COGO Services Agreement") with COGO in respect of the provision of the Services by the Group to COGO Group in respect of property development projects in the PRC, Hong Kong, Macau and other locations (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 were not managed by any member of the Group on or before 20 October 2017 (the "Acquired Projects")). On the same date, the Company entered into another framework agreement (the "Previous COGO Target Services Agreement") with COGO in respect of the provision of the Services by the Group to the Acquired Projects. Both of the Previous COGO Services Agreement and the Previous COGO Target Services Agreement with a total cap of HK$83,700,000 for the period from 1 January 2020 to 30 June 2020 expired on 30 June 2020.

Report of Directors (Continued)

Connected Transactions and Continuing Connected Transactions (Continued)

2. Continuing Connected Transactions (Continued)

2.4 Continuing Connected Transactions with COGO Group (Continued)

(i) COGO Services Agreement (Continued)

As the Directors expect that the Group would continue to participate from time to time in competitive tender to provide the Expanded Services to COGO Group in respect of the Properties owned by COGO Group, the Company and COGO entered into a new framework agreement (the "COGO Services Agreement") on 28 April 2020. Pursuant to the COGO Services Agreement, any member of the Group may provide the Expanded Services to COGO Group in respect of the Properties owned by COGO Group for a terms of three years commencing on 1 July 2020 and ending on 30 June 2023 (both days inclusive) subject to the Expanded Services Caps as listed below:

For the period from 1 July 2020 to 31 December 2020 HK$	For the year ending 31 December 2021 HK$	For the year ending 31 December 2022 HK$	For the period from 1 January 2023 to 30 June 2023 HK$
166,000,000	321,000,000	386,000,000	224,000,000

Details of the COGO Services Agreement have been disclosed in the Company's announcement dated 28 April 2020 and circular dated 2 June 2020.

As the applicable percentage ratios in respect of the caps under the COGO Services Agreement on their own exceed 5% on an annual basis, the transactions contemplated under the COGO Services Agreement are subject to the annual review, reporting, announcement and 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.

For the year ended 31 December 2020, the amount paid to the Group by COGO Group for the provision of Services/Expanded Services was as follows:

(i) HK$54,398,000, that is below the total cap of HK$83,700,000 under the Previous COGO Services Agreement and the Previous COGO Target Services Agreement for the period from 1 January 2020 to 30 June 2020; and

(ii) HK$118,927,000, that is below the cap of HK$166,000,000 under the COGO Services Agreement for the period from 1 July 2020 to 31 December 2020.

Report of Directors (Continued)

Connected Transactions and Continuing Connected Transactions (Continued)

2. Continuing Connected Transactions (Continued)

2.4 Continuing Connected Transactions with COGO Group (Continued)

(ii) COGO Car Parking Spaces Agreement

On 23 October 2019, the Company and COGO entered into a framework agreement (the "COGO Car Parking Spaces Agreement") whereby the Group might from time to time enter into transactions with COGO Group for the acquisition of rights-of-use of car parking spaces (including the right to occupy, assign or rent out, until the land use right(s) of the relevant project(s) at which the car parking spaces are located expire) as inventory of the Group, such car parking spaces being car parking spaces of developments or properties built, developed or owned by the COGO Group and managed by the Group as property manager for a term of three years commencing on 1 December 2019 and ending on 30 November 2022 (both days inclusive) subject to the caps as listed below:

For the period from 1 December 2019 to 31 December 2019 HK$	For the year ended 31 December 2020 HK$	For the year ending 31 December 2021 HK$	For the period from 1 January 2022 to 30 November 2022 HK$
—	400,000,000	300,000,000	300,000,000

Details of the COGO Car Parking Spaces Agreement have been disclosed in the Company's announcement dated 23 October 2019 and circular dated 14 November 2019.

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

For the year ended 31 December 2020, the total amount paid to COGO Group by the Group in respect of the car parking spaces under the COGO Car Parking Spaces Agreement was HK$101,263,000, that is below the cap of HK$400,000,000 for the year.

Report of Directors (Continued)

Aggregation of Continuing Connected Transactions

1. Aggregation of leasing transactions

The Directors are of the view that:

(A) (i) the Previous Licence Agreement; (ii) the Previous COLI Leasing Agreement; and (iii) the Previous CSC Leasing Agreement; and

(B) (i) the COLI Leasing Agreement; and (ii) the CSC Leasing Agreement

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 of the aforesaid continuing connected transactions, in aggregate, exceed 0.1% but less than 5% on an annual basis, such continuing connected transactions are/have been subject to the annual review, reporting and announcement requirements but exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

For the year ended 31 December 2020, the transaction amounts under the above respective agreements were, in aggregate, HK$23,004,000, which exceeded 0.1% but less than 5% of the applicable percentage ratios, and such continuing connected transactions are subject to the annual review, reporting and announcement requirements but exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

2. Aggregation of property management and related transactions

The Directors are of the view that:

(A) (i) the Previous CSCEC Services Agreement; (ii) the Previous COLI Services Agreement; (iii) the Previous COLI Target Services Agreement; (iv) the Previous CSC Services Agreement; (v) the Previous COGO Services Agreement; and (vi) the Previous COGO Target Services Agreement; and

(B) (i) the CSCEC Services Agreement; (ii) the COLI Services Agreement; (iii) the CSC Services Agreement; and (iv) the COGO Services Agreement

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 of the aforesaid continuing connected transactions, in aggregate, exceed 5% on an annual basis, such continuing connected transactions are/has been subject to the annual review, reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

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

Aggregation of Continuing Connected Transactions (Continued)

2. Aggregation of property management and related transactions (Continued)

In respect of the continuing connected transactions under (i) the CSCEC Services Agreement; (ii) the COLI Services Agreement; (iii) the CSC Services Agreement and (iv) the COGO Services Agreement, Independent Shareholders have duly approved the respective agreements and the transactions contemplated thereunder at the extraordinary general meeting held on 19 June 2020.

For the year ended 31 December 2020, the transaction amounts under the above respective agreements were, in aggregate, HK$1,047,935,000, which exceeded 5% of the applicable percentage ratios, and such continuing connected transactions are subject to the annual review, reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

3. Aggregation of car parking spaces transactions

The Directors are of the view that (i) COLI Car Parking Spaces Agreement; and (ii) COGO Car Parking Spaces Agreement are 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 of the aforesaid continuing connected transactions, in aggregate, exceed 5% on an annual basis, such continuing connected transactions are/has been subject to the annual review, reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

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

For the year ended 31 December 2020, the transaction amounts under the above respective agreements were, in aggregate, HK$242,995,000, which exceeded 5% of the applicable percentage ratios, and such continuing connected transactions are subject to the annual review, reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Review and Approval

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

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

(ii) on normal commercial terms or better; and

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

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

Report of Directors (Continued)

Review and Approval (Continued)

The auditor has issued his unqualified letter containing his findings and conclusions in respect of the continuing connected transactions disclosed by the Group on pages 85 to 101 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.

Remuneration Policy and Retirement Benefit Scheme

The remuneration policy for the employees of the Group is approved by the Remuneration Committee, on the basis of their merit, qualifications and competence.

The remuneration of the Directors are decided by Remuneration Committee, having regard to the Group's operating results, individual performance and comparable market statistics.

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.

Report of Directors (Continued)

Management Contracts

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

Public Float

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

Pre-Emptive Rights

There are no provisions for pre-emptive rights under the Articles of Association 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 46 to 69 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 22 to 33 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

Following of the retirement of PricewaterhouseCoopers at the annual general meeting of the Company held on 19 June 2020 (the "2020 AGM"), Ernst & Young was appointed as the auditor of the Company by the Shareholders at the 2020 AGM.

Save as disclosed above, there were no other changes in auditor of the Company during the past three years.

The consolidated financial statements for the year ended 31 December 2020 have been audited by Ernst & Young, who will retire and, being eligible, offer itself for re-appointment at the 2021 AGM.

A resolution will be proposed at the 2021 AGM to re-appoint Ernst & Young as auditor of the Company.

On behalf of the Board

Zhang Guiqing
Chairman and Executive Director

Hong Kong, 25 March 2021

* *For identification purpose only*

Independent Auditor's Report

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

OPINION

We have audited the consolidated financial statements of China Overseas Property Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 110 to 197, which comprise the consolidated statement of financial position as at 31 December 2020, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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 2020, 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 (the "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 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. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, 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. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Independent Auditor's Report (Continued)

KEY AUDIT MATTERS (Continued)

Key audit matter	How our audit addressed the key audit matter
Recoverability of trade and retention receivables and payments on behalf of property owners for properties managed on a commission basis At 31 December 2020, the Group had gross trade and retention receivables of approximately HK$949 million, which mainly arose from the provision of property management services and value-added services, and gross payments on behalf of property owners for properties managed on a commission basis ("Other Receivables") in a total amount of HK$130 million. These balances in aggregate represented 17% of the Group's total assets as at that date. Significant management's judgements and estimates, such as the historical default rate, past repayment history, cash flow projections and forward-looking estimates, were involved in the impairment assessment of these receivables. Related disclosures are included in notes 2.4, 3, 21, and 22 to the consolidated financial statements.	As part of our audit procedures, we (i) obtained and reviewed the impairment assessments of trade and retention receivables, as well as Other Receivables prepared by management to understand the credit loss provisioning methodology adopted by the Group; (ii) evaluated the design effectiveness and tested the operating effectiveness of key internal controls in relation to impairment assessments; and (iii) considered the adequacy of the disclosures in the consolidated financial statements in connection with the impairment of trade and retention receivables, as well as Other Receivables. With regard to the impairment assessment of trade and retention receivables, we (i) reviewed the allowance for the expected credit losses estimated by management with reference to the history of debtors' settlement patterns and ageing analysis; (ii) tested, on a sample basis, the ageing of trade and retention receivables to outstanding billings issued and the settlement of trade and retention receivables to supporting documents of cash receipts, such as bank advices; (iii) checked the settlement status subsequent to the reporting period; and (iv) assessed the reasonableness of the forward-looking estimates. With regard to the impairment assessment of Other Receivables, we (i) tested, on a sample basis, the key drivers, such as the property management fee and subcontracting costs against property management contracts and contracts with subcontractors, applied in the cash flow forecasts of the relevant property management projects to which the Other Receivables related; (ii) reviewed the outcome of cash flow forecasts of those property management projects in the prior year in order to evaluate the effectiveness of management's previous estimation process; (iii) evaluated the appropriateness of the discount rates applied in the cash flow forecasts by management; and (iv) performed sensitivity analysis on the key drivers of the cash flow forecasts.

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OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

The directors of the Company are responsible for the other information. The other information comprises 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.

RESPONSIBILITIES OF THE DIRECTORS 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 of the Company 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 of the Company either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities 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. Our report is made 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.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

As part of an audit in accordance with HKSAs, we exercise professional judgement 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.

- 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, actions taken to eliminate threats or safeguards applied.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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 CHENG Man.

Ernst & Young
Certified Public Accountants
Hong Kong

25 March 2021

Consolidated Statement of Profit or Loss

Year ended 31 December 2020

	Notes	2020 HK$'000	2019 HK$'000
REVENUE	5	**6,544,877**	5,465,521
Direct operating expenses		**(5,349,433)**	(4,375,097)
GROSS PROFIT		**1,195,444**	1,090,424
Other income and gains, net	6	**121,157**	66,154
Fair value (loss)/gain of investment properties, net	15	**(4,790)**	2,572
Selling and administrative expenses		**(339,588)**	(395,755)
Impairment of financial assets, net	8	**(38,162)**	(867)
OPERATING PROFIT		**934,061**	762,528
Finance costs	7	**(3,161)**	(2,352)
Share of profit of a joint venture		**538**	177
Share of profit of an associate		**183**	193
PROFIT BEFORE TAX	8	**931,621**	760,546
Income tax expenses	11	**(224,424)**	(216,406)
PROFIT FOR THE YEAR		**707,197**	544,140
ATTRIBUTABLE TO:			
Shareholders of the Company		**700,008**	537,840
Non-controlling interests		**7,189**	6,300
		707,197	544,140
EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY			
Basic and diluted (HK cents per share)	12	**21.30**	16.36

Consolidated Statement of Comprehensive Income

Year ended 31 December 2020

	Notes	2020 HK$'000	2019 HK$'000
PROFIT FOR THE YEAR		**707,197**	544,140
OTHER COMPREHENSIVE INCOME			
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:			
— Exchange differences on translation of subsidiaries of the Company		**96,892**	(17,952)
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:			
— Surplus on revaluation of an owner-occupied property upon change in use	14	—	11,986
— Income tax effect	14, 29	—	(2,989)
		—	8,997
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF INCOME TAX		**96,892**	(8,955)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**804,089**	535,185
ATTRIBUTABLE TO:			
Shareholders of the Company		**795,112**	529,188
Non-controlling interests		**8,977**	5,997
		804,089	535,185

Consolidated Statement of Financial Position

As at 31 December 2020

	Notes	2020 HK$'000	2019 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	**68,411**	56,471
Investment properties	15	**162,559**	145,898
Right-of-use assets	16	**72,017**	61,656
Intangible assets	17	**20,948**	11,657
Investment in a joint venture	18	**3,771**	3,164
Investment in an associate	19	**328**	145
Due from a related company	23	**88,894**	—
Prepayments	22	**2,353**	5,540
Deferred tax assets	29	**38,600**	35,006
Total non-current assets		**457,881**	319,537
CURRENT ASSETS			
Inventories	20	**606,471**	418,408
Trade and retention receivables	21	**846,135**	567,562
Prepayments, deposits and other receivables	22	**384,565**	296,091
Due from the immediate holding company	23	**893**	231
Due from fellow subsidiaries	23	**129,165**	90,220
Due from related companies	23	**63,559**	107,613
Cash and bank balances	24	**3,705,703**	2,495,693
Total current assets		**5,736,491**	3,975,818
CURRENT LIABILITIES			
Trade payables	25	**461,113**	427,487
Other payables and accruals	26	**2,282,234**	1,318,416
Receipts in advance and other deposits	27	**934,831**	740,090
Lease liabilities	16	**24,794**	22,044
Due to fellow subsidiaries	28	**18,118**	4,332
Due to related companies	28	**18,269**	6,588
Income tax payables		**213,422**	177,439
Total current liabilities		**3,952,781**	2,696,396
Net current assets		**1,783,710**	1,279,422
Total assets less current liabilities		**2,241,591**	1,598,959

Consolidated Statement of Financial Position (Continued)

As at 31 December 2020

	Notes	2020 HK$'000	2019 HK$'000
NON-CURRENT LIABILITIES			
Lease liabilities	16	**38,612**	32,461
Deferred tax liabilities	29	**18,673**	31,795
Total non-current liabilities		**57,285**	64,256
Net assets		**2,184,306**	1,534,703
EQUITY			
Equity attributable to shareholders of the Company			
Issued capital	30	**3,287**	3,287
Reserves	32	**2,145,544**	1,510,586
		2,148,831	1,513,873
Non-controlling interests		**35,475**	20,830
Total equity		**2,184,306**	1,534,703

Yang Ou
Director

Pang Jinying
Director

Consolidated Statement of Changes in Equity

Year ended 31 December 2020

	Attributable to shareholders of the Company									
	Issued capital HK$'000 (note 30)	Special reserve HK$'000 (note 32(b))	Capital reserve HK$'000 (note 32(c))	Property revaluation reserve HK$'000	Exchange fluctuation reserve HK$'000	PRC statutory reserve HK$'000 (note 32(d))	Retained profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2020	3,287	(136,448)	5,476	47,933	(62,255)	82,552	1,573,328	1,513,873	20,830	1,534,703
Profit for the year	—	—	—	—	—	—	700,008	700,008	7,189	707,197
Other comprehensive income for the year:										
Exchange differences on translation of subsidiaries of the Company	—	—	—	—	95,104	—	—	95,104	1,788	96,892
Total comprehensive income for the year	—	—	—	—	95,104	—	700,008	795,112	8,977	804,089
Share-based payment borne by an intermediate holding company (note 31)	—	—	4,189	—	—	—	—	4,189	—	4,189
Transfer to PRC statutory reserve	—	—	—	—	—	59,141	(59,141)	—	—	—
Capital contributions from non-controlling equity holders of subsidiaries	—	—	—	—	—	—	—	—	5,019	5,019
Acquisition of a subsidiary (note 33)	—	—	—	—	—	—	—	—	2,356	2,356
Dividends paid to non-controlling equity holders of a subsidiary	—	—	—	—	—	—	—	—	(1,707)	(1,707)
2019 final dividend (note 13)	—	—	—	—	—	—	(92,032)	(92,032)	—	(92,032)
2020 interim dividend (note 13)	—	—	—	—	—	—	(72,311)	(72,311)	—	(72,311)
At 31 December 2020	3,287	(136,448)*	9,665*	47,933*	32,849*	141,693*	2,049,852*	2,148,831	35,475	2,184,306

Consolidated Statement of Changes in Equity (Continued)

Year ended 31 December 2020

	Attributable to shareholders of the Company									
	Issued capital HK$'000 (note 30)	Special reserve HK$'000 (note 32(b))	Capital reserve HK$'000 (note 32(c))	Property revaluation reserve HK$'000	Exchange fluctuation reserve HK$'000	PRC statutory reserve HK$'000 (note 32(d))	Retained profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2019	3,287	(131,231)	1,251	38,936	(44,606)	62,057	1,194,031	1,123,725	9,207	1,132,932
Profit for the year	—	—	—	—	—	—	537,840	537,840	6,300	544,140
Other comprehensive income for the year:										
Surplus on revaluation of an owner-occupied property upon change in use, net of income tax	—	—	—	8,997	—	—	—	8,997	—	8,997
Exchange differences on translation of subsidiaries of the Company	—	—	—	—	(17,649)	—	—	(17,649)	(303)	(17,952)
Total comprehensive income for the year	—	—	—	8,997	(17,649)	—	537,840	529,188	5,997	535,185
Share-based payment borne by an intermediate holding company (note 31)	—	—	4,225	—	—	—	—	4,225	—	4,225
Acquisition of a subsidiary	—	(5,217)	—	—	—	—	—	(5,217)	—	(5,217)
Transfer to PRC statutory reserve	—	—	—	—	—	20,495	(20,495)	—	—	—
Capital contributions from non-controlling equity holders upon incorporation of subsidiaries	—	—	—	—	—	—	—	—	5,626	5,626
2018 final dividend (note 13)	—	—	—	—	—	—	(65,737)	(65,737)	—	(65,737)
2019 interim dividend (note 13)	—	—	—	—	—	—	(72,311)	(72,311)	—	(72,311)
At 31 December 2019	3,287	(136,448)*	5,476*	47,933*	(62,255)*	82,552*	1,573,328*	1,513,873	20,830	1,534,703

* These reserve accounts comprise the consolidated reserves of HK$2,145,544,000 (2019: HK$1,510,586,000) in the consolidated statement of financial position as at 31 December 2020.

Consolidated Statement of Cash Flows

Year ended 31 December 2020

	Notes	2020 HK$'000	2019 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**931,621**	760,546
Adjustments for:			
Share of profit of a joint venture		**(538)**	(177)
Share of profit of an associate		**(183)**	(193)
Interest income	6	**(42,469)**	(34,752)
Gain on bargain purchase	6	**(175)**	—
Finance costs	7	**3,161**	2,352
Impairment of financial assets, net	8	**38,162**	867
Depreciation of items of property, plant and equipment	8	**15,643**	15,941
Depreciation of right-of-use assets	8	**28,287**	21,166
Amortisation of intangible assets	8	**5,708**	3,719
Share-based payments	31	**4,189**	4,225
Fair value loss/(gain) of investment properties, net	15	**4,790**	(2,572)
Loss on disposal of items of property, plant and equipment, net	8	**131**	814
Loss on early termination of lease contracts	8	**87**	—
Operating cash flows before working capital changes		**988,414**	771,936
Increase in inventories		**(159,068)**	(387,759)
Increase in trade and retention receivables		**(266,544)**	(171,470)
Increase in prepayments, deposits and other receivables		**(106,336)**	(37,632)
(Increase)/decrease in amount due from the immediate holding company — trade nature		**(662)**	153
(Increase)/decrease in amounts due from fellow subsidiaries — trade nature		**(33,518)**	55,678
(Increase)/decrease in amounts due from related companies — trade nature		**(37,608)**	9,496
Increase/(decrease) in trade payables		**14,378**	(2,063)
Increase in receipts in advance and other deposits		**150,581**	79,097
Increase in other payables and accruals (including temporary receipts from properties managed on a commission basis)		**858,472**	158,435
Increase/(decrease) in amounts due to fellow subsidiaries — trade nature		**12,915**	(4,451)
Increase in amounts due to related companies — trade nature		**10,774**	4,188
Cash generated from operations		**1,431,798**	475,608
Income taxes paid		**(203,954)**	(151,152)
PRC withholding tax paid		**(7,753)**	(17,231)
Net cash flows from operating activities		**1,220,091**	307,225

Consolidated Statement of Cash Flows (Continued)

Year ended 31 December 2020

	Notes	2020 HK$'000	2019 HK$'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		**57,089**	36,808
Dividend received from an associate		**—**	600
Purchase of items of property, plant and equipment		**(23,961)**	(35,969)
Purchase of an investment property	15(b)	**(13,944)**	—
Addition of right-of-use assets		**—**	(6,499)
Purchase of intangible assets		**(8,739)**	(9,368)
Advance payments for the purchase of items of property, plant and equipment and intangible assets		**(1,962)**	(5,540)
Placement of non-pledged time deposits with original maturity of over three months		**(730,337)**	(895,522)
Withdrawal of non-pledged time deposits with original maturity of over three months		**876,405**	424,799
Acquisition of a subsidiary	33	**1,636**	(5,217)
Capital contribution to a joint venture		**—**	(2,987)
Proceeds from disposal of items of property, plant and equipment		**19**	2,368
Net cash flows from/(used in) investing activities		**156,206**	(496,527)
CASH FLOWS FROM FINANCING ACTIVITIES			
Interest portion of lease payments	34	**(3,161)**	(2,352)
Principal portion of lease payments	34	**(28,171)**	(21,489)
Decrease in amount due to the immediate holding company — non-trade	34	**—**	(1,547)
Capital contribution from a fellow subsidiary to a subsidiary acquired under a business combination		**—**	3,955
Capital contribution from non-controlling equity holders of subsidiaries		**5,019**	5,626
Dividends paid to shareholders of the Company	13	**(164,343)**	(138,048)
Dividends paid to non-controlling equity holders of subsidiaries		**(1,707)**	—
Net cash flows used in financing activities		**(192,363)**	(153,855)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**1,183,934**	(343,157)
Cash and cash equivalents at beginning of year		**1,614,337**	1,975,218
Effect of foreign exchange rate changes, net		**137,290**	(17,724)
CASH AND CASH EQUIVALENTS AT END OF YEAR		**2,935,561**	1,614,337
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances as stated in the consolidated statement of financial position	24	**3,705,703**	2,495,693
Less: Non-pledged bank deposits with original maturity of over three months		**(770,142)**	(881,356)
Cash and cash equivalents as stated in the consolidated statement of cash flows		**2,935,561**	1,614,337

Notes to Financial Statements

Year ended 31 December 2020

1. Corporate and Group Information

China Overseas Property Holdings Limited (the "Company") is an exempted company with limited liability incorporated in the Cayman Islands and the shares of which are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The registered office of the Company is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands and its principal place of business is Suite 703, 7/F., Three Pacific Place, 1 Queen's Road East, Hong Kong.

The immediate holding company of the Company is China Overseas Holdings Limited ("COHL"), a company incorporated in Hong Kong, and the ultimate holding company of the Company is China State Construction Engineering Corporation (中國建築集團有限公司) ("CSCEC"), which is a state-owned enterprise established in the People's Republic of China (the "PRC") and is under the control of the State-owned Assets Supervision and Administration Commission of the State Council of the PRC.

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

Information about principal subsidiaries

Particulars of the Company's principal subsidiaries as at 31 December 2020 are as follows:

Company name	Place of incorporation/ registration and business	Registered/issued and paid-up capital	Percentage of equity attributable to the Company Direct %	Indirect %	Principal activities
China Overseas Property Services Limited	Hong Kong	HK$50,000,100	100	—	Real estate management and investment holding
Gold Court (Macau) Property Services Limited	Macau	MOP250,000	96	4	Real estate management
中海物業管理有限公司	The PRC	RMB50,000,000*	100	—	Real estate management and investment holding
China Overseas Building Management Limited	Hong Kong	HK$100	—	100	Real estate management
上海中海物業管理有限公司	The PRC	RMB50,000,000	—	100	Real estate management
長春中海物業管理有限公司	The PRC	RMB50,000,000	—	100	Real estate management
成都中海物業管理有限公司	The PRC	RMB50,000,000	—	100	Real estate management
湖南省中海海惠物業管理有限公司	The PRC	RMB2,000,000	—	84	Real estate management

Notes to Financial Statements (Continued)

Year ended 31 December 2020

1. Corporate and Group Information (Continued)

Information about principal subsidiaries (Continued)

Company name	Place of incorporation/ registration and business	Registered/issued and paid-up capital	Percentage of equity attributable to the Company Direct %	Indirect %	Principal activities
深圳市中海商業服務有限公司	The PRC	RMB5,000,000	—	60	Real estate management
中海物業管理廣州有限公司	The PRC	RMB50,000,000	—	100	Real estate management
北京中海物業管理有限公司	The PRC	RMB50,000,000	—	100	Real estate management
北京中建物業管理有限公司	The PRC	RMB25,000,000	—	100	Real estate management
重慶海投物業管理有限公司	The PRC	RMB30,000,000	—	100	Real estate management
淄博中海物業管理有限公司	The PRC	RMB1,000,000	—	100	Real estate management
中海宏洋物業管理有限公司	The PRC	RMB50,000,000	—	100	Real estate management
廣州市光大花園物業管理有限公司	The PRC	RMB3,000,000	—	100	Real estate management
呼和浩特市中海物業服務有限公司	The PRC	RMB20,000,000	—	100	Real estate management
濟南中海物業管理有限公司	The PRC	RMB20,000,000	—	100	Real estate management
德州華府物業管理有限公司	The PRC	RMB500,000	—	100	Real estate management
中海（惠州）物業服務有限公司	The PRC	RMB50,000,000	—	100	Real estate management
汕頭中海物業服務有限公司	The PRC	RMB50,000,000	—	100	Real estate management
大連中海海惠物業服務有限公司	The PRC	RMB8,000,000	—	100	Real estate management
廣東中海物業服務有限公司	The PRC	RMB50,000,000	—	100	Real estate management
天津中海物業管理服務有限公司	The PRC	RMB10,000,000	—	100	Real estate management
天津中海津信物業服務有限公司	The PRC	RMB500,000	—	100	Real estate management
中海海惠物業服務有限公司	The PRC	RMB50,000,000	—	100	Real estate management
深圳市百利行物業發展有限公司	The PRC	RMB3,000,000	—	100	Real estate management
武漢中建捷誠物業管理有限公司	The PRC	RMB3,500,000	—	100	Real estate management

Notes to Financial Statements (Continued)
Year ended 31 December 2020

1. Corporate and Group Information (Continued)

Information about principal subsidiaries (Continued)

Company name	Place of incorporation/ registration and business	Registered/issued and paid-up capital	Percentage of equity attributable to the Company Direct %	Indirect %	Principal activities
鄭洲中海僑城物業管理有限公司	The PRC	RMB5,000,000	—	51	Real estate management
福建中海深藍物業管理有限公司	The PRC	RMB10,000,000	—	100	Real estate management
西安中海物業管理有限公司	The PRC	RMB20,000,000	—	100	Real estate management
甘肅中海泊悅物業管理有限公司	The PRC	RMB20,000,000	—	100	Real estate management
廣東中海星城際物業服務有限公司	The PRC	RMB5,000,000	—	51	Real estate management
海納萬商物業管理有限公司	The PRC	RMB50,000,000	—	100	Real estate management
上海中海百村物業管理經營有限公司	The PRC	RMB5,000,000	—	51	Real estate management
寧波中海物業管理有限公司	The PRC	RMB20,000,000	—	100	Real estate management
重慶中海海惠物業管理有限公司	The PRC	RMB5,000,000	—	100	Real estate management
淮安高新中海物業管理有限公司	The PRC	RMB5,000,000	—	51	Real estate management
四川軌道中海物業管理有限公司	The PRC	RMB10,000,000	—	51	Real estate management
中海物業管理(邯鄲)有限公司	The PRC	RMB10,000,000	—	100	Real estate management
珠海航空綜合服務有限公司	The PRC	RMB4,180,000	—	51	Real estate management
貴州播投中海物業服務有限公司	The PRC	RMB5,000,000	—	51	Real estate management
海口海越物業管理有限公司	The PRC	RMB5,000,000	—	60	Real estate management
六盤水城投中海物業管理有限公司	The PRC	RMB1,800,000	—	51	Real estate management
青島澔海祥鑫商貿有限公司	The PRC	RMB1,000,000	—	100	Provision of services through an online-to-offline ("O2O") platform
深圳市海潮智匯數字科技有限公司	The PRC	RMB20,000,000	—	100	Provision of I.T. services
遼寧中海麗都物業管理有限公司	The PRC	RMB5,000,000	—	60	Real estate management

Notes to Financial Statements (Continued)
Year ended 31 December 2020

1. Corporate and Group Information (Continued)

Information about principal subsidiaries (Continued)

Company name	Place of incorporation/ registration and business	Registered/issued and paid-up capital	Percentage of equity attributable to the Company Direct %	Indirect %	Principal activities
新疆中海物業管理有限公司	The PRC	RMB3,000,000	—	100	Real estate management
海略(河南)信息科技有限公司	The PRC	RMB1,000,000	—	100	Real estate management
深圳市優你家互聯網科技有限公司	The PRC	RMB25,000,000	—	100	Provision of services through an O2O platform
杭州優你互聯科技有限公司	The PRC	RMB2,000,000	—	100	Provision of services through an O2O platform
天津市海惠優選互聯網科技有限公司	The PRC	RMB5,000,000	—	100	Provision of services through an O2O platform
深圳市優你家裝飾工程有限公司	The PRC	RMB20,000,000	—	100	Provision of engineering, repair and maintenance services
China Overseas Security Services Limited	Hong Kong	HK$2	—	100	Provision of security services
Meport Engineering Services Limited	Hong Kong	HK$100	—	100	Provision of building cleaning, engineering, repair and maintenance services
Meport (Macau) Engineering Services Limited	Macau	MOP25,000	—	100	Provision of building cleaning, engineering, repair and maintenance services
深圳市興海物聯科技有限公司	The PRC	RMB150,000,000	—	100	Provision of engineering, repair and maintenance services
深圳市興海機電工程有限公司	The PRC	RMB20,000,000	—	100	Provision of engineering, repair and maintenance services
四川中海園林工程有限公司	The PRC	RMB20,000,000	—	100	Provision of gardening services
廣東省美博工程服務有限公司	The PRC	RMB5,000,000	—	100	Provision of engineering, repair and maintenance services

Notes to Financial Statements (Continued)
Year ended 31 December 2020

1. Corporate and Group Information (Continued)

Information about principal subsidiaries (Continued)

Company name	Place of incorporation/ registration and business	Registered/issued and paid-up capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
			%	%	
深圳市興海投資有限公司	The PRC	RMB2,000,000	—	100	Provision of automation and other equipment upgrade services
China Overseas Property Management Trade Mark Limited	Hong Kong	HK$1	100	—	Holding of trademarks

* Subsequent to 31 December 2020, the registered capital of the subsidiary was increased to RMB500,000,000.

The above table lists the subsidiaries of the Company, which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

2.1 Basis of Preparation

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

Basis of consolidation

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

2.1 Basis of Preparation (Continued)

Basis of consolidation (Continued)

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

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

(b) rights arising from other contractual arrangements; and

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

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

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

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

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

Notes to Financial Statements (Continued)

Year ended 31 December 2020

2.2 Changes in Accounting Policies and Disclosures

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

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

The nature and the impact of the Conceptual Framework and the revised HKFRSs are described below:

(a) The Conceptual Framework sets out a comprehensive set of concepts for financial reporting and standard setting, and provides guidance for preparers of financial statements in developing consistent accounting policies and assistance to all parties to understand and interpret the standards. The Conceptual Framework includes new chapters on measurement and reporting financial performance, new guidance on the derecognition of assets and liabilities, and updated definitions and recognition criteria for assets and liabilities. It also clarifies the roles of stewardship, prudence and measurement uncertainty in financial reporting. The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The Conceptual Framework did not have any significant impact on the financial position and performance of the Group.

(b) Amendments to HKFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs.

The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group has applied the amendments prospectively to transactions or other events that occurred on or after 1 January 2020. The amendments did not have any significant impact on the financial position and performance of the Group.

Notes to Financial Statements (Continued)

Year ended 31 December 2020

2.2 Changes in Accounting Policies and Disclosures (Continued)

(c) Amendments to HKFRS 9, HKAS 39 and HKFRS 7 address issues affecting financial reporting in the period before the replacement of an existing interest rate benchmark with an alternative risk-free rate ("RFR"). The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the introduction of the alternative RFR. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. The amendments did not have any impact on the financial position and performance of the Group as the Group does not have any interest rate hedging relationships.

(d) Amendment to HKFRS 16 provides a practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the covid-19 pandemic. The practical expedient applies only to rent concessions occurring as a direct consequence of the pandemic and only if (i) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; (ii) any reduction in lease payments affects only payments originally due on or before 30 June 2021; and (iii) there is no substantive change to other terms and conditions of the lease. The amendment is effective for annual periods beginning on or after 1 June 2020 with earlier application permitted and shall be applied retrospectively. The Group has early adopted the amendments on 1 January 2020. The amendment did not have any significant impact on the financial position and performance of the Group as the Group does not receive any significant rent concessions arising as a direct consequence of the covid-19 pandemic.

(e) Amendments to HKAS 1 and HKAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information, or both. The amendments did not have any significant impact on the financial position and performance of the Group.

Notes to Financial Statements (Continued)
Year ended 31 December 2020

2.3 Issued but not yet effective Hong Kong Financial Reporting Standards

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

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

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

Further information about some of the above HKFRSs that are expected to be applicable to the Group is described below:

(a) Amendments to HKFRS 3 are intended to replace a reference to the previous *Framework for the Preparation and Presentation of Financial Statements* with a reference to the Conceptual Framework issued in June 2018 without significantly changing its requirements. The amendments also add to HKFRS 3 (Revised) *Business Combinations* an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets* or HK(IFRIC)-Int 21 *Levies* if they were incurred separately rather than assumed in a business combination, an entity applying HKFRS 3 should refer to HKAS 37 or HK(IFRIC)-Int 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group expects to adopt the amendments prospectively from 1 January 2022. Since the amendments apply prospectively to business combinations for which the acquisition date is on or after the date of first application, the Group will not be significantly affected by these amendments on the date of transition.

Notes to Financial Statements (Continued)

Year ended 31 December 2020

2.3 Issued but not yet effective Hong Kong Financial Reporting Standards (Continued)

(b) Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 address issues not dealt with in the previous amendments which affect financial reporting when an existing interest rate benchmark is replaced with an alternative RFR. The Phase 2 amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, if the change is a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis immediately preceding the change. In addition, the amendments permit changes required by the interest rate benchmark reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Any gains or losses that could arise on transition are dealt with through the normal requirements of HKFRS 9 (2014) *Financial Instruments* to measure and recognise hedge ineffectiveness. The amendments also provide a temporary relief to entities from having to meet the separately identifiable requirement when an RFR is designated as a risk component. The relief allows an entity, upon designation of the hedge, to assume that the separately identifiable requirement is met, provided the entity reasonably expects the RFR risk component to become separately identifiable within the next 24 months. Furthermore, the amendments require an entity to disclose additional information to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity's financial instruments and risk management strategy. The amendments are effective for annual periods beginning on or after 1 January 2021 and shall be applied retrospectively, but entities are not required to restate the comparative information. The amendments are not expected to have any significant impact on the Group's financial statements.

(c) Amendments to HKAS 1 clarify the requirements for classifying liabilities as current or non-current. The amendments specify that if an entity's right to defer settlement of a liability is subject to the entity complying with specified conditions, the entity has a right to defer settlement of the liability at the end of the reporting period if it complies with those conditions at that date. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement of the liability. The amendments also clarify the situations that are considered a settlement of a liability. The amendments are effective for annual periods beginning on or after 1 January 2023 and shall be applied retrospectively. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

(d) Amendments to HKAS 37 clarify that for the purpose of assessing whether a contract is onerous under HKAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The amendments are effective for annual periods beginning on or after 1 January 2022 and shall be applied to contracts for which an entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments. Earlier application is permitted. Any cumulative effect of initially applying the amendments shall be recognised as an adjustment to the opening equity at the date of initial application without restating the comparative information. The amendments are not expected to have any significant impact on the Group's financial statements.

Notes to Financial Statements (Continued)

Year ended 31 December 2020

2.4 Summary of Significant Accounting Policies

Fair value measurement

The Group measures its investment properties at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 — based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Investments in a joint venture and an associate

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

An associate is an entity in which the investor has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence. 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.

2.4 Summary of Significant Accounting Policies (Continued)

Investments in a joint venture and an associate (Continued)

The Group's investments in a joint venture and an associate are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. Adjustments are made to bring into line any dissimilar accounting policies that may exist. The Group's share of the post-acquisition results and other comprehensive income of a joint venture and an associate is included in the consolidated profit or loss and consolidated other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the joint venture or associate, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its joint venture or associate are eliminated to the extent of the Group's investments in the joint venture or associate, except where unrealised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of a joint venture or an associate is included as part of the Group's investments in a joint venture or an associate.

If an investment in a joint venture becomes an investment in an associate or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other cases, upon loss of joint control over the joint venture or significant influence over the associate, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the joint venture or associate upon loss of joint control or significant influence and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

When an investment in a joint venture or an associate is classified as held for sale, it is accounted for in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*.

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a holding company of the Group;

or

Notes to Financial Statements (Continued)

Year ended 31 December 2020

2.4 Summary of Significant Accounting Policies (Continued)

Related parties (Continued)

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a holding company, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a holding company of the entity); and

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to a holding company of the Group.

Business combinations and goodwill

Business combinations under common control

Business combinations of entities under common control are accounted for using the principle of merger accounting in accordance with the Accounting Guideline 5 *Merger Accounting for Common Control Combinations* ("AG 5") issued by the HKICPA. Under the principle of merger accounting, the consolidated financial statements incorporate the financial statement items of the acquired entities of businesses in which the common control combination occurs from the date when the acquired entities or businesses first come under the control of the controlling party.

The net assets of the acquired entities or businesses are consolidated using the existing book values from the controlling party's perspective. No adjustments are made to reflect fair values, or recognise any new assets or liabilities as a result of the common control combination. No amount is recognised in respect of goodwill or excess of acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the contribution of the controlling party's interest. All differences between the cost of acquisition (fair value of consideration paid) and the amounts at which the assets and liabilities are recorded (net of any reserves of the acquired entities) have been recognised directly in equity as part of the special reserve. Acquisition-related costs are expensed as incurred.

Notes to Financial Statements (Continued)
Year ended 31 December 2020

2.4 Summary of Significant Accounting Policies (Continued)

Business combinations and goodwill (Continued)

Business combinations under common control (Continued)

The consolidated profit or loss and the consolidated other comprehensive income include the results of each of the acquired entities or businesses from the earliest date presented or since the date when the acquired entities or businesses first come under common control, where this is a shorter period.

Other business combinations and goodwill

Other business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed 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. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

The Group determines that it has acquired a business when the acquired set of activities and assets includes an input and a substantive process that together significantly contribute to the ability to create outputs.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

Notes to Financial Statements (Continued)

Year ended 31 December 2020

2.4 Summary of Significant Accounting Policies (Continued)

Business combinations and goodwill (Continued)

Other business combinations and goodwill (Continued)

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, deferred tax assets, financial assets and investment properties), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. 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. An impairment loss is charged to profit or loss in the period in which it arises.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of a non-financial asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises.

2.4 Summary of Significant Accounting Policies (Continued)

Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The estimated useful lives of different categories of property, plant and equipment are as follows:

Buildings	20 years
Leasehold improvements	Over the shorter of the lease terms and 5 years
Machinery and equipment	3 to 10 years
Motor vehicles	5 years
Furniture, fixtures and office equipment	3 to 8 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss in the period the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Investment properties

Investment properties are interests in land and buildings (including the leasehold property held as a right-of-use asset which would otherwise meet the definition of an investment property) held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the end of the reporting period.

Gains or losses arising from changes in the fair values of investment properties are included in profit or loss in the period in which they arise.

Any gains or losses on the retirement or disposal of an investment property are recognised in profit or loss in the period of the retirement or disposal.

Notes to Financial Statements (Continued)
Year ended 31 December 2020

2.4 Summary of Significant Accounting Policies (Continued)

Investment properties (Continued)

When a property occupied by the Group as an owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under "Property, plant and equipment and depreciation" for owned property up to the date of change in use, and any difference at that date between the carrying amount and the fair value of the property is accounted for as follows:

(a) any resulting decrease in the carrying amount of the property is recognised in profit or loss in the period the change in use takes place; or

(b) any resulting increase in the carrying amount is credited to profit or loss, to the extent that the increase reverses a previous impairment loss for that property, or restores the carrying amount of the property to an amount that would have been determined (net of any depreciation) had no impairment loss been recognised for the property in prior periods; and any remaining part of the increase in the carrying amount is credited directly to equity in the property revaluation reserve. On subsequent disposal of the property, the relevant portion of the property revaluation reserve realised is transferred to retained profits as a movement in reserves.

Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessor

When the Group acts as a lessor, it classifies at lease inception (or when there is a lease modification) each of its leases as either an operating lease or a finance lease.

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. Rental income is accounted for on the straight-line basis over the lease terms and is included in revenue in profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Leases that transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee are accounted for as finance leases.

Notes to Financial Statements (Continued)

Year ended 31 December 2020

2.4 Summary of Significant Accounting Policies (Continued)

Leases (Continued)

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets. At inception or on reassessment of a contract that contains a lease component and non-lease component(s), the Group adopts the practical expedient not to separate non-lease component(s) and to account for the lease component and the associated non-lease component(s) (e.g., property management services for leases of properties) as a single lease component.

(a) Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on the straight-line basis over the following depreciation periods, which are the shorter of the lease terms and the estimated useful lives of the assets:

Leasehold land	20 years
Buildings	2 to 10 years

If ownership of the leased asset is transferred to the Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

When the right-of-use assets relate to interests in leasehold land held as inventories, they are subsequently measured at the lower of cost and net realisable value in accordance with the Group's policy for "Inventories". When a right-of-use asset meets the definition of an investment property, it is included in investment properties. The corresponding right-of-use asset is initially measured at cost, and subsequently measured at fair value in accordance with the Group's policy for "Investment properties".

The Group's right-of-use assets are separately presented on the face of the consolidated statement of financial position.

Notes to Financial Statements (Continued)

Year ended 31 December 2020

2.4 Summary of Significant Accounting Policies (Continued)

Leases (Continued)

Group as a lessee (Continued)

(b) Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate the lease. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the interest rate implicit in the lease or, where that rate cannot be readily determined, the Group uses its incremental borrowing rate at the lease commencement date. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

The Group's lease liabilities are separately presented on the face of the consolidated statement of financial position.

(c) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the recognition exemption for leases of low-value assets to leases of assets such as equipment that are considered to be of low value (i.e., magnitude of US$5,000 or less, when the underlying assets are new). Lease payments on short-term leases and leases of low-value assets are recognised as an expense on the straight-line basis over the lease term.

Intangible assets (computer software)

Computer software acquired separately is measured on initial recognition at cost. The useful lives of computer software are assessed to be finite.

Computer software is subsequently amortised over the useful economic life of 3 years and assessed for impairment whenever there is an indication that the computer software may be impaired. The amortisation period and the amortisation method for computer software is reviewed at least at each financial year end.

2.4 Summary of Significant Accounting Policies (Continued)

Financial assets

Initial recognition and measurement

Financial assets are all classified, at initial recognition, as subsequently measured at amortised cost.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under HKFRS 15 *Revenue from Contracts with Customers* in accordance with the policies set out for "Revenue recognition" below.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

Notes to Financial Statements (Continued)

Year ended 31 December 2020

2.4 Summary of Significant Accounting Policies (Continued)

Financial assets (Continued)

Impairment

The Group recognises an allowance for expected credit losses ("ECLs") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

(a) General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

The Group considers a financial asset in default when contractual payments are 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

2.4 Summary of Significant Accounting Policies (Continued)

Financial assets (Continued)

Impairment (Continued)

(a) General approach (Continued)

Financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade and retention receivables that result from transactions that are within the scope of HKFRS 15 *Revenue from Contracts with Customers* and HKFRS 16 *Leases*, which apply the simplified approach as detailed below.

Stage 1 — Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs

Stage 2 — Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs

Stage 3 — Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

(b) Simplified approach

For trade and retention receivables that result from transactions that are within the scope of HKFRS 15 and HKFRS 16, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Notes to Financial Statements (Continued)

Year ended 31 December 2020

2.4 Summary of Significant Accounting Policies (Continued)

Financial assets (Continued)

Derecognition (Continued)

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Financial liabilities

Initial recognition and measurement

Financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument. Financial liabilities are all classified, at initial recognition, as financial liabilities at amortised cost, which are recognised initially at fair value and net of directly attributable transaction costs.

Subsequent measurement

After initial recognition, financial liabilities at amortised cost are subsequently measured at amortised cost, using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in profit or loss.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in profit or loss.

Notes to Financial Statements (Continued)

Year ended 31 December 2020

2.4 Summary of Significant Accounting Policies (Continued)

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Inventories

Inventories, which are car parking spaces, are stated at the lower of cost and net realisable value. Cost is determined on the first-in, first-out basis. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to disposal.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in profit or loss.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Notes to Financial Statements (Continued)

Year ended 31 December 2020

2.4 Summary of Significant Accounting Policies (Continued)

Income tax (Continued)

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, joint ventures and associates, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, and the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, joint ventures and associates, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Notes to Financial Statements (Continued)
Year ended 31 December 2020

2.4 Summary of Significant Accounting Policies (Continued)

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, for which it is intended to compensate, are expensed.

Revenue recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

When the contract contains a financing component which provides the customer with a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. When the contract contains a financing component which provides the Group with a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in HKFRS 15.

(a) Property management services and value-added services

Revenue from the provision of property management services (both on a lump sum basis and on a commission basis) and value-added services is recognised over the scheduled period on the straight-line basis because the customer simultaneously receives and consumes the benefits provided by the Group, except for revenue in relation to rental assistance, agency and custody for rental estate transactions and living services operations, which is recognised at the point in time when control of services or goods is transferred to customers.

Notes to Financial Statements (Continued)

Year ended 31 December 2020

2.4 Summary of Significant Accounting Policies (Continued)

Revenue recognition (Continued)

Revenue from contracts with customers (Continued)

(a) Property management services and value-added services (Continued)

For property management service income of properties managed on a lump sum basis, where the Group acts as a principal and is primarily responsible for providing the property management services to the property owners, the Group recognises the fee received or receivable from property owners as its revenue and all related property management costs as its cost of services. For property management service income of properties managed on a commission basis, the Group recognises the commission, which is calculated by a certain percentage of either (i) the total property management fee received/receivable from the property owners; or (ii) the total property management expenses incurred, as its revenue for arranging and monitoring the services provided by service suppliers to the property owners.

(b) Trading of car parking spaces

Revenue from the trading of car parking spaces is recognised at the point in time when control of the asset is transferred to the customer.

Revenue from other sources

(a) Rental income

Rental income is recognised on the straight line basis over the lease terms.

(b) Interest income

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Contract assets

Contract assets, which includes retention receivables, are the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional. Contract assets are subject to impairment assessment, details of which are included in the accounting policies for impairment of financial assets.

Contract liabilities

A contract liability is recognised when a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

Notes to Financial Statements (Continued)
Year ended 31 December 2020

2.4 Summary of Significant Accounting Policies (Continued)

Share-based payments

Certain employees of the Group were granted incentive shares by an intermediate holding company in respect of their services to the Group. Such equity-settled share-based payment transactions do not involve repayment arrangements and accordingly, they are accounted for as a deemed capital contribution to the Group from the intermediate holding company. The amount to be expensed as share-based compensation expense in respect of these equity-settled share-based payment transactions is determined by reference to the fair value of the share awards granted, taking into account all non-vesting conditions associated with the grants. The total expense is recognised over the relevant vesting periods (or on the grant date if the share awards vest immediately), with a corresponding credit to the capital reserve under equity. For those share awards which are amortised over the vesting periods, the Group revises its estimates of the number of awarded incentive shares that are expected to ultimately vest based on the vesting conditions at the end of each reporting period. Any resulting adjustment to the cumulative fair value recognised in prior years is recognised in profit or loss in the current year, with a corresponding adjustment to the capital reserve.

Other employee benefits

Defined contribution schemes

The Group has joined a number of defined contribution pension schemes organised by certain provincial or municipal governments in Mainland China for certain of its employees, the assets of which are held separately from those of the Group. Contributions are made based on a percentage of the eligible employees' salaries and are charged to profit or loss as they become payable, in accordance with the rules of the pension schemes. The employer contributions vest fully once made.

For those employees that have not yet joined a pension scheme, the Group has accrued for the estimated future pension costs based on a percentage of their salaries. The related assets for the purpose of discharging such liabilities are not separately held from those of the Group.

The Group also operates a defined contribution Mandatory Provident Fund retirement benefit scheme in Hong Kong (the "MPF Scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance, for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting. Proposed final dividends are disclosed in the notes to the financial statements.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

Notes to Financial Statements (Continued)

Year ended 31 December 2020

2.4 Summary of Significant Accounting Policies (Continued)

Foreign currencies

These financial statements are presented in Hong Kong dollars, which is the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

The functional currencies of certain subsidiaries, a joint venture and an associate established in Mainland China, Macau and overseas are currencies other than the Hong Kong dollar. As at the end of the reporting period, the assets and liabilities of these entities are translated into Hong Kong dollars at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into Hong Kong dollars at the weighted average exchange rates for the year. The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

For the purpose of the consolidated statement of cash flows, the cash flows of subsidiaries established in Mainland China, Macau and overseas are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of these subsidiaries which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

3. Significant Accounting Judgements and Estimates

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

3. Significant Accounting Judgements and Estimates (Continued)

The major judgements, key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have the most significant effect on the amounts recognised in the financial statements and have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are set out as below:

(a) Provision for ECLs on trade and retention receivables

The Group uses a provision matrix to calculate ECLs for trade and retention receivables, by applying ECL rates to different ageing groups of trade and retention receivables. The ECL rate of each ageing group is determined by the Group based on the average of historical incurred credit loss experience on each ageing group in the past years (i.e., the historical observed default rates) and, where material, adjusted for forward-looking factors specific to the debtors and the economic environment. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The Group's historical credit loss experience and forecast of economic conditions may not be representative of a customer's actual default in the future and significant management estimates are required in the estimates. When the actual outcome of expectation in future is different from the original estimates, such differences will impact on the carrying amount of trade and retention receivables and the amount of ECLs provided or reversed in the periods in which such estimates have been changed. The information about the ECLs on the Group's trade and retention receivables is disclosed in note 21 to the financial statements.

(b) Provision for ECLs on payments on behalf of property owners for properties managed on a commission basis

Payments on behalf or property owners for properties managed on a commission basis represent advances made to or operating costs paid on behalf of property owners for properties managed on a commission basis. The ECL on these receivables is determined by the Group based on (i) the net present value of expected future cash flows of respective property management projects, which has included a number of estimations and inputs, such as estimated property management fee, estimated collection rates and estimated operating costs; (ii) past repayment history; and (iii) where material, adjusted for forward-looking factors specific to the respective property management projects and the economic environment.

The Group's estimation on expected future cash flows of the relevant property management projects and forecast of economic conditions may not be representative of the actual cash flows in the future and significant management estimates are required in the estimates. When the actual outcome of expectation in future is different from the original estimates, such differences will impact on the carrying amount of payments on behalf of property owners for properties managed on a commission basis and the amount of ECLs provided or reversed in the periods in which such estimates have been changed. The information about the ECLs on these receivables is disclosed in note 22 to the financial statements.

Notes to Financial Statements (Continued)

Year ended 31 December 2020

3. Significant Accounting Judgements and Estimates (Continued)

(c) Principal versus agent considerations in relation to property management services

The Group provides property management services either on a lump sum basis or commission basis as stipulated in the property management services contracts. The Group applies judgement in determining whether the Group is acting as a principal or an agent in relation to property management services in considering all relevant facts and circumstances, including the contractual terms of property management services contracts.

In relation to property management services on a lump sum basis, the Group acts as a principal and is primarily responsible for the provision of property management services to the property owners, where the Group recognises the property management fee received and receivable from property owners as its revenue and all related costs as its costs of services on a gross basis. In relation to property management services on a commission basis, the Group acts as an agent and considers that its performance obligations are only limited to arranging and monitoring the services provided by other services providers to the property owners, where the Group only recognises the commission income, which is calculated by a certain percentage of either (i) the total property management fee received/receivable from the property owners; or (ii) the total property management expenses incurred, as its revenue for arranging and monitoring the services provided by service suppliers to the property owners.

(d) Estimation of fair value of investment properties

The fair value of the Group's investment properties are assessed by management based on property valuations performed by independent professionally qualified valuers. The assumptions adopted in the property valuations are based on information of annual rental income and property market price per square metre, supported by (i) the terms of any existing leases and other contracts; and where possible, (ii) external evidence such as current market rents and recent prices for similar properties in the same location and condition.

Further details of the fair values estimation of the investment properties, including the key assumptions used and valuation techniques adopted for the fair value measurement, as well as a sensitivity analysis, are set out in note 15(d) to the financial statements.

(e) Classification of car parking spaces between investment properties and inventories

The Group holds car parking spaces for trading, earning rentals and/or capital appreciation. Judgement is made by management on determining whether a car parking space is designated as an investment property or an inventory. The Group considers its intention of holding the properties at the acquisition stage of the related car parking spaces for financial statement classification of these car parking spaces.

Car parking spaces intended for sale are accounted for as inventories in current assets and subsequently measured at the lower of costs and net realisable values at the end of each reporting period, whereas car parking spaces intended to be held to earn rentals and/or for capital appreciation are accounted for as investment properties in non-current assets and subsequently measured at fair value at the end of each reporting period.

Notes to Financial Statements (Continued)
Year ended 31 December 2020

3. Significant Accounting Judgements and Estimates (Continued)

(f) Determination of the net realisable values of car parking spaces

Inventories are stated as the lower of cost and net realisable value in accordance with the accounting policy as disclosed in note 2.4 to the financial statements. Management estimates the net realisable values of the Group's car parking spaces based primarily on the latest invoice prices and current market conditions. The Group carries out an inventory review at the end of each reporting period by comparing the costs and recent prices for similar car parking spaces in the same location and condition.

(g) Determination of the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in a lease, and therefore, it uses an incremental borrowing rate ("IBR") to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group "would have to pay", which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when it needs to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

(h) Recognition of a deferred tax liability for withholding taxes

The Corporate Income Tax Law of the PRC states that the distribution of dividends by a foreign invested enterprise established in Mainland China to its foreign investors shall be subject to withholding corporate income tax at a rate of 5% or 10%. The Group carefully evaluates the necessity of dividend distribution of its PRC subsidiaries based on the management's judgement. Further details are given in note 29(b) to the financial statements.

(i) Deferred tax assets

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The amount of unrecognised tax losses at the end of the reporting date and further details are set out in note 29(a) to the financial statements.

Notes to Financial Statements (Continued)

Year ended 31 December 2020

4. Operating Segment Information

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

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

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

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

The chief operating decision maker of the Group ("CODM", identified as the executive directors of the Company and certain senior management) monitors the results of the Group's operating segments separately for the purpose of making decisions about measurements including resource allocation and performance assessment. Segment performance is evaluated based on various considerations, including but not limited to reportable segment profit, which is measured consistently with the Group's profit before tax except that corporate expenses including professional fees, staff costs and other corporate expenses are excluded from such measurement.

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

4. Operating Segment Information (Continued)

Segment revenue and results

Year ended 31 December 2020

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

	Property management services HK$'000	Value-added services HK$'000	Car parking space trading business HK$'000	Corporate and other unallocated HK$'000	Total HK$'000
Other segment information					
Interest income	41,824	612	17	16	42,469
Loss on disposal of items of property, plant and equipment	131	—	—	—	131
Loss on early termination of lease contracts	52	35	—	—	87
Impairment/(reversal of impairment) of financial assets, net	38,454	(292)	—	—	38,162
Depreciation and amortisation	41,419	4,412	—	3,807	49,638
Fair value loss of investment properties, net	—	4,790	—	—	4,790
Share of profit of a joint venture	538	—	—	—	538
Share of profit of an associate	183	—	—	—	183

Notes to Financial Statements (Continued)

Year ended 31 December 2020

4. Operating Segment Information (Continued)

Segment revenue and results (Continued)

Year ended 31 December 2019

	Property management services HK$'000	Value-added services HK$'000	Car parking space trading business HK$'000	Total HK$'000
Reportable segment revenue				
Revenue from external customers (note 5)	4,107,712	1,348,162	9,647	5,465,521
Inter-segment revenue	94,207	83,822	—	178,029
	4,201,919	1,431,984	9,647	5,643,550
Reconciliation:				
Elimination of inter-segment revenue				(178,029)
Reported total revenue				5,465,521
Reportable segment results	429,484	390,088	4,314	823,886
Reconciliation:				
Corporate expenses, net				(63,340)
Profit before tax				760,546

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

4. Operating Segment Information (Continued)

Geographical information

(a) Revenue from external customers

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

The revenue information above is based on the locations of the customers.

(b) Non-current assets

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

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

Information about a major customer

During the year ended 31 December 2020, the Group earned revenue of HK$747,665,000 (2019: HK$724,947,000) in respect of property management services and value-added services provided to subsidiaries of China Overseas Land & Investment Limited ("COLI", a fellow subsidiary of the Company incorporated in Hong Kong with its shares listed on the Stock Exchange). Other than this, there was no individual customer which contributed 10% or more of the Group's revenue during each of the years ended 31 December 2020 and 2019.

Notes to Financial Statements (Continued)
Year ended 31 December 2020

5. Revenue

(a) Disaggregated revenue information

Type of goods or services

Revenue from contracts with customers disaggregated by type of goods or services (i.e., provision of property management services, provision of value-added services and trading of car parking spaces) are recognised in the respective reportable operating segments (i.e., property management services, value-added services and car parking space trading business), and the details of the revenue from these reportable operating segments are set out in note 4 to the financial statements.

Timing of revenue recognition

Year ended 31 December 2020

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

Year ended 31 December 2019

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

Notes to Financial Statements (Continued)
Year ended 31 December 2020

5. Revenue (Continued)

(a) Disaggregated revenue information (Continued)

Geographical market

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

The following table shows the amounts of revenue recognised in the current reporting period that were included in the contract liabilities at the beginning of the reporting period:

	2020	2019
	HK$'000	HK$'000
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Property management services	**422,796**	387,836
Value-added services	**19,756**	234
	442,552	388,070

No revenue recognised during the year ended 31 December 2020 was in relation to performance obligations satisfied or partially satisfied in previous periods (2019: Nil).

(b) Performance obligations

Information about the Group's performance obligations in contracts with customers is summarised below:

Provision of property management services

The Group recognises revenue in the amount that equals the right to invoice which corresponds directly with the value to the customer of the Group's performance to date over time. The Group bills the amount for services provided over time and payment is due upon the issuance of a demand note by the Group.

Provision of value-added services to non-residents

The performance obligations in relation to engineering, pre-delivery, move-in assistance, delivery inspection, engineering service quality monitoring services and etc, are satisfied over time when the services are rendered and the payment is made upon issuance of billings.

Provision of value-added services to residents

The performance obligations are satisfied over time when the services are rendered, except for those in relation to rental assistance, agency and custody for rental estate transactions and living service operations, of which the performance obligations are satisfied at a point in time.

Notes to Financial Statements (Continued)
Year ended 31 December 2020

5. Revenue (Continued)

(b) Performance obligations (Continued)

Trading of car parking spaces

Revenue from the trading of car parking spaces is recognised when customers obtain the physical possession or the legal title of the car parking spaces. The payment is due in accordance with the terms of the sales and purchase agreement.

At 31 December 2020, the amount of transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied), resulting from property management services contracts with fixed terms, is HK$6,695,007,000 (2019: HK$1,595,755,000), of which approximately 42% (2019: 64%) is expected to be recognised as revenue within one year. In addition, the amounts disclosed above do not include variable consideration which is constrained.

For property management services contracts that do not have a fixed term, of which is generally set to expire when the counterparties notify the Group that the services are no longer required, the Group has a right to consideration from customers in an amount that corresponds directly with the value to customers of the Group's performance completed to date. The Group has elected the practical expedient not to disclose the remaining performance obligations for these contracts.

In addition, the Group has elected the practical expedient for not to disclose the remaining performance obligations for value-added services contracts, of which the contract period is not more than one year.

6. Other Income and Gains, Net

An analysis of the Group's other income and gains, net is as follows:

	2020 **HK$'000**	2019 HK$'000
Unconditional government grants:		
— Government subsidies relating to covid-19 pandemic	**17,825**	—
— Government subsidies from value-added and other tax beneficial policies	**33,961**	15,572
— Other government grants	**19,971**	14,818
	71,757	30,390
Interest income	**42,469**	34,752
Gain on bargain purchase (note 33)	**175**	—
Others	**6,756**	1,012
	121,157	66,154

Notes to Financial Statements (Continued)
Year ended 31 December 2020

7. Finance Costs

Finance costs of the Group are interest expense on lease liabilities (note 16(b)).

8. Profit before Tax

The Group's profit before tax is arrived at after charging/(crediting):

	Notes	2020 HK$'000	2019 HK$'000
Cost of inventories sold*		9,494	5,035
Cost of consumables consumed*		372,859	317,799
Sub-contracting costs*		1,164,218	798,509
Utility costs*		517,172	398,525
Depreciation of items of property, plant and equipment	14	15,643	15,941
Less: Included in direct operating expenses		(6,916)	(9,832)
		8,727	6,109
Depreciation of right-of-use assets	16	28,287	21,166
Less: Included in direct operating expenses		(12,328)	(17,062)
		15,959	4,104
Amortisation of intangible assets (included in selling and administrative expenses)	17	5,708	3,719
Rental expenses relating to short-term leases or low-value assets	16	21,276	15,981
Direct operating expenses arising from rental-earning investment properties (including repairs and maintenance)		273	144
Tax surcharges and other levies*		28,156	22,079
Auditor's remuneration:			
Audit services in respect of annual audit		2,800	3,602
Non-audit services		218	458
		3,018	4,060
Employee benefit expense (including directors' and chief executive's remuneration (note 9)):			
Wages and salaries (note)		3,140,244	2,689,690
Share-based payments	31	4,189	4,225
Pension scheme contributions (defined contribution schemes) (note)		87,850	173,305
		3,232,283	2,867,220
Less: Included in direct operating expenses		(2,993,788)	(2,545,333)
		238,495	321,887

Notes to Financial Statements (Continued)
Year ended 31 December 2020

8. Profit before Tax (Continued)

	Notes	2020 HK$'000	2019 HK$'000
Impairment/(reversal of impairment) of financial assets, net:			
Trade and retention receivables	21(c)	18,587	15,963
Other receivables	22(b)	19,575	(15,096)
		38,162	867
Loss on disposal of items of property, plant and equipment		131	814
Loss on early termination of lease contracts		87	—

Note: The movement in employee benefit expense (including wages and salaries and pension scheme contributions) included (i) reduction and wavier of employer obligations on social security contributions for a specified period of time in a total amount of HK$132,307,000 (2019: Nil), as announced by the Ministry of Human Resources and Social Security of the PRC; and (ii) receipt of government grants under covid-19 amounting to HK$31,351,000 (2019: Nil) from the governments of Hong Kong and Macau in the current year.

* These items are included in "Direct operating expenses" on the face of the consolidated statement of profit or loss.

9. Directors' Remuneration

Directors' remuneration for the year, disclosed pursuant to the Listing Rules, section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	2020 HK$'000	2019 HK$'000
Fees	970	970
Other emoluments:		
Salaries, allowances and benefits in kind	6,396	4,641
Performance related bonuses	12,784	8,746
Pension scheme contributions	1,333	816
	20,513	14,203
	21,483	15,173

Notes to Financial Statements (Continued)

Year ended 31 December 2020

9. Directors' Remuneration (Continued)

An analysis of the directors' remuneration, on a named basis, is as follows:

Year ended 31 December 2020

	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000 (note (a))	Performance related bonuses HK$'000 (note (b))	Pension scheme contributions HK$'000	Total HK$'000
Executive directors:					
Mr. Zhang Guiqing*	—	1,804	4,168	386	6,358
Dr. Yang Ou	—	1,447	4,971	552	6,970
Mr. Pang Jinying	—	1,207	2,908	377	4,492
Mr. Kam Yuk Fai	—	1,938	737	18	2,693
Non-executive director:					
Mr. Yan Jianguo*	—	—	—	—	—
Independent non-executive directors:					
Mr. Lim, Wan Fung Bernard Vincent	250	—	—	—	250
Mr. Yung, Wing Ki Samuel	360	—	—	—	360
Mr. So, Gregory Kam Leung	360	—	—	—	360
	970	6,396	12,784	1,333	21,483

* On 11 February 2020, Mr. Zhang Guiqing was appointed as an executive director and chairman of the Company and Mr. Yan Jiangguo resigned from the position as the non-executive director and chairman of the Company.

Notes to Financial Statements (Continued)

Year ended 31 December 2020

9. Directors' Remuneration (Continued)

Year ended 31 December 2019

	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000 (note (a))	Performance related bonuses HK$'000 (note (b))	Pension scheme contributions HK$'000	Total HK$'000
Executive directors:					
Dr. Yang Ou	—	1,507	4,919	457	6,883
Mr. Pang Jinying	—	1,296	3,077	341	4,714
Mr. Kam Yuk Fai	—	1,838	750	18	2,606
Non-executive director:					
Mr. Yan Jianguo*	—	—	—	—	—
Independent non-executive directors:					
Mr. Lim, Wan Fung Bernard Vincent	250	—	—	—	250
Mr. Yung, Wing Ki Samuel	360	—	—	—	360
Mr. So, Gregory Kam Leung	360	—	—	—	360
	970	4,641	8,746	816	15,173

Notes:

(a) Certain executive directors of the Company are entitled to bonus payments 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 condition and the market trend.

(b) During the year and in prior years, certain directors were granted incentive A-shares of China State Construction Engineering Corporation Limited ("CSCECL, an intermediate holding company of the Company established in the PRC and the shares of which are listed on the Shanghai Stock Exchange), in respect of their services to the Group, under the A-share restricted stock incentive plan of CSCECL, further details of which are set out in note 31 to the financial statements. The fair values of such incentive shares, which have been recognised in profit or loss over the vesting periods, were determined as at the respective dates of grant and the amounts included in the financial statements for the current and prior years are included in the "Salaries, allowances and benefits in kind" in the above directors' remuneration disclosures.

(c) During each of the years ended 31 December 2020 and 2019, there was no arrangement under which a director waived or agreed to waive any remuneration and no director received any emoluments as inducement to join or upon joining the Company or as compensation for loss of office.

Notes to Financial Statements (Continued)
Year ended 31 December 2020

10. Five Highest Paid Employees

The five highest paid employees during the year included three (2019: two) directors, details of whose remuneration are set out in note 9 above. Details of the remuneration for the year of the two (2019: three) non-director highest paid employees are as follows:

	2020	2019
	HK$'000	HK$'000
Salaries, allowances and benefits in kind (note (b))	**3,108**	4,470
Performance related bonuses	**4,756**	6,817
Pension scheme contributions	**347**	591
	8,211	11,878

The number of non-director highest paid employees whose remuneration fell within the following bands is as follows:

	2020	2019
HK$3,500,001 to HK$4,000,000	**1**	2
HK$4,500,001 to HK$5,000,000	**1**	1
	2	3

Notes:

(a) 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 2020 and 2019.

(b) During the year and in prior years, the above non-director highest paid employees were granted incentive A-shares of CSCECL, in respect of their services to the Group, under the A-shares restricted stock incentive plan of CSCECL, further details of which are set out in note 31 to the financial statements. The fair values of such incentive shares, which have been recognised in profit or loss over the vesting periods, were determined as at the respective dates of grant and the amount included in the financial statements for the current and prior years are included in the "Salaries, allowances and benefits in kind" in the above non-director highest paid employees' remuneration disclosures.

Notes to Financial Statements (Continued)

Year ended 31 December 2020

11. Income Tax Expenses

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

	2020	2019
	HK$'000	HK$'000
Current:		
Hong Kong	**889**	1,778
Macau	**299**	624
Overprovision in prior years — Hong Kong and Macau	**(528)**	(199)
Mainland China	**233,633**	199,707
Overprovision in prior years — Mainland China	**(11,596)**	—
The PRC withholding income tax	**15,730**	17,231
	238,427	219,141
Deferred (note 29)	**(14,003)**	(2,735)
Total	**224,424**	216,406

Notes:

(a) Applicable income tax rates

A summary of applicable income tax rates of the jurisdictions in which the Group has operations during the year is as follows:

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

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

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

(b) For certain branches of the subsidiaries of the Group established in Mainland China which are engaged in the provision of 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 on a commission basis. As a result of such arrangement, the enterprise income tax provision of the Group is affected by the assessable profit and tax losses attributable to the PM Branches on a commission basis. For financial accounting purposes, the Group has made the relevant provision based on assessable profit at the applicable tax rates of the PM Branches on a lump sum basis and the commission income.

Notes to Financial Statements (Continued)

Year ended 31 December 2020

11. Income Tax Expenses (Continued)

Notes: (Continued)

(c) A reconciliation of the income tax expenses applicable to profit before tax at the statutory tax rate of the PRC in which the majority of the Group's operations are domiciled to the tax expense at the effective tax rates is as follows:

	2020 HK$'000	2019 HK$'000
Profit before tax	**931,621**	760,546
Income tax expenses at the PRC statutory tax rate of 25%	**232,905**	190,137
Lower tax rates for specific provinces	**(21,957)**	(10,164)
Effect of withholding tax at 5% on the dividend declared by a PRC subsidiary	**15,730**	17,231
Effect of different tax rates applicable to subsidiaries operating in Hong Kong and Macau	**(651)**	(460)
Adjustments in respect of current tax of previous periods	**(12,124)**	(199)
Profit attributable to a joint venture	**(134)**	(44)
Profit attributable to an associate	**(46)**	(48)
Income not subject to tax	**(7,842)**	(322)
Expenses not deductible for tax	**3,348**	1,343
Recognition of deductible temporary differences previously not recognised	**(4,322)**	—
Tax losses not recognised	**20,444**	20,812
Utilisation/recognition of tax losses previously not recognised	**(1,373)**	(1,995)
Others	**446**	115
Income tax expenses for the year	**224,424**	216,406

12. Earnings per Share

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

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

Notes to Financial Statements (Continued)

Year ended 31 December 2020

13. Dividends

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

	Dividend declared/ proposed	Dividend paid and recorded in the financial statements	
		2020	2019
	HK$'000	**HK$'000**	HK$'000
2018			
Final dividend of HK2.0 cents per ordinary share	65,737		65,737
2019			
Interim dividend of HK2.2 cents per ordinary share	72,311		72,311
Final dividend of HK2.8 cents per ordinary share	92,032	**92,032**	
	164,343		
2020			
Interim dividend of HK2.2 cents per ordinary share	72,311	**72,311**	
Final dividend of HK4.2 cents per ordinary share	138,048		
Total	210,359	**164,343**	138,048

14. Property, Plant and Equipment

Year ended 31 December 2020

	Buildings and leasehold improvements HK$'000	Machinery and equipment HK$'000	Motor vehicles HK$'000	Furniture, fixtures, and office equipment HK$'000	Total HK$'000
At 1 January 2020:					
Cost	15,658	9,270	30,559	100,644	156,131
Accumulated depreciation	(4,906)	(5,837)	(22,151)	(66,766)	(99,660)
Net carrying amount	10,752	3,433	8,408	33,878	56,471
Net carrying amount:					
At 1 January 2020	10,752	3,433	8,408	33,878	56,471
Acquisition of a subsidiary (note 33)	955	—	—	12	967
Additions	—	4,822	2,350	16,789	23,961
Depreciation provided during the year	(115)	(2,561)	(2,126)	(10,841)	(15,643)
Disposals	—	(4)	(7)	(139)	(150)
Reclassification	—	3,581	(2,710)	(871)	—
Exchange realignment	704	486	211	1,404	2,805
At 31 December 2020	12,296	9,757	6,126	40,232	68,411
At 31 December 2020:					
Cost	17,413	20,586	28,300	116,182	182,481
Accumulated depreciation	(5,117)	(10,829)	(22,174)	(75,950)	(114,070)
Net carrying amount	12,296	9,757	6,126	40,232	68,411

Notes to Financial Statements (Continued)

Year ended 31 December 2020

14. Property, Plant and Equipment (Continued)

Year ended 31 December 2019

	Buildings and leasehold improvements HK$'000	Machinery and equipment HK$'000	Motor vehicles HK$'000	Furniture, fixtures, and office equipment HK$'000	Total HK$'000
At 1 January 2019:					
Cost	8,677	12,093	43,009	100,983	164,762
Accumulated depreciation	(4,900)	(8,406)	(37,232)	(73,289)	(123,827)
Net carrying amount	3,777	3,687	5,777	27,694	40,935
Net carrying amount:					
At 1 January 2019	3,777	3,687	5,777	27,694	40,935
Additions	8,482	1,380	5,577	20,530	35,969
Depreciation provided during the year	(870)	(1,340)	(2,613)	(11,118)	(15,941)
Transfer to investment properties upon change in use (note)	(482)	—	—	—	(482)
Disposals	—	(233)	(221)	(2,728)	(3,182)
Exchange realignment	(155)	(61)	(112)	(500)	(828)
At 31 December 2019	10,752	3,433	8,408	33,878	56,471
At 31 December 2019:					
Cost	15,658	9,270	30,559	100,644	156,131
Accumulated depreciation	(4,906)	(5,837)	(22,151)	(66,766)	(99,660)
Net carrying amount	10,752	3,433	8,408	33,878	56,471

Note: In 2019, the use of a building of the Group included in property, plant and equipment has been changed upon the inception of operating leases with external third parties. As a result, the building was transferred to investment properties at the date of change in use and based on a valuation performed by CHFT Advisory and Appraisal Limited, independent professional qualified valuers, a remeasurement gain of HK$11,986,000 and the related income tax effect of HK$2,989,000 were recognised as other comprehensive income in the property revaluation reserve.

Details of summary of the valuation technique used and the key input to the valuation of the property are set out in note 15 to the financial statements.

Notes to Financial Statements (Continued)

Year ended 31 December 2020

15. Investment Properties

	Notes	2020 HK$'000	2019 HK$'000
Carrying amount as at 1 January		**145,898**	132,586
Additions	(b)	**13,944**	—
Transfer from property, plant and equipment upon change in use	(c)	**—**	12,429
Fair value (loss)/gain of investment properties, net		**(4,790)**	2,572
Exchange realignment		**7,507**	(1,689)
Carrying amount as at 31 December		**162,559**	145,898

Notes:

(a) The Group's investment properties consist of offices, retail stores, a swimming pool, a residential property and car parking spaces, which are all located in the PRC. They are leased to third parties under operating leases, further summary details of which are included in note 16(a) to the financial statements.

(b) During the year ended 31 December 2020, the Group acquired a property from a subsidiary of COLI at a consideration of HK$13,944,000, which constitutes a connected transaction as defined in Chapter 14A of the Listing Rules.

(c) Details of the transfer of a property from owner-occupied properties included in property, plant and equipment to investment properties are set out in note 14 to the financial statements.

(d) The Group's investment properties were revalued on 31 December 2020 based on valuation performed by CHFT Advisory and Appraisal Limited (2019: CHFT Advisory and Appraisal Limited), independent professionally qualified valuers, at RMB137,200,000 (equivalent to HK$162,559,000) in total. Each year, the Group's finance team reviews the valuations performed by the independent valuers for financial reporting purposes and reports directly to the senior management of the Group. The senior management has discussions with the valuers on the valuation assumptions and valuation results at least once a year. Also, the finance department would review all major inputs as set out in the valuation report issued by the independent valuers, assess property valuation movements when compared to the prior year valuation report and hold discussions with the independent valuers.

Fair value hierarchy disclosure

At 31 December 2020, fair value measurements of all the Group's investment properties are using significant unobservable inputs (Level 3 as defined in HKFRS 13). During each of the years ended 31 December 2020 and 2019, there was no transfer into or out of Level 3.

Notes to Financial Statements (Continued)

Year ended 31 December 2020

15. Investment Properties (Continued)

Notes: (Continued)

(d) (Continued)

Fair value hierarchy disclosure (Continued)

Set out below is a summary of the valuation techniques used and key inputs to the valuation of the Group's investment properties:

Description	Valuation techniques	Significant unobservable inputs	Range of input 2020	2019
Offices	Investment approach	Prevailing market rents	**RMB37–120 per square metre per month**	RMB96.3–130 per square metre per month
		Reversionary yield	**4.5%–5%**	4.25%–5%
Retail stores and a swimming pool	Investment approach	Prevailing market rents	**RMB100–400 per square metre per month**	RMB150–260 per square metre per month
		Reversionary yield	**4.5%–6.5%**	5.75%–6.5%
Car parking spaces	Direct comparison	Unit price	**RMB150,000–923,000 per car parking space**	RMB152,000–840,000 per car parking space
Residential property	Investment approach	Prevailing market rents	**RMB47.3–56.6 per square metre per month**	RMB48.9–54.1 per square metre per month
		Reversionary yield	**1.4%–1.5%**	1.4%–1.5%

The investment approach is applied based on net rental income that can be derived from existing tenancies with due allowance for the reversionary potential of the properties. The direct comparison method is based on comparing the properties to be valued directly with other comparable properties, which have recently been 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.

A significant increase (decrease) in the prevailing market rent and unit price of car parking spaces in isolation would result in a significant increase (decrease) in the fair value of the investment properties. A significant increase (decrease) in the reversionary yield in isolation would result in a significant (decrease) increase in the fair value of the investment properties. Generally, a change in the assumption made for the prevailing market rent is accompanied by a directionally similar change in the rental value and an opposite change in the reversionary yield.

Notes to Financial Statements (Continued)
Year ended 31 December 2020

16. Leases

(a) Group as a lessor

The Group leases its investment properties (note 15) and certain car parking spaces (inventories) on a temporary basis under operating lease arrangements. The terms of the leases generally require the tenants to pay security deposits. Rental income recognised by the Group during the year was HK$3,718,000 (2019: HK$2,865,000), details of which are included in note 5 to the financial statements.

At 31 December 2020, the undiscounted lease payments receivable by the Group in future periods under non-cancellable operating leases with its tenants are as follows:

	2020	2019
	HK$'000	HK$'000
Within one year	**2,874**	2,460
After one year but within two years	**1,762**	1,368
After two years but within three years	**1,077**	574
After three years but within four years	**195**	405
After four years but within five years	**—**	203
Total	**5,908**	5,010

(b) Group as a lessee

The Group has lease arrangements as a lessee for various items of land, offices, staff quarters and warehouses. Lump sum payments were made up front to acquire the leased land from the owners with corresponding lease periods, and no ongoing payments will be made under the terms of these land leases. Leases of various offices, staff quarters and warehouses generally have lease terms between 1 and 10 years. Other equipment generally has lease terms of 12 months or less and/or is individually of low value.

Notes to Financial Statements (Continued)

Year ended 31 December 2020

16. Leases (Continued)

(b) Group as a lessee (Continued)

Right-of-use assets

The carrying amounts of the Group's right-of-use assets and the movements during the year are as follows:

	Leasehold land	**Buildings**	**Total**
	HK$'000	HK$'000	HK$'000
At 1 January 2019	1,684	26,182	27,866
Additions (note)	6,499	48,995	55,494
Depreciation provided during the year	(243)	(20,923)	(21,166)
Exchange realignment	243	(781)	(538)
At 31 December 2019 and 1 January 2020	8,183	53,473	61,656
Acquisition of a subsidiary (note 33)	1,075	—	1,075
Additions	—	37,241	37,241
Early termination of lease contracts	—	(1,892)	(1,892)
Depreciation provided during the year	(559)	(27,728)	(28,287)
Exchange realignment	(292)	2,516	2,224
At 31 December 2020	**8,407**	**63,610**	**72,017**

Note: During the year ended 31 December 2019, the Group acquired property, plant and equipment and right-of-use assets (leasehold land portion) of HK$8,482,000 and HK$6,499,000, respectively, from subsidiaries of a fellow subsidiary, which constitute connected transactions under Chapter 14A of the Listing Rules.

Lease liabilities

The carrying amount of the Group's lease liabilities and the movements during the year are as follows:

	2020	2019
	HK$'000	HK$'000
Carrying amount as at 1 January	**54,505**	26,862
New leases	**37,026**	50,096
Accretion of interest recognised during the year	**3,161**	2,352
Payments	**(31,332)**	(23,841)
Early termination of lease contracts	**(1,805)**	—
Exchange realignment	**1,851**	(964)
Carrying amount as at 31 December	**63,406**	54,505
Portion classified as current liabilities	**(24,794)**	(22,044)
Non-current portion	**38,612**	32,461

Notes to Financial Statements (Continued)
Year ended 31 December 2020

16. Leases (Continued)

(b) Group as a lessee (Continued)

Other lease information

The amounts recognised in profit or loss for the year in relation to leases are as follows:

	2020 HK$'000	2019 HK$'000
Interest on lease liabilities (note 7)	3,161	2,352
Depreciation of right-of-use assets	28,287	21,166
Expenses relating to short-term leases or low-value assets	21,276	15,981
Loss on early termination of lease contracts	87	—
Total amount recognised in profit or loss	52,811	39,499

The total cash outflow for leases is disclosed in note 34(b) to the financial statements.

17. Intangible Assets

	Computer software	
	2020 HK$'000	2019 HK$'000
At 1 January:		
Cost	18,531	9,493
Accumulated amortisation	(6,874)	(3,261)
Net carrying amount	11,657	6,232
Net carrying amount:		
At 1 January	11,657	6,232
Acquisition of a subsidiary (note 33)	4	—
Additions	13,979	9,368
Amortisation provided during the year	(5,708)	(3,719)
Exchange realignment	1,016	(224)
At 31 December	20,948	11,657
At 31 December:		
Cost	34,181	18,531
Accumulated amortisation	(13,233)	(6,874)
Net carrying amount	20,948	11,657

Notes to Financial Statements (Continued)

Year ended 31 December 2020

18. Investment in a Joint Venture

	2020 HK$'000	2019 HK$'000
Share of net assets	**3,771**	3,164

Particulars of the Group's joint venture, which is indirectly held by the Company, are as follows:.

Company name	Registered capital	Place of registration/ business	Proportion to the Group's ownership %	Principal activity
成都城投中海物業管理有限公司	RMB10,000,000	The PRC	51	Real estate management

In the opinion of the directors of the Company, the joint venture is not material to the Group.

19. Investment in an Associate

	2020 HK$'000	2019 HK$'000
Share of net assets	**328**	145

Particulars of the Group's associate, which is indirectly held by the Company, are as follows:

Company name	Share capital	Place of registration/ business	Proportion to the Group's ownership %	Principal activity
Windsor Heights Estate Management Company Limited	HK$100	Hong Kong	25	Real estate management

In the opinion of the directors of the Company, the associate is not material to the Group.

20. Inventories

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

During the year, the Group purchased right-of-use on car parking spaces from fellow subsidiaries in a total amount of HK$141,732,000 (2019: HK$391,222,000), inclusive of value-added tax, of which HK$141,732,000 (2019: HK$181,349,000) and Nil (2019: HK$209,873,000) constitute continuing connected transactions and connected transactions as defined in Chapter 14A of the Listing Rules, respectively.

20. Inventories (Continued)

Besides, the Group entered into agreements with associates of a fellow subsidiary during the year for the purchase of right-of-use on car parking spaces, at a total contract amount of HK$101,263,000 (2019: Nil), inclusive of value-added tax, which constitute continuing connected transactions as defined in Chapter 14A of the Listing Rules. At 31 December 2020, the Group has purchased right-of-use on car parking spaces of HK$56,208,000 under these agreements, and the remaining transactions have not been completed while down payments of HK$30,694,000 in total have been paid.

21. Trade and Retention Receivables

	Notes	2020 HK$'000	2019 HK$'000
Trade receivables	(a)	909,016	647,250
Retention receivables	(b)	40,256	—
Total trade and retention receivables		949,272	647,250
Less: Impairment	(c)	(103,137)	(79,688)
		846,135	567,562

Notes:

(a) Trade receivables are non-interest bearing and arise from the provision of property management services and value-added services. Property management services income from properties managed under lump sum basis are received in accordance with the terms of the relevant property management services agreements and they are due for payment by the residents upon the issuance of demand notes by the Group. Income from the provision of repair and maintenance, automation and other equipment upgrade services are received in accordance with the terms of the relevant contract agreements, normally within 60 days from the issuance of payment requests. Other value-added service income is due for payment upon the issuance of demand notes. Car parking space trading income is received in accordance with the terms of the sales and purchase agreement.

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

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

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

Notes to Financial Statements (Continued)

Year ended 31 December 2020

21. Trade and Retention Receivables (Continued)

Notes: (Continued)

(b) Retention receivables related to revenue earned from the provision of construction of intelligent property management services for which the right to the receipt of consideration for work performed remains conditional on the satisfaction of the service quality by the customers over a certain period as stipulated in the service contracts. The retention receivables are transferred to the trade receivables when the rights become unconditional, which is typically at the expiry date of the defect liability period. At 31 December 2019 and 1 January 2019, there was no retention receivable and the increase in retention receivables in 2020 was due to the expansion of the intelligent property management services, which are part of the services provided under the value-added services segment.

(c) The movements in the loss allowance for impairment of trade and retention receivables during the year are as follows:

	2020 **HK$'000**	2019 HK$'000
At 1 January	**79,688**	64,778
Impairment recognised	**18,587**	15,963
Exchange realignment	**4,862**	(1,053)
At 31 December	**103,137**	79,688

An impairment analysis on trade and retention receivables is performed at each reporting date using a provision matrix to measure the expected credit losses. The provision rates are based on the average of historical incurred credit loss experience on each ageing group of trade and retention receivables based on invoice dates. Generally, trade and retention receivables are written off if they are not considered recoverable by the Group and are not subject to enforcement activity.

Notes to Financial Statements (Continued)
Year ended 31 December 2020

21. Trade and Retention Receivables (Continued)

Notes: (Continued)

(c) (Continued)

Set out below is the information about the credit risk exposure on the Group's trade and retention receivables under a provision matrix under which the ageing classification of the gross carrying amount is based on the invoice date:

	Within 1 year HK$'000	1–2 years HK$'000	Over 2 years HK$'000	Total HK$'000
At 31 December 2020				
Expected loss rate	**1%**	**10%**	**71%**	**11%**
Gross carrying amount	**740,118**	**78,339**	**130,815**	**949,272**
Expected credit losses	**1,874**	**8,220**	**93,043**	**103,137**
At 31 December 2019				
Expected loss rate	1%	13%	61%	12%
Gross carrying amount	468,015	65,440	113,795	647,250
Expected credit losses	1,498	8,305	69,885	79,688

22. Prepayments, Deposits and Other Receivables

	2020 HK$'000	2019 HK$'000
Prepayments	**141,989**	87,958
Deposits	**54,483**	14,988
Payments on behalf of property owners for properties managed on a commission basis, net of provision for expected credit losses (note (a))	**48,309**	91,235
Payments on behalf of property owners for properties managed on a lump sum basis, sub-contractors and staff	**102,917**	68,754
Other receivables	**39,220**	38,696
Total prepayments, deposits and other receivables	**386,918**	301,631
Portion classified as current assets	**(384,565)**	(296,091)
Non-current portion	**2,353**	5,540

Notes:

(a) The balance represented payments made on behalf of property owners for properties managed on a commission basis under certain specific circumstances, including but not limited to payments of centralised procurement costs and transitional arrangements for property management projects with temporary working capital needs. Under the Group's policy, such payments on behalf of property owners must be settled within a set period of time depending on the nature of the payment. The Group did not hold any collateral over these balances.

Notes to Financial Statements (Continued)

Year ended 31 December 2020

22. Prepayments, Deposits and Other Receivables (Continued)

Notes: (Continued)

(a) (Continued)

An analysis of payments on behalf of property owners for properties managed on a commission basis, net of provision for expected credit losses, is as follows:

	2020 HK$'000	2019 HK$'000
Gross payments on behalf of property owners for properties managed on a commission basis	**130,446**	149,881
Less: Impairment (note (b))	**(82,137)**	(58,646)
	48,309	91,235

(b) The movements in the loss allowance for impairment of payments on behalf of property owners for properties managed on a commission basis during the year are as follows:

	2020 HK$'000	2019 HK$'000
At 1 January	**58,646**	74,429
Impairment/(reversal of impairment) recognised	**19,575**	(15,096)
Exchange realignment	**3,916**	(687)
At 31 December	**82,137**	58,646

An impairment analysis on payments on behalf of property owners for properties managed on a commission basis is performed at each reporting date by assessing the discounted future cash flows of each relevant property management project estimated by management in determining the recoverability of the amounts receivable by the Group. The discounted future cash flows take into consideration a number of factors, including, among others, past repayment history, existing market conditions and forward-looking estimates on the repayment ability of property owners collectively, at the end of each reporting period, which include estimation on the property management fees, collection rates and operating costs etc.

(c) There was no recent history of default and past due amounts for financial assets included in deposits, other receivables and, payments on behalf of property owners for properties managed on a lump sum basis, subcontractors and staff. At 31 December 2020 and 2019, the loss allowance was assessed to be minimal.

23. Balances due from the Immediate Holding Company, Fellow Subsidiaries and Related Companies

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

* Included in the balances were down payments for purchase of inventories paid to associates of a fellow subsidiary in a total amount of HK$30,694,000, further details of which are set out in note 20 to the financial statements.

Notes:

(a) An ageing analysis of the trade nature balances due from related parties as at the end of the reporting period, based on the invoice date, is as follows:

	2020 HK$'000	2019 HK$'000
Balance due from the immediate holding company		
Within 1 month	**283**	80
1 to 3 months	**335**	89
Over 3 months	**275**	62
	893	231
Balances due from fellow subsidiaries		
Within 1 month	**62,378**	35,952
1 to 3 months	**27,583**	21,708
3 to 12 months	**18,782**	20,486
1 to 2 years	**12,738**	7,003
Over 2 years	**7,684**	5,071
	129,165	90,220

Notes to Financial Statements (Continued)

Year ended 31 December 2020

23. Balances due from the Immediate Holding Company, Fellow Subsidiaries and Related Companies (Continued)

Notes: (Continued)

(a) (Continued)

	2020	2019
	HK$'000	HK$'000
Balances due from related companies		
Within 1 month	**13,926**	5,867
1 to 3 months	**33,968**	3,348
3 to 12 months	**10,088**	10,251
1 to 2 years	**4,541**	2,540
Over 2 years	**1,036**	832
	63,559	22,838

The trade nature receivables from the immediate holding company, fellow subsidiaries and related companies mainly represented property management services income from properties managed on a lump sum basis in the PRC, which are due for payment by the corresponding parties upon the issuance of a demand note. There was no material impairment loss provided against theses balances as there was no indicator of higher credit risk on these balances and management considered these receivables were still performing as at 31 December 2020.

(b) During the year ended 31 December 2020, a subsidiary of the Group as the lender and a related company of the Group as the borrower entered into a renewal loan agreement to renew a loan of RMB75,026,000 which is unsecured and bears interest at the rate of 4.75% per annum, for a term of three years expiring on 18 October 2023. Interest received and receivable from this related company in connection with this loan amounted to HK$3,778,000 (2019: HK$3,860,000), which was recognised in profit or loss for the year ended 31 December 2020.

This transaction constituted a connected transaction as defined in Chapter 14A of the Listing Rules and further details of which are set out in the Company's announcement dated on 12 October 2020.

(c) There was no recent history of default and past due amounts. At 31 December 2020 and 2019, the loss allowance was assessed to be minimal.

Notes to Financial Statements (Continued)

Year ended 31 December 2020

24. Cash and Bank Balances

	2020	2019
	HK$'000	HK$'000
Cash and bank deposits other than time deposits	**2,935,561**	1,614,337
Time deposits	**770,142**	881,356
Cash and bank balances	**3,705,703**	2,495,693

Notes:

(a) At 31 December 2020, the cash and bank balances of the Group denominated in RMB amounted to HK$3,592,062,000 (2019: HK$2,405,418,000). RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

(b) Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits were made for a period over three months, and earn interest at short term time deposit rates ranging from 2.80% to 4.10% (2019: 2.75% to 4.60%) per annum. The bank balances are deposited with creditworthy banks with no recent history of default.

25. Trade Payables

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

	2020	2019
	HK$'000	HK$'000
Within 1 month	**171,054**	114,028
1 to 3 months	**74,106**	56,445
3 months to 12 months	**90,871**	222,734
1 to 2 years	**101,437**	31,255
Over 2 years	**23,645**	3,025
	461,113	427,487

Notes to Financial Statements (Continued)

Year ended 31 December 2020

26. Other Payables and Accruals

	2020 HK$'000	2019 HK$'000
Special funds (note)	**104,270**	95,504
Temporary receipts from properties managed on a commission basis	**845,124**	246,986
Temporary receipts from properties managed on a lump sum basis	**440,535**	297,574
Accrued staff costs	**692,958**	562,220
Payables for value-added tax and other levies	**52,791**	45,365
Other payables	**146,556**	70,767
	2,282,234	1,318,416

Note: Amounts mainly represent the special maintenance funds held on custody of property owners for future settlement of construction costs for certain properties managed by the Group.

27. Receipts in Advance and Other Deposits

	Notes	2020 HK$'000	2019 HK$'000
Contract liabilities — Receipts in advance from customers	(a)	**598,097**	451,829
Various deposits received	(b)	**336,734**	288,261
		934,831	740,090

Notes:

(a) Details of contract liabilities are as follows:

	31 December 2020 HK$'000	31 December 2019 HK$'000	1 January 2019 HK$'000
Receipts in advance from customers	**598,097**	451,829	393,664

Except for those classified as balances due to fellow subsidiaries and related companies as set out in note 28 to the financial statements, contract liabilities of the Group represented the advance payments made by customers while the underlying services are yet to be provided in accordance with HKFRS 15.

The increases in contract liabilities in 2020 and 2019 were mainly due to increase in new property management projects.

(b) Various deposits received mainly represented security, tender and quality guarantee deposits held by the Group.

Notes to Financial Statements (Continued)

Year ended 31 December 2020

28. Balances due to Fellow Subsidiaries and Related Companies

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

	2020 HK$'000	2019 HK$'000
Balances due to fellow subsidiaries — Trade nature		
Within 1 month	4,225	4,021
1 to 3 months	96	20
3 to 12 months	610	83
1 to 2 years	1,235	52
Over 2 years	89	—
	6,255	4,176
Receipts in advance (note)	11,863	156
	18,118	4,332
Balances due to related companies (including joint ventures and associates of fellow subsidiaries) — Trade nature		
Within 1 month	765	4,591
1 to 3 months	451	190
3 to 12 months	2,490	169
1 to 2 years	557	—
Over 2 years	222	—
	4,485	4,950
Receipts in advance (note)	13,784	1,638
	18,269	6,588

Notes to Financial Statements (Continued)

Year ended 31 December 2020

28. Balances due to Fellow Subsidiaries and Related Companies (Continued)

Note: Details of contract liabilities included in balances due to fellow subsidiaries and related companies are as follows:

	31 December 2020 HK$'000	31 December 2019 HK$'000	1 January 2019 HK$'000
Receipts in advance from			
— fellow subsidiaries	**11,863**	156	5,916
— related companies	**13,784**	1,638	2,496
	25,647	1,794	8,412

These balances are contract liabilities arising from the provision of property management services and value-added services to fellow subsidiaries and related companies while the underlying services are not yet to be provided. The balance of contract liabilities depends on cash receipts during the corresponding year. The increase in contract liabilities of balances due to fellow subsidiaries and related companies in 2020 was mainly attributable to the increase in new property management projects.

Revenue from property management services of HK$118,000 (2019: HK$5,910,000) and HK$1,258,000 (2019: HK$2,496,000) recognised in the current reporting period were included in the balances due to fellow subsidiaries and related companies as at 1 January 2020, respectively.

29. Deferred Tax

Net deferred tax assets and liabilities recognised in the consolidated statement of financial position are as follows:

	2020 HK$'000	2019 HK$'000
Deferred tax assets	**38,600**	35,006
Deferred tax liabilities	**(18,673)**	(31,795)
	19,927	3,211

Notes to Financial Statements (Continued)

Year ended 31 December 2020

29. Deferred Tax (Continued)

The movements in deferred tax assets/(liabilities) of the Group, without taking into consideration the offsetting of balances within the same taxation authority, are as follows:

	Tax losses HK$'000	Impairment provision for financial assets HK$'000	Revaluation of properties and accelerated tax deprecation HK$'000	Provision for unused annual leave HK$'000	Total HK$'000
At 1 January 2019	3,283	29,718	(29,982)	1,159	4,178
Net deferred tax charged to other comprehensive income included in property revaluation reserve	—	—	(2,989)*	—	(2,989)
Net deferred tax credited/(charged) to profit or loss during the year	(3,295)	6,014	(125)	141	2,735
Exchange realignment	12	(1,109)	384	—	(713)
At 31 December 2019 and 1 January 2020	**—**	**34,623**	**(32,712)**	**1,300**	**3,211**
Net deferred tax credited/(charged) to profit or loss during the year	**—**	**13,403**	**(359)**	**959**	**14,003**
Exchange realignment	**—**	**3,088**	**(375)**	**—**	**2,713**
At 31 December 2020	**—**	**51,114**	**(33,446)**	**2,259**	**19,927**

* The net deferred tax charged to other comprehensive income included in property revaluation reserve arose from the transfer of a property from owner-occupied properties included in property, plant and equipment to investment properties in 2019, further details of which are set out in note 14 to the financial statements.

Notes:

(a) At 31 December 2020, deferred tax assets have not been recognised in respect of unused tax losses of HK$304,915,000 (2019: HK$230,753,000) as they have arisen in the Company and certain subsidiaries that have been loss-making for some time and it is not probable that taxable profits will be available against which such tax losses can be utilised. Out of this amount, tax losses of HK$23,904,000 (2019: HK$28,148,000) will expire in one to five years. The remaining tax losses may be carried forward indefinitely without a fixed term.

(b) Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in the PRC. For the Group, the applicable tax rate is 5% on dividend distributed by subsidiaries established in the PRC, pursuant to the Arrangement between Mainland China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and Prevention of Fiscal Evasion with respect to Taxes on Income (《內地和香港特別行政區關於對所得避免雙重徵税和防止偷漏税的安排》).

At 31 December 2020, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries established in the PRC (2019: Nil). In the opinion of directors of the Company, it is not probable that these subsidiaries will distribute such unremitted earnings in the foreseeable future and the Company is able to control the timing of the distribution, as well as the reversal of the temporary differences. The aggregate amount of temporary differences associated with investments in subsidiaries in Mainland China for which deferred tax liabilities have not been recognised totalled approximately HK$1,709,368,000 (2019: HK$1,005,040,000) as at 31 December 2020.

Notes to Financial Statements (Continued)

Year ended 31 December 2020

30. Share Capital

	2020 HK$'000	2019 HK$'000
Authorised:		
30,000,000,000 ordinary shares of HK$0.001 each	**30,000**	30,000
Issued and fully paid:		
3,286,860,460 ordinary shares of HK$0.001 each	**3,287**	3,287

31. A-shares Restricted Stock Incentive Plan

In the current and prior years, certain employees of the Group, including certain directors and senior management, were granted incentive shares by CSCECL pursuant to its A-share Restricted Stock Incentive Plan, in respect of their services to the Group. The incentive shares granted are subject to a lock-up period of two year service from the grant date, within which these shares are not transferrable, nor subject to any guarantee, indemnity or pledge. One-third of the incentive shares granted are vested at the beginning of each year starting from the third year since the grant date. Subject to CSCECL's achievement of performance conditions and individual's key performance indicators, the restriction over these shares will be removed, otherwise, CSCECL has constructive obligation to repurchase the incentive shares in cash if the performance conditions of CSCECL or individual's key performance indicators are not achieved. The numbers of outstanding incentive shares granted by CSCECL to the employees of the Group as at the end of the reporting period are as follows:

	Grant date	Exercise price	Number of granted incentive shares of CSCECL 2020	2019
A-shares Restricted Stock Incentive Plan:				
Phase II	29 December 2016	RMB4.866 per share	**1,540,000**	1,344,000
Phase III	26 December 2018	RMB3.468 per share	**5,850,000**	5,580,000
Phase IV	23 December 2020	RMB3.06 per share	**7,170,000**	—
			14,560,000	6,924,000

The fair values of incentive shares on the date of grant for the A-shares Restricted Stock Incentive Plan (Phase II), (Phase III) and (Phase IV) were RMB2.21 per share, RMB2.112 per share and RMB1.94 per share, respectively, which were determined using relevant valuation techniques and the significant inputs such as the market price on the grant date and the exercise price.

During the year, except for additions of 196,000 granted incentive shares for the A-shares Restricted Stock Incentive Plan (Phase II) and 270,000 granted incentive shares for the A-shares Restricted Stock Incentive Plan (Phase III) due to transfer of directors and employees with incentive shares from fellow subsidiaries and an addition of 7,170,000 granted incentive shares for the A-shares Restricted Stock Incentive Plan (Phase IV) due to newly grant, no other incentive shares (2019: Nil) were granted or lapsed.

During the year, total expenses of HK$4,189,000 (2019: HK$4,225,000) arising from the aforesaid share-based payments were recognised in profit or loss, with a corresponding credit to capital reserve.

Notes to Financial Statements (Continued)

Year ended 31 December 2020

32. Reserves

(a) The amounts of the Group's reserves and the movements for the current and prior years are presented in the consolidated statement of changes in equity.

(b) Special reserve comprises the differences between (i) the net assets of the entities acquired by the Group under a group reorganisation undertaken in 2015 and other business combinations under common control; and (ii) the considerations paid by the Group for such acquisitions.

(c) Capital reserve represents capital contribution relating to share-based payments borne by an intermediate holding company as set out in note 31 to the financial statements.

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

33. Business Combination

China Overseas Property Management Guangzhou Limited (the "Purchaser", an indirect wholly-owned subsidiary of the Company) acquired a 51% equity interest in Zhuhai Aviation Integrated Services Limited ("Zhuhai Aviation") from China Overseas Southern Airlines Construction Development Limited (the "Seller", a joint venture of COLI, which is a fellow subsidiary of the Company) at a total cash consideration of RMB2,100,000 (equivalent to approximately HK$2,277,000), pursuant to a sale and purchase agreement entered into between the two parties on 30 April 2020. Zhuhai Aviation is principally engaged in the provision of property management services in the PRC.

The fair values of the identifiable assets and liabilities of Zhuhai Aviation acquired and assumed as at the date of acquisition were as follows:

	Notes	**Fair value recognised on acquisition 2020 HK$'000**
Net assets acquired:		
Property, plant and equipment	14	**967**
Right-of-use assets	16	**1,075**
Intangible assets	17	**4**
Trade receivables		**531**
Prepayments, deposits and other receivables		**71**
Cash and bank balances		**3,913**
Trade payables		**(475)**
Other payables		**(1,278)**
Total identifiable net assets at fair value		**4,808**
Non-controlling interests		**(2,356)**
		2,452
Gain on bargain purchase recognised in profit or loss	6	**(175)**
Satisfied by cash consideration		**2,277**

Notes to Financial Statements (Continued)

Year ended 31 December 2020

33. Business Combination (Continued)

The fair values of the trade receivables and other receivables were approximately equivalent to their gross contractual amounts. In the opinion of the directors of the Company, the acquired receivables are expected to be fully recovered.

In the opinion of the directors of the Company, the gain on bargain purchase is attributable to the Group's bargaining power and ability to negotiate the agreed terms of the transaction with the Seller.

The Group has elected to measure the non-controlling interests in Zhuhai Aviation at the non-controlling interests' proportionate share of the identifiable net assets of Zhuhai Aviation.

An analysis of the cash flows in respect of the acquisition of Zhuhai Aviation is as follows:

	2020 **HK$'000**
Cash consideration	**(2,277)**
Cash and bank balances acquired	**3,913**
Net inflow of cash and cash equivalents in respect of acquisition of a subsidiary included in cash flows from investing activities	**1,636**

Since the acquisition, Zhuhai Aviation contributed HK$10,501,000 to the Group's revenue and HK$1,325,000 to the consolidated profit for the year ended 31 December 2020.

Had the combination taken place at the beginning of the year, the consolidated revenue and consolidated profit of the Group for the year would have been HK$6,548,964,000 and HK$707,876,000, respectively.

34. Notes to the Consolidated Statement of Cash Flows

(a) Major non-cash transactions

Save as disclosed in note 16 regarding early termination of lease contracts and additions of right-of-use assets and lease liabilities, the Group had no major non-cash transactions of investing and financing activities during the years ended 31 December 2020 and 2019.

34. Notes to the Consolidated Statement of Cash Flows (Continued)

(b) Changes in liabilities arising from financing activities

	Lease liabilities	Due to the immediate holding company
	HK$'000	HK$'000
At 1 January 2019	26,862	1,547
Changes from:		
— financing cash inflow	—	4,797
— financing cash outflow	(23,841)	(6,344)
Non-cash transactions	52,448	—
Exchange realignment	(964)	—
At 31 December 2019 and 1 January 2020	54,505	—
Changes from:		
— financing cash inflow	—	120
— financing cash outflow	(31,332)	(120)
Non-cash transactions	38,382	—
Exchange realignment	1,851	—
At 31 December 2020	**63,406**	**—**

35. Capital Commitments

The Group had the following capital commitments as at the end of the reporting period:

	2020	2019
	HK$'000	HK$'000
Contracted, but not provided for		
Capital investment into a joint venture	**3,021**	2,881
Acquisition of items of property, plant and equipment and intangible assets	**6,626**	8,983
	9,647	11,864

36. Contingent Liabilities

At 31 December 2020, the Group provided counter indemnities to a fellow subsidiary and banks amounting to approximately HK$78,815,000 (2019: HK$64,965,000) and HK$92,394,000 (2019: HK$63,964,000), respectively for performance guarantees issued by the fellow subsidiary and the banks in respect of certain property management service contracts undertaken by the Group.

Notes to Financial Statements (Continued)

Year ended 31 December 2020

37. Related Party Disclosures

The table set forth below summarises the name of the major related parties which are entities as defined in HKAS 24 (Revised) *Related Party Disclosures* and the nature of their relationship with the Group as at 31 December 2020:

Related Parties	**Relationship with the Group**
CSCEC	Ultimate holding company
CSCECL	Intermediate holding company
COHL	Immediate holding company
COLI and its subsidiaries	Fellow subsidiaries
China State Construction International Holdings Limited ("CSC") and its subsidiaries	Fellow subsidiaries
China Overseas Grand Oceans Group Limited, and joint ventures and associates of other related parties	Related companies

(a) Transactions with related parties

In addition to the transactions detailed elsewhere in these financial statements, the Group had following material transactions with related parties during the year:

	Notes	**2020 HK$'000**	2019 HK$'000
CSCEC and its subsidiaries (exclusive of COHL and its subsidiaries)			
Property management income and value-added services income#	(i)	**82,860**	65,885
COHL and its subsidiaries (exclusive of COLI, CSC and their subsidiaries)			
Property management income and value-added services income#	(i)	**2,590**	1,229
Rental expenses paid#	(ii)	**3,989**	4,075
Other fellow subsidiaries			
Property management income and value-added services income#	(i)	**749,086**	725,855
Rental and utility expenses paid#	(ii)	**83,954**	81,332
Related companies			
Property management income and value-added services income#	(i)	**219,500**	153,697

Notes:

(i) The property management income and value-added services income were based on the rates in accordance with the respective contracts.

(ii) The rental and utility paid expenses were charged in accordance with the respective tenancy agreements and property management agreements.

These related party transactions also constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules.

37. Related Party Disclosures (Continued)

(b) Performance guarantees

Details of the performance guarantees given by a fellow subsidiary and the counter indemnities given by the Group in connection with the operations of the Group are disclosed in note 36 to the financial statements.

(c) Outstanding balances with related parties

Details of the Group's outstanding balances with related parties are disclosed in in notes 23 and 28 to the financial statements.

(d) Key management personnel compensation

	2020	2019
	HK$'000	HK$'000
Short-term benefits	**47,341**	36,418
Contributions to provident fund schemes	**2,843**	2,146
Total compensation paid to key management personnel	**50,184**	38,564

Further details of directors' remuneration are included in note 9 to the financial statements.

(e) Transactions with other state-owned entities in Mainland China

The Group is active in the provision of property management services, value-added services and car parking space trading business in various provinces in the PRC and the Group operates in an economic environment predominated by entities directly or indirectly owned or controlled by the PRC government. In addition, the Group is itself part of a larger group of companies under CSCEC which is controlled by the PRC government. Apart from the transactions already disclosed above, the Group also conducts business with other state-controlled entities ("Other SOEs"), including but not limited to bank deposits and borrowings and utilities consumptions. The directors consider that the transactions with Other SOEs are activities in the ordinary course of the Group's business, and that the dealings of the Group have not been significantly or unduly affected by the fact that the Group and the Other SOEs are ultimately controlled or owned by the PRC government. Having due regard to the substance of the relationships, the Company's directors are of the opinion that none of these transactions are material related party transactions that require separate disclosure.

Notes to Financial Statements (Continued)

Year ended 31 December 2020

38. Financial Instruments by Category

All financial assets and liabilities of the Group as at 31 December 2020 and 2019 were classified as financial assets and financial liabilities stated at amortised cost, respectively.

The carrying amounts of each of the financial assets and financial liabilities stated at amortised cost as at the end of the reporting period are as follows:

Financial assets stated at amortised cost

	2020	2019
	HK$'000	HK$'000
Trade receivables	**805,879**	567,562
Deposits and other receivables	**244,929**	213,673
Financial assets included in balances due from related parties	**251,817**	198,064
Cash and bank balances	**3,705,703**	2,495,693
	5,008,328	3,474,992

Financial liabilities stated at amortised cost

	2020	2019
	HK$'000	HK$'000
Trade payables	**461,113**	427,487
Financial liabilities included in other payables and accruals	**2,229,443**	1,273,051
Financial liabilities included in receipts in advances and other deposits	**336,734**	288,261
Financial liabilities included in balances due to related parties	**10,740**	9,126
Lease liabilities	**63,406**	54,505
	3,101,436	2,052,430

39. Fair Value and Fair Value Hierarchy of Financial Instruments

In the opinion of the directors of the Company, the fair values of the financial assets and financial liabilities which are due to be received or settled within one year approximate to their carrying amounts largely due to the short term maturities of these financial instruments, and therefore, no disclosure of their fair values is made.

For other non-current financial assets and financial liabilities, in the opinion of the directors of the Company, since their carrying amounts are not significantly different from their respective fair values, no disclosure of the fair values is made.

Notes to Financial Statements (Continued)

Year ended 31 December 2020

40. Financial Risk Management Objectives and Policies

The Group's principal financial instruments comprise trade receivables, deposits under current assets and current liabilities and other receivables, an amount due from the immediate holding company, amounts due from/(to) fellow subsidiaries and related parties, trade payables, other payables and accruals, lease liabilities and cash and bank balances.

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

Market risk

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

Interest rate risk

The Company's cash flow interest rate risk relates primarily to its variable-rate bank balances amounting to approximately HK$3,705,703,000 (2019: HK$2,495,693,000). Management monitors interest rate exposure on a dynamic basis and will consider hedging significant interest rate exposure should the need arise.

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

If interest rates has been 25 basis points higher/lower and all other variables were held constant, the Group's profit before tax for the year end would increase/decrease by approximately HK$9,264,000 (2019: HK$6,239,000). This is mainly attributable to the Group's exposure to cash flow interest rates on its variable-rate bank balances.

Foreign currency risk

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

Notes to Financial Statements (Continued)

Year ended 31 December 2020

40. Financial Risk Management Objectives and Policies (Continued)

Credit risk

Credit risk arises from the potential failure of the Group's counterparties to meet their obligations under property management services agreements, value-added services agreements and trading of car parking spaces agreements. Credit risk exposure is minimised by the management of the Group through monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual receivable balance at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced. The Group had no concentration of credit risk in respect of trade and retention receivables, with exposure spread over a number of customers, e.g. property owners of the properties managed on a lump sum basis by the Group and customers of 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 and retention receivables.

The table below shows the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 December 2020 and 2019. The amounts presented are gross carrying amounts of financial assets.

At 31 December 2020

	12-month ECLs	Lifetime ECLs			
	Stage 1 HK$'000	Stage 2 HK$'000	Stage 3 HK$'000	Simplified approach HK$'000	Total HK$'000
Trade and retention receivables	—	—	—	949,272	949,272
Deposits and other receivables					
— Normal*	196,620	—	—	—	196,620
— Well covered*	4,767	—	—	—	4,767
— Not well covered*	—	125,679	—	—	125,679
Due from the immediate holding company	—	—	—	893	893
Due from fellow subsidiaries	—	—	—	129,165	129,165
Due from related companies (trade)	—	—	—	63,559	63,559
Due from related companies (non-trade)					
— Normal*	88,894	—	—	—	88,894
Cash and bank balances (exclusive of time deposits)	2,935,561	—	—	—	2,935,561
Time deposits included in cash and bank balances (not yet matured)	770,142	—	—	—	770,142
	3,995,984	125,679	—	1,142,889	5,264,552

40. Financial Risk Management Objectives and Policies (Continued)

Credit risk (Continued)

At 31 December 2019

	12-month ECLs	Lifetime ECLs			
	Stage 1 HK$'000	Stage 2 HK$'000	Stage 3 HK$'000	Simplified approach HK$'000	Total HK$'000
Trade and retention receivables	—	—	—	647,250	647,250
Deposits and other receivables					
— Normal*	122,438	—	—	—	122,438
— Well covered*	48,703	—	—	—	48,703
— Not well covered*	—	101,178	—	—	101,178
Due from the immediate holding company	—	—	—	231	231
Due from fellow subsidiaries	—	—	—	90,220	90,220
Due from related companies (trade)	—	—	—	22,838	22,838
Due from related companies (non-trade)					
— Normal*	84,775	—	—	—	84,775
Cash and bank balances (exclusive of time deposits)	1,614,337	—	—	—	1,614,337
Time deposits included in cash and bank balances (not yet matured)	881,356	—	—	—	881,356
	2,751,609	101,178	—	760,539	3,613,326

For trade and retention receivables to which the Group applies the simplified approach for impairment, information is disclosed in note 21 to the financial statements.

The credit risk of the Group's other financial assets, including amounts due from the immediate holding company, fellow subsidiaries and related companies and cash and bank balances, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

* The credit quality of the deposits and other receivables (other than payments on behalf of property owners for properties managed on a commission basis) and amounts due from related companies (non-trade) is considered to be "normal" when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. When the net present value of the expected cash inflow in the cash flow forecasts is able to cover the gross carrying amount of payments on behalf of property owners for properties managed on a commission basis, the credit quality of the receivables is considered "well covered". While credit risk of the payments on behalf of property owners for properties managed under a commission basis has increased significantly since initial recognition, the credit quality of them is considered "not well covered" when the net present value of the expected cash inflow in the cash flow forecasts is not able to cover the gross carrying amount of the receivables.

Notes to Financial Statements (Continued)

Year ended 31 December 2020

40. Financial Risk Management Objectives and Policies (Continued)

Liquidity risk

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

At 31 December 2020, the Group has been granted with undrawn borrowing facilities of RMB895,821,000 (equivalent to approximately HK$1,061,399,000) in Mainland China and HK$200,000,000 in Hong Kong. The bank borrowing facilities granted in Mainland China may be drawn at any time in RMB at floating interest rates and the facilities will expire within 1 to 3 years after the end of the reporting period. The bank borrowing facilities granted in Hong Kong may be drawn at any time in HK$ at Hong Kong Inter-bank Offered Rate plus 1.35% per annum and the expiry date will be reviewed annually.

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

	Within 1 year or on demand HK$'000	**Between 1 and 2 years HK$'000**	**Between 2 and 5 years HK$'000**	**Total HK$'000**
At 31 December 2020				
Trade payables	**461,113**	**—**	**—**	**461,113**
Other deposits and other payables	**2,566,177**	**—**	**—**	**2,566,177**
Lease liabilities	**27,259**	**19,176**	**21,384**	**67,819**
Due to fellow subsidiaries	**6,255**	**—**	**—**	**6,255**
Due to related companies	**4,485**	**—**	**—**	**4,485**
	3,065,289	**19,176**	**21,384**	**3,105,849**

	Within 1 year or on demand HK$'000	Between 1 and 2 years HK$'000	Between 2 and 5 years HK$'000	Total HK$'000
At 31 December 2019				
Trade payables	427,487	—	—	427,487
Other deposits and other payables	1,561,312	—	—	1,561,312
Lease liabilities	22,279	11,485	21,276	55,040
Due to fellow subsidiaries	4,176	—	—	4,176
Due to related companies	4,950	—	—	4,950
	2,020,204	11,485	21,276	2,052,965

40. Financial Risk Management Objectives and Policies (Continued)

Capital management

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 the prior year.

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

The directors of the Company review the capital structure periodically. As part of this review, the directors of the Company assess budgets of major projects taking into account 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 the Group's overall capital structure through the payment of dividends, new share issues as well as the issue of new debt or the redemption of existing debts.

The Group was in a net cash position as at 31 December 2020 and 2019.

41. Comparative Amounts

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

Notes to Financial Statements (Continued)

Year ended 31 December 2020

42. Statement of Financial Position of the Company

	2020 HK$'000	2019 HK$'000
NON-CURRENT ASSETS		
Property, plant and equipment	2,085	2,719
Right-of-use assets	4,777	2,233
Investments in subsidiaries	217,524	167,524
Total non-current assets	224,386	172,476
CURRENT ASSETS		
Prepayments, deposits and other receivables	1,785	1,866
Due from subsidiaries	82,506	82,601
Cash and bank balances	6,738	24,244
Total current assets	91,029	108,711
CURRENT LIABILITIES		
Other payables and accruals	34,394	20,771
Lease liabilities	3,577	2,691
Due to fellow subsidiaries	768	743
Due to a subsidiary	89,402	102,930
Income tax payables	16,588	8,611
Total current liabilities	144,729	135,746
NET CURRENT LIABILITIES	(53,700)	(27,035)
TOTAL ASSETS LESS CURRENT LIABILITIES	170,686	145,441
NON-CURRENT LIABILITIES		
Lease liabilities	1,204	—
Net assets	169,482	145,441
EQUITY		
Issued capital	3,287	3,287
Reserves (note)	166,195	142,154
Total equity	169,482	145,441

Notes to Financial Statements (Continued)
Year ended 31 December 2020

42. Statement of Financial Position of the Company (Continued)

Note: A summary of the Company's reserves is as follows:

	Capital reserve	Retained profits	Total
	HK$'000	HK$'000	HK$'000
At 1 January 2019	1,251	179,708	180,959
Profit for the year and total comprehensive income for the year	—	95,018	95,018
Capital contribution relating to share-based payments borne by an intermediate holding company (note 31)	4,225	—	4,225
2018 final dividend (note 13)	—	(65,737)	(65,737)
2019 interim dividend (note 13)	—	(72,311)	(72,311)
At 31 December 2019 and 1 January 2020	**5,476**	**136,678**	**142,154**
Profit for the year and total comprehensive income for the year	**—**	**184,195**	**184,195**
Capital contribution relating to share-based payments borne by an intermediate holding company (note 31)	**4,189**	**—**	**4,189**
2019 final dividend (note 13)	**—**	**(92,032)**	**(92,032)**
2020 interim dividend (note 13)	**—**	**(72,311)**	**(72,311)**
At 31 December 2020	**9,665**	**156,530**	**166,195**

43. Approval of the Financial Statements

The financial statements were approved and authorised for issue by the board of directors on 25 March 2021.

Five-Year Financial Summary

A summary of the results and of the assets and liabilities of the Group for the last five financial years, as extracted from the consolidated financial statements and the annual report for the year ended 31 December 2019, is set out below:

Consolidated results

	Year ended 31 December				
	2020	2019	2018	2017	2016
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
REVENUE	**6,544,877**	5,465,521	4,177,531	3,373,313	3,296,695
Direct operating expenses	**(5,349,433)**	(4,375,097)	(3,327,206)	(2,570,458)	(2,529,479)
GROSS PROFIT	**1,195,444**	1,090,424	850,325	802,855	767,216
Other income and gains, net	**121,157**	66,154	48,606	47,839	29,650
Fair value (loss)/gain of investment properties, net	**(4,790)**	2,572	4,345	6,930	769
Selling and administrative expenses	**(339,588)**	(395,755)	(336,809)	(403,153)	(467,263)
(Impairment)/reversal of impairment of financial assets, net	**(38,162)**	(867)	(6,987)	(16,466)	15,349
OPERATING PROFIT	**934,061**	762,528	559,480	438,005	345,721
Finance costs	**(3,161)**	(2,352)	(3,239)	(8,910)	(6,963)
Share of profit of a joint venture	**538**	177	—	—	—
Share of profit of an associate	**183**	193	200	161	161
PROFIT BEFORE TAX	**931,621**	760,546	556,441	429,256	338,919
Income tax expenses	**(224,424)**	(216,406)	(148,949)	(121,715)	(104,607)
Profit for the year	**707,197**	544,140	407,492	307,541	234,312
ATTRIBUTABLE TO:					
Shareholders of the Company	**700,008**	537,840	403,189	307,112	237,529
Non-controlling interests	**7,189**	6,300	4,303	429	(3,217)
	707,197	544,140	407,492	307,541	234,312
EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY					
Basic and diluted (HK cents)	**21.30**	16.36	12.27	9.34	7.23

Five-Year Financial Summary (Continued)

Consolidated financial position

	At 31 December				
	2020	2019	2018	2017	2016
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
NON-CURRENT ASSETS					
Property, plant and equipment	**68,411**	56,471	40,935	34,924	38,744
Investment properties	**162,559**	145,898	132,586	106,083	66,641
Right-of-use assets	**72,017**	61,656	—	—	—
Intangible assets	**20,948**	11,657	6,232	5,419	—
Prepaid lease payments for land	**—**	—	1,458	1,965	3,206
Interest in a joint venture	**3,771**	3,164	—	—	—
Interest in an associate	**328**	145	552	352	191
Available-for-sale financial assets	**—**	—	—	—	1,120
Due from a related company	**88,894**	—	85,842	90,393	—
Prepayments	**2,353**	5,540	—	—	—
Deferred tax assets	**38,600**	35,006	26,427	29,510	23,144
	457,881	319,537	294,032	268,646	133,046
CURRENT ASSETS					
Inventories	**606,471**	418,408	37,142	9,664	9,899
Trade and retention receivables	**846,135**	567,562	416,976	377,487	300,572
Prepayments, deposits and other receivables	**384,565**	296,091	236,568	133,368	100,334
Prepaid lease payment for land	**—**	—	226	301	404
Due from the immediate holding company	**893**	231	384	96	57
Due from fellow subsidiaries	**129,165**	90,220	150,670	53,703	117,285
Due from related companies	**63,559**	107,613	32,806	11,056	107,887
Income tax prepaid	**—**	—	—	39	871
Cash and bank balances	**3,705,703**	2,495,693	2,398,559	2,711,107	2,417,288
	5,736,491	3,975,818	3,273,331	3,296,821	3,054,597
CURRENT LIABILITIES					
Trade payables	**461,113**	427,487	432,691	468,169	363,139
Other payables and accruals	**2,282,234**	1,318,416	1,176,285	1,127,310	991,940
Receipts in advance and other deposits	**934,831**	740,090	670,591	651,660	505,696
Lease liabilities	**24,794**	22,044	—	—	—
Due to the immediate holding company	**—**	—	1,547	1,417	651
Due to fellow subsidiaries	**18,118**	4,332	8,822	57,488	47,102
Due to related companies	**18,269**	6,588	2,496	3,794	26,238
Income tax payables	**213,422**	177,439	118,286	108,467	111,365
	3,952,781	2,696,396	2,410,718	2,418,305	2,046,131
Net current assets	**1,783,710**	1,279,422	862,613	878,516	1,008,466
Total assets less current liabilities	**2,241,591**	1,598,959	1,156,645	1,147,162	1,141,512

Five-Year Financial Summary (Continued)

Consolidated financial position (Continued)

	At 31 December				
	2020	2019	2018	2017	2016
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
NON-CURRENT LIABILITIES					
Lease liabilities	**38,612**	32,461	—	—	—
Deferred tax liabilities	**18,673**	31,795	22,249	16,029	10,283
Bank borrowings	**—**	—	—	265,000	310,000
	57,285	64,256	22,249	281,029	320,283
Net assets	**2,184,306**	1,534,703	1,134,396	866,133	821,229
EQUITY					
Equity attributable to shareholders of the Company					
Issued capital	**3,287**	3,287	3,287	3,287	3,287
Reserves	**2,145,544**	1,510,586	1,121,902	857,468	813,356
	2,148,831	1,513,873	1,125,189	860,755	816,643
Non-controlling interests	**35,475**	20,830	9,207	5,378	4,586
TOTAL EQUITY	**2,184,306**	1,534,703	1,134,396	866,133	821,229

Particulars of Major Properties & Property Interests

(a) Property held for investment

	Usage	Leasehold/ Freehold	Attributable interest %
Level 2, Southern Office Podium, Haili Building, 1018 Wenjin Middle Road, Luohu District, Shenzhen, Guangdong Province, the PRC	Office	Leasehold	100%
26 car parking spaces, Haili Building, 1018 Wenjin Middle Road, Luohu District, Shenzhen, Guangdong Province, the PRC	Carparks	Leasehold	100%
21 car parking spaces, Haibin Plaza, 1040 Fuiqiang Road, Futian District, Shenzhen, Guangdong Province, the PRC	Carparks	Leasehold	100%
94 car parking spaces, Zhonghai Lee Garden, 1070 Nanshan Avenue, Nanshan District, Shenzhen, Guangdong Province, the PRC	Carparks	Leasehold	100%
19 car parking spaces, Zhonghai Jinyuan, 951–961 Binjiang East Road, Haizhu District, Guangzhou, Guangdong Province, the PRC	Carparks	Leasehold	100%
26 car parking spaces, Haixing Plaza, 1 Ruijin South Road, Huangpu District, Shanghai, the PRC	Carparks	Leasehold	100%
Level 2, Eastern & Western Office Podium, Haili Building, 1018 Wenjin Middle Road, Luohu District, Shenzhen, Guangdong Province, the PRC	Office	Leasehold	100%

Particulars of Major Properties & Property Interests (Continued)

(a) Property held for investment (Continued)

	Usage	Leasehold/ Freehold	Attributable interest %
Unit D5 and D6–2 on Level 4, Haixing Plaza, 1 Ruijin South Road, Huangpu District, Shanghai, the PRC	Office	Leasehold	100%
Unit C2 on Level 2, Haihua commercial building, 8 Dapu Road, Huangpu District, Shanghai, the PRC	Retail	Leasehold	100%
Units 01 and 02 on Level 1 and swimming pool on Level –1 & 1, Zhonghai Xinyuan, 23&25 8th Lane of Qinzhou South Road, Xuhui District, Shanghai, the PRC	Retail	Leasehold	100%
Unit 2001 on Level 20, 1 Linglan Street, Cannes Garden, Tianhe District, Guangzhou, Guangdong Province, the PRC	Residential	Leasehold	100%
Level 7, Citic Mansion, 1 Jianxin South Road, Jiangbei District, Chongqing, the PRC	Office	Leasehold	100%

Particulars of Major Properties & Property Interests (Continued)

(b) Property held as inventories

	Usage	Leasehold/ Freehold	Attributable interest (%)
88 car parking spaces located at Zhonghai Tianfushan, Jindun Road, Shahekou District, Dalian, Liaoning Province, the PRC	Carparks	Leasehold	100%
88 car parking spaces located at Zhonghai Linanfu, 28 Hangzhou Road, Shibei District, Qingdao, Shandong Province, the PRC	Carparks	Leasehold	100%
154 car parking spaces located at Zhongxin Haibin Garden, Longhu District, Shantou, Guangdong Province, the PRC	Carparks	Leasehold	100%
157 car parking spaces located at Riverside Palace, Alley No. 1259, Deyuan Road, Jiading District, Shanghai, the PRC	Carparks	Leasehold	100%
1,208 car parking spaces located at Sixinli, Tianjin, Heiniucheng Road and Dongting Road, Hexi District, Tianjin, the PRC	Carparks	Leasehold	100%
570 car parking spaces located at Wufuli, Tianjin, the intersection of Heiniucheng Road and Dongting Road, Hexi District, Tianjin, the PRC	Carparks	Leasehold	100%
146 car parking spaces located at Top Metropolitan Marina, Tianjin, the intersection of Jingjintang Expressway and Weihai Road, Tanggu, Binhai New District, Tianjin, the PRC	Carparks	Leasehold	100%
2,899 car parking spaces located at the North Garden of Glory City, Guangzhou, Guangdong Province, the PRC	Carparks	Leasehold	100%

Particulars of Major Properties & Property Interests (Continued)

(b) Property held as inventories (Continued)

	Usage	Leasehold/ Freehold	Attributable interest (%)
1,333 car parking spaces located at Zhonghai, Yuhong District, Shenyang, the PRC	Carparks	Leasehold	100%
76 car parking spaces located at Jinxi Mansion, 85 Chengxing Street, Shijingshan District, Beijing, the PRC	Carparks	Leasehold	100%
23 car parking spaces located at Changanya Court, 65 Chengxing Street, Shijingshan District, Beijing, the PRC	Carparks	Leasehold	100%
124 car parking spaces located at Jinxin Pavilion, 36 Gusheng Road, Shijingshan District, Beijing, the PRC	Carparks	Leasehold	100%
51 car parking spaces located at Northeast corner, the intersection between Chanba Biological District Jiushi Road and Xuanwu East Road, Guangning Road, Weiyang District, Xi'an, the PRC	Carparks	Leasehold	100%
713 car parking spaces located at Zhonghai International Community, Taqu Street, Liupanshan Road, Jinfeng District, Hechuan, the PRC	Carparks	Leasehold	100%
486 car parking spaces located at Zhonghai Blue Bay, Baotou Street, Shihan District, Huhehaote, the PRC	Carparks	Leasehold	100%
43 car parking spaces located at Zhonghai Kaixuanmen, Feizhou Road, Shihan District, Huhehaote, the PRC	Carparks	Leasehold	100%
790 car parking spaces located at Zhonghaijin, 1 Haiba East Road, Nanhai District, Foshan, the PRC	Carparks	Leasehold	100%

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