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

*We Manage*

# Happiness

Annual Report 2022

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# CORPORATE INFORMATION

(As at 23 March 2023, date of this Annual Report)

## Board of Directors

### Executive Directors

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

### Non-executive Directors

Ma Fujun
Guo Lei

### 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
Xiao Junqiang
Yung, Wing Ki Samuel
So, Gregory Kam Leung

## Authorized Representatives

Zhang Guiqing
Xiao Junqiang
Pang Jinying *(alternate to Zhang Guiqing)*
Kam Yuk Fai *(alternate to Xiao Junqiang)*

## 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

## 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

# Corporate Information (Continued)

(As at 23 March 2023, 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
17/F, Far East Finance Centre,
16 Harcourt Road, Hong Kong

## Legal Advisors

### As to Hong Kong laws

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
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 Code

| | |
|---|---|
| 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*

## Company Website

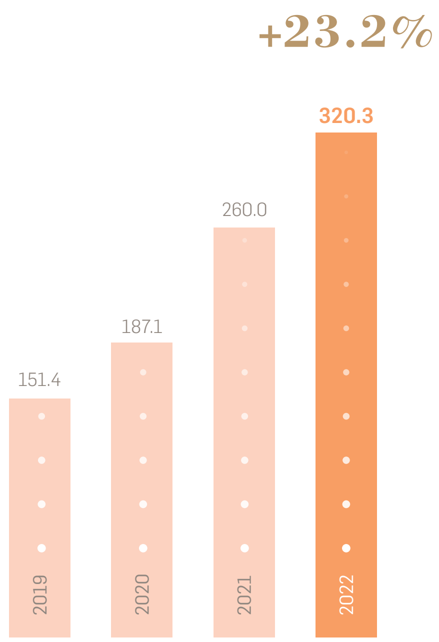
www.copl.com.hk

## Financial Calendar 2023

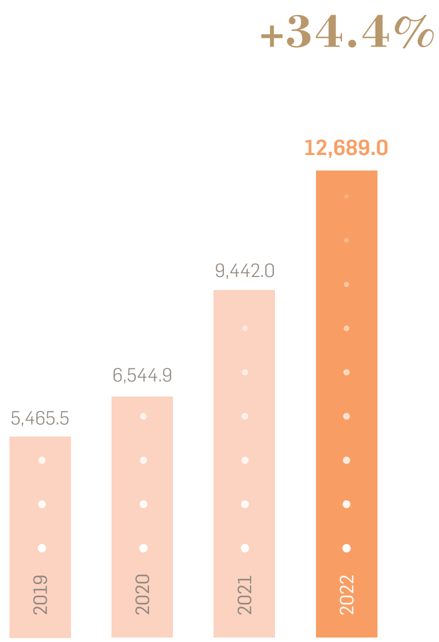
| | |
|---|---|
| Annual Results Announcement | 23 March |
| Closure of Register of Members (Annual General Meeting) | 15 June to 20 June (both days inclusive) |
| Annual General Meeting Voting and Attending Eligibility Record Date | 20 June |
| Annual General Meeting | 20 June |
| Final Dividend Ex-dividend Date | 23 June |
| Closure of Register of Members (Final Dividend) | 27 June to 29 June (both days inclusive) |
| Final Dividend Entitlement Record Date | 29 June |
| Final Dividend Payment Date | 14 July |

# BUSINESS AND FINANCIAL HIGHLIGHTS

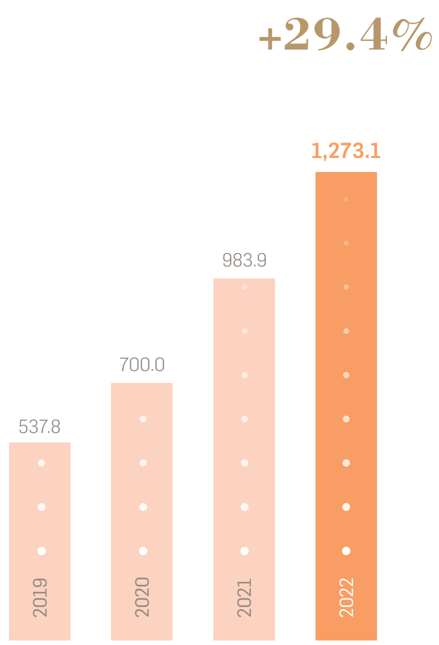
### Gross Floor Area under Management as at Year Ended (Million sq.m.)



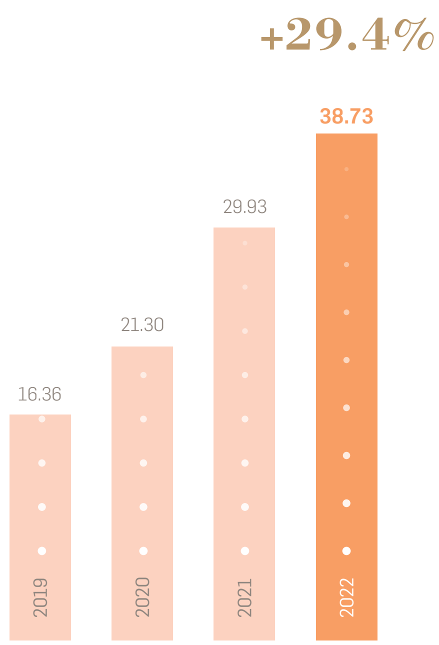

### Revenue (HK$ Million)




### Profit Attributable to Shareholders of the Company (HK$ Million)




### Earnings per Share (HK Cents)



## Business and Financial Highlights (Continued)

| | Formula | 2022 | 2021 | Change |
|---|---|---|---|---|
| **Operating Scale:** | | | | |
| Gross floor area under management as at year ended (million sq.m.) | | **320.3** | 260.0 | +23.2% |
| Employee headcount | | **57,425** | 52,220 | +10.0% |
| **Revenue (HK$ million)** | | **12,689.0** | 9,442.0 | +34.4% |
| **Profitability & Rates of Return:** | | | | |
| Gross profit (HK$ million) | | **2,020.4** | 1,641.6 | +23.1% |
| Profit attributable to shareholders of the Company (HK$ million) | | **1,273.1** | 983.9 | +29.4% |
| Net Profit Margin | Profit for the year÷Revenue | **10.1%** | 10.4% | −0.3ppt |
| Earnings per share (HK cents) | | **38.73** | 29.93 | +29.4% |
| Dividends per share (HK cents) | | **12.0** | 9.0 | +33.3% |
| Payout ratio | Dividends per share÷ Earnings per share | **31.0%** | 30.1% | +0.9ppt |
| Average return on equity | Profit attributable to shareholders of the Company÷Average capital and reserves attributable to shareholders of the Company | **38.5%** | 38.2% | +0.3ppt |
| **Liquidity:** | | | | |
| Current ratio | Total current assets÷ Total current liabilities | **1.5** | 1.5 | — |
| Debt-to-assets ratio | Total liabilities÷ Total assets | **63.8%** | 63.3% | +0.5ppt |

# HIGHLIGHTS OF THE GROUP IN 2022

## JAN

Convened the 2022 Work Conference and first proposed "Good Seasons, Good Property" to gravitate back to COPL's cornerstone of being service-oriented. An invigorated brand proposition of "Good Seasons, Good Property, Good Community" was put forward in November.

Became a service contractor for the Hong Kong Museum of Art, which marked the first cooperation of COPL with the Leisure and Cultural Services Department of Hong Kong.

## FEB

Xinghai Wulian provided intelligent property management services for the Beijing Winter Olympic Games and Winter Paralympic Games and was recognized as one of the "Groups with Exceptional Contribution".

The Ministry of Housing and Urban-Rural Development and the Office of the Central Guidance Commission on Building Spiritual Civilization made public 100 exemplary cases of "Better Property Management, Better Community" across the country and three communities managed by COPL were on the list.

## Highlights of the Group in 2022 (Continued)

# MAR

Became a service contractor for the community isolation facilities of Hong Kong and conducted the tasks of operation and maintenance services with high quality.

## Highlights of the Group in 2022 (Continued)

### APR

By becoming a service contractor for Zhanjiang Wuchuan Airport, COPL embarked on a new business area.


The "IoT Model Rule Platform for Buildings" declared by Xinghai Wulian as a "Key Technology Breakthrough Demonstration Project" was selected by the Ministry of Industry and Information Technology as a showcase project for IoT.

COPL's core trademark was included in the Key Trademark Protection List of Guangdong Province and COPL was awarded the first trademark with provincial key trademark protection.


Tender awarded for the Hong Kong Chief Secretary for Administration's Official Residence and the Financial Secretary's Official Residence. This marked the beginning of COPL's providing property management services for the official residence of the Hong Kong Government.


Tender awarded for the property city services of Saybag District, Urumqi. Fully capitalizing on the advantages of central enterprises and local support, COPL strives to address city-wide smart governance and deepen "streamline administration and delegate power, improve regulation, and upgrade services (放管服)".

## Highlights of the Group in 2022 (Continued)

# JUN

COPL organized a variety of activities to celebrate the 25th anniversary of Hong Kong's return to the Motherland.


## Highlights of the Group in 2022 (Continued)

### JUL

Convened a commendation ceremony in recognition of role model groups and individuals combating the pandemic, with a view to promoting the fighting spirit against COVID-19 and our leading culture.

Tender awarded for the facility management services contract of Hong Kong Police Headquarters Complex, which is the fourth comprehensive property management service contract for the headquarters building of a governmental department, following the headquarters of the Customs and Excise Department, the headquarters of the Hospital Authority and the headquarters of the Architectural Services Department in Hong Kong.

Tender awarded for the comprehensive property services of the National Aquatics Center (Water Cube), marking COPL's new breakthrough in the business of sports venues.

## AUG

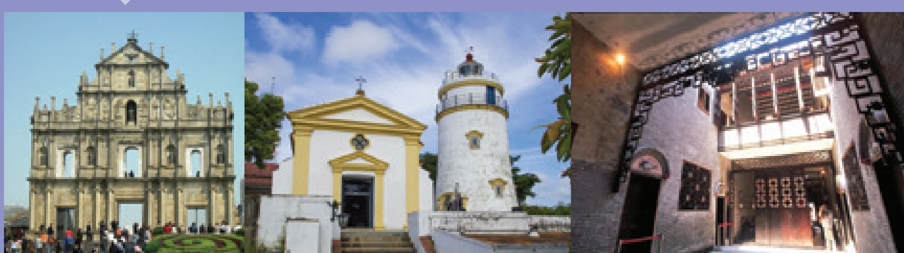
Tender awarded for the comprehensive property services project of Wenji Pavilion of the National Archives of Publications and Culture (the Xi'an branch of the National Archives of Publications and Culture), providing property services for the national major cultural project.


Upon the Kang County Government's invitation, COPL officially undertook the operation of Yanhe Bay Resort in Kang County to help boost local employment, and the proceeds of the project would be put back locally.

## SEP

Launched the COPL Rural Revitalization Supporting Cloud Streaming titled "Benefiting the Rural Residents, Giving Love at Mid-Autumn (同心惠農，愛滿中秋)", with 12 high-value products from primitive mountain areas.

Renewed the service contracts for visitor reception and scenic spot supervision of the four world-class cultural heritage scenic areas under the Cultural Affairs Bureau of Macau.



## Highlights of the Group in 2022 (Continued)

### OCT

COPL won a number of tenders and secured numerous major projects in Hong Kong's public housing estates and government headquarters buildings, including Hong Kong Hua Hai Building under the Liaison Office of China General Administration of Customs and four large public housing estates including Kwai Fong Estate, Shek Lei (I) Estate and Lai Yiu Estate.

Yang Guoxian, President of Guangdong Property Management Industry Association, and his team visited COPL for research and exchange.

COPL won eight awards including Outstanding Team, Best Crisis Management Team, Outstanding Manager and Outstanding Officer at the Hong Kong Institute of Housing Elite Awards 2022 presented in Hong Kong.

### NOV

Convened the first Talent Work Meeting, comprehensively summarized the work of COPL talents under the "Five in One" framework, and proposed the "Three Orientations + Three Abilities" model to develop talent teams under the Modernization of China Overseas Property Management.


Tender awarded for the security services for three hospital business projects of Alice Ho Miu Ling Nethersole Hospital, Tai Po Hospital and Prince of Wales Hospital under the Hong Kong Hospital Authority.

## Highlights of the Group in 2022 (Continued)

Guangzhou Company and Xinghai Wulian were awarded the title of Municipal Model Workers and Craftsman Talent Innovation Studios.

Exhibited at the Shenzhen International Smart Property Industry Expo 2022 to showcase the 36 years of history in our development, our business characteristics of significant presence in Hong Kong and Macau and our business logic of “One Trunk with Multiple Branches, Synergy of Multiple Businesses (一幹多支 多業協同)”, demonstrating the development outlook of Modernisation of China Overseas Property Management.

Convened the first Science and Technology Work Meeting to report the Plan on Digitalization 2025 and the achievements of smart parks.

# DEC

Established a product research institute to lead the Company to explore new ideas for property services, study new relationships with market users, design new products for property services, and innovate new concepts for property services.

Participated in the 3rd Guangzhou International Smart Property Management Expo to fully demonstrate the Company's property management service model and urban service operation achievements.

# HONOURS AND AWARDS OF THE GROUP IN 2022

## Honours and Awards of the Group in 2022 (Continued)

| No. | Name of award | Issuing Authority |
|---|---|---|
| 1 | Included in 2022 Pioneer 50 Index of Central Enterprises ESG Governance | Social Responsibility Bureau of State-owned Assets Supervision and Administration Commission of the State Council |
| 1 | 2022 Top 5 among Top 100 Chinese Property Services Enterprises | China Index Academy |
| 2 | 2022 No.1 China Property Management Service Leading Quality Brand | |
| 3 | 2022 Top 2 Excellent State-Owned Property Service Enterprise in China | |
| 4 | 2022 China Top 3 Listed Property Management Companies by Comprehensive Strength | |
| 5 | 2022 No.1 China Excellent Listed Property Management Company by Investment Value | |
| 6 | 2022 No.1 China Leading Brand Enterprise for Standardized Operation of Property Services | |
| 7 | 2022 No.1 Excellent Brand of Red Property Service in Guangdong Province, China | |
| 8 | 2022 No.1 Extraordinary Brand of China Property Management Service — The Largest Chinese Property Management Services Corporation in Hong Kong and Macau Regions | |
| 9 | 2022 No.1 Best Employer in China's Property Management Industry | |
| 10 | 2022 No.1 Property Service Enterprises with Outstanding ESG Development in China | |
| 1 | 2022 Top 3 among Top 100 Property Management Service Companies | CRIC/Shanghai E-House China R&D Institute |
| 2 | 2022 No.1 Leading Listed Property Management Companies by Market Value Recognition Development | |
| 3 | 2022 Top 2 Park Property Management Service Companies | |
| 4 | 2022 Top 3 Public Construction Property Service Companies | |
| 1 | 2022 China Leading Residential Property Services Company | CRIC & CPMRI |
| 2 | 2022 China Leading Smart Property Services Company | |
| 3 | 2022 China Property Service Brand Featured Enterprise — No.1 Butler | |
| 1 | 2022 No.1 China Real Estate Property Management Companies by Brand Influence | China Real Estate News/China Academy of Urban and Regional Governance |
| 2 | 2022 No.1 China Property Management Service by Quality | |
| 1 | 2022 No.1 Blue Chip Enterprise of Excellent Service | The Economic Observer |
| 2 | 2022 TOP100 Blue Chip Property Enterprises | |
| 1 | The winner of Guangdong Province in the 2020–2021 National "Ankang Cup" competition | Guangdong Federation of Trade Unions, the Department of Emergency Management of Guangdong Province, the Health Commission of Guangdong Province |
| 1 | Received eight awards including Outstanding Team, Best Crisis Management Team, Outstanding Manager, and Outstanding Officer | The Hong Kong Institute of Housing |

# CHAIRMAN'S STATEMENT

# CHAIRMAN'S STATEMENT

**Mr. Zhang Guiqing**
*Chairman and Executive Director*

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 2022. The annual turnover of the Group increased by 34.4% to HK$12,689.0 million from HK$9,442.0 million of last year. Operating profit rose by 27.9% to HK$1,687.5 million (2021: HK$1,319.3 million). The profit attributable to shareholders of the Company increased by 29.4% to HK$1,273.1 million (2021: HK$983.9 million). Basic and diluted earnings per share was HK38.73 cents (2021: HK29.93 cents). Average return on equity was 38.5% (2021: 38.2%). 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 HK8.0 cents (2021: HK6.0 cents) per share for the year 2022. Together with the interim dividend of HK4.0 cents (2021: HK3.0 cents) per share distributed in October 2022, total dividends for the year will amount to HK12.0 cents (2021: HK9.0 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 20 June 2023 (the "2023 AGM").

In 2022, against the backdrop of a complex and challenging environment, the world has been gradually recovering from the COVID-19 pandemic as, like other viruses that caused catastrophes to mankind in past centuries, the disease variants have been continuously mutating after three years of havoc-wreaking, and the vaccines and medicines for COVID-19 have finally been rolled out. Thanks to the highly effective coordination between pandemic prevention and control, coupled with the development in economy and society, as well as the precises implementation of policies and initiatives on stabilising the economy, China has managed to effectively respond to internal and external challenges with the nation's economy continued to thrive under pressure, lifting its total economic output to a new horizon. Currently, interest rates have been rising due to the tightening of monetary policy around the globe, which affects the world order through spillover from financial system. Domestic supply and demand have been severely impacted and the global economy were expected to be weakened. Despite China's foundation for economic recovery is still fragile, it is expected to achieve an overall improvement in economic performance by insisting on seeking progress in stability, thereby realising high-quality development.

During the year, facing with the fast-changing COVID-19 pandemic, as the neighborhood guardian to the people, COPL took the initiative in various cities including Hong Kong, Shenzhen, Shanghai, Jilin and Beijing, to bravely take responsibilities and fully cooperate with the anti-pandemic works of the municipal governments, proactively responding to the mobile cabin facilities management, city lockdown control and other emergencies. We have once again demonstrated the dedication and commitment of a central stated-owned enterprise through our endeavors to protecting the health and safety of our fellow citizens and residents. As pandemic control entering a new era of "Scientific Prevention and Control with Targeted Measures", COPL will continue to make contributions under such general guidance, achieving efficient coordination between pandemic prevention and control without sacrificing economic and social development.

Entering the year poised to take off the Group's "14th Five-Year strategic plan", we are well positioned to look for opportunities amidst crisis and changes. The Group adheres to the general principle of "maintaining rapid growth" to accumulate critical mass for further ventures. With the corporate vision of "To be an Outstanding Global Service Provider in Asset Management" and the corporate mission of "We Manage Happiness", COPL adheres to the performance pledge of "Property Assets to be Entrusted" while leading a new journey with "1155" strategic objectives and measures: Having the goal of revitalising the "No.1 Butler" gilded signboard, we continue to define industry standards and strive to become the leading brand in the industry. We pursue sustainable, balanced, healthy and quality development and regard it as "One Core", and build "Five Benchmarks", including customer satisfaction benchmark, city and property project benchmark, operational results growth benchmark, sub-brand benchmark, and employee market value and team capability benchmark, as well as aim for "Brilliance in Five Competencies", in respect of service, product, market, technology and organization.

This year, we put forward a new brand proposition of "Good Seasons, Good Property, Good Community" (collectively, "Three-Good"). "Good Seasons" reflects our property management capability that we can, through quality products and services, provide customers with a pleasant living environment where they can live and work in contentment; "Good Property" reflects our customer service capability that we can respond efficiently, predict demands and establish deep and long-term relationships with our property owners, customers, employees, partners and the government; "Good Community" reflects a sense of ownership that allows property owners, the property enterprise and the communities to build a neighborhood governed and enjoyed by all under the spirit of "Everyone Owns and Takes Responsibilities". The "Three-Good" manifests a visual representation of the beauty that the "Modernisation of China Overseas Property Management" can create, which is responsive to the customers, to whom we realise our promise on value, the industry, to whom we project our strategies outward, and the society, to whom we fulfill our responsibility as a corporate citizen.

## Chairman's Statement (Continued)

With "Property Management Portfolio" as our cornerstone, we continued to cultivate the quality and efficiency of basic services in the residential, non-residential and city service under property management contracts, providing diversified community convenience services (including contactless meal pickups, door-to-door courier delivery, health consultation, haircuts, maintenance and cleaning, distribution of daily necessities, etc.) in order to enhance fertile soil of our value-added services. Integrating our business extensions into a "Ecology", we innovated and developed in the fields of residential value-added services, non-residential value-added services and technology to increase the output value per unit area. All businesses complement and integrate with each other to create the business logic of "One Trunk with Multiple Branches, Synergy of Various Businesses" through deepening vertical integration, building a unique brand ecology for COPL. Meanwhile, we adhered to the "Modernisation of China Overseas Property Management" and set quadruple roles on serving a better living: firstly, as an explorer for city services to combine various property management portfolio which are managed separately into an integrated service capability; secondly, as a promotor who promotes the development of entire industry chain to actively integrate internal and external resources; thirdly, as a guardian who safeguards a better living to promote renovations of old community buildings and supporting facilities, improving urban micro-space and stimulating residents' public service consumption; fourthly, as a developer of co-construction, co-governance and co-usage by building a community ecology with owners and a project fulfilment ecology with suppliers.

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 started its property management service in Hong Kong in 1986, with 36 years of cultivation in Hong Kong and Macau. We set foot in Mainland China in 1991 and have achieved remarkable results. The Group fully integrates the property management experiences in Hong Kong into the practical situation in Mainland China. The Group firmly believes in "Quality and Enthusiasm", which has guided us through the years and will direct our future development. We adhere to the enterprise spirit of "To Forge Ahead with All One's Heart Every Day" to attain well-rounded improvement in capabilities, the core value of "Customer-Orientation, Guaranteed Quality and Value Creation" to fulfill our mission and move towards our vision. We stay true to our mission and implement prudent measures with perseverance. 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 order to ensure long-term sustainable operation, we have always been committed to the enterprise spirit of "To Forge Ahead with All One's Heart Every Day" and the sincere attitude of "Serving with Heart Every Single Day", and we have been endeavoring along the road to the standardisation, refinement and differentiated customisation of property management. Our confidence in achieving sustainable and steady growth in the long run also stems from the accelerated urbanisation in China, which has pushed the property management industry entering a period of rapid development, industrial growth and stability. With the gradual recognition of the value of quality services in the market, the Group's market expansion and service product development capabilities have been enhanced significantly. In 2022, the Group had a cumulative presence in 144 cities, covering Hong Kong and Macau, and a current workforce of approximately 57,425 employees, with 452 pre-sales sites projects under management and 1,643 property management projects with service area of nearly 320.3 million square meters. We continued to diversify our property management portfolio, expand the coverage of non-residential areas, and further diversify our product portfolio consisting of commercial complexes, offices, shopping centers, hotels, industrial parks, logistic parks, aviation, high-speed rail, hospitals, schools, government properties, urban services, parks, ports, roads and bridges, bus terminuses and other public facilities. We secured new contracts of Chengdu China Overseas Jinjiang City (成都中海錦江城), Shenzhen Guanshan Court (深圳觀山苑), Guangzhou Development Center (廣州發展中心), Deshun Building in Guangzhou Wanbo Commercial District (廣州萬博商務區德舜大廈), Dongguan Songshan Lake Production Scheduling Center and its subsidiary buildings (東莞松山湖生產調度中心及附屬樓), Suzhou Zilang Park (蘇州紫瑯公園), Shenzhen Xili Park (深圳西麗公園), Xi'an Happiness Forest Belt (西安幸福林帶), Peking Union Medical College Hospital (West) (北京協和醫院西單院區), Suzhou Nantong First People's Hospital in Suzhou (蘇州南通市第一人民醫院) and other projects, and tapped into the "Property City" project. In Hong Kong and Macau regions, we successively won the tenders for property management of Police Headquarters Building, Hong Kong Hua Hai Building under China General Administration of Customs, as well as extended our services to over 50% hospital projects under Hospital Authority and the headquarters building of Hospital Authority. Currently, our government management projects cover 12 bureaux and 21 executive departments. We remained the largest provider of property management services for government facilities in Hong Kong and the leading Chinese property management services corporation in Hong Kong and Macau regions with the No.1 ranking in market share of property management in Hong Kong.

We continued to develop our leading product innovation abilities by capitalising on the technology of "Xingqi IoT Platform" (星啟物聯網中台) to establish a digital industry chain for the entire life cycle of buildings and to construct product solutions that connect "Architectural Space" and "Digital Space", with a view to achieving scalable, standardised and customised products. It has been put into use in several projects such as Hangzhou Outlets (杭州奧特萊斯), Southern Investment Headquarters (南方投資總部大廈), Jinan Rural Commercial Bank (濟南農商行) and other projects. We launched the establishment of benchmark projects and completed acceptance of the first batch of 12 benchmark projects in 10 cities, integrating the concept of innovation leading, outstanding quality, co-construction and co-use, sustainable development into the entire process of project operation with high-standard positioning and high-quality operation. We continued to promote full life cycle services in property development. We provide property developers with whole-process property consultation and management services, including product positioning consultation, gardening, interior fine furnishing, vetting of building plans, equipment and facility selection advice, decoration supplies sales agency, pre-delivery marketing value-added services, sales of residual flats, contracting of basic positions, carefree property service products with perfect delivery support services, delivery inspection services and quality control of engineering services, etc., marking a significant improvement of capabilities in the integration of our upstream and downstream supply chain.

Currently, the Group serves over 100 corporate customers which are the world's top 500 companies and becomes the most reliable business partner of central enterprises, state-owned enterprises and private enterprises. We were named as "2022 China Top 100 Property Management Companies", "2022 China TOP 10 Property Management Companies in terms of Service Scale", "2022 China TOP 10 Property Management Companies in terms of Operating Performance", "2022 China Top 100 Property Service Satisfaction Leading Company" and "2022 Outstanding Company in ESG Development of China Property Service". Meanwhile, with outstanding performance in environmental, social and governance, we were selected in "Central Enterprises ESG Governance Pioneer 50 Index" and were granted "The Best ESG Award" of the China Outstanding Investor Relations in 2022. In the future, COPL will continue to uphold and practice the concept of sustainable development, create an important symbol as an excellent enterprise, and actively fulfill our responsibilities as a central enterprise. The Group was also included as a constituent in Morgan Stanley Capital International Index (MSCI) China Index and were admitted in the Shanghai-Hong Kong connect list, as well as Hang Seng Property Service and Management Index, receiving high recognition from the capital market.

COPL's "Xinghai Wulian" (興海物聯) focused on comprehensively promoting the research and breakthrough of key technologies. Its research center has passed the highest worldwide certificate; the "Research of IoT Platform Technology for Buildings" has reached the international advanced level; and the "IoT Model Rule Platform for Buildings" has been selected as a showcase project by the Ministry of Industry and Information Technology of the PRC. Adhering to the strategy of "Platform + Ecology", Xinghai Wulian further strengthened its coordination and focused on its main business to build a series of software and hardware products based on the Xingqi IoT Platform technology, including "Xingqi Terminal Computers" (星啟端腦) and "Xingqi Cloud Screens" (星啟雲屏). With the platform technology as the core, which helps to realise the efficient deployment of intelligent equipment inside the buildings, it is able to improve the efficiency of building operation and maintenance as well as management effectiveness. By joining hands with major technology leaders, with the help of their underlying technical capabilities together with Xinghai Wulian's industry solution capabilities, Xinghai Wulian and the technology leaders created joint products together, further integrated various technical resources, formed industry-leading smart spaces solutions and constructing smart park eco-systems with an array of variety. We focused on comprehensive industry promotion of headquarter parks, commercial and office complexes, manufacturing parks, residential properties, hotels, education, elderly care and cultural tourism. By leveraging the leading digital operation capabilities and intelligent execution capabilities, Xinghai Wulian takes the lead in the technology sector. At the same time, our "Mepork Engineering" (美博工程) provided various value-added engineering services to corporate clients and property owners in accordance with the timeline of buildings, which mainly included construction and maintenance, early involvement and quality control, inspection, decoration and renovation, mechanical and electrical installation, landscape construction, and maintenance and repair, etc. We will adhere to the four implementation principles of strategic operation, market orientation, internal collaboration, and city cultivation to steadily promote the incubation of new businesses and contribute to the growth of the value-added business segment.

As a platinum member of the Building Owners and Managers Association International, an international accreditation organization, "Hainawanshang" (海納萬商), a non-residential asset operation service brand under the Group, continued to cultivate its position in the business type of non-residential premises including office buildings, commercial complexes, hotels, industrial parks, logistics parks, government and public construction, colleges and universities and hospitals, with the new development engine powered by its asset operation covering the entire life-cycle and the whole business chain. Meanwhile, under the backdrop of China's vigorous advocate for constructing a "humanistic and livable environment for people", the Group has offered community value-added services under the brand of "UN+" (優你互聯), actively explored the servicing domains of community value-added services, and established a system closely around three areas (community area operations, property value-added services and community living services), to fulfill the daily needs of customers and their families from all scenarios throughout the life-cycle. Our community value-added services will remain focus and target on striving to deepen and establish COPL's community living service platform. In respect of the property value-added services, the rental and sales business has expanded its business scale and project store network in a timely manner through various modes such as direct sales and joint ventures, and strived to become an important channel for the distribution of new build for property developers, providing one-stop professional asset management services for property owners. For our home renovation business, we have strengthened the decoration operation and fully tapped into the market of old community renovation, which drove the demand for decoration consumption in existing projects, that complement each other with our new built service. In respect of community living services, we have developed a live streaming channel named "COPL Community Neighborhood Market" exclusively for our property owners, which offers quality products at affordable prices that well received by customers. The residential elderly care service "Wellness Enjoyment" (樂享頤養) was established in Dongguang as a special showroom to demonstrate the unlimited possibilities for residential elderly care service. "UN+" will continue to deepen its foothold in the existing market, explore the potentials of our services, and meet our customers' ever-increasing demand for a wonderful living condition with a view to developing special service products based on brands, market and differentiation and creating a picture of exquisite and colorful life.

We pushed ahead with the idea of strengthening enterprises through deploying talents and built a commonly acclaimed motto by using the concept of "To Assemble the Enterprising Ones and Motivate the Promising Ones". We proactively explored and took full advantage of the market-oriented principle. We implemented the reform of "Project General Manager Partnership System" (項目總經理合夥人制) through management model innovation, and enhanced the four major capabilities of our project teams, including "Able to manage", "Proficient in professionalism", "Skilful to operate businesses" and "Keen to generate increments". We built the competence and performance capacity of the project teams in a comprehensive manner, raised their sense of work planning and the awareness of sustainable business, and reinforced their sense of innovation and the ability to generate increments. We controlled back-office management cost rate at a reasonable level with a market-oriented performance incentive system and intensive project management model, and achieved human resource sharing and boosted management efficiency through business partnership incentive, a workload-based rewarding system, stimulated vitality, and rational staff deployment, thereby creating a regional advantage, area advantage and team advantage. The "UN+ Butler Partnership System" is also an integral part of our reform of the project management model, which can stimulate the vitality of the butler team and the proactiveness of the staff to the fullest extent. Employees are encouraged to establish a good foundation for basic property services while actively expanding value-added services at the user end, so as to achieve the goal of a win-win situation in terms of personal income and corporate revenue generation. Partners who encounter new problems and issues in practice should take the initiative to step out of their comfort zone, overcome cognitive blind spots, and learn and practice with a problem-solving and goal-setting mindset. Through the partnership system, we will seek and cultivate a group of project general managers who are professionally qualified, proactive to undertake responsibilities and determined to seek the realisation of higher self-value in the future. The new model of professional fundamental business reform is in full swing, with engineering station reform realising resource sharing and planned batch operations to achieve continuous optimisation of labour costs and gradual improvement of labour efficiency. Flexible embedding of the precise employment reform model is adopted to decompose job positions with clear duties to create a new efficiency improvement environment that providing employees with workload-based rewards through suitable job matching under differentiated and quantifiable service menu design, effectively mitigating the pressure on gross profit margins due to rising costs. Safe and intelligent staff deployment realises the differentiation of job standards, job matching and job professionalisation to fully optimise security job positions, improve job performance and better help enhance service quality.

On 9 October 2022, the General Office of the Ministry of Housing and Urban-Rural Development issued "Pilot Work on Comprehensive Community Construction" (《關於開展完整社區建設試點工作》), which focuses on improving community service facilities, creating a livable living environment, promoting intelligent services, and enhancing community governance mechanisms, so as to improve the living environment with all efforts to meet the residents' needs, which is conducive to further development of community living services. Looking ahead, we will pass on the spirit of "Leading the Trend", and we must learn, take responsibility, and strive hard amidst the fierce market-oriented competition to comprehensively move forward to a new journey of "Modernisation of China Overseas Property Management". We pursue balanced, sustainable, healthy, and high-quality development and regard it as "Sole Core", and we are devoted to revitalising our "No.1 Butler" gilded signboard.

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, 23 March 2023

好时节
好物业
好社区

# MANAGEMENT DISCUSSION AND ANALYSIS

# MANAGEMENT DISCUSSION AND ANALYSIS

## 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 all over Hong Kong and Macau. Our management portfolio includes both residential properties and non-residential properties, such as commercial complexes, office buildings, shopping malls, hotels, industrial parks, logistics parks, aviation, high-speed rail, hospitals, schools, government properties, city services, parks, ports, roads and bridges, bus terminus and other public facilities. Through providing high-quality and sophisticated services to the customers and maximising customer satisfaction, we strive to preserve and add value to the properties under our management and to solidify our strong brand recognition as a renowned property management service provider for mid-to high-end properties in our core stream business.

During the year, by leveraging on the Group's brand equity and size advantage, we pro-actively commenced market expansion to enlarge operating scale, partly via equity investment, and by way of securing more projects from independent third parties through enriching the market components. Therefore, the GFA under our management increased by 60.3 million sq.m. or 23.2% to 320.3 million sq.m. from 260.0 million sq.m. at the last year, in which, 55.7% of the new projects with a contract sum of HK$3,203.3 million was secured from independent third parties.

The following table sets forth a breakdown of the new orders secured by the Group by source of projects during the year ended 31 December 2022:

| | New orders secured during the year | | |
|---|---|---|---|
| | GFA under management | | Contract sums |
| | million sq.m. | % | HK$ million |
| **Source of projects:** | | | |
| China State Construction and China Overseas Group *(Note)* | 26.7 | 44.3% | 1,997.6 |
| Independent third parties | 33.6 | 55.7% | 3,203.3 |
| Total | 60.3 | 100.0% | 5,200.9 |

Note: "China State Construction and China Overseas Group" represented members under China State Construction Engineering Corporation and China Overseas Holdings Limited (including its subsidiaries, joint ventures and associates).

*Professional frontline team provides high quality services*

*Commercial brand "Hainawanshang" (海納萬商) is a platinum member of Building Owners and Managers Association (BOMA), an international accreditation organization*

## Business Review (Continued)

### Revenue and Operating Results (Continued)

We promoted vertical and horizontal exploration of customer resources by consolidating the existing resources and actively seeking new ones to achieve diversification, new GFA contributed from residential projects and non-residential projects was 68.2% and 31.8% respectively, with corresponding contract sums amounting to HK$3,239.4 million and HK$1,961.5 million respectively. These continuously strengthened our revenue base and improved our market competitive position.

The following table sets forth a breakdown of the new orders secured by the Group by project types during the year ended 31 December 2022:

| | New orders secured during the year | | |
|---|---|---|---|
| | GFA under management | | Contract sums |
| | million sq.m. | % | HK$ million |
| **Project types:** | | | |
| Residential projects | 41.1 | 68.2% | 3,239.4 |
| Non-residential projects | 19.2 | 31.8% | 1,961.5 |
| — *Commercial and office buildings* | *4.6* | *7.6%* | *671.2* |
| — *Public and other properties* | *14.6* | *24.2%* | *1,290.3* |
| Total | 60.3 | 100.0% | 5,200.9 |

## Business Review (Continued)

### Revenue and Operating Results (Continued)

2022 is the year poised to take off the Group's "14th Five-Year strategic plan". We insisted on accumulating strength, seeking progress while maintaining stability, and promoting high-quality development under complex and challenging global environment and the impact from pneumonia epidemic. During the year ended 31 December 2022, total revenue increased by 34.4% to HK$12,689.0 million (2021: HK$9,442.0 million), which mainly arisen from (i) the advance in GFA under our management dominated by lump-sum basis contracts; (ii) additional revenue brought from the management of community isolation facilities to support anti-epidemic work in Hong Kong; and (iii) business growth on value-added services to both non-residents and residents. The above upsides have deducted the impact of the average exchange rate depreciation of Renminbi in the past twelve months.

The following table sets out a breakdown of the Group's revenue for the year:

| | For the year ended 31 December | | | | | |
|---|---|---|---|---|---|---|
| | 2022 | | 2021 | | | |
| | Revenue | | Revenue | | Change | |
| | Proportion | HK$'000 | Proportion | HK$'000 | HK$'000 | % |
| **Project management services:** | | | | | | |
| — Lump sum basis | 72.1% | 9,149,715 | 66.8% | 6,306,857 | 2,842,858 | 45.1% |
| — Commission basis | 2.4% | 298,815 | 3.2% | 304,001 | (5,186) | (1.7)% |
| | 74.5% | 9,448,530 | 70.0% | 6,610,858 | 2,837,672 | 42.9% |
| **Value-added services:** | | | | | | |
| — Non-residents | 16.6% | 2,111,284 | 18.9% | 1,789,403 | 321,881 | 18.0% |
| — Residents | 6.9% | 880,088 | 8.6% | 811,020 | 69,068 | 8.5% |
| | 23.5% | 2,991,372 | 27.5% | 2,600,423 | 390,949 | 15.0% |
| **Car parking space trading business** | 2.0% | 249,066 | 2.5% | 230,754 | 18,312 | 7.9% |
| Total | 100.0% | 12,688,968 | 100.0% | 9,442,035 | 3,246,933 | 34.4% |

On the other hand, direct operating expenses raised slightly faster than our revenue growth at 36.8% to HK$10,668.6 million for the year (2021: HK$7,800.4 million), which mainly reflected (i) organic growth on property management services with higher proportion of lump-sum basis contracts and value-added services; (ii) the management costs on Hong Kong community isolation facilities; and (iii) additional costs incurred on prevention and control measures against the COVID-19 pandemic of approximately HK$71.9 million (2021: HK$10.0 million).

## Business Review (Continued)

### Revenue and Operating Results (Continued)

Accordingly, gross profit margin slid relatively to 15.9% for the year (2021: 17.4%). Nonetheless, with the increasing business scales, the gross profit still increased by 23.1% to HK$2,020.4 million for the year (2021: HK$1,641.6 million).

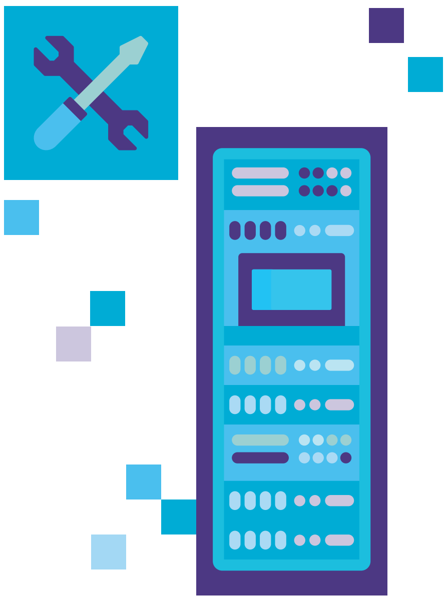

*Intelligent robots assist with customer reception*

Other income and gains, net was HK$186.3 million for the year (2021: HK$131.8 million), mainly represented by unconditional government grants, interest income and net exchange gain. The first two income in total, increased by approximately HK$31.7 million, benefiting from more tax incentives and other financial subsidies, as well as arising from a higher level of cash balances comparing with last year together with effective treasury management. The increase in net exchange gain of HK$20.7 million for the year was mainly attributable to the settlement gain on Renminbi remittance to Hong Kong.

For the year ended 31 December 2022, a slight corresponding fair value loss of self-owned investment properties was recorded amounting to HK$3.1 million (2021: fair value loss of HK$1.9 million).

After deducting selling and administrative expenses of HK$465.6 million (2021: HK$428.7 million) and net impairment of trade and retention receivables, and payments on behalf of property owners for properties managed on a commission basis of HK$50.5 million (2021: HK$23.5 million), operating profit increased by 27.9% to HK$1,687.5 million (2021: HK$1,319.3 million) for the year. The increase in selling and administrative expenses was mainly arisen from increase in manpower and salary level year on year driven by continuous scale expansion. The increase in net impairment of trade and retention receivables and payments on behalf of property owners for properties managed on a commission basis are the compound effects of (i) continuing expansion of operating scale but at lower impairment rate on trade and retention receivables of 6.6% (2021: 9.0%) for the year due to stringent controls on the age of debts; and (ii) increase in net impairment on commission-based projects of HK$12.1 million that were vulnerable to uncertain market conditions (2021: net reversal of impairment of HK$6.3 million).

*Maintenance engineering services*



## Business Review (Continued)

### Revenue and Operating Results (Continued)

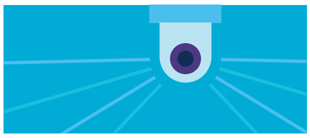
Income tax expenses increased by 20.1% to HK$397.7 million for the year (2021: HK$331.1 million), mainly due to increase in profit before tax charged at different applicable regional tax rates. Among that, withholding income tax provision of HK$21.6 million (2021: HK$16.9 million) in respect of dividends distributed/expected to be distributed from a PRC subsidiary was recognised during the year.

Overall, profit attributable to shareholders of the Company for the year ended 31 December 2022 increased by 29.4% to HK$1,273.1 million (2021: HK$983.9 million).

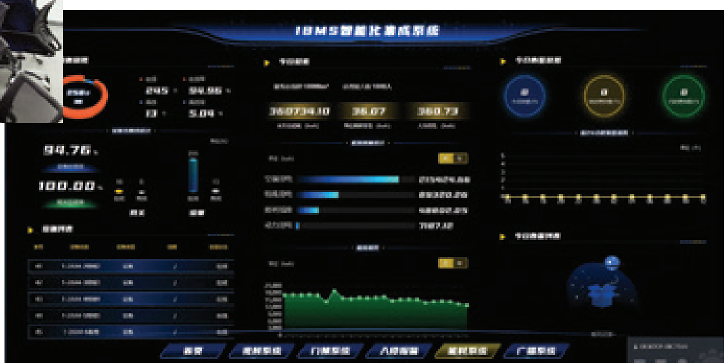
## Segment Information

### Property Management Services

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, through possessing a diversified and one-stop business capability and providing one-stop shop property management solutions to properties under development, we were able to gain early access to those properties and maintain proximate business relationships with them. In 2022, we pro-actively commenced market expansion to enlarge operating scale, partly via equity investment, and by way of securing more projects from independent third parties through enriching the market components, by leveraging on the Group's brand equity and size advantage. GFA under management increased to 320.3 million sq.m. that was 23.2% more comparing with the last year (2021: 260.0 million sq.m.). The portion of GFA under management from independent third parties at year end increased to 32.8% (2021: 27.6%).



*Continuously improving efficiency through technology empowerment*



*Through the background management platform to create an all-round, three-dimensional security protection*

## Segment Information (Continued)

### Property Management Services (Continued)

The following table sets forth a breakdown of the Group's GFA under management by source of projects as at year end:

| | **As at 31 Dec 2022** | | As at 31 Dec 2021 | |
|---|---|---|---|---|
| | **GFA under management** | | GFA under management | |
| | **million sq.m.** | **%** | million sq.m. | % |
| **Source of projects:** | | | | |
| China State Construction and China Overseas Group | **215.1** | **67.2%** | 188.4 | 72.4% |
| Independent third parties | **105.2** | **32.8%** | 71.6 | 27.6% |
| Total | **320.3** | **100.0%** | 260.0 | 100.0% |

We promoted vertical and horizontal exploration of customer resources by consolidating the existing resources and actively seeking new ones to achieve new breakthroughs in the non-residential sector, which covers commercial complexes, office buildings, shopping malls, hotels, industrial parks, logistics parks, aviation, high-speed rail, hospitals, schools, government properties, city services, parks, ports, roads and bridges, bus terminus and other public facilities. At 31 December 2022, the GFA under management from non-residential projects was 24.5% (2021: 22.8%).

The following table sets forth a breakdown of the Group's GFA under management by project types as at year end:

| | **As at 31 Dec 2022** | | As at 31 Dec 2021 | |
|---|---|---|---|---|
| | **GFA under management** | | GFA under management | |
| | **million sq.m.** | **%** | million sq.m. | % |
| **Project types:** | | | | |
| Residential projects | **241.8** | **75.5%** | 200.7 | 77.2% |
| Non-residential projects | **78.5** | **24.5%** | 59.3 | 22.8% |
| *— Commercial and office buildings* | ***17.2*** | ***5.4%*** | *12.6* | *4.9%* |
| *— Public and other properties* | ***61.3*** | ***19.1%*** | *46.7* | *17.9%* |
| Total | **320.3** | **100.0%** | 260.0 | 100.0% |

During the year ended 31 December 2022, revenue from property management services constituted 74.5% of total revenue (2021: 70.0%), and increased by 42.9% from last year to HK$9,448.5 million (2021: HK$6,610.9 million). The increase in revenue from property management services was mainly arisen from (i) the increase in GFA under our management from lump-sum basis contracts; and (ii) additional revenue arisen from Hong Kong community isolation facilities management, which were restrained by the impact of depreciation of Renminbi during the past twelve months.

## Segment Information (Continued)

### Property Management Services (Continued)

For the year ended 31 December 2022, approximately 96.8% and 3.2% of the segment revenue were generated from regular property management contracts under lump sum basis and commission basis respectively (2021: 95.4% and 4.6% respectively).

*Keeping the community green and tidy*

*Undeterred by snow storms; ensuring safe and smooth travel for property owners*

The following table sets out a breakdown of the Group's segment revenue from property management services for the year:

| | For the year ended 31 December | | | | | |
|---|---|---|---|---|---|---|
| | **2022** | | 2021 | | | |
| | **Segment revenue** | | Segment revenue | | **Change** | |
| | **HK$'000** | **%** | HK$'000 | % | **HK$'000** | **%** |
| **Property management services:** | | | | | | |
| — Lump sum basis | **9,149,715** | **96.8%** | 6,306,857 | 95.4% | **2,842,858** | **45.1%** |
| — Commission basis | **298,815** | **3.2%** | 304,001 | 4.6% | **(5,186)** | **(1.7)%** |
| Total | **9,448,530** | **100.0%** | 6,610,858 | 100.0% | **2,837,672** | **42.9%** |

As at 31 December 2022, the ratio of GFA under management from lump sum basis and commission basis was 77.5% to 22.5% (2021: 72.4% to 27.6%).

## Segment Information (Continued)

### Property Management Services (Continued)

The following table sets forth a breakdown of the Group's GFA under management by contract bases as at year end:

| | As at 31 Dec 2022 | | As at 31 Dec 2021 | |
|---|---|---|---|---|
| | GFA under management | | GFA under management | |
| | million sq.m. | % | million sq.m. | % |
| **Contract bases:** | | | | |
| Property management contracts under lump sum basis | **248.3** | **77.5%** | 188.4 | 72.4% |
| Property management contracts under commission basis | **72.0** | **22.5%** | 71.6 | 27.6% |
| Total | **320.3** | **100.0%** | 260.0 | 100.0% |

In 2022, the segment gross profit margin from regular property management contracts under lump sum basis and commission basis was 10.6% and 100.0% respectively (2021: 10.8% and 100.0% respectively). Overall, the weighted average segment gross profit margin decreased to 13.4% for the year (2021: 14.9%), mainly due to higher proportion of lump-sum basis contracts upon market expansion in property management sector, and the cost impact brought from COVID-19 pandemic prevention and control under the strict cost control measures.

With continuing increase in segment revenue, the gross profit of our property management services segment increased by 28.6% from last year to HK$1,264.8 million for the year ended 31 December 2022 (2021: HK$983.6 million).

The following table sets out a breakdown of the Group's gross profit and gross profit margin of property management services for the year:

| | For the year ended 31 December | | | | | |
|---|---|---|---|---|---|---|
| | 2022 | | 2021 | | | |
| | Gross profit | Gross profit margin | Gross profit | Gross profit margin | Change in gross profit | |
| | HK$'000 | % | HK$'000 | % | HK$'000 | % |
| **Property management services:** | | | | | | |
| — Lump sum basis | **965,972** | **10.6%** | 679,605 | 10.8% | **286,367** | **42.1%** |
| — Commission basis | **298,815** | **100.0%** | 304,001 | 100.0% | **(5,186)** | **(1.7)%** |
| Total | **1,264,787** | **13.4%** | 983,606 | 14.9% | **281,181** | **28.6%** |

## Segment Information (Continued)

### Property Management Services (Continued)

After deducting segment administrative expenses and net impairment of trade and retention receivables, and payments on behalf of property owners for properties managed on a commission basis, as well as taking into account of other income, the segment profit of the property management services increased by 29.0% to HK$1,138.0 million for the year (2021: HK$882.4 million).

### Value-Added Services to Non-Residents

Value-added services to non-residents sub-segment 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. For the year ended 31 December 2022, revenue from the non-residents segment constituted 16.6% (2021: 18.9%) of total revenue, and increased by 18.0% year-on-year to HK$2,111.3 million (2021: HK$1,789.4 million). The increase in segment revenue was mainly arisen from (i) increase in business volumes on equipment and system installation, repair and maintenance services, vetting of building plans and garden landscape maintenance provided to business entities and owners around the building timeline through Mepork Engineering (美博工程); (ii) the expansion of Xinghai Wulian (興海物聯)'s intelligent building & construction business for the development of smart communities to meet projects' smart park experience; and (iii) the increase in inspection services and pre-delivery services (such as security, cleaning and repair and maintenance services for display units in pre-sales offices for developing properties) provided to property developers. However, the above favorable factors were partly offset by the reduced demand on consultancy services from property developers upon the downturn of real estate sector in the PRC.

The following table sets out a breakdown of the Group's sub-segment revenue from value-added services to non-residents for the year:

| | For the year ended 31 December | | | |
|---|---|---|---|---|
| | **2022** | 2021 | | |
| | **Sub-segment revenue** | Sub-segment revenue | **Change** | |
| | **HK$'000** | HK$'000 | **HK$'000** | **%** |
| **Value-added services to non-residents:** | | | | |
| Engineering services | **935,770** | 643,011 | **292,759** | **45.5%** |
| Pre-delivery services | **892,313** | 873,252 | **19,061** | **2.2%** |
| Inspection services | **229,176** | 167,580 | **61,596** | **36.8%** |
| Consulting services | **54,025** | 105,560 | **(51,535)** | **(48.8)%** |
| Total | **2,111,284** | 1,789,403 | **321,881** | **18.0%** |

## Segment Information (Continued)

### Value-Added Services to Non-Residents (Continued)

In respect of the profitability, the gross profit margin of the value-added services to non-residents sub-segment for the year decreased to 16.4% (2021: 17.9%) mainly due to (i) the establishment of sub-brands and expansion in workforce to actively explore external expanding markets; and (ii) the higher increase in cost on inspection services. Overall, driven by increasing revenue, the sub-segment gross profit remains increased by 8.1% to HK$346.7 million (2021: HK$320.8 million).

*Intelligent access control to save manpower*

*Sales center services for developers*

The sub-segment profit from value-added services to non-residents, after having allowed for lower sub-segment overhead, increased by 24.9% to HK$245.5 million against last year (2021: HK$196.5 million). The reduction of sub-segment overhead was mainly due to flexible re-assignment of certain back-office sales staff to front-line projects to beef-up overall productivity during the launching of sub-brand businesses.

### Value-Added Services to Residents

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, one-stop shop asset management services to the property owners 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, 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.


*Continue to diversify service income*

## Segment Information (Continued)

### Value-Added Services to Residents (Continued)

For the year ended 31 December 2022, revenue from the residents sub-segment constituted 6.9% (2021: 8.6%) of total revenue, and increased by 8.5% to HK$880.1 million (2021: HK$811.0 million), mainly arisen from (i) more demand on advertisements and common area rental assistance under community asset management in line with the increasing GFA under our management, which were partly offset by the impact of lower occupancy rates; and (ii) the expansion of retails and group purchases as well as commercial support services under living service operations and commercial service operations.

The following table sets out a breakdown of the Group's sub-segment revenue from value-added services to residents for the year:

| | For the year ended 31 December | | | |
|---|---|---|---|---|
| | **2022** | 2021 | | |
| | **Sub-segment revenue** | Sub-segment revenue | **Change** | |
| | **HK$'000** | HK$'000 | **HK$'000** | **%** |
| **Value-added services to residents:** | | | | |
| Community asset management services | **476,667** | 439,949 | **36,718** | **8.3%** |
| Living service operations and commercial service operations | **403,421** | 371,071 | **32,350** | **8.7%** |
| Total | **880,088** | 811,020 | **69,068** | **8.5%** |


*Continue to develop the agency business*

*Home renovation offers showcase homes for customers*

## Segment Information (Continued)

### Value-Added Services to Residents (Continued)

The gross profit margin of value-added services to residents sub-segment increased to 38.4% (2021: 33.3%), mainly as a result of the change in sales mix and the integration of certain value-added services staff to property management projects. Therefore, the sub-segment gross profit of value-added services to residents increased by 25.1% to HK$338.3 million (2021: HK$270.4 million).

After having allowed for sub-segment overhead, the sub-segment profit from value-added services to residents increased by 24.5% to HK$321.1 million against last year (2021: HK$257.9 million).

### Car Parking Space 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. This in turn also enable the Group to take advantage of its existing abundance of cash balance and increase the shareholders' value.

During the year ended 31 December 2022, revenue from the car parking space trading business segment raised by 7.9% to HK$249.1 million from last year (2021: HK$230.8 million). Total number of car parking spaces sold was 2,392 (2021: 2,067), with segment profit increased to HK$69.1 million in 2022 (2021: HK$64.9 million).

The following table sets out a breakdown of Group's segment revenue and number of carparks sold from car parking space trading business for the year:

| | For the year ended 31 December | | Change | |
|---|---|---|---|---|
| | **2022** | 2021 | | |
| | **HK$'000** | HK$'000 | **HK$'000** | **%** |
| Segment revenue from car parking space trading business | **249,066** | 230,754 | **18,312** | **7.9%** |

| | For the year ended 31 December | |
|---|---|---|
| | **2022** | 2021 |
| | **Unit** | Unit |
| Number of car parking spaces sold | **2,392** | 2,067 |

## Liquidity, Financial Resources and Debt Structure

The Group adopts prudent financial policies, with effective financial and cash management under centralised supervision, and maintains appropriate leverage with sufficient cash balances. As at 31 December 2022, net working capital amounted to HK$3,170.5 million (as at 31 December 2021: HK$2,516.9 million).

Bank balances and cash increased by 9.5% to HK$4,691.1 million from last year end (as at 31 December 2021: HK$4,283.4 million), in which, 96.8% were denominated in Renminbi and 3.2% were denominated in Hong Kong Dollar/ Macau Pataca.

At 31 December 2022, the Group had short-term unsecured bank borrowings denominated in Renminbi amounted to HK$68.2 million. During the year, the borrowing costs were charged at floating rates with weighted average interest rate of 2.72% per annum.

## Capital Expenditures

The capital expenditures, which mainly represent additions to 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$231.1 million for the year ended 31 December 2022. Among that, as announced on 28 April 2022, the Group leased a property in Chengdu, China for providing one-stop shop asset management services from an indirect wholly-owned subsidiary of China State Construction Engineering Corporation, which is the ultimate holding company of the Group, which was recognised as an investment property held as a right-of-use asset in accordance with Hong Kong Financial Reporting Standards, at the present value of RMB31.9 million (equivalent to approximately HK$37.2 million).

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

As announced on 9 December 2022, China Overseas Property Management Guangzhou Company Limited (中海物業管理廣州有限公司), a wholly-owned subsidiary of the Company, as the purchaser entered into an equity transfer agreement with Guangzhou Lihe Real Estate Development Company Limited (廣州利合房地產開發有限公司), an non-wholly-owned subsidiary of China Overseas Land & Investment Limited (中國海外發展有限公司) ("COLI"), the fellow subsidiary of the Company, as the vendor whereas the purchaser agreed to acquire the entire equity interest in the Guangzhou Lihe Property Management Company Limited (廣州利合物業管理有限公司) from the vendor at the consideration of approximately RMB76.1 million (equivalent to approximately HK$83.9 million or HK$86.4 million at the exchange rate on the date of announcement and transaction, respectively), which has been duly completed in December 2022.

Save as disclosed above, the Group had no material acquisitions, disposals, significant investments and future plans of material investment during the year ended 31 December 2022.

## Principal Risk Management Strategies

### 1. Operating Efficiency

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

### 2. Customers and Suppliers Relationship Management

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


*Festival gathering*


*Community fun fair*

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.

## Principal Risk Management Strategies (Continued)

### 3. Monitoring of Foreign Exchange Exposure (Continued)

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

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.

## Sustainability Development Policy and Performance

Year 2022, is the last year of the three-year sustainable development roadmap and the first year of the stakeholder communication plan, COPL has achieved the following results:

- In the three-year sustainable development roadmap, COPL strengthened the construction of a sustainable development framework to supervise sustainable development issues. It identified five priority United Nations Sustainable Development Goals (UNSDGs) and linked them to the UNSDGs identified in daily operations. At the same time, COPL carried out the work of the Task Force on Climate-related Financial Disclosures (TCFD), including formulating climate change policies, disclosing TCFD response plans, and strengthening the identification of climate risks and opportunities;

- As the first year of implementing the stakeholder communication plan, 2022 witnessed the organization of an in-depth interview with the chief executive officer and one of the key members of the sustainable development working group, the operation department. During the interview, the parties confirmed continuous conviction in energy consumption reduction and efficiency improvement. Going forward, the stakeholder communication plan will also be extended to cover stakeholder groups such as tenants and customers; and

- Going forward, we will continue to strengthen the coordination and management of environmental protection measures applicable at each operating site. The management work includes planning targets, compliance, risks, pollution prevention and control, energy conservation and emission reduction and cleaner production, green innovation, education and training, statistics monitoring, emergency and information disclosure and reporting.

For more information on our sustainability performance, please refer to the “Sustainable Development” page on the Company’s website.

## Capital Commitment and Contingent Liabilities

As at 31 December 2022, the capital commitments of the Group were HK$7.7 million, which mainly related to capital investment in a joint venture and acquisition of system and software. In additions, the Group provided counter-indemnities to a fellow subsidiary and banks amounting to approximately HK$310.5 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.

Meanwhile, as announced on 28 April 2022, 29 June 2022 and 9 December 2022, in order to substitute the Group's certain requirements upon participating in competitive tenders on projects under China Overseas Land & Investment Limited, China State Construction International Holdings Limited and China Overseas Grand Oceans Group Limited, we provided corporate guarantees to them up to an aggregate amount of RMB50.0 million (equivalent to approximately HK$56.8 million), RMB30.0 million (equivalent to approximately HK$34.1 million) and RMB20.0 million (equivalent to approximately HK$22.7 million) respectively.

Except as disclosed above, we had no other material capital commitments and outstanding contingent liabilities as at 31 December 2022.

## Significant Events after the Reporting Period

The Group had no significant events occurred after the year ended 31 December 2022, which have material impact on the performance and the value of the Group.

## Employees

As at 31 December 2022, the Group had approximately 57,425 employees (as at 31 December 2021: 52,220).

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 2022 was approximately HK$6,314.3 million (2021: HK$4,625.0 million), of which, HK$5,953.4 million (2021: HK$4,314.2 million) and HK$360.9 million (2021: HK$310.8 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.

# 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.

The Company has applied the principles set out in the Corporate Governance Code (the "CG Code") as contained 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").

During the year ended 31 December 2022, the Company has complied with all the code provisions of the CG Code.

## Corporate Strategy, Business Model and Culture

With the corporate vision of "To be an Outstanding Global Service Provider in Asset Management" and the corporate mission of "We Manage Happiness", the Group adhere to the performance pledge of "Property Assets to be Entrusted" while leading a new journey of the 14th Five-Year Plan with the "1155" strategic objectives and measures: Having the goal of revitalising the "No. 1 Butler" gilded signboard, the Group continues to define industry standards and strive to become the leading brand in the industry. The Group pursue sustainable, balanced, healthy and quality development and regard it as "One Core", and build "Five Benchmarks", including customer satisfaction benchmark, city and property project benchmark, operational results growth benchmark, sub-brand benchmark, and employee market value and team capability benchmark, as well as aim for "Brilliance in Five Competencies", in respect of service, product, market, technology and organization.

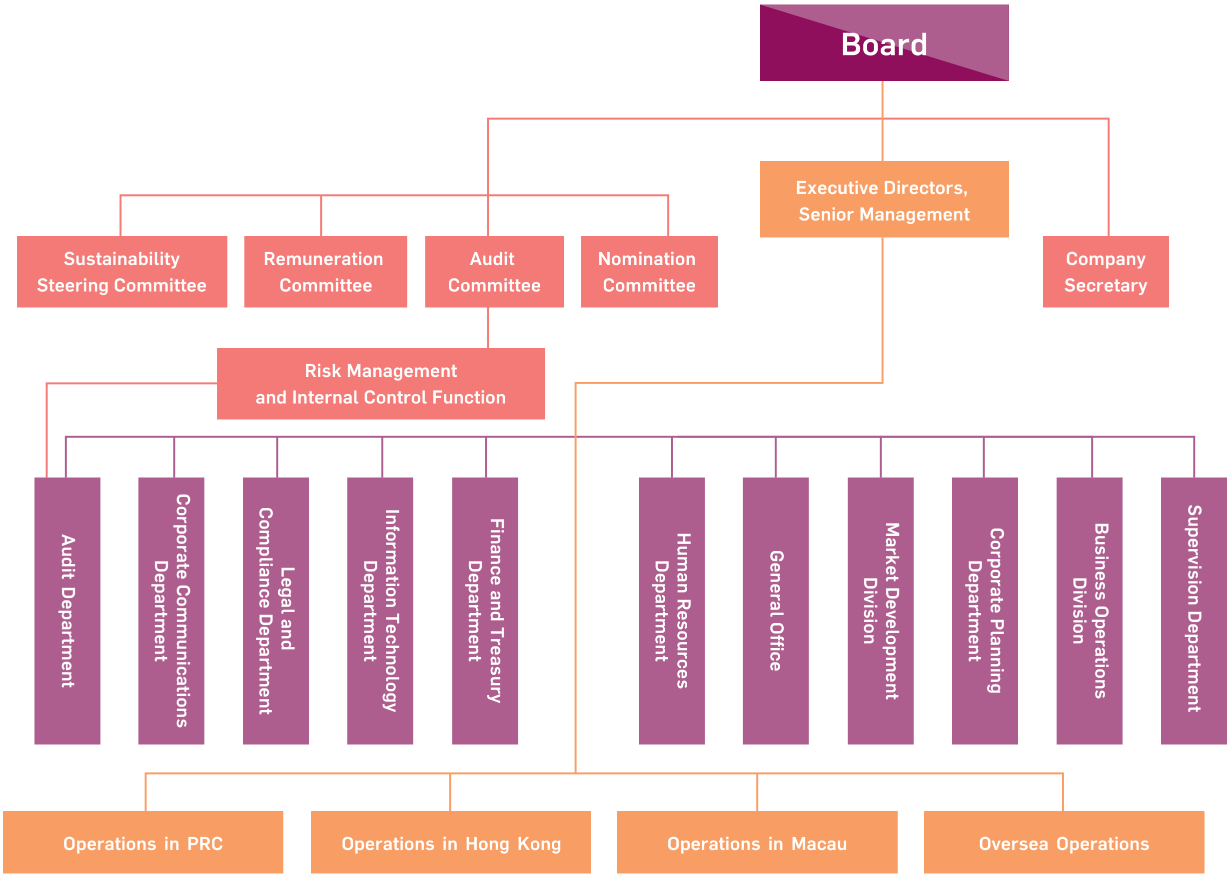
The Group also put forward a new brand proposition of "Good Seasons, Good Property, Good Community" (collectively, "Three-Good"). "Good Seasons" reflects our property management capability that the Group can, through quality products and services, provide customers with a pleasant living environment where they can live and work in contentment; "Good Property" reflects our customer service capability that the Group can respond efficiently, predict demands and establish deep and long-term relationships with our property owners, customers, employees, partners and the government; "Good Community" reflects a sense of ownership that allows property owners, the property enterprise and the communities to build a neighborhood governed and enjoyed by all under the spirit of "Everyone Owns and Takes Responsibilities". The "Three-Good" manifests a visual representation of the beauty that the "Modernisation of China Overseas Property Management" can create, which is responsive to the customers, to whom the Group realise our promise on value, the industry, to whom we project our strategies outward, and the society, to whom the Group fulfill our responsibility as a corporate citizen.

## Corporate Strategy, Business Model and Culture (Continued)

Details of the Group's strategy, business and financial review are set out in the sections headed "Chairman's Statement" and "Management Discussion and Analysis" of this Annual Report.

## 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.




## Board

### 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.

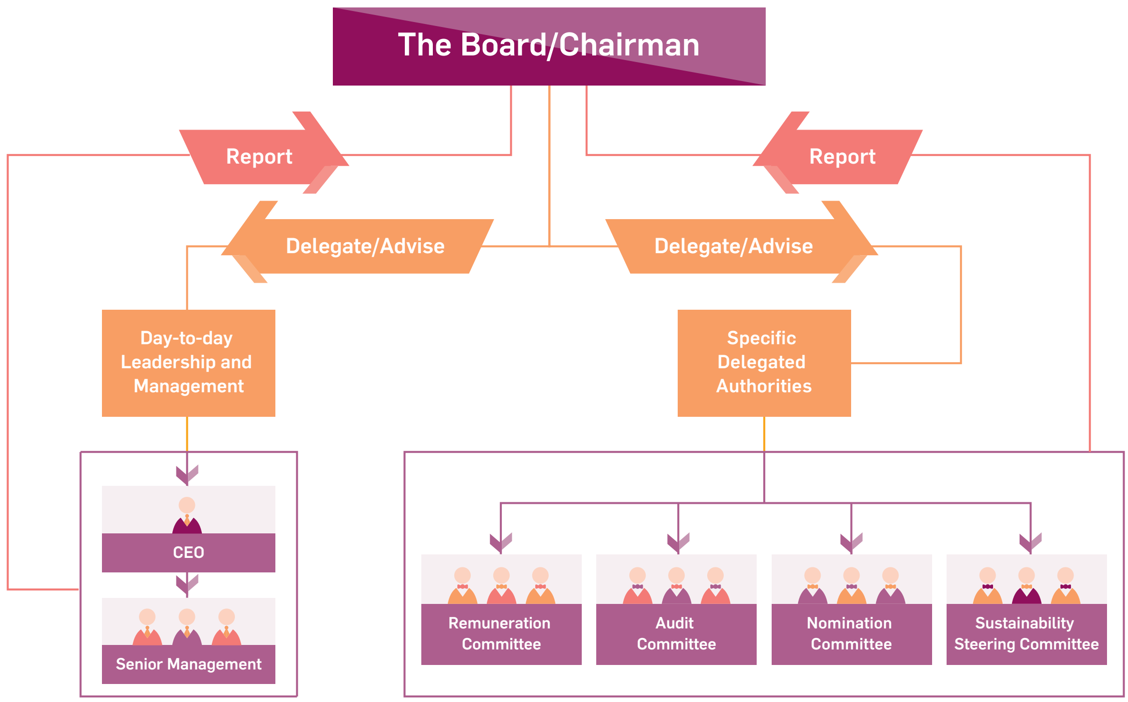
Under the supervision of the Chief Executive Officer, the senior management of the Group is responsible for the management and administrative functions and the day-to-day operations of the Group. The Board has given clear directions to senior management as to the matters that must be approved by the 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.

## Board (Continued)

### Board's Role and Delegation (Continued)

To assist the Board in execution of its duties and to facilitate effective management, certain functions of the Board have been delegated by the Board to various board committees, which review and make recommendations to the Board on specific areas.

The Board has reserved 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), appointment of directors, financial information, and other significant financial and operational matters.



## Board (Continued)

### Board Composition

As at 31 December 2022, the Board comprises a total of nine Directors, being four Executive Directors, two Non-executive Directors and three Independent Non-executive Directors. The number of Independent Non-executive Directors represents one-third of the Board with one of them possessing appropriate accounting and related financial management expertise as required by Rules 3.10 and 3.10A of the Listing Rules.

The composition of the Board during the year ended 31 December 2022 and up to the date of this Annual Report is as follows:

***Executive Directors:***

| | |
|---|---|
| Mr. Zhang Guiqing | *(Chairman)* |
| Mr. Xiao Junqiang | *(Chief Executive Officer, appointed on 20 February 2023)* |
| Dr. Yang Ou | *(Chief Executive Officer, resigned on 20 February 2023)* |
| Mr. Pang Jinying | *(Vice President)* |
| Mr. Kam Yuk Fai | *(Chief Financial Officer)* |

***Non-executive Directors:***

Mr. Ma Fujun
Mr. Guo Lei

***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 website of the Company (www.copl.com.hk). The Company has also maintained an updated list of directors and their role and function on the websites of the Company (www.copl.com.hk) and the Stock Exchange (www.hkexnews.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. The Board reported the changes in its annual report and interim report. Directors have also provided an indication of the time involved for the significant offices they held to the Company annually.

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

## Board (Continued)

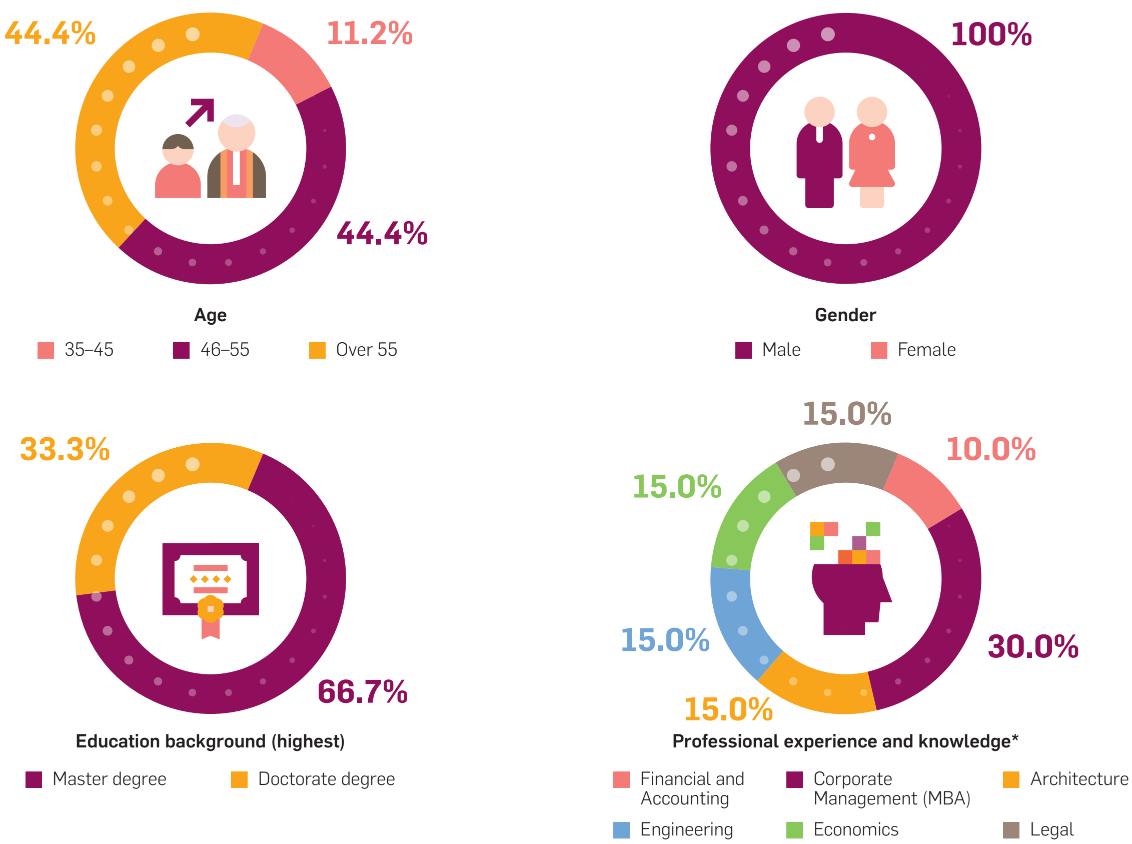
### Board Diversity

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 of the Company (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 the board diversity policy effective since October 2015 (the "Board Diversity Policy"), a copy of which is available on the Company's website (www.copl.com.hk). Under the Board Diversity 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. The Nomination Committee will review the Board Diversity Policy from time to time to ensure its continued effectiveness and will make recommendations to the Board of any amendment, where necessary.

As at 31 December 2022, the Board comprises nine 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:

**Number of directors**




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

## Board (Continued)

### Board Diversity (Continued)

During the year, the Nomination Committee reviewed the implementation and effectiveness of the Board Diversity Policy. Based on the current composition of the Board and current needs of the Company, the Nomination Committee considered the Board Diversity Policy remains effective and appropriate for the Company. However, the Board also recognizes the particular importance of gender diversity and aims to maintain an appropriate balance of diversity at the Board level and plans to appoint at least one female director by no later than 31 December 2024.

As at 31 December 2022, the Company hired a total of 57,425 staff, of which 36,759 were male and 20,666 were female. The gender ratio in the workforce (including senior management) was approximately 64 males to 36 females. In order to cope with the growth and needs of the Company without focusing on one single gender, staff recruiting shall be based on the equal-opportunity principle. The Company shall provide suitable on-job training to mid to senior level to ensure a pipeline of female senior management and potential successors to the Board in the near future.

### 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.

Mr. Zhang Guiqing, as the Chairman of the Company and the Executive Director, 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. He is also responsible for ensuring that before any meeting is held, all Directors receive accurate, clear, complete and reliable information in a timely manner and the Directors are properly briefed on issues arising at the meetings. He is also responsible for promoting a culture of openness and debate and encourage directors with different views to voice their concerns in order to ensure that the Board works effectively as well as to ensure appropriate steps were taken to provide effective communication with Shareholders and those views of Shareholders were communicated to the Board as a whole.

Dr. Yang Ou, as the Chief Executive Officer of the Company and the Executive Director during the year, was 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. Due to realignment of work duties, Dr. Yang Ou resigned as the Chief Executive Officer of the Company and Executive Director on 20 February 2023. Mr. Xiao Junqiang has been appointed as the Chief Executive Officer of the Company and Executive Director on the same date.

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.

### Non-executive Directors and Independent Non-executive Directors

Non-executive Directors, including, Independent Non-executive Directors, as equal members of the Board, have given the Board and any committees on which they serve the benefit of their skills, expertise, backgrounds and qualifications. The Independent Non-executive Directors have made a positive contribution and independence judgement to the development of the Company's strategy and policies, performance as well as the risk management.

## Board (Continued)

### Non-executive Directors and Independent Non-executive Directors (Continued)

For the year ended 31 December 2022, all Independent Non-executive Directors attended the board meetings and general meetings as scheduled to provide independent views and input in different aspect as well as develop a balance understanding of the views of Shareholders. Details of the attendance records of the Independent Non-executive Directors for 2022 are provided in the section headed "Attendance at Board Meetings, Committee Meetings and Shareholders' Meetings" of this Corporate Governance Report. Therefore, the Board is of the view that the mechanism to ensure independent views and input are available to the Board for the year ended 31 December 2022 is effective and adequately implemented.

### 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.

As at 31 December 2022 and the date of this Annual Report, none of the Independent Non-executive Directors has served more than 9 years in the Company.

### 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 amended and restated 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.

All Directors have entered into either a services contract (for Executive Directors) or a letter of appointment (for Non-executive Directors) with the Company to specific their duties and responsibilities. Executive Directors are appointed on a full-time basis and without specific term while Non-executive Directors (including Independent Non-executive Directors) are appointed on a term of three years. All Directors are subject to retirement from office by rotation and re-election at annual general meetings in accordance with the provisions of the Articles of Association. The procedures for appointment, election and removal of Directors is posted on the website of the Company (www.copl.com.hk).

Pursuant to the article 83(3) of the Articles of Association, Mr. Xiao Junqiang, who filled casual vacancies on the Board on 20 February 2023, shall hold office until the first general meeting of shareholders after his appointment, i.e. the forthcoming annual general meeting to be held on 20 June 2023 (the "2023 AGM") and subject to re-election at 2023 AGM.

Pursuant to the articles 84(1) & 84(2) of the Articles of Association, not less than one-third of the directors for the time being shall retire from office by rotation at an annual general meeting. As such, Mr. Zhang Guiqing, Mr. Yung, Wing Ki Samuel and Mr. Lim, Wan Fung Bernard Vincent will retire by rotation at the 2023 AGM. All of them, being eligible, will offer themselves for re-election at the 2023 AGM.

## Board (Continued)

### 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 2022.

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.

### 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.

### Director Trainings

Every newly appointed Director receives a comprehensive, formal and tailored induction to ensure he/she has a proper understanding of the Company's operations and business as well as his/her duties and responsibilities as a director under statute and common law, the Listing Rules, legal and other regulatory requirements and the Company's business and governance policies. The Company Secretary also provides the updates on the latest development and changes in the Listing Rules and other relevant legal and regulatory requirement to the Board from time to time.

Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. The Company has also arranged for Directors to attend training, which emphasis on the roles, functions and duties of a listed company director. Directors can also join any training, forum or seminar at cost of the Company. All Directors are required to provide a training records to the Company, which are maintained by the Company Secretary.

The Company has received from the Directors below a record of the types of training they received for the year ended 31 December 2022:

| Directors | Types of training (See Remarks) |
|---|---|
| Mr. Zhang Guiqing | A, B |
| Dr. Yang Ou (Resigned on 20 February 2023) | A, B |
| Mr. Pang Jinying | A, B |
| Mr. Kam Yuk Fai | A, B |
| Mr. Ma Fujun | A, B |
| Mr. Guo Lei | 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.

### 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. One additional board meeting was 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 and related materials, which are in a form and quality sufficient to enable the Board to make informed decisions, 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. If the subject under discussion at a Board meeting involves conflict of interests of substantial Shareholders or Directors and the Board considers that the conflict of interests is material, the matter would be dealt with by a meeting (including physical and/or virtual) rather than a written resolution. The Board will ensure that there are sufficient independent directors participating in discussing about and voting on the relevant resolution.

The Company Secretary is responsible for taking minutes of Board meetings and committee meetings. Directors are given an opportunity to comment on the draft minutes which are sent to Directors within a reasonable time frame. Such minutes are prepared with details of the decisions reached, any concerns raised and dissenting views expressed by directors. All minutes are opened for inspection by any Director.

Details of the attendance records of each Board member for 2022 are provided in the section headed "Attendance at Board Meetings, Committee Meetings and Shareholders' Meetings" of this Corporate Governance Report.

## Board Committees

As part of good corporate governance, the Board has set up four Board committees, namely Remuneration Committee, Audit Committee, Nomination Committee and 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.

## Board Committees (Continued)

### 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.

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;

— Either to determine, with delegated responsibility, or 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 his/her office or appointment; and

— To make recommendations to the Board on the remuneration of non-executive directors.

The terms of reference of the Remuneration Committee is available on the websites of the Company (www.copl.com.hk) and the Stock Exchange (www.hkexnews.hk).

For the year ended 31 December 2022, the Remuneration Committee has held two meetings during which it has performed the following major works:

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

— reviewed and discussed the director remuneration policy and recommended the Board for amendment and adoption.

Chairman of the Remuneration Committee has reported back to the Board on its decisions and recommendations after each meeting.

Details of the attendance record of each Remuneration Committee member for 2022 are provided in the section headed "Attendance at Board Meetings, Committee Meetings and Shareholders' Meetings" of this Corporate Governance Report.

Pursuant to the Company's Director Remuneration Policy, the remuneration packages of the Executive Directors of the Company shall comprise fixed and variable components linking to the Group's operating results, individual performance and comparable market statistics. Non-executive directors (including independent non-executive directors) of the Company shall receive fixed remuneration/fee to be set at an appropriate level to attract and retain first-class non-executive talent by reference to the relevant time commitment required and the size and complexity of the Group and benchmarked against a peer group.

## Board Committees (Continued)

### Remuneration Committee (Continued)

Details of the remuneration of each Director of the Company for the year ended 31 December 2022 are disclosed in note 9 to the financial statements contained in this Annual Report.

The remuneration of the 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. The remuneration of the senior management of the Company by band for the year ended 31 December 2022 is set out below:

| Remuneration Bands (HK$) | Number of Persons |
|---|---|
| Below 1,000,000 | 1 |
| 1,000,001–2,000,000 | 1 |
| 2,000,001–3,000,000 | 4 |
| 3,000,001–4,000,000 | 2 |
| 4,000,001–5,000,000 | 1 |

### 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. The chairman of the Committee is Mr. Yung, Wing Ki Samuel, who is possessing the appropriate accounting and financial management expertise as required under Rule 3.10(2) of the Listing Rules.

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.

The terms of reference of the Audit Committee is available on the websites of the Company (www.copl.com.hk) and the Stock Exchange (www.hkexnews.hk).

## Board Committees (Continued)

### Audit Committee (Continued)

For the year ended 31 December 2022, the Audit Committee has held four meetings during which the Audit Committee has performed the following major works:

— 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 2021 and for the six months ended 30 June 2022 and the quarterly financial information for the periods ended 31 March 2022 and 30 September 2022;

— reviewed and approved the audit plan for the year ended 31 December 2022;

— 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 2021; and

— reviewed and approved the proposed fee of external auditor in respect of audit services and non-audit services for the year ended 31 December 2022.

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 2022, each of CSCEC and CSCECL has complied with the Deeds of Non-competition.

Chairman of the Audit Committee has reported back to the Board on its decisions and recommendations after each meeting.

Details of the attendance record of each Audit Committee member for 2022 are provided in the section headed "Attendance at Board Meetings, Committee Meetings and Shareholders' Meetings" of this Corporate Governance Report.

## Board Committees (Continued)

### 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.

The terms of reference of the Nomination Committee is available on the websites of the Company (www.copl.com.hk) and the Stock Exchange (www.hkexnews.hk).

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 2022, the Nomination Committee has held one meeting during which the Nomination Committee has performed the following major works:

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

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

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

Chairman of the Nomination Committee has reported back to the Board on its decisions and recommendations after each meeting.

Details of the attendance record of each Nomination Committee member for 2022 are provided in the section headed "Attendance at Board Meetings, Committee Meetings and Shareholders' Meetings" of this Corporate Governance Report.

## Board Committees (Continued)

### Sustainability Steering Committee

The Sustainability Steering Committee comprises a total of five members, being the Chairman of the Board, Chief Executive Officer and three Independent Non-executive Directors, namely, Mr. Zhang Guiqing, Mr. Xiao Junqiang *(appointed on 20 February 2023)* / Dr. Yang Ou *(resigned on 20 February 2023)*, Mr. Yung, Wing Ki Samuel, Mr. So, Gregory Kam Leung and Mr. Lim, Wan Fung Bernard Vincent. The chairman of the Committee is Mr. Lim, Wan Fung Bernard Vincent.

The main duties and responsibilities of the Sustainability Steering Committee including, but not limited to, assist the Board in providing direction on the sustainability priorities and goals and to assess, review and recommend to the Board for approval the public documents related to sustainability matters.

For the year ended 31 December 2022, the Sustainability Steering Committee has held two meetings during which the Sustainability Steering Committee has reviewed, discussed and recommended to the Board for approval of the Group's 2021 sustainability report and the related policy. Chairman of the Sustainability Steering Committee has reported back to the Board on its decisions and recommendations after each meeting.

Details of the attendance record of each Sustainability Steering Committee member for 2022 are provided in the section headed "Attendance at Board Meetings, Committee Meetings and Shareholders' Meetings" of this Corporate Governance Report.

### Corporate Governance Functions

The Board is responsible for performing the corporate governance duties including, but not limited to:

(a) to develop and review the Company's policies and practices on corporate governance;

(b) to review and monitor the training and continuous professional development of directors and senior management;

(c) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

(d) to develop, review and monitor the code of conduct and compliance manual applicable to employees and directors; and

(e) to review the Company's compliance with the CG Code and disclosure in the corporate governance report.

During the year, the Board reviewed the Company's compliance with the CG Code and the applicable statutory and regulatory requirements and disclosures in this Corporate Governance Report.

## 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 2022 are set out in the table below:

| Directors | Board Meetings | Audit Committee Meetings | Remuneration Committee Meetings | Nomination Committee Meetings | Sustainability Steering Committee Meetings | General Meetings |
|---|---|---|---|---|---|---|
| **Executive Directors:** | | | | | | |
| Mr. Zhang Guiqing | 5/5 | N/A | 2/2 | 1/1 | 2/2 | 2/2 |
| Dr. Yang Ou | 5/5 | N/A | N/A | N/A | 2/2 | 2/2 |
| Mr. Pang Jinying | 5/5 | N/A | N/A | N/A | N/A | 2/2 |
| Mr. Kam Yuk Fai | 5/5 | N/A | N/A | N/A | N/A | 2/2 |
| **Non-executive Directors:** | | | | | | |
| Mr. Ma Fujun | 5/5 | N/A | N/A | N/A | N/A | 2/2 |
| Mr. Guo Lei | 5/5 | N/A | N/A | N/A | N/A | 2/2 |
| **Independent Non-executive Directors:** | | | | | | |
| Mr. Yung, Wing Ki Samuel | 5/5 | 4/4 | 2/2 | 1/1 | 2/2 | 2/2 |
| Mr. So, Gregory Kam Leung | 5/5 | 4/4 | 2/2 | 1/1 | 2/2 | 2/2 |
| Mr. Lim, Wan Fung Bernard Vincent | 5/5 | 4/4 | 2/2 | 1/1 | 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 2022, Mr. Zhang Guiqing, the Chairman of the Board, has held a meeting with the Independent Non-executive Directors without the presence of Executive Directors.

Moreover, the Audit Committee also met with the external auditor annually in the absence of management to discuss matters relating to any issue arising from audit and any other matters the external auditor may wish to raise.

## 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 2022.

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.

## Directors' Responsibilities for Financial Reporting in respect of the Consolidated Financial Statements (Continued)

To assist the Board to make informed decisions, the Board is provided a monthly management report, which contain the up-to-date operating performance and financial information of the Company. Meanwhile, the Board can access information from senior management independently.

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.

## Risk Management and Internal Control

The Board acknowledged its responsibility for (a) evaluating and determining the nature and extent of the risks it is willing to take in achieving the Company's strategic objectives; (b) ensuring that the Company establishes and maintains appropriate and effective risk management and internal control systems (such risks include but are not limited to those related to environmental, social and governance issues); and (c) overseeing management in design, implementation and monitoring of the risk management and internal control systems and management of the Company shall provide a confirmation to the Board on the effectiveness of these systems.

## 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 the risks it is willing to take in achieving the Company's strategies objectives, ensuring that the Company the establish and maintains appropriate and effective risk management and internal control systems. The Board, through the Audit Committee, oversees management in the design, implementation and monitoring of the risk management and internal control systems.

— the Audit Committee is responsible for overseeing the finance, risk management and internal control 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.

— the management is responsible for the design, implementation and monitoring of the risk management and internal control systems, continuously monitors the scope and quality of the risk and internal control system, and evaluates the effectiveness of the risk management and internal control systems which are subsequently reported to the Board.

## Risk Management Responsibilities (Continued)

— The Legal and Compliance Department is responsible for coordinating and organizing each business units to identify and evaluate the risk factors of the Company's development goals, and timely updating and improving internal monitoring systems or actions to prevent or respond to related risks.

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

## Overview of Risk Management Work

Since 2022, the Group has been carrying out integrated management of laws, risks and compliance to strengthen its risk prevention and control and risk resolution capabilities. The Legal and Compliance Department is responsible for promoting and improving the system and process of risk and compliance management. The Legal and Compliance Department has set up a risk management position, which is specifically responsible for the construction of risk prevention and control system, coordination of risk events and establishment of three lines of defense for risk management. The business and functional departments of the headquarters and the subordinate units are responsible for the risk management of their functional areas or units, and perform the "first line of defense" — risk management responsibilities. The Legal and Compliance Department is the centralized management department of the Group's risk management and performs the "second line of defense" — enabling and guiding functions. The Supervision Department and Audit Department are the supervisory departments of the Group's risk management and perform the "third line of defense" — independent monitoring.

## Risk Management and Internal Control Systems Operation

Taking into account the actual situation of business development the relevant business departments of the Group have formulated a number of regulatory documents and systems to manage business risks, such as the "Regulations on Network and Information Security Management", "Emergency Plan for Network Security Incidents", "Guideline for Security Management", "Outline of Public Safety Management Standards", "Safety Production Management Manual", "Regulations on Supplier Management" and "Regulations on Standardized Management of Property Supplies". Through the formulation of normative documents, the coordination mechanism of the three lines of defense for risk management is consolidated and the risk management responsibility of the "first line of defense" of business units is strengthened; the Legal and Compliance Department has completed the development of a large data system for electronic legal letters, which provides targeted risk analysis for changes in legal policies, specific cases and new businesses, and has played an enabling and guiding role as the "second line of defense".

In order to evaluate the business risks, the Group has assessed each risk in the form of questionnaire. Combining comprehensive factors such as macroeconomic structure, domestic and foreign market conditions, industry policy trends, and our own actual situation, the relevant risks are rated in two dimensions: possibility of occurrence and significance of impact. The potential risks are categorized into three types as follows: market operation risks, policy risks, and market competition risks. For the three types of risks identified, we have carried out tendentious monitoring and produced relevant alert letters. The main points are as follows.

## Risk Management and Internal Control Systems Operation (Continued)

### 1. Market Operation Risks

a. Project safety management risks — The Group will act promptly and plan carefully in safety management, proactively study and examine risks, accurately identify risks, and make every effort to resolve risks to ensure safety. In the response mechanism, we emphasize and implement the safety production responsibility system and a veto system for safety incidents, and carry out safety management in advance in all aspects, such as safety manuals, safety training, business risk warning, safety plan drills, and emergency disposal of safety risk events.

b. Supplier management risks — In order to reduce supplier management risks, the Operations Management Center has formulated the "Supplier Management Regulations" to optimize the supplier management system by establishing a supplier pool, setting up inbound and outbound procedures and evaluation mechanisms, and thereby reducing business outsourcing risks.

c. Risks of third-party real estate projects — In order to reduce the negative impact of third-party risky real estate projects on the Group's business and prevent the debt risks that may result from them, the Group has carried out special research on debt resolution of commercial real estate projects, and strengthened special support to its subordinate units in asserting their debts and defending their rights in accordance with the law. The "Guidelines for the Handling of Major Cases" was issued to promote management and standardize case handling on a case-by-case basis.

### 2. Policy Risks

The development of the big data system for electronic demand letters has been completed, with a tailor-made pre-warning analysis of risks in response to change in laws and policies as well as particular cases for new businesses. Meanwhile, the Group has carried out the optimization of standard contract documents and issued a total of 200 standard contract documents according to the needs of the project business, so as to prevent business risks and enable the Group's business to run smoothly. At the same time, we have formulated guidelines for standardized operation of contract management to standardize its entire process.

### 3. Market Competition Risks

Risk of intellectual property and trademark infringement — In order to protect the achievement of the Group's technological development goals, a control mechanism for the intellectual property application process is established to avoid internal management risks caused by improper management.

In order to strengthen the management and control of major risks and establish a major risk monitoring mechanism, clarify the risk monitoring responsibilities of each business and functional department and improve the reporting mechanism of major risk compliance events, the Group clearly requires each subordinate unit to report on a monthly basis risk events and unexpected major risk events that may have significant adverse impact on normal production and operation, and include them in the scope of regular risk monitoring.

## Risk Management and Internal Control Systems Operation (Continued)

At the same time, the Group has also optimized the commercial insurance coordination and management program to realize commercial insurance coverage for all projects. Through centralized commercial insurance claims, we standardize the insurance process for frontline projects. We coordinate the management of insurance by strengthening the risk response capability of frontline projects afterwards and improving the risk response process before and after the whole coverage.

The Group has also formulated contingency plans for different extreme weather events caused by climate change, conducted regular safety inspections and reminded customers to take precautionary measures to minimize the impact of extreme weather events on properties under management. In the future, the Group plans to conduct monitoring for normalized risks on a regular basis and hold risk-specific exercises to test its emergency response capabilities in its projects.

As the third line of defense for risk control, the Audit Department carried out internal controls in two dimensions, namely internal control testing and evaluation and audit supervision. In terms of internal control testing and evaluation, the Audit Department coordinated the Group's units at all levels to carry out internal control self-evaluation, covering 37 units under the Group, including 13 platform companies, 20 city companies and 4 direct subordinate units (including Hong Kong and Macau companies). In terms of audit supervision, the Property Holdings adopts the overseeing method of auditing from above and implementing from below. The audit during the Year covers companies including but not limited to UN+, Chengdu, Foshan, Zhongshan, Nanning, Shantou, Huizhou, Shenyang, Wuhan, Chongqing, and Changchun. The Audit Department strictly performs the third line of defense for the Group's risk control through continuous independent audit and supervision activities.

During the year, the Company did not discover any major monitoring failures or monitoring weaknesses that have resulted in material impacts on the Company's financial performance or conditions that have, may have, or will have significant impacts in the future.

## Annual Confirmation

During the year, a risk management and internal control report was submitted by the Legal and Compliance Department and 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 2022 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 reasonable 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.

## Annual Confirmation (Continued)

Apart from the aforementioned, the Board has adopted the following policies to enhance the effectiveness of the risk management and internal control systems of the Group:

### 1. Information Disclosure Policy

The policy is 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).

### 2. Whistleblowing Policy

The policy enable all employees of the Group and other stakeholders who have business dealings with the Group (including but not limited to customers/property owners/tenants, contractors, suppliers, creditors and debtors, etc.) to report to the Company, in confidence and in an anonymous manner, any suspected impropriety misconduct, misbehaviour, malpractice or irregularity within the Group. In accordance with this policy, the number, nature and outcome of reports received and investigated by the Company shall be reported to the Audit Committee on a semi-annual basis. In addition, any complaints that may have a material consequences for the Company must be promptly reported to the Audit Committee.

### 3. Anti-Fraud and Anti-Bribery Policy

The policy is to promote the Company's culture of integrity and honesty, encourage employees to maintain good conduct, and at the same time strengthen the Group's overall ability to detect and prevent fraud and bribery.

The Board 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, as well as the Company's environmental, social and governance performance and reporting, and the training programs and relevant budgets received by the staff are sufficient.

## 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 2022 and comply with the Rule 3.29 of the Listing Rules.

## 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 2022 is set out in the section headed "Independent Auditor's Report" of this Annual Report.

## External Auditor and Auditor's Remuneration (Continued)

The fees paid/payable to Ernst & Young, the Company's external 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 2022 are analyzed below:

| Type of services provided by the external auditor | Fees paid/payable HK$'000 |
|---|---|
| Audit services | |
| — audit fee in respect of annual audit | 3,494 |
| Non-audit services | 264 |
| TOTAL: | 3,758 |

## 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.

### 1. Shareholders' Communication Policy

The Company has adopted a shareholders communication policy (the "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).

### 2. 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 the senior management.

### 3. General Meetings

General meetings serve as a communication platform where the Board can maintain an open dialogue with Shareholders and investors. The Company are encouraged Shareholders to participate in general meetings or to appointed proxies to attend and vote at the meetings for and on their behalf if they are unable to attend the meetings. Questioning by the Shareholders at general meetings is encouraged and welcomed, which ensure Shareholders' views are communicated to the Board.

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 questions from shareholders.

## Communications with Shareholders and Investors (Continued)

### 4. 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

Based on the above, the Board is of the view that the Shareholders Communication Policy for the year ended 31 December 2022 is effective and adequately implemented.

## Dividend Policy

The Board has approved and adopted a dividend policy on 1 January 2019 (the "Dividend Policy"). Pursuant to the 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 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.

## 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:

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

The Board may whenever it thinks fit call extraordinary general meeting. Any one or more shareholders holding at 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 convene a physical meeting at only one location, 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.

## Shareholders' Rights (Continued)

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

There are no provisions allowing Shareholders to move new resolutions at general meetings under the Companies 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.

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

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

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

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.

## Constitutional Documents

There was no change in the Company's constitutional documents during the year ended 31 December 2022. 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).

# DIRECTORS AND SENIOR MANAGEMENT

(As at 23 March 2023, date of this Annual Report)

## Executive Directors

**Mr. Zhang Guiqing**

*Chairman and Executive Director*

Aged 50, 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 as well as member of the sustainability steering committee on 27 October 2020. He is also a director of certain subsidiaries of the Company. Mr. Zhang holds a Bachelor degree from Shenyang Jianzhu University and a Master degree from 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 & Investment Ltd. ("COLI", the fellow subsidiary of the Company, Stock Code: 688, listed on the Main Board of The Stock Exchange of Hong Kong Limited ("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 a 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 Ltd. ("COGO", an associate of the Company, Stock Code: 81, listed on the Main Board of the Stock Exchange) for the period from December 2014 to February 2020. Mr. Zhang has over 27 years' experience in property development and corporate management.

**Mr. Xiao Junqiang**

*Executive Director and Chief Executive Officer*

Aged 45, has been appointed as Executive Director, Chief Executive Officer, Authorized Representative and a member of the sustainability steering committee of the Company on 20 February 2023. He is also a director of certain subsidiaries of the Company. Mr. Xiao holds an Agriculture major from Hunan University of Arts and Science, an Administration Management major from Sun Yat-sen University and an Executive Master degree in Business Administration from University of Liège. He also obtained a senior economist. Mr. Xiao joined the group company of COLI in November 2000 and since then, he served different positions in COLI group and the Company, including the general manager of 北京中海物業管理有限公司, the general manager of human resources department, the assistant president and the vice president. Mr. Xiao has approximately 22 years' experience in operation of property management.

**Mr. Pang Jinying**

*Executive Director and Vice President*

Aged 55, has been appointed as Executive Director and Vice President of the Company on 22 August 2018. He is also a director of certain subsidiaries of the Company. Mr. Pang holds a Bachelor degree in Economics from the Economics and Management School of Wuhan University and a Master degree in Business Administration (MBA) from the School of Business of Renmin University of China as well as qualification in senior accountant. In 1989, he joined Seventh Engineering Division of China State Construction Engineering Corporation ("CSCEC", the ultimate holding company of the Company). 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 Holdings Limited ("CSC", the fellow subsidiary of the Company, Stock Code: 3311, 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 had also served as the director of Anhui Guoyuan Trust Co., Ltd. Mr. Pang has over 33 years' experience in financial management in the fields of construction contracting and real estate investment.

**Mr. Kam Yuk Fai**

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

Aged 59, has been appointed as 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 Company. 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 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 Finance & Treasury Department (HK). Mr. Kam has over 35 years' experience in the fields of accounting, auditing and finance.

## Non-executive Directors

**Mr. Ma Fujun**

*Non-executive Director*

Aged 48, has been appointed as Non-executive Director of the Company on 23 August 2021. Mr. Ma holds a Bachelor degree from Lanzhou University, a Master degree in Law from Peking University and a Doctorate degree in Law from Southwestern University of Finance and Economics. He also obtained qualification in Senior Economist from the evaluation committee of professional titles of CSCEC. Mr. Ma joined 中建二局第一建筑工程有限公司 as a general office staff in 1998. He worked in various business units within 中国建筑第二工程局有限公司, such as, general office, human resources department and served as general manager of property services company. Since then, Mr. Ma served as assistant general manager of the general office of the Board of CSCEC and assistant general manager, deputy general manager of human resources department of CSCEC from March 2010. He has also served as assistant general manager of COHL from September 2017 and has been appointment as director and deputy general manager of COHL since February 2020. Mr. Ma has over 21 years' experience in human resources administration and management in construction industry.

**Mr. Guo Lei**

*Non-executive Director*

Aged 51, has been appointed as Non-executive Director of the Company on 23 August 2021. Mr. Guo holds a Bachelor degree in Engineering from Shenyang Architecture and Civil Engineering Institute (now known as Shenyang Jianzhu University), a Master degree in Management from Harbin University of Architecture and Engineering (now known as Harbin Institute of Technology) and a Doctorate degree in Management from Harbin Institute of Technology. He also obtained qualification in Professor-level Senior Engineer from CSCEC. From October 1993 to July 2003, Mr. Guo worked in Dandong power supply equipment factory and Shenyang Architecture and Civil Engineering Institute. He joined a subsidiary of COLI in July 2003 and since then, he worked in investment planning department of 北京中海地產有限公司 and 北京中海廣場置業有限公司. From December 2007 to February 2018, he served as assistant general manager of 天津中海興業房地產開發有限公司, assistant general manager of Northern China regional companies of 中海地產集團有限公司 ("COPG"), general manager of 中海宏洋地產(銀川)有限公司, general manager of Shenyang companies of COPG, director of COPG and general manager of investment management department of COPG. From February 2018 to October 2020, Mr. Guo served as general manager of 中海發展雄安有限公司, general manager of Shijiazhuang companies and deputy general manager of Northern China regional companies. From October 2020 to February 2023, he served as assistant president of COLI, chairman of 鶴山天山金屬材料製品有限公司 and 中建宏達建築有限公司 as well as deputy chairman of supply chain company. Mr. Guo served as vice president of COLI from February 2023. He has about 29 years' experience in engineering, contract and corporate management in real estate industry.

## Directors and Senior Management (Continued)

(As at 23 March 2023, date of this Annual Report)

### Independent Non-executive Directors

**Mr. Yung, Wing Ki Samuel**

*SBS, MH, JP, Independent Non-executive Director*

Aged 64, has been appointed as Independent Non-executive Director of the Company on 9 October 2015. Mr. Yung also serves as the 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. 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 of Council of Hong Kong University of Science and Technology, the chairman of the Institutional Advancement and Outreach Committee (IAOC) of Hong Kong University of Science and Technology 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 Hong Kong Special Administrative Region ("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, an independent non-executive director and a member of the audit committee of China Overseas Insurance Limited (a wholly-owned subsidiary of CSC), a member cum chairperson of Finance Committee of the Board of Management of the Chinese Permanent Cemeteries, an honorable advisor of China South City Holdings Limited (Stock Code: 1668, listed on the Main Board of the Stock Exchange) and a member of Court of the Hong Kong Metropolitan University. 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 40 years' experience in the insurance sector.

## Directors and Senior Management (Continued)

(As at 23 March 2023, date of this Annual Report)

**Mr. So, Gregory Kam Leung**

*GBS, JP, Independent Non-executive Director*

Aged 64, has been appointed as Independent Non-executive Director of the Company on 9 October 2018. Mr. So also serves as the 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 holds a Bachelor of Arts degree in Economics from Carleton University, Canada, a Bachelor degree in Law and a Master degree in Business Administration from University of Ottawa, Canada. Mr. So is a member of the Law Society of Alberta, Canada, the Law Society of Upper Canada, the Law Society (England and Wales) and the Hong Kong Law Society. 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 HKSAR 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 HKSAR 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 is currently serving as a consultant in So, Lung and Associates, Solicitors, an independent non-executive director, a member of audit committee and strategic development committee of Orient Overseas (International) Limited (Stock Code: 316, listed on the Main Board of the Stock Exchange), an independent non-executive director and a member of audit committee of Investcorp Holdings B.S.C. and an independent non-executive director, the chairman of audit committee and a member of nomination committee of Shui On Xintiandi Limited. 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. He was also an independent non-executive director, a member of audit committee and the chairman of risk committee of Blue Insurance Limited and an advisor of Superland Group Holdings Limited (Stock Code: 368, listed on the Main Board of the Stock Exchange).

## Directors and Senior Management (Continued)

(As at 23 March 2023, date of this Annual Report)

**Mr. Lim, Wan Fung Bernard Vincent**

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

Aged 65, has been appointed as Independent Non-executive Director of the Company on 9 October 2015. Mr. Lim also serves as the 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 currently is a principal of AD+RG Architecture Design and Research Group Ltd., a committee member of the Chinese General Chamber of Commerce and an adviser to the Guangdong Registered Architects Association (廣東省註冊建築師協會). Mr. Lim holds a Bachelor degree of Arts in Architectural Studies (1st Hons) and a Bachelor degree in Architecture (Distinction) from The University of Hong Kong and a Master degree of Science in Urban Planning from The University of Hong Kong. He is a Registered Architect (Hong Kong), a member of The Hong Kong Institute of Architects (HKIA), Authorized Person (List of Architects) (Hong Kong), a member of Royal Institute of British Architects, Asia Pacific Economic Cooperation (APEC) Architect, PRC Class 1 Registered Architect Qualification (中華人民共和國一級註冊建築師) and a member of Shenzhen Registered Architects Association (深圳市註冊建築師協會). Mr. Lim was appointed as a Justice of the Peace in 2008, conferred Bronze Bauhinia Star in 2018 by the Government of the HKSAR, and elected as Election Committee member in 2021. He was 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, the 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.

## Senior Management

**Mr. Zhu Yijian**

*Vice President*

Aged 56, has been appointed as Vice President of the Company on 22 August 2018 and is responsible for the matters of the legal and compliance management of the Group. Mr. Zhu holds a Bachelor degree in Management Engineering from Xi'an Institute of Metallurgy and Construction Engineering (now Xi'an University of Architecture & Technology) and a Master degree in Business Administration (MBA) from The Open University of Hong Kong (now Hong Kong Metropolitan University) as well as qualification in senior economist. In 1988, He joined Seventh Engineering Division of CSCEC and worked in the headquarter of CSCEC from 1989 to December 1994. Subsequently, he joined COHL in December 1994 and served various positions in COHL and its subsidiaries including the vice general manager and general manager of human resources department of COHL, the director and assistant general manager of COHL. Mr. Zhu was an assistant general manager and vice general manager of CSC, the executive director of COLI, the director and vice general manager of 中海投資管理有限公司 and the executive director, vice chairman and chief executive officer of China State Construction Development Holdings Limited (an associate of the Company, Stock Code: 830, listed on the Main Board of the Stock Exchange). Mr. Zhang has over 35 years' experience in corporate management and operation in property industry.

## Directors and Senior Management (Continued)

(As at 23 March 2023, date of this Annual Report)

**Mr. Wang Zhigang**

*Vice President*

Aged 49, has been appointed as Vice President of the Company on 5 March 2019 and 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. He is also a director of certain subsidiaries of the Company. Mr. Wang holds a Bachelor degree in Materials Science from Tongji University, two professional certificates in Construction Engineering Management and Real Estate Management in Tongji University and a Master degree in Construction and Civil Engineering from Huazhong University of Science and Technology. He is a qualified senior engineer, a Chartered Member of the Chartered Institute of Housing and a member of the Hong Kong Institute of Housing. He joined the COLI Group in August 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 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 中海物業(商業物業)管理公司 ("CO Commercial Property Management"), a commercial properties branch of CO Property Management. He has been the deputy general manager of CO Property Management since August 2013 and the assistant vice president of the Group on August 2015 and responsible for commercial, quality control, engineering, information technology management, business operation and specialized company business. Mr. Wang has approximately 27 years' experience in property management in the PRC.

**Mr. Li Zhenxi**

*Vice President*

Aged 49, has been appointed as Vice President of the Company on 10 August 2022 and is responsible for the operation of the Group's property management business in the PRC. He is also a director of certain subsidiaries of the Company. Mr. Li holds a Bachelor degree in Industrial Automatic from Harbin University of Civil Engineering and Architecture and a Master degree in Project Management from Harbin Institute of Technology. He is a qualified senior engineer, a registered 1st grade constructor (civil engineering) and a certified property manager etc. Mr. Li joined COLI Group in July 1996 and served different positions in various subsidiaries of COLI Group including the director and assistant general manager of 中海廣場置業有限公司, the general manager of West China region of CO Property Management, general manager of Beijing branch office of CO Commercial Property Management, the chairman of 興海物聯科技有限公司 and the deputy general manager of Wanda Business Management Centre between March 2012 to October 2012. Mr. Li became the deputy general manager of CO Property Management in October 2014 and the assistant vice president of the Group on August 2015. He has approximately 27 years' 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 2022.

## Principal Activities

The Company is an investment holding company. The Group is principally engaged in the provision of (i) property management services; (ii) value-added services; and (iii) car parking space 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 2022 is set out in note 4 to the financial statements.

## Business Review

The business review of the Group including the information below are set out in the Management Discussion and Analysis on pages 24 to 41 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.

## Results and Appropriations

The results of the Group for the year ended 31 December 2022 are set out in the consolidated statement of profit or loss and consolidated statement of comprehensive income on pages 114 and 115 of this Annual Report respectively.

An interim dividend of HK4.0 cents per share was paid to shareholders of the Company (the "Shareholders") in October 2022 (2021: HK3.0 cents per share).

The Board recommended the declaration of a final dividend of HK8.0 cents per share for the year ended 31 December 2022 (for the year ended 31 December 2021: a final dividend of HK6.0 cents per share) representing a total amount of approximately HK$262,949,000, subject to the approval of Shareholders at the forthcoming annual general meeting to be held on Tuesday, 20 June 2023 (the "2023 AGM"). The proposed final dividend will be paid to Shareholders on Friday, 14 July 2023 whose names appear on the Company's register of members on Thursday, 29 June 2023.

## Closure of Register of Members

### (a) Entitlement to attend and vote at the 2023 AGM

The register of members of the Company will be closed from Thursday, 15 June 2023 to Tuesday, 20 June 2023 (both days inclusive) for the purpose of determining the right to attend and vote at the 2023 AGM. During that period, no transfer of shares will be registered. In order to be entitled to attend and vote at the 2023 AGM, all share transfer document(s) accompanied with corresponding share certificate(s) must be lodged with the branch share registrar of the Company in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration not later than 4:30 p.m. on Wednesday, 14 June 2023.

### (b) Entitlement to the proposed final dividend

The register of members of the Company will also be closed from Tuesday, 27 June 2023 to Thursday, 29 June 2023 (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 2023 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 document(s) accompanied with the corresponding share certificate(s) must be lodged with the branch share registrar of the Company in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration not later than 4:30 p.m. on Monday, 26 June 2023.

## Reserves

Movements in the reserves of the Group and of the Company during the year are set out in note 34 and note 44 to the financial statements.

## Distributable Reserves

Distributable reserves of the Company at 31 December 2022 were approximately HK$352.8 million (2021: approximately HK$398.7 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 211 to 213 of this Annual Report.

## Charitable Donations

Charitable donations made by the Group during the year amounted to approximately HK$1,022,000.

## 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 2022 are set out in note 32 to the financial statements.

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

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

## Equity-linked Agreement

As at 31 December 2022, 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 Executive Director

Mr. Zhang Guiqing

### Executive Directors

Mr. Xiao Junqiang *(Chief Executive Officer, appointed on 20 February 2023)*
Dr. Yang Ou *(Chief Executive Officer, resigned on 20 February 2023)*
Mr. Pang Jinying *(Vice President)*
Mr. Kam Yuk Fai *(Chief Financial Officer)*

### Non-executive Directors

Mr. Ma Fujun
Mr. Guo Lei

### Independent Non-executive Directors

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

In accordance with article 83(3) of the articles of association of the Company ("Article of Association"), Mr. Xiao Junqiang shall hold office until the 2023 AGM and shall be subject to re-election and in accordance with articles 84(1) and 84(2) of the Articles of Association, Mr. Zhang Guiqing, Mr. Yung, Wing Ki Samuel and Mr. Lim, Wan Fung Bernard Vincent shall retire by rotation at the 2023 AGM. Mr. Zhang Guiqing, Mr. Xiao Junqiang, Mr. Yung, Wing Ki Samuel and Mr. Lim, Wan Fung Bernard Vincent, are being eligible, will offer themselves for re-election at the 2023 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 2023 AGM has entered into a service contract with the Company or any of its subsidiaries which is not determinable by the employing company within one year without payment of compensation (other than statutory compensation).

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

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

## Contracts of Significance with Controlling Shareholder

Save as disclosed under the section headed "Connected Transaction 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 39(d) to the financial statements and the section headed "Remuneration Committee" on pages 54 to 55 of the Corporate Governance Report.

## 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 2022 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 68 to 73 of this Annual Report.

## Changes of Directors' Information

Pursuant to rule 13.51B(1) of the Listing Rules, the changes to information required to be disclosed by the Directors pursuant to paragraphs (a) to (e) and (g) of rule 13.51(2) (except information disclosed in the 2022 interim report of the Company) are set out below:

| Director | Detail of Change |
|---|---|
| Yung, Wing Ki Samuel | Appointed as the chairman of the Institutional Advancement and Outreach Committee (IAOC) of Hong Kong University of Science and Technology with effect from 1 July 2022. |
| | Resigned as an honorable advisor of China South City Holdings Limited (Stock Code: 1668, listed on the Main Board of the Stock Exchange) with effect from 22 September 2022. |
| | Resigned as a member of Court of the Hong Kong Metropolitan University with effect from 1 November 2022. |

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

As at 31 December 2022, 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, to be notified to the Company and the Stock Exchange were as follows:

## 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

| Name of Director | Name of Associated Corporation | Nature of Interest | Number of Ordinary Shares/ Underlying Shares Held | Approximate Percentage of Shares in Issue |
|---|---|---|---|---|
| Zhang Guiqing | China State Construction Engineering Corporation Limited ("CSCECL") | Beneficial owner | 570,000 | 0.001%[2] |
| | China Overseas Land & Investments Limited ("COLI") | Beneficial owner | 20,000 | 0.0002%[3] |
| Yang Ou[1] | CSCECL | Beneficial owner | 390,000 | 0.001%[2] |
| | China State Construction Development Holdings Limited ("CSCDHL") | Beneficial owner | 302,000 | 0.013%[4] |
| Pang Jinying | CSCECL | Beneficial owner | 408,000 | 0.001%[2] |
| Ma Fujun | CSCECL | Beneficial owner | 830,000 | 0.002%[2] |
| Guo Lei | COLI | Beneficial owner | 1,433,000[5] | 0.013%[3] |

Notes:

1. Dr. Yang Ou resigned as the Executive Director and Chief Executive Officer with effect from 20 February 2023.

2. The percentage represents the number of A shares interested divided by the number of total issued A shares of CSCECL as at 31 December 2022 (i.e. 41,934,432,844 shares).

3. The percentage represents the number of shares/underlying shares interested divided by the number of total issued shares of COLI as at 31 December 2022 (i.e. 10,944,883,535 shares).

4. The percentage represents the number of shares interested divided by the number of total issued ordinary shares of CSCDHL as at 31 December 2022 (i.e. 2,255,545,000 shares).

5. Mr. Guo Lei ("Mr. Guo") has personal interests in 1,433,000 share options granted by COLI under its shares option scheme adopted on 29 June 2018, which entitled Mr. Guo to acquire (i) 333,000 COLI shares at an exercise price of HK$25.85 per share within an exercise period from 29 June 2020 to 28 June 2024 (both days inclusive); and (ii) 1,100,000 COLI shares at an exercise price of HK$18.724 per share within an exercise period from 24 November 2022 to 23 November 2026 (both days inclusive).

Save as disclosed above, as at 31 December 2022, 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.

## Substantial Shareholders' Interests in the Securities of the Company

As at 31 December 2022, 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 of the Company

| Name of Shareholder | Capacity | Number of Ordinary Shares Held | Approximate Percentage of Shares in Issue |
|---|---|---|---|
| Silver Lot Development Limited ("Silver Lot") | Beneficial owner | 169,712,309 | 5.16%[3] |
| China Overseas Holdings Limited ("COHL") | Beneficial owner | 1,841,328,751 | 56.02%[3] |
| | Interest of controlled corporation | 169,712,309[1] | 5.16%[3] |
| CSCECL | Interest of controlled corporations | 2,011,041,060[2] | 61.18%[3] |
| China State Construction Engineering Corporation ("CSCEC") | Interest of controlled corporations | 2,011,041,060[2] | 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 2022 (i.e. 3,286,860,460 shares).

Save as disclosed above, as at 31 December 2022, 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.

## 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 |
| Ma Fujun | COHL | Director |

## Connected Transaction and Continuing Connected Transactions

### Definitions

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

| | |
|---|---|
| "CCE Macau" | China Construction Engineering (Macau) Company Limited, a company incorporated in Macau with limited liability and an indirect wholly-owned subsidiary of CSC |
| "CCE Macau Group" | CCE Macau and its subsidiaries from time to time |
| "CODG" | 中海企業發展集團有限公司 (China Overseas Development Group Co., Ltd.*), a company incorporated in the PRC with limited liability and an indirect wholly-owned subsidiary of COLI |
| "CODG Group" | CODG and its subsidiaries from time to time |
| "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 |
| "COGOP" | 中海宏洋地產集團有限公司 (China Overseas Grand Oceans Property Group Company Limited*), a company incorporated in the PRC with limited liability and an indirect wholly-owned subsidiary of COGO |
| "COGOP Group" | COGOP 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(ies) listed on any stock exchange) from time to time |

## Connected Transaction and Continuing Connected Transactions (Continued)

### Definitions (Continued)

| | |
|---|---|
| "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, a company incorporated in the Cayman Islands with limited liability, whose shares are listed on the Main Board of the Stock Exchange (stock code: 2669) |
| "COPM Chengdu" | 成都中海物業管理有限公司 (China Overseas Property Management (Chengdu) Company Limited*), a company incorporated in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company |
| "COPMG" | 中海物業管理廣州有限公司 (China Overseas Property Management Guangzhou Co., Ltd.*), a company incorporated in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company |
| "COPML" | 中海物業管理有限公司 (China Overseas Property Management Limited*), a company incorporated in the PRC with limited liability and a direct wholly-owned subsidiary of the Company |
| "COPML Group" | COPML and its subsidiaries from time to time |
| "CSC" | China State Construction International Holdings Limited, a company incorporated in the Cayman Islands with limited liability, whose shares are listed on the Main Board of the Stock Exchange (stock code: 3311) |
| "CSC Chengdu" | 成都中建發展實業有限責任公司 (China State Construction Development (Chengdu) Company Limited*), a company incorporated in the PRC with limited liability and an indirect wholly-owned subsidiary of CSCEC |
| "CSC Group" | CSC and its subsidiaries from time to time |
| "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 |

## Connected Transaction and Continuing Connected Transactions (Continued)

### Definitions (Continued)

| | |
|---|---|
| "CSCECL" | China State Construction Engineering Corporation Limited, a company incorporated in the PRC with limited liability, whose shares are listed on the Shanghai Stock Exchange (stock code: 601668), a 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 |
| "CSCEHK" | China State Construction Engineering (Hong Kong) Limited, a company incorporated in Hong Kong with limited liability and a direct wholly-owned subsidiary of CSC |
| "CSCEHK Group" | CSCEHK and its subsidiaries from time to time |
| "CSCII" | 中建國際投資集團有限公司 (China State Construction International Investments Limited*), a company incorporated in the PRC with limited liability and an indirect wholly-owned subsidiary of CSC |
| "CSCII Group" | CSCII and its subsidiaries from time to time |
| "Group" | the Company and its subsidiaries from time to time |
| "Guangzhou Lihe PM" | 廣州利合物業管理有限公司 (Guangzhou Lihe Property Management Co., Ltd.*), a company incorporated in the PRC with limited liability and a direct wholly-owned subsidiary of Guangzhou Lihe RE |
| "Guangzhou Lihe RE" | 廣州利合房地產開發有限公司 (Guangzhou Lihe Real Estate Development Co., Ltd.*), a company incorporated in the PRC with limited liability and an indirect non-wholly-owned subsidiary of COLI |
| "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 |

## Connected Transaction and Continuing Connected Transactions (Continued)

### Definitions (Continued)

| | |
|---|---|
| "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) |
| "Shenzhen Lingchao" | 深圳領潮供應鏈管理有限公司 (Shenzhen Lingchao Supply Chain Management Co., Ltd.*), a company incorporated in the PRC with limited liability and a wholly-owned subsidiary of COLI |
| "Stock Exchange" | The Stock Exchange of Hong Kong Limited |
| "Xinghai IoT" | 深圳市興海物聯科技有限公司 (Shenzhen Xinghai IoT Technology Co., Ltd.*), a company incorporated in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company |
| "%" | per cent. |

* *For identification purpose only*

Details of connected transaction and continuing connected transactions not exempted under Chapter 14A of the Listing Rules as recorded during the year ended 31 December 2022 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 Licence Agreement (with COHL)*

On 29 September 2020, the Company (as licensee) and COHL (as Licensor) entered into a licence agreement (the "Previous Licence Agreement") in relation to the licensing of a premises with a gross floor area of approximately 2,989.2 square feet, which represents approximately two tenths (2:10) of the aggregate gross floor area of the premises located at Level 7, Three Pacific Place, 1 Queen's Road East, Hong Kong (the "Licensed Premises"). The Licensed Premises is used by the Group primarily as its main office in Hong Kong. The Previous Licence Agreement expired on 30 April 2022.

In order to renew the Previous Licence Agreement, on 28 April 2022, the Company and COHL entered into a licence agreement (the "Licence Agreement") whereby COHL agreed to continue to license to the Company the right to use and occupy the Licensed Premises for a term of 5 years commencing from 1 May 2022 and ending on 30 April 2027 (both days inclusive) with a monthly licence fee of HK$242,120 (exclusive of rates, air-conditioning and management charges) subject to the terms and conditions as stipulated in the Licence Agreement. The estimated value of the right-of-use asset recognised by the Group under the Licence Agreement amounts to approximately HK$13,025,000 at the date of announcement. The Licence Agreement also stipulated the payment of a deposit of HK$842,820.

## Connected Transaction and Continuing Connected Transactions (Continued)

### 1. Connected Transactions (Continued)

#### *1.1 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 payment of the licence fees and the deposit under the Licence Agreement constitute a connected transaction for the Company under Chapter 14A of the Listing Rules.

As the highest percentage ratio in respect of the value of the right-of-use asset recognised by the Group and the payment of the deposit under the Licence Agreement exceeds 0.1% but is less than 5%, the entering into of the Licence Agreement and the payment of the licence fees and the deposit under the Licence Agreement 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 transactions contemplated thereunder have been disclosed in the Company's announcement dated 28 April 2022.

#### *1.2 Lease Agreement (with CSCEC)*

COPM Chengdu (as lessee) and CSC Chengdu (as lessor) had entered into a lease agreement in June 2021 (the "Previous Lease Agreement") in relation to the lease of premises consist of levels −2, −1, 1, 2, 3, 8, 9, 10, 11 and 12 of the China State Construction Development Building located at Qingyang District, Chengdu Provence, the PRC with a total lettable area of approximately 14,778.24 sq.m., (the "CSC Premises"). The Previous Lease Agreement expired on 31 May 2022.

In order to continue to provide one-stop shop asset management services to CSC Chengdu, CSC Chengdu and COPM Chengdu agreed to renew the Previous Lease Agreement. On 28 April 2022, COPM Chengdu entered into a lease agreement (the "Lease Agreement") with CSC Chengdu whereby CSC Chengdu agreed to continue to lease to the Company the CSC Premises for a term of 9 years commencing from the delivery date, being the date when CSC Chengdu and COPM Chengdu have completed the administrative procedures and would be no later than 1 June 2022 subject to the terms and conditions as stipulated in the Lease Agreement. Pursuant to the Lease Agreement, the annual rent payable (exclusive of management service fees and utilities fees but inclusive of tax and charges) under the Lease Agreement are as follows:

(1) RMB4,360,000 for the first and second year;

(2) RMB4,460,000 for the third year;

(3) RMB4,560,000 for the fourth year;

(4) RMB4,660,000 for the fifth year;

(5) RMB4,760,000 for the sixth year; and

(6) RMB4,860,000 for the seventh, eighth and ninth year.

## Connected Transaction and Continuing Connected Transactions (Continued)

### 1. Connected Transactions (Continued)

#### *1.2 Lease Agreement (with CSCEC) (Continued)*

The estimated value of the right-of-use asset recognised by the Group under the Lease Agreement amounts to approximately RMB31,920,000 (equivalent to approximately HK$39,070,000) at the date of announcement.

CSCEC is the ultimate holding company of the Company. Therefore, CSC Chengdu, being an indirect wholly-owned subsidiary of CSCEC, is a connected person of the Company and the entering into of the Lease Agreement and the transactions contemplated thereunder constitute a connected transaction for the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios in respect of the value of the right-of-use asset recognised by the Group under the Lease Agreement exceeds 0.1% but is less than 5%, the entering into of the Lease 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 Lease Agreement and the transactions contemplated thereunder have been disclosed in the Company's announcement dated 28 April 2022.

#### *1.3 Provision of Guarantees to Connected Persons (with COLI, COGO and CSC)*

(i) Xinghai IoT participates in competitive tenders to provide the value-added services that include application of weak current technology in properties, smart construction sites and smart home, etc. and ancillary services (the "Smart Setup Services") to CODG Group in respect of the property development projects or properties (including residential communities, commercial properties and other properties) in the PRC owned by CODG Group. The tender process often involves Xinghai IoT (as contractor) providing to CODG Group (as developer) (1) tender deposits on submission of tenders; (2) performance bonds issued by banks or security deposits on contracts exchange following tender acceptances to ensure contract performance; and (3) quality guarantees (in the form of cash at a certain percentage of the contract sums) on settlement.

To reduce the administrative expenses associated with each issuance of performance bond and to increase the efficiency of use of capital, the Group has negotiated for and CODG Group has agreed that the aforementioned requirements for tender deposits, performance bonds or security deposits and quality guarantees associated with the provision of the Smart Setup Services to CODG Group may be substituted by the Company providing the corporate guarantee to CODG Group. As such, the Company issued a corporate guarantee for an amount of RMB30,000,000 (equivalent to approximately HK$36,700,000) for the substitution of requirements (1) and (2) as aforementioned on 28 April 2022 (the "First CODG Corporate Gurantee") and a corporate guarantee for an amount of RMB20,000,000 (equivalent to approximately HK$22,100,000) for the substitution of requirement (3) as aforementioned on 9 December 2022 (the "Second CODG Corporate Guarantee"). The term of both corporate guarantees is from the respective dates of issuance to 31 December 2025.

## Connected Transaction and Continuing Connected Transactions (Continued)

### 1. Connected Transactions (Continued)

#### *1.3 Provision of Guarantees to Connected Persons (with COLI, COGO and CSC) (Continued)*

(ii) COPML Group participate in competitive tenders to provide the property management services and value-added services including but not limited to the Smart Setup Services (the "Services") to COGOP Group in respect of the property development projects or properties (including residential communities, commercial properties and other properties) in the PRC owned by COGOP Group. The tender process often involves COPML Group (as contractor) providing to COGOP Group (as developer) (1) tender deposits on submission of tenders; (2) performance bonds issued by banks or security deposits on contracts exchange following tender acceptances to ensure contract performance; and (3) quality guarantees on settlement.

To reduce the administrative expenses associated with each issuance of tender bond (if any) and performance bond and to increase the efficiency of use of capital, the Group has negotiated for and COGOP Group has agreed that the aforementioned requirements for tender bonds (if any), tender deposits, performance bonds, security deposits and quality guarantees associated with the provision of the Services to COGOP Group may be substituted by the Company providing the corporate guarantee in the amount of RMB20,000,000 (equivalent to approximately HK$23,600,000) (the "COGOP Corporate Guarantee") to COGOP Group. The term of the COGOP Corporate Guarantee is from the date of the COGOP Corporate Guarantee, i.e. 29 June 2022, to 31 December 2025.

(iii) The Group participates in competitive tenders to provide the Services to CSCEHK Group and CCE Macau Group in respect of the residential communities, commercial properties and other properties owned by CSCEHK Group and CCE Macau Group respectively and their respective work sites. Similarly, COPML Group also participates in competitive tenders to provide the Services to CSCII Group in respect of the residential communities, commercial properties and other properties owned by CSCII and its work sites. The tender process often involves the Group or COPML Group (as contractor) providing to CSCEHK, CCE Macau or CSCII (as developer) (1) tender bonds issued by banks or tender deposits on submission of tenders; (2) performance bonds issued by banks or security deposits on contracts exchange following tender acceptances to ensure contract performance; and (3) quality guarantees on settlement.

To reduce the administrative expenses associated with each issuance of performance bond and to increase the efficiency of use of capital, the Group has negotiated for and CSCEHK Group, CCE Macau Group and CSCII Group have agreed that the aforementioned requirements for performance bonds, security deposits and quality guarantees associated with the provision of the Services to the various CSC Group members may be substituted by the Company providing the corporate guarantees to the respective CSC Group members. As such, on 29 June 2022, the Company issued a corporation guarantee in the amount of RMB10,000,000 (equivalent to approximately HK$11,800,000) to CSCEHK, CCE Macau and CSCII respectively (collectively, the "CSC Group Corporate Guarantees"). The term of the CSC Group Corporate Guarantees is from the date of the CSC Group Corporate Guarantees, i.e. 29 June 2022, to 31 December 2025.

## Connected Transaction and Continuing Connected Transactions (Continued)

### 1. Connected Transactions (Continued)

#### *1.3 Provision of Guarantees to Connected Persons (with COLI, COGO and CSC) (Continued)*

CSCEC is the ultimate holding company of COHL, which is the controlling shareholder of each of the Company, COLI, COGO and CSC respectively. Therefore, (a) CODG, being an indirect wholly-owned subsidiary of COLI; (b) COGOP, being an indirect wholly-owned subsidiary of COGO; and (c) CSCEHK, CCE Macau and CSCII, all being wholly-owned subsidiaries of CSC, are connected persons of the Company and the provision of the First CODG Corporate Guarantee, the Second CODG Corporate Guarantee, the COGOP Corporate Guarantee and the CSC Group Corporate Guarantees and constitute connected transactions for the Company under Chapter 14A of the Listing Rules.

As the First CODG Corporate Guarantee, the Second CODG Corporate Guarantee, the COGOP Corporate Guarantee and the CSC Group Corporate Guarantees were all entered into with parties who are connected with one another within a 12-month period, and were of similar nature, all of the said corporate guarantees were required to be aggregated pursuant to Rule 14A.81 of the Listing Rules. As one or more of the applicable percentage ratios in respect of the provisions of the said corporate guarantees (as aggregated) exceeds 0.1% but is less than 5%, the provisions of the said corporate guarantees 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 provisions of the First CODG Corporate Guarantee and the Second CODG Corporate Guarantee have been disclosed in the Company's announcement dated 28 April 2022 and 9 December 2022 respectively and details of the provisions of the COGOP Corporate Guarantee and CSC Group Corporate Guarantees have been disclosed in the Company's announcement dated 29 June 2022.

#### *1.4 Equity Transfer Agreement (with COLI)*

On 9 December 2022, COPMG and Guangzhou Lihe RE entered into an equity transfer agreement (the "Equity Transfer Agreement") whereby Guangzhou Lihe RE agreed to sell and COPMG agreed to purchase 100% of the equity interest together with all the shareholder's rights and benefits attached to the said equity interest and the profits from 30 June 2022 in Guangzhou Lihe PM at a consideration of approximately RMB76,100,000 (equivalent to approximately HK$83,900,000 at the date of announcement). The acquisition provided a good opportunity to the Group to expand its business in Guangzhou.

CSCEC is the ultimate holding company of COHL, which is the controlling shareholder of each of the Company and COLI respectively. Therefore, Guangzhou Lihe RE, being an indirect non-wholly-owned subsidiary of COLI, is a connected person of the Company and the entering into of the Equity Transfer Agreement and the acquisition constitute a connected transaction for the Company under Chapter 14A of the Listing Rules.

## Connected Transaction and Continuing Connected Transactions (Continued)

### 1. Connected Transactions (Continued)

#### *1.4 Equity Transfer Agreement (with COLI) (Continued)*

As one or more of the applicable percentage ratios in respect of the Equity Transfer Agreement and the acquisition exceeds 0.1% but all are less than 5%, the entering into of the Equity Transfer Agreement and the acquisition 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 Equity Transfer Agreement have been disclosed in the Company's announcement dated 9 December 2022.

### 2. Continuing Connected Transactions

#### *2.1 Continuing Connected Transactions with CSCEC*

Since CSCEC is the ultimate holding company of the Company, therefore, CSCEC is a connected person of the Company.

*(i) CSCEC Lease Framework Agreement*

On 1 November 2022, the Company and CSCEC entered into a framework agreement (the "CSCEC Lease Framework Agreement") whereby any member of CSCEC Group may lease premises from any member of the Group in accordance with the terms of the CSCEC Lease Framework 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 less favourable to the Group than those offered to independent third parties for a terms of three years commencing from 1 November 2022 and ending on 31 October 2025 (both days inclusive) subject to the caps as listed below:

| For the period from 1 November 2022 to 31 December 2022 HK$ | For the year ending 31 December 2023 HK$ | For the year ending 31 December 2024 HK$ | For the period from 1 January 2025 to 31 October 2025 HK$ |
|---|---|---|---|
| 6,000,000 | 24,000,000 | 36,000,000 | 42,000,000 |

As the applicable percentage ratios in respect of the aforesaid caps under the CSCEC Lease Framework Agreement exceeds 0.1% but are less than 5% on an annual basis, the transactions contemplated under the CSCEC Lease Framework Agreement are subject to the reporting, announcement and annual review requirements but exempt from the Independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

Details of the CSCEC Lease Framework Agreement have been disclosed in the Company's announcement dated 1 November 2022.

For the period from 1 November 2022 to 31 December 2022, the amount paid/committed to the Group by CSCEC Group for the lease of premises was approximately HK$1,109,000, that is below the cap of HK$6,000,000 under the CSCEC Lease Framework Agreement for the period.

## Connected Transaction and Continuing Connected Transactions (Continued)

### 2. Continuing Connected Transactions (Continued)

#### *2.1 Continuing Connected Transactions with CSCEC (Continued)*

*(ii) CSCEC Services Agreement*

On 28 April 2020, the Company and CSCEC entered into a framework agreement (the "CSCEC Services Agreement") whereby any member of the Group may provide the Services (including engineering, pre-delivery, move-in assistance, delivery inspection, engineering services quality monitoring and consulting services, as well as gardening, interior fine finishing and vetting of building plans etc.) 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 from 1 July 2020 and ending on 30 June 2023 (both days inclusive) subject to the Services caps as listed below:

| For the period from 1 July 2020 to 31 December 2020 HK$ | For the year ended 31 December 2021 HK$ | For the year ended 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 |

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 reporting, announcement, annual review and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. The CSCEC Services Agreement is also subject to aggregation requirements under Rules 14A.81 and 14A.82(1) of the Listing Rules.

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

For the year ended 31 December 2022, the amount paid to the Group by CSCEC Group for the provision of the Services was approximately HK$150,028,000, that is below the cap of HK$308,400,000 under the CSCEC Services Agreement for the year.

## Connected Transaction 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 Car Parking Spaces Agreement*

On 23 October 2019, the Company and COLI entered into a framework agreement (the "Previous 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) by the Group as its inventory ("COLI Car Parking Spaces Transactions"), 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 ended 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 |

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

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

For the period ended 30 November 2022, the total amount paid/committed to COLI Group by the Group for the acquisition of the rights-of-use of the car parking spaces was approximately HK$60,727,000, that is below the cap of HK$600,000,000 for the period.

No transaction has been entered into by the Group and COLI Group and its associates for the period from 1 December 2022 to 31 December 2022.

## Connected Transaction and Continuing Connected Transactions (Continued)

### 2. Continuing Connected Transactions (Continued)

#### *2.2 Continuing Connected Transactions with COLI Group (Continued)*

*(i) COLI Car Parking Spaces Agreement (Continued)*

As the Previous COLI Car Parking Spaces Agreement was due to expired on 30 November 2022, on 5 September 2022, the Company and COLI entered into a new framework agreement (the "COLI Car Parking Spaces Agreement") to renew the COLI Car Parking Spaces Transactions for a term of three years commencing from 1 January 2023 and ending on 31 December 2025 (both dates inclusive) subject to the caps as listed below:

| For the year ending 31 December 2023 HK$ | For the year ending 31 December 2024 HK$ | For the year ending 31 December 2025 HK$ |
|---|---|---|
| 600,000,000 | 600,000,000 | 600,000,000 |

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 entering into of COLI Car Parking Spaces Agreement and the COLI Car Parking Spaces Transactions contemplated thereunder are subject to the reporting, announcement, annual review 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.

Details of the COLI Car Parking Spaces Agreement have been disclosed in the Company's announcement dated 5 September 2022 and circular dated 10 November 2022.

*(ii) Material Procurement and Supply Chain Management Services Agreement*

On 28 April 2021, COPML and Shenzhen Lingchao entered into a framework agreement (the "Previous Material Procurement and Supply Chain Management Services Agreement") whereby Shenzhen Lingchao agreed to provide the material procurement and supply chain management services (including making available the e-commerce system, be established and operated by itself, for COPML Group to source and purchase goods and materials necessary for the property projects it is currently servicing, liaising and coordinating with the relevant suppliers and procuring that necessary goods and materials be produced, delivered to COPML Group, maintained and repaired if damaged) (the "Material Procurement and Supple Chain Management Services") to COPML Group from time to time for a term of 14 months, commencing from 1 May 2021 and ending on 30 June 2022 (both days inclusive).

## Connected Transaction and Continuing Connected Transactions (Continued)

### 2. Continuing Connected Transactions (Continued)

#### *2.2 Continuing Connected Transactions with COLI Group (Continued)*

*(ii) Material Procurement and Supply Chain Management Services Agreement (Continued)*

On 1 April 2022, COPML and Shenzhen Lingchao entered into a supplemental agreement (the "Supplemental Agreement") to revise the annual cap for the period from 1 January 2022 to 30 June 2022 by increasing it from HK$67,000,000 to HK$300,000,000. Annual caps of the Previous Material Procurement and Supply Chain Management Services Agreement as amended by the Supplemental Agreement are listed below:

| | For the period from 1 May 2021 to 31 December 2021 HK$ | For the period from 1 January 2022 to 30 June 2022 HK$ |
|---|---|---|
| Original | 133,000,000 | 67,000,000 |
| Revised | N/A | 300,000,000 |

As the applicable percentage ratios in respect of the aforesaid caps under the Previous Material Procurement and Supply Chain Management Services Agreement as amended by the Supplemental Agreement exceeds 0.1% but are less than 5% on an annual basis, the transactions contemplated under the Previous Material Procurement and Supply Chain Management Services Agreement are subject to the reporting, announcement and annual review requirements but exempt from the Independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

Details of the Previous Material Procurement and Supply Chain Management Services Agreement and the Supplemental Agreement have been disclosed in the Company's announcement dated 28 April 2021 and 1 April 2022 respectively.

For the period from 1 January 2022 to 30 June 2022, the amount paid/committed to Shenzhen Lingchao by COPML Group in respect of the goods and materials procured was approximately HK$37,637,000, that is below the cap of HK$300,000,000 under the Previous Material Procurement and Supply Chain Management Services Agreement as amended by the Supplemental Agreement for the period.

## Connected Transaction and Continuing Connected Transactions (Continued)

### 2. Continuing Connected Transactions (Continued)

#### *2.2 Continuing Connected Transactions with COLI Group (Continued)*

*(ii) Material Procurement and Supply Chain Management Services Agreement (Continued)*

As COPML Group intends to continue to engage Shenzhen Lingchao to provide the Material Procurement and Supply Chain Management Services from time to time. Accordingly, on 29 June 2022, COPML and Shenzhen Lingchao entered into a new framework agreement (the "Material Procurement and Supply Chain Management Services Agreement") to renew the transactions under the Previous Material Procurement and Supply Chain Management Services Agreement for a term of three years, commencing from 1 July 2022 and ending on 30 June 2025 (both dates inclusive) subject to the caps as listed below:

| For the period from 1 July 2022 to 31 December 2022 HK$ | For the year ending 31 December 2023 HK$ | For the year ending 31 December 2024 HK$ | For the period from 1 January 2025 to 30 June 2025 HK$ |
|---:|---:|---:|---:|
| 12,500,000 | 25,000,000 | 25,000,000 | 12,500,000 |

As the applicable percentage ratios in respect of the aforesaid caps under the Material Procurement and Supply Chain Management Services Agreement exceeds 0.1% but are less than 5% on an annual basis, the entering into of the Material Procurement and Supply Chain Management Services Agreement and the transactions contemplated thereunder are subject to the reporting, announcement and annual review requirements but exempt from the Independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

Details of the Material Procurement and Supply Chain Management Services Agreement have been disclosed in the Company's announcement dated 29 June 2022.

For the period from 1 July 2022 to 31 December 2022, the amount paid/committed to Shenzhen Lingchao by COPML Group in respect of the goods and materials procured was approximately HK$953,000, that is below the cap of HK$12,500,000 under the Material Procurement and Supply Chain Management Services Agreement for the period.

## Connected Transaction and Continuing Connected Transactions (Continued)

### 2. Continuing Connected Transactions (Continued)

#### *2.2 Continuing Connected Transactions with COLI Group (Continued)*

*(iii) Decoration Supplies Sales Agency Framework Agreement*

On 29 June 2022, COPML and Shenzhen Lingchao entered into a framework agreement (the "Decoration Supplies Sales Agency Framework Agreement") whereby Shenzhen Lingchao (as supply chain management services provider to PRC property developers and supplier of decoration product sets for different development projects in the PRC) agreed to appoint member(s) of COPML Group as its sales agent(s) from time to time to provide the sales agency services for the sale of the specific decoration product sets to individual purchasers of properties in the PRC development projects of PRC property developers for the purpose of fine decoration and furnishing (the "Sales Agency Services"), for the period of three years commencing from 1 July 2022 and ending on 30 June 2025 (both dates inclusive) subject to the caps as listed below:

| For the period from 1 July 2022 to 31 December 2022 HK$ | For the year ending 31 December 2023 HK$ | For the year ending 31 December 2024 HK$ | For the period from 1 January 2025 to 30 June 2025 HK$ |
|---|---|---|---|
| 55,000,000 | 86,000,000 | 94,000,000 | 55,000,000 |

As the applicable percentage ratios in respect of the aforesaid caps under the Decoration Supplies Sales Agency Framework Agreement exceeds 0.1% but are less than 5% on an annual basis, the entering into of the Material Procurement and Supply Chain Management Services Agreement and the transactions contemplated thereunder are subject to the reporting, announcement and annual review requirements but exempt from the Independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

Details of the Decoration Supplies Sales Agency Framework Agreement have been disclosed in the Company's announcement dated 29 June 2022.

For the period from 1 July 2022 to 31 December 2022, the amount paid/committed to COPML Group by Shenzhen Lingchao for the provision of the Sales Agency Services was approximately HK$692,000, that is below the cap of HK$55,000,000 under the Decoration Supplies Sales Agency Framework Agreement for the period.

## Connected Transaction and Continuing Connected Transactions (Continued)

### 2. Continuing Connected Transactions (Continued)

#### *2.2 Continuing Connected Transactions with COLI Group (Continued)*

*(iv) COLI Services Agreement*

On 28 April 2020, the Company and COLI entered into a framework agreement (the "COLI Services Agreement") whereby any member of the Group may provide the 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 for a terms of three years commencing from 1 July 2020 and ending on 30 June 2023 (both days inclusive) subject to the Services caps as listed below:

| For the period from 1 July 2020 to 31 December 2020 HK$ | For the year ended 31 December 2021 HK$ | For the year ended 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 |

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 reporting, announcement, annual review and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. The COLI Services Agreement is also subject to aggregation requirements under Rules 14A.81 and 14A.82(1) of the Listing Rules.

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

For the year ended 31 December 2022, the amount paid to the Group by COLI Group for the provision of the Services was approximately HK$1,509,636,000, that is below the cap of HK$2,616,000,000 under the COLI Services Agreement for the year.

## Connected Transaction and Continuing Connected Transactions (Continued)

### 2. Continuing Connected Transactions (Continued)

#### *2.2 Continuing Connected Transactions with COLI Group (Continued)*

*(v) COLI Leasing Agreement*

On 28 April 2020, the Company and COLI entered into a framework agreement (the "COLI Leasing Agreement") whereby 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 from 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 ended 31 December 2021 HK$ | For the year ended 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 |

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 reporting, announcement and annual review 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.

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

For the year ended 31 December 2022, the amount paid/committed to COLI Group by the Group for the lease of premises was approximately HK$3,398,000, that is below the cap of HK$30,000,000 under the COLI Leasing Agreement for the year.

## Connected Transaction and Continuing Connected Transactions (Continued)

### 2. Continuing Connected Transactions (Continued)

#### *2.2 Continuing Connected Transactions with COLI Group (Continued)*

*(vi) COLI Property Management Utilities Charges Agreement*

On 28 April 2020, the Company and COLI entered into a framework agreement (the "COLI Property Management Utilities Charges Agreement") whereby 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 from 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 ended 31 December 2021 HK$ | For the year ended 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 |

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 reporting, announcement and annual review requirements but exempt from the Independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

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

For the year ended 31 December 2022, the amount paid to COLI Group by the Group in respect of the utilities charge was approximately HK$128,329,000, that is below the cap of HK$147,000,000 under the COLI Property Management Utilities Charges Agreement for the year.

## Connected Transaction and Continuing Connected Transactions (Continued)

### 2. Continuing Connected Transactions (Continued)

#### *2.3 Continuing Connected Transactions with CSC Group (Continued)*

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

*(i) CSC Services Agreement*

On 28 April 2020, the Company and CSC entered into a framework agreement (the "CSC Services Agreement") whereby any member of the Group may provide the 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 from 1 July 2020 and ending on 30 June 2023 (both days inclusive) subject to the Services caps as listed below:

| For the period from 1 July 2020 to 31 December 2020 HK$ | For the year ended 31 December 2021 HK$ | For the year ended 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 |

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 reporting, announcement, annual review 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.

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

For the year ended 31 December 2022, the amount paid to the Group by CSC Group for the provision of the Services was approximately HK$107,063,000, that is below the cap of HK$356,000,000 under the CSC Services Agreement for the year.

## Connected Transaction and Continuing Connected Transactions (Continued)

### 2. Continuing Connected Transactions (Continued)

#### *2.3 Continuing Connected Transactions with CSC Group (Continued)*

*(ii) CSC Leasing Agreement*

On 28 April 2020, the Company and CSC entered into a framework agreement (the "CSC Leasing Agreement") whereby 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 from 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 ended 31 December 2021 HK$ | For the year ended 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 |

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 reporting, announcement and annual review 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.

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

For the year ended 31 December 2022, the amount paid/committed to CSC Group by the Group for the lease of premises was approximately HK$3,481,000 that is below the cap of HK$12,000,000 under the CSC Leasing Agreement for the year.

## Connected Transaction and Continuing Connected Transactions (Continued)

### 2. Continuing Connected Transactions (Continued)

#### *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 Car Parking Spaces Agreement*

On 23 October 2019, the Company and COGO entered into a framework agreement (the "Previous 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) by the Group as its inventory ("COGO Car Parkings Space Transactions"), such car parking spaces being car parking spaces of developments or properties built, developed or owned by COGO 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 ended 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 |

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

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

For the period ended 30 November 2022, the total amount paid/committed to COGO Group by the Group for the acquisition of the rights-of-use of the car parking spaces was approximately HK$60,717,000, that is below the cap of HK$300,000,000 for the period.

No transaction has been entered into by the Group and COGO Group for the period from 1 December 2022 to 31 December 2022.

## Connected Transaction and Continuing Connected Transactions (Continued)

### 2. Continuing Connected Transactions (Continued)

#### *2.4 Continuing Connected Transactions with COGO Group (Continued)*

*(i) COGO Car Parking Spaces Agreement (Continued)*

As the Previous COGO Car Parking Spaces Agreement was due to expired on 30 November 2022, on 5 September 2022, the Company and COGO entered into a new framework agreement (the "COGO Car Parking Spaces Agreement") to renew the COGO Car Parking Spaces Transactions for a terms of three years commencing from 1 January 2023 and ending on 31 December 2025 (both dates inclusive) subject to the caps as listed below:

| For the year ending 31 December 2023 HK$ | For the year ending 31 December 2024 HK$ | For the year ending 31 December 2025 HK$ |
|---|---|---|
| 300,000,000 | 300,000,000 | 300,000,000 |

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

Details of the COGO Car Parking Spaces Agreement have been disclosed in the Company's announcement dated 5 September 2022 and circular dated 10 November 2022.

## Connected Transaction and Continuing Connected Transactions (Continued)

### 2. Continuing Connected Transactions (Continued)

#### *2.4 Continuing Connected Transactions with COGO Group (Continued)*

*(ii) COGO Services Agreement*

On 28 April 2020, the Company and COGO entered into a framework agreement (the "COGO Services Agreement") whereby any member of the Group may provide the Services to COGO Group in respect of the Properties owned by COGO Group for a terms of three years commencing from 1 July 2020 and ending on 30 June 2023 (both days inclusive) subject to the 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 ended 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 |

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 reporting, announcement, annual review 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.

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

For the year ended 31 December 2022, the amount paid to the Group by COGO Group for the provision of the Services was approximately HK$343,230,000, that is below the cap of HK$386,000,000 under the COGO Services Agreement for the year.

## Aggregation of Continuing Connected Transactions

### 1. Aggregation of leasing transactions

The Directors are of the view that (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 reporting, announcement and annual review requirements but exempt from the Independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

For the year ended 31 December 2022, the transaction amounts under the above respective agreements were, in aggregate, approximately HK$6,879,000, which exceeded 0.1% but less than 5% of the applicable percentage ratios, and such continuing connected transactions are subject to the reporting, announcement and annual review requirements but exempt from the Independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

### 2. Aggregation of property management and related transactions

The Directors are of the view that (i) the CSCEC Services Agreement; (ii) the COLI Services Agreement; (iii) the 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/have been subject to the reporting, announcement, annual review and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

In respect of the continuing connected transactions under (i) the CSCEC Services Agreement; (ii) the COLI Services Agreement; (iii) the 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 2022, the transaction amounts under the above respective agreements were, in aggregate, approximately HK$2,109,957,000, which exceeded 5% of the applicable percentage ratios, and such continuing connected transactions are subject to the reporting, announcement, annual review and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

## Aggregation of Continuing Connected Transactions (Continued)

### 3. Aggregation of car parking spaces transactions

The Directors are of the view that:

(A) (i) the Previous COLI Car Parking Spaces Agreement; and (ii) the Previous COGO Car Parking Spaces Agreement (collectively, the "Previous Car Parking Spaces Agreements"); and

(B) (i) the COLI Car Parking Spaces Agreement; and (ii) the COGO Car Parking Spaces Agreement (collectively, the "Car Parking Spaces Agreements")

are entered into by the Group with parties who are connected with each others, and therefore each of the Previous Car Parking Spaces Agreements and Car Parking Spaces Agreements should be aggregated under Rules 14A.81 and 14A.82(1) of the Listing Rules respectively. As the applicable percentage ratios in respect of the caps of each of the Previous Car Parking Spaces Agreements and Car Parking Spaces Agreements, in aggregate, exceed 5% on an annual basis, such continuing connected transactions are/have been subject to the reporting, announcement, annual review and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

In respect of the continuing connected transactions under the Previous Car Parking Spaces Agreements and the Car Parking Spaces Agreements, Independent Shareholders have duly approved the respective agreements and the transactions contemplated thereunder at the extraordinary general meetings held on 29 November 2019 and 3 November 2022 respectively.

For the period ended 30 November 2022, the transactions amount under the Previous Car Parking Spaces Agreements was, in aggregate, approximately HK$121,444,000, which exceeded 5% of the applicable percentage ratios, and such continuing connected transactions are subject to the reporting, announcement, annual review 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 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.

## 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 81 to 105 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.

The continuing connected transactions disclosed in this section also constitute related party transactions under the Hong Kong Financial Reporting Standards. A summary of related party transactions (the "Transactions") made during the year was disclosed in the note 39 to the financial statements. The Transactions also constitute connected transaction or continuing connected transactions as defined in the Chapter 14A of the Listing Rules.

The Board confirms that the Company has complied with the requirements in Chapter 14A of the Listing Rules in relation to the aforesaid connected transaction or continuing connected transactions.

## 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 Board has approved and adopted a director remuneration policy (the "Director Remuneration Policy"). Pursuant to the Director Remuneration Policy, the remuneration packages of the executive Directors shall comprise fixed and variable components linking to the Group's operating results, individual performance and comparable market statistics. Non-executive Directors (including independent non-executive Directors) shall receive fixed remuneration/fee to be set at an appropriate level to attract and retain first-class non-executive talent by reference to the relevant time commitment required and the size and complexity of the Group and benchmarked against a peer group.

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

## Management Contracts

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

## Public Float

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

## Pre-Emptive Rights

There are no provisions for pre-emptive rights under the Articles of Association 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 42 to 67 of this Annual Report.

## Environmental Policy and Performance

Details of the Company's environmental policy and performance are set out in the Company's Sustainability Report 2022, which is published on the Company's website and the Stock Exchange's website on the same publication date of this Annual Report.

## Compliance with Relevant Laws and Regulation

As far as the Board is aware, the Group has complied with the relevant laws and regulations that have a significant impact on the Group in all material aspects.

## 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 2022 have been audited by Ernst & Young, who will retire and, being eligible, offer itself for re-appointment at the 2023 AGM.

A resolution will be proposed at the 2023 AGM to re-appoint Ernst & Young as auditor of the Company.

On behalf of the Board

**Zhang Guiqing**
*Chairman and Executive Director*

Hong Kong, 23 March 2023

# 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 114 to 210, which comprise the consolidated statement of financial position as at 31 December 2022, 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 2022, 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.

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## 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 2022, the Group had gross trade and retention receivables of approximately HK$2,291 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 (the "Other Receivables") in a total amount of approximately HK$161 million. The carrying amount of these receivables, net of impairment allowance, amounted to HK$2,216 million in aggregate as at 31 December 2022, which represented 22% of the Group's total assets as at that date.<br><br>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.<br><br>Related disclosures are included in notes 2.4, 3, 21(c) and 22(b) to the consolidated financial statements. | As part of our audit procedures, we (i) obtained and reviewed the impairment assessments of the trade and retention receivables, as well as the Other Receivables prepared by management to understand the credit loss provisioning methodology adopted by the Group; and (ii) considered the adequacy of the disclosures in the consolidated financial statements in connection with the impairment of trade and retention receivables, as well as the Other Receivables.<br><br>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 the trade and retention receivables to outstanding billings issued and the settlement of the 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.<br><br>With regard to the impairment assessment of the Other Receivables, we (i) tested, on a sample basis, the key drivers, such as the property management fees 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; and (iii) evaluated the appropriateness of the discount rates applied in the cash flow forecasts by management. |

## 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.

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## 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.

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

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.

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

23 March 2023

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2022

| | Notes | 2022 HK$'000 | 2021 HK$'000 |
|---|---|---|---|
| **REVENUE** | 5 | **12,688,968** | 9,442,035 |
| Direct operating expenses | | **(10,668,584)** | (7,800,427) |
| **GROSS PROFIT** | | **2,020,384** | 1,641,608 |
| Other income and gains, net | 6 | **186,282** | 131,840 |
| Fair value loss of self-owned investment properties, net | 15 | **(3,067)** | (1,902) |
| Selling and administrative expenses | | **(465,594)** | (428,681) |
| Impairment of financial assets, net | 8 | **(50,538)** | (23,542) |
| **OPERATING PROFIT** | | **1,687,467** | 1,319,323 |
| Finance costs | 7 | **(14,001)** | (3,235) |
| Share of profit of a joint venture | | **4,691** | 1,455 |
| Share of profit of an associate | | **185** | 191 |
| **PROFIT BEFORE TAX** | 8 | **1,678,342** | 1,317,734 |
| Income tax expenses | 11 | **(397,663)** | (331,087) |
| **PROFIT FOR THE YEAR** | | **1,280,679** | 986,647 |
| **ATTRIBUTABLE TO:** | | | |
| Shareholders of the Company | | **1,273,146** | 983,872 |
| Non-controlling interests | | **7,533** | 2,775 |
| | | **1,280,679** | 986,647 |
| **EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY** | | | |
| Basic and diluted (HK cents per share) | 12 | **38.73** | 29.93 |

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2022

| | 2022<br>HK$'000 | 2021<br>HK$'000 |
|---|---|---|
| **PROFIT FOR THE YEAR** | **1,280,679** | 986,647 |
| | | |
| **OTHER COMPREHENSIVE (LOSS)/INCOME, NET OF INCOME TAX** | | |
| *Other comprehensive (loss)/income that may be reclassified to profit or loss in subsequent periods:* | | |
| — Exchange differences on translation of subsidiaries of the Company | **(262,252)** | 97,603 |
| **TOTAL COMPREHENSIVE INCOME FOR THE YEAR** | **1,018,427** | 1,084,250 |
| | | |
| **ATTRIBUTABLE TO:** | | |
| Shareholders of the Company | **1,015,027** | 1,079,813 |
| Non-controlling interests | **3,400** | 4,437 |
| | **1,018,427** | 1,084,250 |

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2022

| | Notes | 2022 HK$'000 | 2021 HK$'000 |
|---|---|---|---|
| **NON-CURRENT ASSETS** | | | |
| Property, plant and equipment | 14 | **114,044** | 111,409 |
| Investment properties | 15 | **209,159** | 167,069 |
| Right-of-use assets | 16(b) | **83,120** | 80,840 |
| Intangible assets | 17 | **114,824** | 59,444 |
| Investment in a joint venture | 18 | **9,561** | 5,399 |
| Investment in an associate | 19 | **329** | 144 |
| Due from a related company | 23 | **—** | 92,397 |
| Prepayments | 22 | **16,368** | 26,260 |
| Deferred tax assets | 31 | **46,647** | 43,450 |
| Total non-current assets | | **594,052** | 586,412 |
| **CURRENT ASSETS** | | | |
| Inventories | 20 | **970,808** | 935,295 |
| Trade and retention receivables | 21 | **2,138,997** | 1,387,463 |
| Prepayments, deposits and other receivables | 22 | **964,948** | 595,347 |
| Due from the immediate holding company | 23 | **2,170** | 408 |
| Due from fellow subsidiaries | 23 | **559,524** | 416,518 |
| Due from other related companies | 23 | **199,776** | 114,919 |
| Cash and bank balances | 24 | **4,691,120** | 4,283,374 |
| Total current assets | | **9,527,343** | 7,733,324 |
| **CURRENT LIABILITIES** | | | |
| Trade payables | 25 | **1,516,951** | 776,486 |
| Other payables and accruals | 26 | **1,287,132** | 1,103,163 |
| Temporary receipts from properties managed | 27 | **1,471,419** | 1,543,226 |
| Receipts in advance and other deposits | 28 | **1,627,512** | 1,500,803 |
| Due to the immediate holding company | 29 | **—** | 1,084 |
| Due to fellow subsidiaries | 29 | **40,684** | 11,319 |
| Due to other related companies | 29 | **42,887** | 12,534 |
| Income tax payables | | **248,356** | 226,612 |
| Bank borrowings | 30 | **68,182** | — |
| Lease liabilities | 16(b) | **53,678** | 41,245 |
| Total current liabilities | | **6,356,801** | 5,216,472 |
| Net current assets | | **3,170,542** | 2,516,852 |
| Total assets less current liabilities | | **3,764,594** | 3,103,264 |

## Consolidated Statement of Financial Position (Continued)

31 December 2022

| | Notes | 2022 HK$'000 | 2021 HK$'000 |
|---|---|---|---|
| **NON-CURRENT LIABILITIES** | | | |
| Lease liabilities | 16(b) | **84,689** | 32,839 |
| Deferred tax liabilities | 31 | **16,922** | 17,925 |
| Total non-current liabilities | | **101,611** | 50,764 |
| **Net assets** | | **3,662,983** | 3,052,500 |
| **EQUITY** | | | |
| Equity attributable to shareholders of the Company | | | |
| Issued capital | 32 | **3,287** | 3,287 |
| Reserves | 34(a) | **3,608,063** | 2,996,751 |
| | | **3,611,350** | 3,000,038 |
| Non-controlling interests | | **51,633** | 52,462 |
| **Total equity** | | **3,662,983** | 3,052,500 |

**Xiao Junqiang**
*Director*

**Pang Jinying**
*Director*

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2022

| | Attributable to shareholders of the Company | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Issued capital HK$'000 (note 32) | Property revaluation reserve HK$'000 | Exchange fluctuation reserve HK$'000 | PRC statutory reserve HK$'000 (note 34(b)) | Special reserve HK$'000 (note 34(c)) | Capital reserve HK$'000 (note 34(d)) | Retained profits HK$'000 | Total HK$'000 | Non-controlling interests HK$'000 | Total equity HK$'000 |
| At 1 January 2022 | 3,287 | 47,933 | 128,790 | 269,529 | (136,448) | 17,713 | 2,669,234 | 3,000,038 | 52,462 | 3,052,500 |
| Profit for the year | – | – | – | – | – | – | 1,273,146 | 1,273,146 | 7,533 | 1,280,679 |
| Other comprehensive loss for the year: | | | | | | | | | | |
| Exchange differences on translation of subsidiaries of the Company | – | – | (258,119) | – | – | – | – | (258,119) | (4,133) | (262,252) |
| Total comprehensive income for the year | – | – | (258,119) | – | – | – | 1,273,146 | 1,015,027 | 3,400 | 1,018,427 |
| Share-based payment borne by an intermediate holding company (note 33) | – | – | – | – | – | 6,300 | – | 6,300 | – | 6,300 |
| Transfer to PRC statutory reserve | – | – | – | 79,370 | – | – | (79,370) | – | – | – |
| Acquisition of a subsidiary in connection with the Lihe Acquisition (note 35) | – | – | – | – | (81,329) | – | – | (81,329) | – | (81,329) |
| Capital contributions from non-controlling equity holders of subsidiaries | – | – | – | – | – | – | – | – | 466 | 466 |
| Deregistration of a subsidiary | – | – | – | – | – | – | – | – | (4,695) | (4,695) |
| 2021 final dividend (note 13) | – | – | – | – | – | – | (197,212) | (197,212) | – | (197,212) |
| 2022 interim dividend (note 13) | – | – | – | – | – | – | (131,474) | (131,474) | – | (131,474) |
| At 31 December 2022 | 3,287 | 47,933* | (129,329)* | 348,899* | (217,777)* | 24,013* | 3,534,324* | 3,611,350 | 51,633 | 3,662,983 |

# Consolidated Statement of Changes in Equity (Continued)

Year ended 31 December 2022

| | Attributable to shareholders of the Company | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Issued capital HK$'000 (note 32) | Property revaluation reserve HK$'000 | Exchange fluctuation reserve HK$'000 | PRC statutory reserve HK$'000 (note 34(b)) | Special reserve HK$'000 (note 34(c)) | Capital reserve HK$'000 (note 34(d)) | Retained profits HK$'000 | Total HK$'000 | Non-controlling interests HK$'000 | Total equity HK$'000 |
| At 1 January 2021 | 3,287 | 47,933 | 32,849 | 141,693 | (136,448) | 9,665 | 2,049,852 | 2,148,831 | 35,475 | 2,184,306 |
| Profit for the year | — | — | — | — | — | — | 983,872 | 983,872 | 2,775 | 986,647 |
| Other comprehensive income for the year: | | | | | | | | | | |
| Exchange differences on translation of subsidiaries of the Company | — | — | 95,941 | — | — | — | — | 95,941 | 1,662 | 97,603 |
| Total comprehensive income for the year | — | — | 95,941 | — | — | — | 983,872 | 1,079,813 | 4,437 | 1,084,250 |
| Share-based payment borne by an intermediate holding company (note 33) | — | — | — | — | — | 8,048 | — | 8,048 | — | 8,048 |
| Transfer to PRC statutory reserve | — | — | — | 127,836 | — | — | (127,836) | — | — | — |
| Capital contributions from non-controlling equity holders of subsidiaries | — | — | — | — | — | — | — | — | 14,832 | 14,832 |
| Deregistration of a subsidiary | — | — | — | — | — | — | — | — | (2,282) | (2,282) |
| 2020 final dividend (note 13) | — | — | — | — | — | — | (138,048) | (138,048) | — | (138,048) |
| 2021 interim dividend (note 13) | — | — | — | — | — | — | (98,606) | (98,606) | — | (98,606) |
| At 31 December 2021 | 3,287 | 47,933* | 128,790* | 269,529* | (136,448)* | 17,713* | 2,669,234* | 3,000,038 | 52,462 | 3,052,500 |

* These reserve accounts comprise the consolidated reserves of HK$3,608,063,000 (2021: HK$2,996,751,000) in the consolidated statement of financial position as at 31 December 2022.

# CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2022

| | Notes | **2022 HK$'000** | 2021 HK$'000 |
|---|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | |
| Profit before tax | | **1,678,342** | 1,317,734 |
| Adjustments for: | | | |
| Share of profit of a joint venture | | **(4,691)** | (1,455) |
| Share of profit of an associate | | **(185)** | (191) |
| Interest income | 6 | **(74,313)** | (68,969) |
| Gain on early termination of lease contracts, net | 6 | **(1,853)** | (502) |
| Finance costs | 7 | **14,001** | 3,235 |
| Impairment of financial assets, net | 8 | **50,538** | 23,542 |
| Depreciation of property, plant and equipment | 8 | **36,569** | 24,412 |
| Depreciation of right-of-use assets | 8 | **40,538** | 35,397 |
| Amortisation of intangible assets | 8 | **8,154** | 6,796 |
| Share-based payments | 33 | **6,300** | 8,048 |
| Fair value loss of investment properties, net | 15 | **4,851** | 1,902 |
| Loss on disposal of items of property, plant and equipment, net | 8 | **1,523** | 644 |
| Operating cash flows before working capital changes | | **1,759,774** | 1,350,593 |
| Increase in inventories | | **(34,022)** | (271,595) |
| Increase in trade and retention receivables | | **(886,050)** | (537,981) |
| Increase in prepayments, deposits and other receivables | | **(371,941)** | (171,426) |
| (Increase)/decrease in amount due from the immediate holding company — trade nature | | **(1,762)** | 485 |
| Increase in amounts due from fellow subsidiaries — trade nature and prepayments | | **(220,082)** | (277,990) |
| Increase in amounts due from other related companies — trade nature and prepayments | | **(43,153)** | (76,230) |
| Increase in trade payables | | **804,738** | 294,670 |
| Increase in other payables and accruals | | **250,128** | 71,054 |
| Increase in temporary receipts from properties managed on a commission basis | | **14,537** | 203,382 |
| Increase in receipts in advance and other deposits | | **239,892** | 528,073 |
| (Decrease)/increase in amount due to the immediate holding company | | **(1,084)** | 1,084 |
| Increase/(decrease) in amounts due to fellow subsidiaries | | **30,949** | (7,361) |
| Increase/(decrease) in amounts due to other related companies | | **32,086** | (6,345) |
| Cash generated from operations | | **1,574,010** | 1,100,413 |
| Income taxes paid | | **(352,687)** | (316,335) |
| PRC withholding tax paid | | **(10,593)** | (14,486) |
| Net cash flows from operating activities | | **1,210,730** | 769,592 |

## Consolidated Statement of Cash Flows (Continued)
Year ended 31 December 2022

| | Notes | 2022 HK$'000 | 2021 HK$'000 |
|---|---|---|---|
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | |
| Interest received | | **26,826** | 39,507 |
| Dividend received from an associate | | **—** | 375 |
| Purchase of items of property, plant and equipment | | **(49,429)** | (66,129) |
| Improvements made to investment properties | | **—** | (37) |
| Purchase of intangible assets | | **(69,564)** | (43,827) |
| Increase in non-current prepayments | | **—** | (12,643) |
| Placement of non-pledged time deposits with original maturity of over three months | | **(1,804,423)** | (363,197) |
| Withdrawal of non-pledged time deposits with original maturity of over three months | | **745,052** | 181,598 |
| Acquisition of a subsidiary | 35 | **(48,855)** | (350) |
| Proceeds from the disposal of items of property, plant and equipment | | **359** | 1,174 |
| Net cash flows used in investing activities | | **(1,200,034)** | (263,529) |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | |
| Drawdown of bank loans | 36(b) | **674,563** | 80,000 |
| Repayment of bank loans | 36(b) | **(604,715)** | (80,000) |
| Principal portion of lease payments | 36(b) | **(35,899)** | (31,104) |
| Interest portion of lease payments | 36(b) | **(5,526)** | (3,044) |
| Other interest paid | 36(b) | **(8,475)** | (191) |
| Capital contribution from non-controlling equity holders of subsidiaries | | **466** | 12,482 |
| Dividend paid to the previous equity holder of a subsidiary before the completion of the Lihe Acquisition (as defined in note 35) | 35 | **(11,639)** | — |
| Dividends paid to shareholders of the Company | 13 | **(328,686)** | (236,654) |
| Dividends paid to non-controlling equity holders of subsidiaries | | **(4,695)** | — |
| Net cash flows used in financing activities | | **(324,606)** | (258,511) |
| **NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS** | | **(313,910)** | 247,552 |
| Cash and cash equivalents at beginning of year | | **3,298,152** | 2,935,561 |
| Effect of foreign exchange rate changes, net | | **(236,304)** | 115,039 |
| **CASH AND CASH EQUIVALENTS AT END OF YEAR** | | **2,747,938** | 3,298,152 |

## Consolidated Statement of Cash Flows (Continued)

Year ended 31 December 2022

| | Note | 2022 HK$'000 | 2021 HK$'000 |
|---|---|---|---|
| **ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS** | | | |
| Cash and bank balances as stated in the consolidated statement of financial position | 24 | **4,691,120** | 4,283,374 |
| Less: Time deposits with original maturity of over three months | | **(1,943,182)** | (985,222) |
| Cash and cash equivalents as stated in the consolidated statement of cash flows | | **2,747,938** | 3,298,152 |

# NOTES TO FINANCIAL STATEMENTS

31 December 2022

## 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 located at 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, value-added services to non-residents and residents, and the trading of car parking spaces.

### Information about principal subsidiaries

Particulars of the Company's principal subsidiaries as at 31 December 2022 are as follows:

| Company name | Place of incorporation/ registration and business | Registered capital/issued or 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 |
| 中海物業管理有限公司* | The PRC/Mainland China | RMB500,000,000 | 100 | – | Real estate management and investment holding |
| Gold Court (Macau) Property Services Limited | Macau | MOP250,000 | 96 | 4 | Real estate management. |
| 長春中海物業管理有限公司# | The PRC/Mainland China | RMB50,000,000 | – | 100 | Real estate management |
| 成都中海物業管理有限公司# | The PRC/Mainland China | RMB50,000,000 | – | 100 | Real estate management |
| 湖南省中海海惠物業管理有限公司# | The PRC/Mainland China | RMB20,500,000 | – | 84 | Real estate management |
| 深圳市中海商業服務有限公司# | The PRC/Mainland China | RMB5,000,000 | – | 60 | Real estate management |
| 中海物業管理廣州有限公司# | The PRC/Mainland China | RMB50,000,000 | – | 100 | Real estate management |
| China Overseas Building Management Limited | Hong Kong | HK$100 | – | 100 | Real estate management |
| 北京中海物業管理有限公司# | The PRC/Mainland China | RMB50,000,000 | – | 100 | Real estate management |

# Notes to Financial Statements (Continued)

31 December 2022

## 1. Corporate and Group Information (Continued)

### Information about principal subsidiaries (Continued)

| Company name | Place of incorporation/ registration and business | Registered capital/issued or paid-up capital | Percentage of equity attributable to the Company Direct % | Indirect % | Principal activities |
|---|---|---|---|---|---|
| 北京中建物業管理有限公司# | The PRC/Mainland China | RMB25,000,000 | – | 100 | Real estate management |
| 重慶海投物業管理有限公司# | The PRC/Mainland China | RMB30,000,000 | – | 100 | Real estate management |
| 淄博中海物業管理有限公司# | The PRC/Mainland China | RMB1,000,000 | – | 100 | Real estate management |
| 中海宏洋物業管理有限公司# | The PRC/Mainland China | RMB50,000,000 | – | 100 | Real estate management |
| 廣州市光大花園物業管理有限公司# | The PRC/Mainland China | RMB3,000,000 | – | 100 | Real estate management |
| 呼和浩特市中海物業服務有限公司# | The PRC/Mainland China | RMB20,000,000 | – | 100 | Real estate management |
| 上海中海物業管理有限公司# | The PRC/Mainland China | RMB50,000,000 | – | 100 | Real estate management |
| 濟南中海物業管理有限公司# | The PRC/Mainland China | RMB20,000,000 | – | 100 | Real estate management |
| 德州華府物業管理有限公司# | The PRC/Mainland China | RMB500,000 | – | 100 | Real estate management |
| 中海(惠州)物業服務有限公司# | The PRC/Mainland China | RMB50,000,000 | – | 100 | Real estate management |
| 汕頭中海物業服務有限公司# | The PRC/Mainland China | RMB50,000,000 | – | 100 | Real estate management |
| 大連中海海惠物業服務有限公司# | The PRC/Mainland China | RMB8,000,000 | – | 100 | Real estate management |
| 廣東中海物業服務有限公司# | The PRC/Mainland China | RMB50,000,000 | – | 100 | Real estate management |
| 天津中海物業管理服務有限公司# | The PRC/Mainland China | RMB10,000,000 | – | 100 | Real estate management |
| 天津中海津信物業服務有限公司# | The PRC/Mainland China | RMB500,000 | – | 100 | Real estate management |
| 中海海惠物業服務有限公司# | The PRC/Mainland China | RMB50,000,000 | – | 100 | Real estate management |
| 深圳市百利行物業發展有限公司# | The PRC/Mainland China | RMB3,000,000 | – | 100 | Real estate management |
| 湖北中海海惠物業管理有限公司# | The PRC/Mainland China | RMB3,500,000 | – | 100 | Real estate management |
| 鄭州中海僑城物業管理有限公司# | The PRC/Mainland China | RMB5,000,000 | – | 51 | Real estate management |
| 福建中海深藍物業管理有限公司# | The PRC/Mainland China | RMB10,000,000 | – | 100 | Real estate management |

# 1. Corporate and Group Information (Continued)

## Information about principal subsidiaries (Continued)

| Company name | Place of incorporation/ registration and business | Registered capital/issued or paid-up capital | Percentage of equity attributable to the Company Direct % | Indirect % | Principal activities |
|---|---|---|---|---|---|
| 西安中海物業管理有限公司# | The PRC/Mainland China | RMB20,000,000 | – | 100 | Real estate management |
| 寧波中海物業管理有限公司# | The PRC/Mainland China | RMB20,000,000 | – | 100 | Real estate management |
| 重慶中海海惠物業管理有限公司# | The PRC/Mainland China | RMB5,000,000 | – | 100 | Real estate management |
| 廣東中海星城際物業服務有限公司# | The PRC/Mainland China | RMB5,000,000 | – | 51 | Real estate management |
| 海納萬商物業管理有限公司# | The PRC/Mainland China | RMB50,000,000 | – | 100 | Real estate management |
| 四川軌道中海物業管理有限公司# | The PRC/Mainland China | RMB10,000,000 | – | 100 | Real estate management |
| 珠海航空綜合服務有限公司# | The PRC/Mainland China | RMB4,180,000 | – | 51 | Real estate management |
| 貴州播投中海物業服務有限公司# | The PRC/Mainland China | RMB5,000,000 | – | 51 | Real estate management |
| 海口海越物業管理有限公司# | The PRC/Mainland China | RMB5,000,000 | – | 60 | Real estate management |
| 六盤水城投中海物業管理有限公司# | The PRC/Mainland China | RMB1,800,000 | – | 51 | Real estate management |
| 遼寧中海麗都物業管理有限公司# | The PRC/Mainland China | RMB5,000,000 | – | 60 | Real estate management |
| 新疆中海物業管理有限公司# | The PRC/Mainland China | RMB3,000,000 | – | 100 | Real estate management |
| 溫州中海物業管理有限公司# | The PRC/Mainland China | RMB5,000,000 | – | 100 | Real estate management |
| 渭南中海親頤物業服務有限公司# | The PRC/Mainland China | RMB1,000,000 | – | 100 | Real estate management |
| 中海同心(貴州)物業管理有限公司# | The PRC/Mainland China | RMB3,000,000 | – | 55 | Real estate management |
| 畢節中海建投物業管理有限公司# | The PRC/Mainland China | RMB3,000,000 | – | 60 | Real estate management |
| 天津中建物業服務有限公司# | The PRC/Mainland China | RMB3,000,000 | – | 51 | Real estate management |
| 天津中海禾信物業管理服務有限公司# | The PRC/Mainland China | RMB10,000,000 | – | 51 | Real estate management |
| 中海海穗物業管理(廣州)有限公司# | The PRC/Mainland China | RMB2,000,000 | – | 100 | Real estate management |
| 南通中海陽光物業管理有限公司# | The PRC/Mainland China | RMB10,000,000 | – | 60 | Real estate management |
| 海南中海投物業管理有限公司# | The PRC/Mainland China | RMB5,000,000 | – | 60 | Real estate management |

# Notes to Financial Statements (Continued)

31 December 2022

## 1. Corporate and Group Information (Continued)

### Information about principal subsidiaries (Continued)

| Company name | Place of incorporation/ registration and business | Registered capital/issued or paid-up capital | Percentage of equity attributable to the Company Direct % | Indirect % | Principal activities |
|---|---|---|---|---|---|
| 佛山中海物業管理有限公司# | The PRC/Mainland China | RMB2,000,000 | – | 100 | Real estate management |
| 鹽城中海慧鹽物業管理有限公司# | The PRC/Mainland China | RMB10,000,000 | – | 51 | Real estate management |
| 江蘇中海物業服務有限公司# | The PRC/Mainland China | RMB20,000,000 | – | 100 | Real estate management |
| 宿州中海物業有限公司# | The PRC/Mainland China | RMB10,000,000 | – | 51 | Real estate management |
| 重慶中海濱江物業管理有限公司# | The PRC/Mainland China | RMB3,000,000 | – | 51 | Real estate management |
| 廣州利合物業管理有限公司("Lihe")# | The PRC/Mainland China | RMB5,000,000 | – | 100 | Real estate management |
| China Overseas Mehon Environmental Services Limited | Hong Kong | HK$10,000,000 | – | 100 | Provision of cleaning services |
| China Overseas Security Services Limited | Hong Kong | HK$2 | – | 100 | Provision of security services |
| Gold Court (Macau) Security Services Company Limited | Macau | MOP100,000 | – | 100 | Provision of security services |
| 四川中海園林工程有限公司# | The PRC/Mainland China | RMB20,000,000 | – | 100 | Provision of repair and maintenance services |
| 廣東省美博工程服務有限公司# | The PRC/Mainland China | RMB5,000,000 | – | 100 | Provision of repair and maintenance services |
| 深圳市興海物聯科技有限公司# | The PRC/Mainland China | RMB150,000,000 | – | 100 | Provision of repair and maintenance services |
| 深圳市興海機電工程有限公司# | The PRC/Mainland China | RMB20,000,000 | – | 100 | Provision of repair and maintenance services |
| 深圳市優你家裝飾工程有限公司# | The PRC/Mainland China | RMB20,000,000 | – | 100 | Provision of repair and maintenance services |
| Mepork Engineering Services Limited | Hong Kong | HK$100 | – | 100 | Provision of building cleaning, repair and maintenance services |
| Mepork (Macau) Engineering Services Limited | Macau | MOP25,000 | – | 100 | Provision of building cleaning, repair and maintenance services |

## 1. Corporate and Group Information (Continued)

### Information about principal subsidiaries (Continued)

| Company name | Place of incorporation/ registration and business | Registered capital/issued or paid-up capital | Percentage of equity attributable to the Company Direct % | Indirect % | Principal activities |
|---|---|---|---|---|---|
| Xinghai Iot (Hong Kong) Technology Co., Limited | Hong Kong | HK$100 | – | 100 | Provision of engineering, repair and maintenance services |
| China Overseas Property Management Trade Mark Limited | Hong Kong | HK$1 | 100 | – | Holding of trademarks |
| 深圳市興海投資有限公司# | The PRC/Mainland China | RMB2,000,000 | – | 100 | Provision of automation and other equipment upgrade services |
| 青島澔海祥鑫商貿有限公司# | The PRC/Mainland China | RMB1,000,000 | – | 100 | Provision of services through an online-to-offline ("O2O") platform |
| 海略(河南)信息科技有限公司# | The PRC/Mainland China | RMB1,000,000 | – | 100 | Provision of services through an O2O platform |
| 深圳市優你家互聯網科技有限公司# | The PRC/Mainland China | 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/Mainland China | 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/Mainland China | RMB5,000,000 | – | 100 | Provision of services through an O2O platform |
| 重慶市優你家互聯網科技有限公司# | The PRC/Mainland China | RMB5,000,000 | – | 100 | Provision of services through an O2O platform |
| 武漢市優你家房地產經紀有限公司# | The PRC/Mainland China | RMB5,000,000 | – | 100 | Provision of services through an O2O platform |
| 北京市優你家房地產經紀有限公司# | The PRC/Mainland China | RMB5,000,000 | – | 100 | Provision of services through an O2O platform |

* These companies are registered as wholly-foreign-owned enterprises under PRC law.

# These companies are registered as limited liability companies under PRC law.

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.

# Notes to Financial Statements (Continued)
31 December 2022

## 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 2022. 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).

Generally, there is a presumption that a majority of voting rights results in control. 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. Other than those subsidiaries acquired under business combinations under common control 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 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. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

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.

## 2.1 Basis of Preparation (Continued)

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.

## 2.2 Changes in Accounting Policies and Disclosures

The Group has adopted the following revised HKFRSs for the first time for the current year's financial statements:

| | |
|---|---|
| Amendments to HKFRS 3 | *Reference to the Conceptual Framework* |
| Amendments to HKAS 16 | *Property, Plant and Equipment: Proceeds before Intended Use* |
| Amendments to HKAS 37 | *Onerous Contracts — Cost of Fulfilling a Contract* |
| *Annual Improvements to HKFRSs 2018–2020* | Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41 |

The nature and the impact of the revised HKFRSs that are applicable to the Group are described below:

(a) Amendments to HKFRS 3 replace a reference to the previous *Framework for the Preparation and Presentation of Financial Statements* with a reference to the *Conceptual Framework for Financial Reporting* (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 (Revised) 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 has applied the amendments prospectively to business combinations that occurred on or after 1 January 2022. As there were no contingent assets, liabilities and contingent liabilities within the scope of the amendments arising in the business combination that occurred during the year, the amendments did not have any impact on the financial position and performance of the Group.

## 2.2 Changes in Accounting Policies and Disclosures (Continued)

(b) Amendments to HKAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items as determined by HKAS 2 *Inventories*, in profit or loss. The Group has applied the amendments retrospectively to items of property, plant and equipment made available for use on or after 1 January 2021. Since the Group's business does not involve production of goods for sale, the amendments did not have any impact on the financial position or performance of the Group.

(c) 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 Group has applied the amendments prospectively to contracts for which it has not yet fulfilled all its obligations at 1 January 2022. The amendments did not have any impact on the financial position or performance of the Group.

(d) *Annual Improvements to HKFRSs 2018–2020* sets out amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards*, HKFRS 9 *Financial Instruments*, Illustrative Examples accompanying HKFRS 16 *Leases*, and HKAS 41 *Agriculture*. Details of the amendments that are applicable to the Group are as follows:

- HKFRS 9: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. The Group has applied the amendment prospectively from 1 January 2022. As there was no modification or exchange of the Group's financial liabilities during the year, the amendment did not have any impact on the financial position or performance of the Group.

## 2.3 Issued but Not Yet Effective Hong Kong Financial Reporting Standards

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

| | |
|---|---|
| Amendments to HKFRS 10 and HKAS 28 (2011) | *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3] |
| Amendments to HKFRS 16 | *Lease Liability in a Sale and Leaseback*[2] |
| Amendments to HKAS 1 | *Classification of Liabilities as Current or Non-current (the "2020 Amendments")*[2, 4] |
| Amendments to HKAS 1 | *Non-current Liabilities with Covenants (the "2022 Amendments")*[2] |
| Amendments to HKAS 1 and HKFRS Practice Statement 2 | *Disclosure of Accounting Policies*[1] |
| Amendments to HKAS 8 | *Definition of Accounting Estimates*[1] |
| Amendments to HKAS 12 | *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*[1] |

1 Effective for annual periods beginning on or after 1 January 2023
2 Effective for annual periods beginning on or after 1 January 2024
3 No mandatory effective date yet determined but available for adoption
4 As a consequence of 2022 Amendments, the effective date of the 2020 Amendments was deferred to annual periods beginning on or after 1 January 2024. In addition, as a consequence of the 2020 Amendments and 2022 Amendments, 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 to align the corresponding wording with no change in conclusion

Further information about some of the above HKFRSs is described below:

(a) Amendments to HKFRS 10 and HKAS 28 (2011) address an inconsistency between the requirements in HKFRS 10 *Consolidated Financial Statements* and in HKAS 28 (2011) *Investments in Associates and Joint Ventures* in dealing with the sale or contribution of assets between an investor and its joint venture or associate. The amendments require a full recognition of a gain or loss resulting from a downstream transaction when the sale or contribution of assets between an investor and its joint venture or associate constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that joint venture or associate. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to HKFRS 10 and HKAS 28 (2011) was removed by the HKICPA in January 2016 and a new mandatory effective date will be determined after the completion of a broader review of accounting for joint ventures and associates. However, the amendments are available for adoption now.

## 2.3 Issued but Not Yet Effective Hong Kong Financial Reporting Standards (Continued)

(b) Amendments to HKAS 1 *Classification of Liabilities as Current or Non-current* clarify the requirements for classifying liabilities as current or non-current, in particular the determination over whether an entity has a right to defer settlement of the liabilities for at least 12 months after the reporting period. 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. In 2022, the HKICPA issued the 2022 Amendments to further clarify that, among covenants of a liability arising from a loan arrangement, only those with which an entity must comply on or before the reporting date affect the classification of that liability as current or non-current. In addition, the 2022 Amendments require additional disclosures by an entity that classifies liabilities arising from loan arrangements as non-current when it has a right to defer settlement of those liabilities that are subject to the entity complying with future covenants within 12 months after the reporting period. The amendments are effective for annual periods beginning on or after 1 January 2024 and shall be applied retrospectively. Earlier application is permitted. An entity that applies the 2020 Amendments early is required to apply simultaneously the 2022 Amendments, and vice versa. The Group is currently assessing the impact of the amendments and whether existing loan agreements may require revision. Based on a preliminary assessment, the amendments are not expected to have any significant impact on the Group's financial statements.

(c) Amendments to HKAS 1 *Disclosure of Accounting Policies* require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to HKFRS Practice Statement 2 provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. Amendments to HKAS 1 are effective for annual periods beginning on or after 1 January 2023 and earlier application is permitted. Since the guidance provided in the amendments to HKFRS Practice Statement 2 is non-mandatory, an effective date for these amendments is not necessary. The Group is currently revisiting the accounting policy disclosures to ensure consistency with the amendments.

(d) Amendments to HKAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. The amendments are effective for annual periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

## 2.3 Issued but Not Yet Effective Hong Kong Financial Reporting Standards (Continued)

(e) Amendments to HKAS 12 narrow the scope of the initial recognition exception in HKAS 12 *Income Taxes* so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for temporary differences arising from these transactions. The amendments are effective for annual periods beginning on or after 1 January 2023 and shall be applied to transactions related to leases and decommissioning obligations at the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to the opening balance of retained profits or other component of equity as appropriate at that date. In addition, the amendments shall be applied prospectively to transactions other than leases and decommissioning obligations. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

## 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.

## 2.4 Summary of Significant Accounting Policies (Continued)

### Fair value measurement (Continued)

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.

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.

## 2.4 Summary of Significant Accounting Policies (Continued)

### Investments in a joint venture and an associate (Continued)

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

(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.

## 2.4 Summary of Significant Accounting Policies (Continued)

### 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 (Revised)") 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 expenses as incurred.

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.

## 2.4 Summary of Significant Accounting Policies (Continued)

### Business combinations and goodwill (Continued)

***Other business combinations and goodwill (Continued)***

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.

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.

## 2.4 Summary of Significant Accounting Policies (Continued)

### Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, contract assets, 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. In testing a cash-generating unit for impairment, a portion of the carrying amount of a corporate asset (e.g., a headquarters building) is allocated to an individual cash-generating unit if it can be allocated on a reasonable and consistent basis, or otherwise, to the smallest group of cash-generating units.

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.

### 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.

## 2.4 Summary of Significant Accounting Policies (Continued)

### Property, plant and equipment and depreciation (Continued)

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)
31 December 2022

## 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.

## 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.

## 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 office premises and equipment that are considered to be of low value. 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 (debt instrument) 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 (debt instruments) 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 (debt instruments) refers to how it manages its financial assets (debt instruments) in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets (debt instruments), or both. Financial assets (debt instruments) classified and measured at amortised cost are held within a business model with the objective to hold financial assets (debt instruments) in order to collect contractual cash flows, while financial assets (debt instruments) 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 (debt instruments) 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.

## 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. 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.

## 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 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.

## 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.

## 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, including car parking spaces and consumables, 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.

## 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, a joint venture and an associate, 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, a joint venture and an associate, 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.

## 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.

Where a 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. Where a grant relates to an asset, the fair value is credited to a deferred income account and is released to profit or loss over the expected useful life of the relevant asset by equal annual instalments or is deducted from the carrying amount of the asset and released to profit or loss by way of a reduced depreciation charge.

### 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

Revenue from the provision of property management services (both on a lump sum basis and on a commission basis) is recognised over the scheduled period on the straight-line basis because the customer simultaneously receives and consumes the benefits provided by the Group.

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.

## 2.4 Summary of Significant Accounting Policies (Continued)

### Revenue recognition (Continued)

***Revenue from contracts with customers (Continued)***

(b) Value-added services

Revenue from the provision of certain value-added services, including provision of engineering, vetting of building plans, facilities and equipment evaluation proposals, pre-delivery, delivery inspection, engineering service quality monitoring and consulting services, etc is recognised over time, using an output method to measure progress towards complete satisfaction of the service, because (i) the customer simultaneously receives and consumes the benefits provided by the Group; or (ii) the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced. The output method recognises revenue based on the value of the service performed to date, as agreed with the customer.

Revenue from the provision of other value-added services, including community asset management services, move-in assistance, living service operations, commercial service operations, etc., is recognised at the point in time when control of services or goods have been transferred to customers.

(c) 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.

(c) Dividend income

Dividend income is recognised when the shareholders' right to receive payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

### Contract assets

Contract assets, which include 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).

## 2.4 Summary of Significant Accounting Policies (Continued)

### Employee benefits

***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.

***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.

## 2.4 Summary of Significant Accounting Policies (Continued)

### Foreign currencies

These financial statements are presented in Hong Kong dollar, 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 exchange rates that approximate to those prevailing at the dates of the transactions. 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.

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 of 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(c) to the financial statements.

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

Payments on behalf of 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 ECLs of 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 have 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(b) to the financial statements.

## 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 value 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(b) 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 cost and net realisable value 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.

## 3. Significant Accounting Judgements and Estimates (Continued)

### (f) 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).

### (g) Impairment of non-financial assets

The Group assesses whether there are any indicators of impairment for all non-financial assets (including the right-of-use assets) at the end of each reporting period. Non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be fully recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

### (h) Useful lives and residual values of property, plant and equipment, right-of-use assets and intangible assets

Management determines the useful lives, residual values and related depreciation/amortisation charges for the Group's property, plant and equipment, right-of-use assets and intangible assets. This estimate is based on the historical experience of the actual useful lives and residual values of similar nature and functions. It could change significantly as a result of technical innovations and competitor actions in response to severe industry cycles. Management will increase the depreciation/amortisation charge where useful lives or residual values are less than previously estimated, or it will write off or write down technically obsolete or non-strategic assets that have been abandoned or sold. Actual economic lives may differ from estimated useful lives. Periodic review could result in a change in depreciable/amortisable lives and hence depreciation/amortisation in future periods. Details of property, plant and equipment, right-of-use assets and intangible assets carried as assets in the consolidated statement of financial position are disclosed in notes 14, 16(b) and 17 to the financial statements, respectively.

## 3. Significant Accounting Judgements and Estimates (Continued)

### (i) Determination of the net realisable values of car parking spaces

Inventories are stated at 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.

### (j) 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 31(b) to the financial statements.

### (k) 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 are disclosed in note 31(a) to the financial statements.

## 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 consistent with the classification in prior years, expect that value-added services segment was further divided into two sub-segments, namely value-added services to non-residents and value-added services to residents, for presentation purpose, which in the opinion of the directors of the Company, would provide a more comprehensive disclosure for financial statement users. The reportable operating segments are described 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.

## 4. Operating Segment Information (Continued)

**(b)** the value-added services segment includes:

(i) the value-added services to non-residents sub-segment engages in the provision of 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. to non-residents (such as property developers and other property management companies).

(ii) the value-added services to residents sub-segment engages in the provision of 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.

### Basis of segment information

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.

During the year ended 31 December 2022, the geographical segment information was redefined for better reflection of the latest development of the Group's operations in the PRC, which is now divided into eight regions, namely Hua South Region, Hua East Region, Hua North Region, Hua Central Region, Northeast Region, Northwest Region, Southwest Region and Hong Kong and Macau. The geographical segment information for the year ended 31 December 2021 was restated accordingly to conform to the current year's presentation.

## 4. Operating Segment Information (Continued)

### Segment revenue and results

**Year ended 31 December 2022**

| | Property management services HK$'000 | Value-added services: *Non-residents HK$'000* | Value-added services: *Residents HK$'000* | Value-added services: Sub-total HK$'000 | Car parking space trading business HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|---|
| **Reportable segment revenue** | | | | | | |
| Revenue from external customers (note 5) | 9,448,530 | *2,111,284* | *880,088* | 2,991,372 | 249,066 | 12,688,968 |
| Inter-segment revenue | 84,353 | *371,080* | *143,147* | 514,227 | – | 598,580 |
| | 9,532,883 | *2,482,364* | *1,023,235* | 3,505,599 | 249,066 | 13,287,548 |
| *Reconciliation:* | | | | | | |
| Elimination of inter-segment revenue | | | | | | (598,580) |
| Reported total revenue | | | | | | 12,688,968 |
| **Reportable segment results** | 1,138,036 | *245,481* | *321,062* | 566,543 | 69,095 | 1,773,674 |
| *Reconciliation:* | | | | | | |
| Corporate expenses, net | | | | | | (95,332) |
| Profit before tax | | | | | | 1,678,342 |

| | Property management services HK$'000 | Value-added services: *Non-residents HK$'000* | Value-added services: *Residents HK$'000* | Value-added services: Sub-total HK$'000 | Car parking space trading business HK$'000 | Corporate and other unallocated HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|---|---|
| **Other segment information** | | | | | | | |
| Interest income | 73,892 | *153* | *254* | 407 | – | 14 | 74,313 |
| Loss on disposal of items of property, plant and equipment | 1,523 | – | – | – | – | – | 1,523 |
| Loss/(gain) on early termination of lease contracts, net | 93 | – | *(1,946)* | (1,946) | – | – | (1,853) |
| Impairment of financial assets, net | 50,538 | – | – | – | – | – | 50,538 |
| Depreciation and amortisation | 72,896 | *4,501* | *4,238* | 8,739 | – | 3,626 | 85,261 |
| Fair value loss of self-owned investment properties, net | – | – | *3,067* | 3,067 | – | – | 3,067 |
| Share of profit of a joint venture | 4,691 | – | – | – | – | – | 4,691 |
| Share of profit of an associate | 185 | – | – | – | – | – | 185 |

## 4. Operating Segment Information (Continued)

### Segment revenue and results (Continued)

**Year ended 31 December 2021**

| | Property management services HK$'000 | Value-added services *Non-residents* *HK$'000* | Value-added services *Residents* *HK$'000* | Value-added services Sub-total HK$'000 | Car parking space trading business HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|---|
| **Reportable segment revenue** | | | | | | |
| Revenue from external customers (note 5) | 6,610,858 | *1,789,403* | *811,020* | 2,600,423 | 230,754 | 9,442,035 |
| Inter-segment revenue | 81,179 | *228,078* | *60,362* | 288,440 | – | 369,619 |
| | 6,692,037 | *2,017,481* | *871,382* | 2,888,863 | 230,754 | 9,811,654 |
| *Reconciliation:* | | | | | | |
| Elimination of inter-segment revenue | | | | | | (369,619) |
| Reported total revenue | | | | | | 9,442,035 |
| **Reportable segment results** | 882,410 | *196,537* | *257,887* | 454,424 | 64,927 | 1,401,761 |
| *Reconciliation:* | | | | | | |
| Corporate expenses, net | | | | | | (84,027) |
| Profit before tax | | | | | | 1,317,734 |

| | Property management services HK$'000 | Value-added services *Non-residents* *HK$'000* | Value-added services *Residents* *HK$'000* | Value-added services Sub-total HK$'000 | Car parking space trading business HK$'000 | Corporate and other unallocated HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|---|---|
| **Other segment information** | | | | | | | |
| Interest income | 68,104 | *199* | *651* | 850 | – | 15 | 68,969 |
| Loss on disposal of items of property, plant and equipment | 644 | – | – | – | – | – | 644 |
| (Gain)/loss on early termination of lease contracts, net | (655) | – | *153* | 153 | – | – | (502) |
| Impairment of financial assets, net | 23,542 | – | – | – | – | – | 23,542 |
| Depreciation and amortisation | 56,257 | *3,453* | *2,635* | 6,088 | – | 4,260 | 66,605 |
| Fair value loss of self-owned investment properties, net | – | – | *1,902* | 1,902 | – | – | 1,902 |
| Share of profit of a joint venture | 1,455 | – | – | – | – | – | 1,455 |
| Share of profit of an associate | 191 | – | – | – | – | – | 191 |

# Notes to Financial Statements (Continued)
31 December 2022

## 4. Operating Segment Information (Continued)

### Geographical information

#### (a) Revenue from external customers

| | 2022 HK$'000 | 2021 HK$'000 (Restated) |
|---|---|---|
| Mainland China: | | |
| Hua South Region | **2,977,912** | 1,777,042 |
| Hua East Region | **1,846,796** | 1,634,374 |
| Hua North Region | **2,213,891** | 2,014,646 |
| Hua Central Region | **623,261** | 451,386 |
| Northeast Region | **742,875** | 605,115 |
| Northwest Region | **621,832** | 538,284 |
| Southwest Region | **1,182,870** | 1,176,590 |
| | **10,209,437** | 8,197,437 |
| Hong Kong and Macau | **2,479,531** | 1,244,598 |
| Total | **12,688,968** | 9,442,035 |

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

#### (b) Non-current assets

| | 2022 HK$'000 | 2021 HK$'000 (Restated) |
|---|---|---|
| Mainland China: | | |
| Hua South Region | **248,274** | 257,862 |
| Hua East Region | **97,450** | 80,643 |
| Hua North Region | **50,302** | 19,114 |
| Hua Central Region | **10,397** | 5,136 |
| Northeast Region | **6,943** | 6,672 |
| Northwest Region | **10,908** | 8,998 |
| Southwest Region | **77,602** | 43,651 |
| | **501,876** | 422,076 |
| Hong Kong and Macau | **35,639** | 22,946 |
| Total | **537,515** | 445,022 |

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

## 4. Operating Segment Information (Continued)

### Information about a major customer

During the year ended 31 December 2022, the Group earned revenue of HK$1,510,328,000 (2021: HK$1,019,731,000) 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 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 2022 and 2021.

## 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 to non-residents and residents and trading of car parking spaces) are recognised in the respective reportable operating segments (i.e., property management services, value-added services to non-residents and residents 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 2022**

| Segments | Property management services HK$'000 | Value-added services *Non-residents HK$'000* | Value-added services *Residents HK$'000* | Value-added services Sub-total HK$'000 | Car parking space trading business HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|---|
| Goods or services transferred at a point in time | — | *—* | *544,833* | 544,833 | 240,337 | 785,170 |
| Services transferred over time | 9,448,530 | *2,111,284* | *322,244* | 2,433,528 | — | 11,882,058 |
| Total revenue from contracts with customers | 9,448,530 | *2,111,284* | *867,077* | 2,978,361 | 240,337 | 12,667,228 |
| Revenue from another source — rental income | — | *—* | *13,011* | 13,011 | 8,729 | 21,740 |
| Total revenue from external customers | 9,448,530 | *2,111,284* | *880,088* | 2,991,372 | 249,066 | 12,688,968 |

## 5. Revenue (Continued)

### (a) Disaggregated revenue information (Continued)

***Timing of revenue recognition (Continued)***

Year ended 31 December 2021

| Segments | Property management services HK$'000 | Value-added services: *Non-residents HK$'000* | Value-added services: *Residents HK$'000* | Value-added services: Sub-total HK$'000 | Car parking space trading business HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|---|
| Goods or services transferred at a point in time | — | — | *527,371* | 527,371 | 227,899 | 755,270 |
| Services transferred over time | 6,610,858 | *1,789,403* | *279,948* | 2,069,351 | — | 8,680,209 |
| Total revenue from contracts with customers | 6,610,858 | *1,789,403* | *807,319* | 2,596,722 | 227,899 | 9,435,479 |
| Revenue from another source — rental income | — | — | *3,701* | 3,701 | 2,855 | 6,556 |
| Total revenue from external customers | 6,610,858 | *1,789,403* | *811,020* | 2,600,423 | 230,754 | 9,442,035 |

***Geographical market***

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

**(b)** 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:

| | **2022 HK$'000** | 2021 HK$'000 |
|---|---|---|
| Revenue recognised that was included in contract liabilities at the beginning of the reporting period: | | |
| Property management services | **783,932** | 562,864 |
| Value-added services | **99,483** | 25,268 |
| | **883,415** | 588,132 |

No revenue recognised during the year ended 31 December 2022 was in relation to performance obligations satisfied or partially satisfied in previous periods (2021: Nil)

## 5. Revenue (Continued)

### (c) 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, 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.

***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 and at which time the payment is due immediately.

At 31 December 2022, the amount of transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied), resulting from property management service contracts with fixed terms, is HK$9,955,224,000 (2021: HK$7,178,870,000), of which approximately 45% (2021: 39%) 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 service 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 service contracts, of which the contract period is not more than one year.

# Notes to Financial Statements (Continued)

31 December 2022

## 6. Other Income and Gains, Net

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

| | 2022<br>HK$'000 | 2021<br>HK$'000 |
|---|---|---|
| Unconditional government grants: | | |
| — Government subsidies relating to covid-19 pandemic | **2,087** | 3,288 |
| — Government subsidies arising from value-added and other tax beneficial policies | **55,477** | 44,445 |
| — Other government grants | **31,903** | 15,427 |
| | **89,467** | 63,160 |
| Interest income | **74,313** | 68,969 |
| Gain on early termination of lease contracts, net | **1,853** | 502 |
| Foreign exchange gain, net | **20,690** | — |
| Others | **(41)** | (791) |
| | **186,282** | 131,840 |

## 7. Finance Costs

| | 2022<br>HK$'000 | 2021<br>HK$'000 |
|---|---|---|
| Interest expenses on lease liabilities (note 16(b)) | **5,526** | 3,044 |
| Interest charges on short-term bank borrowings | **8,475** | 191 |
| | **14,001** | 3,235 |

## 8. Profit before Tax

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

| | Notes | 2022 HK$'000 | 2021 HK$'000 |
|---|---|---|---|
| Cost of inventories sold* | | **136,548** | 121,155 |
| Cost of consumables consumed* | | **743,806** | 663,349 |
| Sub-contracting costs* | | **2,822,854** | 1,769,366 |
| Depreciation of property, plant and equipment | 14 | **36,569** | 24,412 |
| Less: Included in direct operating expenses | | **(20,806)** | (7,694) |
| | | **15,763** | 16,718 |
| Depreciation of right-of-use assets | 16(b) | **40,538** | 35,397 |
| Less: Included in direct operating expenses | | **(29,288)** | (24,880) |
| | | **11,250** | 10,517 |
| Amortisation of intangible assets (included in selling and administrative expenses) | 17 | **8,154** | 6,796 |
| Employee benefit expense (including directors' and chief executive's remuneration (note 9)): | | | |
| Wages and salaries (note (a)) | | **5,916,430** | 4,327,025 |
| Share-based payments (note (b)) | 33 | **6,300** | 8,048 |
| Pension scheme contributions (defined contribution schemes) (note (c)) | | **391,594** | 289,924 |
| | | **6,314,324** | 4,624,997 |
| Less: Included in direct operating expenses | | **(5,953,428)** | (4,314,205) |
| | | **360,896** | 310,792 |
| Rental expenses relating to short-term leases or low-value assets | 16(b) | **30,442** | 21,705 |
| Direct operating expenses arising from rental-earning investment properties (including repairs and maintenance) | | **8,972** | 147 |
| Tax surcharges and other levies* | | **55,458** | 42,191 |
| Auditor's remuneration: | | | |
| Audit services in respect of annual audit | | **3,494** | 3,110 |
| Non-audit services | | **264** | 240 |
| | | **3,758** | 3,350 |

## Notes to Financial Statements (Continued)

31 December 2022

## 8. Profit before Tax (Continued)

| | Notes | 2022<br>HK$'000 | 2021<br>HK$'000 |
|---|---|---|---|
| Impairment/(reversal of impairment) of financial assets, net: | | | |
| Trade and retention receivables | 21(c) | **38,470** | 29,840 |
| Other receivables | 22(b) | **12,068** | (6,298) |
| | | **50,538** | 23,542 |
| Fair value loss of investment properties, net: | | | |
| Self-owned investment properties | 15 | **3,067** | 1,902 |
| Leased investment properties* | 15 | **1,784** | — |
| | | **4,851** | 1,902 |
| Loss on disposal of items of property, plant and equipment, net | | **1,523** | 644 |
| Foreign exchange (gain)/loss, net | | **(20,690)** | 3,027# |

Notes:

(a) In 2022, there were receipts of government grants under covid-19 amounting to HK$12,177,000 (2021: HK$7,360,000) from the Hong Kong Government, which were offset against wages and salaries.

(b) During the year ended 31 December 2022, share-based payments to certain directors, senior management and other employees amounting to HK$6,300,000 (2021: HK$8,048,000) were recognised in profit or loss, with a corresponding credit to equity.

(c) There are no forfeited contributions that may be used by the Group as the employer to reduce the existing level of contributions.

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

\# Included in "Selling and administrative expenses" in the consolidated statement of profit or loss for the year ended 31 December 2021.

## 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:

| | 2022<br>HK$'000 | 2021<br>HK$'000 |
|---|---|---|
| Fees | 1,200 | 1,200 |
| Other emoluments: | | |
| Salaries, allowances and benefits in kind | 7,550 | 7,756 |
| Performance related bonuses | 11,964 | 13,833 |
| Pension scheme contributions | 378 | 1,605 |
| | 19,892 | 23,194 |
| | 21,092 | 24,394 |

## 9. Directors' Remuneration (Continued)

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

**Year ended 31 December 2022**

| | 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 | — | 2,660 | 4,493 | 196 | 7,349 |
| Dr. Yang Ou* | — | 1,605 | 4,250 | 84 | 5,939 |
| Mr. Pang Jinying | — | 1,271 | 2,475 | 80 | 3,826 |
| Mr. Kam Yuk Fai | — | 2,014 | 746 | 18 | 2,778 |
| **Non-executive directors:** | | | | | |
| Mr. Ma Fujun | — | — | — | — | — |
| Mr. Guo Lei | — | — | — | — | — |
| **Independent non-executive directors:** | | | | | |
| Mr. Lim Wan Fung, Bernard Vincent | 400 | — | — | — | 400 |
| Mr. Yung Wing Ki, Samuel | 400 | — | — | — | 400 |
| Mr. So, Gregory Kam Leung | 400 | — | — | — | 400 |
| | 1,200 | 7,550 | 11,964 | 378 | 21,092 |

* On 20 February 2023, Dr. Yang Ou resigned as executive director and the Chief Executive Officer of the Company and Mr. Xiao Junqiang was appointed as executive director and the Chief Executive Officer of the Company on the same date.

## 9. Directors' Remuneration (Continued)

Year ended 31 December 2021

| | 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 | — | 2,641 | 4,931 | 596 | 8,168 |
| Dr. Yang Ou | — | 1,723 | 5,159 | 595 | 7,477 |
| Mr. Pang Jinying | — | 1,421 | 2,997 | 396 | 4,814 |
| Mr. Kam Yuk Fai | — | 1,971 | 746 | 18 | 2,735 |
| **Non-executive directors:** | | | | | |
| Mr. Ma Fujun# | — | — | — | — | — |
| Mr. Guo Lei# | — | — | — | — | — |
| **Independent non-executive directors:** | | | | | |
| Mr. Lim Wan Fung, Bernard Vincent | 400 | — | — | — | 400 |
| Mr. Yung Wing Ki, Samuel | 400 | — | — | — | 400 |
| Mr. So, Gregory Kam Leung | 400 | — | — | — | 400 |
| | 1,200 | 7,756 | 13,833 | 1,605 | 24,394 |

\# On 23 August 2021, Mr. Ma Fujun and Mr. Guo Lei were appointed as non-executive directors of the Company.

Notes:

(a) 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 whose shares 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 33 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.

(b) 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.

(c) During each of the years ended 31 December 2022 and 2021, 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.

## 10. Five Highest Paid Employees

The five highest paid employees during the year included three (2021: three) directors, details of whose remuneration are set out in note 9 above. Details of the remuneration for the year of the two (2021: two) non-director highest paid employees are as follows:

| | 2022<br>HK$'000 | 2021<br>HK$'000 |
|---|---|---|
| Salaries, allowances and benefits in kind (note (b)) | 3,444 | 3,584 |
| Performance related bonuses | 4,407 | 5,020 |
| Pension scheme contributions | 181 | 388 |
| | 8,032 | 8,992 |

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

| | 2022 | 2021 |
|---|---|---|
| HK$3,000,001 to HK$3,500,000 | 1 | — |
| HK$3,500,001 to HK$4,000,000 | — | 1 |
| HK$4,500,001 to HK$5,000,000 | 1 | — |
| HK$5,000,001 to HK$5,500,000 | — | 1 |
| | 2 | 2 |

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 2022 and 2021.

(b) 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 33 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 non-director highest paid employees' remuneration disclosures.

## 11. Income Tax Expenses

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

| | 2022 HK$'000 | 2021 HK$'000 |
|---|---|---|
| Current: | | |
| Hong Kong | **15,377** | 3,221 |
| Macau | **251** | 311 |
| Mainland China | **366,433** | 315,455 |
| The PRC withholding income tax | **21,570** | 16,949 |
| | **403,631** | 335,936 |
| Deferred (note 31) | **(5,968)** | (4,849) |
| | **397,663** | 331,087 |

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:

| | 2022 % | 2021 % |
|---|---|---|
| Mainland China* | **25** | 25 |
| Hong Kong | **16.5** | 16.5 |
| Macau | **12** | 12 |

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

The PRC withholding income 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% (2021: 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 profits 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 this arrangement, the enterprise income tax provision of the Group is affected by the assessable profits 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 profits at the applicable tax rates of the PM Branches on a lump sum basis and the commission income.

## 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 rate is as follows:

| | **2022 HK$'000** | 2021 HK$'000 |
|---|---|---|
| Profit before tax | **1,678,342** | 1,317,734 |
| Income tax expenses at the PRC statutory tax rate of 25% | **419,586** | 329,434 |
| Lower tax rates for specific provinces | **(37,095)** | (30,197) |
| Effect of withholding tax at 5% on the dividend declared by a PRC subsidiary | **21,570** | 16,949 |
| Effect of different tax rates applicable to subsidiaries operating in Hong Kong and Macau | **(8,427)** | (2,081) |
| Profit attributable to a joint venture | **(1,173)** | (364) |
| Profit attributable to an associate | **(46)** | (48) |
| Income not subject to tax | **(8,838)** | (2,165) |
| Expenses not deductible for tax | **4,070** | 3,612 |
| Recognition of deductible temporary differences previously not recognised | **—** | (1,647) |
| Tax losses not recognised | **11,465** | 18,743 |
| Utilisation/recognition of tax losses previously not recognised | **(4,634)** | (1,030) |
| Others | **1,185** | (119) |
| Income tax expenses for the year at the effective tax rate of 24% (2021: 25%) | **397,663** | 331,087 |

## 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$1,273,146,000 (2021: HK$983,872,000), and the weighted average number of ordinary shares of 3,286,860,460 (2021: 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 2022 and 2021 for a dilution as the Group had no dilutive potential ordinary shares in issue during these years.

## 13. Dividends

The dividends paid in 2022 and 2021 were HK$328,686,000 and HK$236,654,000, respectively. A final dividend of HK8.0 cents per share, amounting to a total dividend of HK$262,949,000, in respect of the year ended 31 December 2022 is proposed which is subject to the approval of the Company's shareholders at the forthcoming annual general meeting on 20 June 2023. The financial statements do not reflect this proposed final dividend.

| | Dividends declared/ proposed | Dividends paid and recorded in the financial statements | |
|---|---|---|---|
| | | 2022 | 2021 |
| | HK$'000 | HK$'000 | HK$'000 |
| **2020** | | | |
| Final dividend of HK4.2 cents per ordinary share | 138,048 | | 138,048 |
| **2021** | | | |
| Interim dividend of HK3.0 cents per ordinary share | 98,606 | | 98,606 |
| Final dividend of HK6.0 cents per ordinary share | 197,212 | **197,212** | |
| Total | 295,818 | | |
| **2022** | | | |
| Interim dividend of HK4.0 cents per ordinary share | 131,474 | **131,474** | |
| Final dividend of HK8.0 cents per ordinary share | 262,949 | | |
| Total | 394,423 | **328,686** | 236,654 |

# Notes to Financial Statements (Continued)

31 December 2022

## 14. Property, Plant and Equipment

### 31 December 2022

| | 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 2022:** | | | | | |
| Cost | 37,870 | 30,150 | 28,441 | 149,386 | 245,847 |
| Accumulated depreciation | (8,417) | (14,404) | (23,146) | (88,471) | (134,438) |
| Net carrying amount | 29,453 | 15,746 | 5,295 | 60,915 | 111,409 |
| **Net carrying amount:** | | | | | |
| At 1 January 2022 | 29,453 | 15,746 | 5,295 | 60,915 | 111,409 |
| Acquisition of a subsidiary (note 35) | 390 | 8 | 185 | 245 | 828 |
| Additions | 11,473 | 10,968 | 4,676 | 22,312 | 49,429 |
| Depreciation provided during the year | (8,744) | (6,028) | (1,742) | (20,055) | (36,569) |
| Transfer to investment properties (note 15) | (1,010) | — | — | — | (1,010) |
| Disposals | (6) | (548) | (359) | (969) | (1,882) |
| Exchange realignment | (2,256) | (1,321) | (422) | (4,162) | (8,161) |
| At 31 December 2022 | 29,300 | 18,825 | 7,633 | 58,286 | 114,044 |
| **At 31 December 2022:** | | | | | |
| Cost | 44,589 | 36,466 | 29,280 | 155,344 | 265,679 |
| Accumulated depreciation | (15,289) | (17,641) | (21,647) | (97,058) | (151,635) |
| Net carrying amount | 29,300 | 18,825 | 7,633 | 58,286 | 114,044 |

## 14. Property, Plant and Equipment (Continued)

**31 December 2021**

| | 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 2021:** | | | | | |
| 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 |
| **Net carrying amount:** | | | | | |
| At 1 January 2021 | 12,296 | 9,757 | 6,126 | 40,232 | 68,411 |
| Additions | 18,882 | 10,754 | 2,024 | 34,469 | 66,129 |
| Depreciation provided during the year | (2,433) | (4,781) | (2,846) | (14,352) | (24,412) |
| Disposals | (68) | (463) | (191) | (1,124) | (1,846) |
| Exchange realignment | 776 | 479 | 182 | 1,690 | 3,127 |
| At 31 December 2021 | 29,453 | 15,746 | 5,295 | 60,915 | 111,409 |
| **At 31 December 2021:** | | | | | |
| Cost | 37,870 | 30,150 | 28,441 | 149,386 | 245,847 |
| Accumulated depreciation | (8,417) | (14,404) | (23,146) | (88,471) | (134,438) |
| Net carrying amount | 29,453 | 15,746 | 5,295 | 60,915 | 111,409 |

## 15. Investment Properties

| | Leased investment properties HK$'000 (note(c)) | Self-owned investment properties HK$'000 | Total HK$'000 |
|---|---|---|---|
| Carrying amount as at 1 January 2021 | — | 162,559 | 162,559 |
| Additions | — | 37 | 37 |
| Fair value loss recognised during the year, net | — | (1,902) | (1,902) |
| Exchange realignment | — | 6,375 | 6,375 |
| Carrying amount as at 31 December 2021 and 1 January 2022 | **—** | **167,069** | **167,069** |
| Additions (note (c)) | **59,177** | **—** | **59,177** |
| Transfer from property, plant and equipment and right-of-use assets (notes 14 and 16(b)) | **—** | **2,019** | **2,019** |
| Fair value loss recognised during the year, net | **(1,784)*** | **(3,067)** | **(4,851)** |
| Exchange realignment | **(1,370)** | **(12,885)** | **(14,255)** |
| Carrying amount as at 31 December 2022 | **56,023** | **153,136** | **209,159** |

* The item is included in "Direct operating expenses" in the consolidated statement of profit or loss, which represented the fair value loss of leased investment properties held for subleasing purpose.

Notes:

(a) The Group's investment properties consist of self-owned offices, retail stores, a swimming pool, a club house, a residential property, car parking spaces and certain right-of-use assets of leased commercial and industrial properties, which are all located in Mainland China. These properties are mainly leased to third parties under operating leases, further summary details of which are included in note 16(a) to the financial statements.

(b) The Group's investment properties were revalued on 31 December 2022 based on valuations performed by CHFT Advisory and Appraisal Limited (2021: CHFT Advisory and Appraisal Limited), independent professionally qualified valuers, at RMB184,060,000 (equivalent to HK$209,159,000) 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.

## 15. Investment Properties (Continued)

Notes: (Continued)

(b) (continued)

### Fair value hierarchy disclosure

At 31 December 2022, 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 2022 and 2021, there was no transfer into or out of Level 3.

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 2022 | Range of input 2021 |
|---|---|---|---|---|
| Offices | Investment approach | Prevailing market rents | **RMB44-129 per square metre per month** | RMB37-120 per square metre per month |
| | | Reversionary yield | **4.25%–4.75%** | 4.5%–5% |
| Retail stores, a swimming pool and club house | Investment approach | Prevailing market rents | **RMB38-307 per square metre per month** | RMB13-440 per square metre per month |
| | | Reversionary yield | **2.75%–6.5%** | 3%–6.5% |
| Car parking spaces | Direct comparison | Unit price | **RMB105,000-862,000 per car parking space** | RMB80,000-830,000 per car parking space |
| Residential property | Investment approach | Prevailing market rents | **RMB46-52 per square metre per month** | RMB43-53 per square metre per month |
| | | Reversionary yield | **1.5%** | 1.6% |
| Leased properties | Discounted cashflow approach | Prevailing market rents | **RMB45-360 per square metre per month** | N/A |
| | | Market rent growth | **1.0%-2.0%** | N/A |

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. The discounted cashflow approach method is based on projected rental incomes and converts such rental income to present value by appropriate discount rates. 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.

## 15. Investment Properties (Continued)

Notes: (Continued)

(b) (continued)

### Fair value hierarchy disclosure (Continued)

A significant increase (decrease) in the prevailing market rent of investment properties 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.

(c) Included in the additions of leased investment properties during the year ended 31 December 2022 is a property in Chengdu, China which is leased from an indirect wholly-owned subsidiary of CSCEC for a period of 9 years, with a capitalised present value of total lease payments of RMB31.9 million (equivalent to approximately HK$37.2 million). The transaction constitutes 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 28 April 2022.

The property is a right-of-use asset and is mainly subleased out to third parties to earn rental income. Accordingly, it was accounted for as an investment property in these financial statements.

## 16. Leases

### (a) The 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$21,740,000 (2021: HK$6,556,000), details of which are included in note 5 to the financial statements.

At 31 December 2022, the undiscounted lease payments receivable by the Group in future periods under non-cancellable operating leases with its customers are as follows:

| | **2022**<br>**HK$'000** | 2021<br>HK$'000 |
|---|---|---|
| Within one year | **13,420** | 8,408 |
| After one year but within two years | **10,473** | 5,327 |
| After two years but within three years | **4,092** | 2,887 |
| After three years but within four years | **558** | 1,141 |
| After four years but within five years | **62** | 579 |
| Total | **28,605** | 18,342 |

## 16. Leases (Continued)

### (b) The 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 upfront 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.

***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 HK$'000 | Buildings HK$'000 | Total HK$'000 |
|---|---|---|---|
| At 1 January 2021 | 8,407 | 63,610 | 72,017 |
| Additions | — | 70,733 | 70,733 |
| Early termination of lease contracts | — | (28,843) | (28,843) |
| Depreciation provided during the year | (642) | (34,755) | (35,397) |
| Exchange realignment | 321 | 2,009 | 2,330 |
| At 31 December 2021 and 1 January 2022 | **8,086** | **72,754** | **80,840** |
| Acquisition of a subsidiary (note 35) | **—** | **230** | **230** |
| Additions (note (i)) | **—** | **52,886** | **52,886** |
| Transfer to investment properties (note 15) | **(1,009)** | **—** | **(1,009)** |
| Early termination of lease contracts | **—** | **(4,250)** | **(4,250)** |
| Depreciation provided during the year | **(559)** | **(39,979)** | **(40,538)** |
| Exchange realignment | **(588)** | **(4,451)** | **(5,039)** |
| At 31 December 2022 | **5,930** | **77,190** | **83,120** |

Note:

(i) During the year ended 31 December 2022, the Group entered into a licence agreement with COHL for the right to use and occupy a property in Hong Kong for a period of 5 years, with a capitalised present value of total lease payments of approximately HK$13,025,000, which is included as one of the additions to right-of-use assets of buildings during the current year. The transaction constitutes 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 28 April 2022.

## 16. Leases (Continued)

### (b) The Group as a lessee (Continued)

***Lease liabilities***

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

| | 2022<br>HK$'000 | 2021<br>HK$'000 |
|---|---|---|
| Carrying amount as at 1 January | **74,084** | 63,406 |
| Acquisition of a subsidiary (note 35) | **233** | — |
| New leases | **112,063** | 70,075 |
| Accretion of interest recognised during the year | **5,526** | 3,044 |
| Payments | **(41,425)** | (34,148) |
| Early termination of lease contracts | **(6,103)** | (29,345) |
| Exchange realignment | **(6,011)** | 1,052 |
| Carrying amount as at 31 December | **138,367** | 74,084 |
| Portion classified as current liabilities | **(53,678)** | (41,245) |
| Non-current portion | **84,689** | 32,839 |

***Other lease information***

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

| | Notes | 2022<br>HK$'000 | 2021<br>HK$'000 |
|---|---|---|---|
| Interest on lease liabilities | 7 | **5,526** | 3,044 |
| Depreciation of right-of-use assets | 8 | **40,538** | 35,397 |
| Fair value loss of leased investment properties included in direct operating expenses | 8 | **1,784** | — |
| Rental expenses relating to short-term leases or low-value assets | 8 | **30,442** | 21,705 |
| Gain on early termination of lease contracts, net | 6 | **(1,853)** | (502) |
| Total amount recognised in profit or loss | | **76,437** | 59,644 |

The total cash outflow for leases is disclosed in note 36(b) to the financial statements.

## 17. Intangible Assets

| | Computer software | |
|---|---|---|
| | **2022** | 2021 |
| | **HK$'000** | HK$'000 |
| At 1 January: | | |
| Cost | **80,118** | 34,181 |
| Accumulated amortisation | **(20,674)** | (13,233) |
| Net carrying amount | **59,444** | 20,948 |
| Net carrying amount: | | |
| At 1 January | **59,444** | 20,948 |
| Acquisition of a subsidiary (note 35) | **29** | — |
| Additions | **69,564** | 43,827 |
| Amortisation provided during the year | **(8,154)** | (6,796) |
| Exchange realignment | **(6,059)** | 1,465 |
| At 31 December | **114,824** | 59,444 |
| At 31 December: | | |
| Cost | **141,860** | 80,118 |
| Accumulated amortisation | **(27,036)** | (20,674) |
| Net carrying amount | **114,824** | 59,444 |

# Notes to Financial Statements (Continued)
31 December 2022

## 18. Investment in a Joint Venture

| | 2022 HK$'000 | 2021 HK$'000 |
|---|---|---|
| Share of net assets | **9,561** | 5,399 |

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

| Company name | Registered capital | Place of registration/ operation | Proportion of 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/ Mainland China | 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

| | 2022 HK$'000 | 2021 HK$'000 |
|---|---|---|
| Share of net assets | **329** | 144 |

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

| Company name | Share capital | Place of registration/ operation | Proportion of 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

| | 2022<br>HK$'000 | 2021<br>HK$'000 |
|---|---|---|
| Car parking spaces (notes (a) and (b)) | **967,327** | 934,282 |
| Others | **3,481** | 1,013 |
| | **970,808** | 935,295 |

Notes:

(a) The car parking spaces are all located in Mainland China and are held for trading.

(b) During the year, the Group entered into agreements with COLI (a fellow subsidiary of the Company) and its subsidiaries and China Overseas Grand Oceans Group Limited ("COGO", an accociate of COLI and a related company of the Company) and its subsidiaries for the purchase of right-of-use of certain car parking spaces at total contract amounts of HK$60,727,000 (2021: HK$454,549,000) and HK$60,717,000 (2021: HK$101,459,000), inclusive of value-added tax, respectively, which constitute continuing connected transactions as defined in Chapter 14A of the Listing Rules.

## 21. Trade and Retention Receivables

| | Notes | 2022<br>HK$'000 | 2021<br>HK$'000 |
|---|---|---|---|
| Trade receivables | (a) | **2,272,373** | 1,506,562 |
| Retention receivables | (b) | **18,259** | 18,329 |
| Total trade and retention receivables | | **2,290,632** | 1,524,891 |
| Less: Impairment | (c) | **(151,635)** | (137,428) |
| | | **2,138,997** | 1,387,463 |

Notes:

(a) Trade receivables are non-interest bearing and arise from the provision of property management services from properties managed under lump sum basis, value-added services and car parking space trading business. 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. Service income for the provision of repairs and maintenance, automation and other equipment upgrade services is received in accordance with the terms of the relevant contract agreements, normally within 60 days from the issuance of payment requests. Other value-added 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 purchases agreement.

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

## 21. Trade and Retention Receivables (Continued)

Notes: (Continued)

(a) (Continued)

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

| | **2022**<br>**HK$'000** | 2021<br>HK$'000 |
|---|---|---|
| Within 1 month | **828,119** | 452,399 |
| 1 to 3 months | **527,153** | 350,666 |
| 3 to 12 months | **590,320** | 419,642 |
| 1 to 2 years | **165,353** | 113,209 |
| Over 2 years | **161,428** | 170,646 |
| | **2,272,373** | 1,506,562 |

(b) Details of retention receivables are as follows:

| | **31 December 2022**<br>**HK$'000** | 31 December 2021<br>HK$'000 | 1 January 2021<br>HK$'000 |
|---|---|---|---|
| Retention receivables arising from the provision of value-added services | **18,259** | 18,329 | 40,256 |

Retention receivables related to revenue earned from the provision of construction of intelligent engineering 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. The decrease in the balance of retention receivables as at 31 December 2021 when compared to that of 31 January 2021 was due to settlement by customers during the year ended 31 December 2021.

There was no recent history of default and past due amounts. At 31 December 2022 and 2021, the loss allowance was assessed to be minimal.

## 21. Trade and Retention Receivables (Continued)

Notes: (Continued)

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

| | 2022<br>HK$'000 | 2021<br>HK$'000 |
|---|---|---|
| At 1 January | **137,428** | 103,137 |
| Impairment recognised during the year, net | **38,470** | 29,840 |
| Written-off | **(13,186)** | — |
| Exchange realignment | **(11,077)** | 4,451 |
| At 31 December | **151,635** | 137,428 |

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.

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<br>HK$'000 | 1–2 years<br>HK$'000 | Over 2 years<br>HK$'000 | Total<br>HK$'000 |
|---|---|---|---|---|
| **At 31 December 2022** | | | | |
| Expected loss rate | **1%** | **14%** | **71%** | **7%** |
| Gross carrying amount | **1,952,103** | **173,636** | **164,893** | **2,290,632** |
| Expected credit losses | **10,713** | **24,095** | **116,827** | **151,635** |
| **At 31 December 2021** | | | | |
| Expected loss rate | 1% | 10% | 70% | 9% |
| Gross carrying amount | 1,234,700 | 117,231 | 172,960 | 1,524,891 |
| Expected credit losses | 5,451 | 11,678 | 120,299 | 137,428 |

## 22. Prepayments, Deposits and Other Receivables

| | 2022 HK$'000 | 2021 HK$'000 |
|---|---|---|
| Prepayments | **328,013** | 223,736 |
| Deposits | **104,872** | 81,205 |
| Payments on behalf of property owners for properties managed on a commission basis, net of provision for expected credit losses (note (a)) | **76,928** | 67,702 |
| Payments on behalf of property owners for properties managed on a lump sum basis, sub-contractors and staff | **340,585** | 149,194 |
| Other receivables | **130,918** | 99,770 |
| Total prepayments, deposits and other receivables | **981,316** | 621,607 |
| Portion classified as current assets | **(964,948)** | (595,347) |
| Non-current portion | **16,368** | 26,260 |

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.

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:

| | 2022 HK$'000 | 2021 HK$'000 |
|---|---|---|
| Gross payments on behalf of property owners for properties managed on a commission basis | **161,430** | 146,670 |
| Less: Impairment (note (b)) | **(84,502)** | (78,968) |
| | **76,928** | 67,702 |

## 22. Prepayments, Deposits and Other Receivables (Continued)

Notes: (Continued)

(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:

| | 2022<br>HK$'000 | 2021<br>HK$'000 |
|---|---|---|
| At 1 January | **78,968** | 82,137 |
| Impairment/(reversal of impairment) recognised during the year, net | **12,068** | (6,298) |
| Written-off | **(148)** | — |
| Exchange realignment | **(6,386)** | 3,129 |
| At 31 December | **84,502** | 78,968 |

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 2022 and 2021, the loss allowance was assessed to be minimal.

## 23. Balances Due from Related Parties

| | Notes | 2022 HK$'000 | 2021 HK$'000 |
|---|---|---|---|
| **Balance due from the immediate holding company** | | | |
| Trade nature | (a) | **2,170** | 408 |
| **Balances due from fellow subsidiaries** | | | |
| Trade nature | (a) | **486,491** | 338,744 |
| Prepayments | (c) | **73,033** | 77,774 |
| | | **559,524** | 416,518 |
| **Balances due from other related companies (including joint ventures and associates of fellow subsidiaries)** | | | |
| Portion classified as current assets: | | | |
| Trade nature | (a) | **114,312** | 81,140 |
| Non-trade nature | (b) | **85,257** | — |
| Prepayments | (c) | **207** | 33,779 |
| | | **199,776** | 114,919 |
| Portion classified as non-current assets: | | | |
| Non-trade nature | (b) | **—** | 92,397 |
| | | **199,776** | 207,316 |
| Total balances due from related parties | | **761,470** | 624,242 |

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:

| | 2022 HK$'000 | 2021 HK$'000 |
|---|---|---|
| **Balance due from the immediate holding company** | | |
| Within 1 month | **177** | 29 |
| 1 to 3 months | **777** | 71 |
| Over 3 months | **1,216** | 308 |
| | **2,170** | 408 |

## 23. Balances Due from Related Parties (Continued)

Notes: (Continued)

(a) (continued)

| | 2022 HK$'000 | 2021 HK$'000 |
|---|---|---|
| **Balances due from fellow subsidiaries** | | |
| Within 1 month | **206,325** | 118,773 |
| 1 to 3 months | **81,549** | 64,064 |
| 3 to 12 months | **113,039** | 116,881 |
| 1 to 2 years | **70,398** | 22,487 |
| Over 2 years | **15,180** | 16,539 |
| | **486,491** | 338,744 |
| **Balances due from other related companies** | | |
| Within 1 month | **57,008** | 30,537 |
| 1 to 3 months | **16,438** | 15,500 |
| 3 to 12 months | **30,567** | 27,821 |
| 1 to 2 years | **7,519** | 4,518 |
| Over 2 years | **2,780** | 2,764 |
| | **114,312** | 81,140 |

The trade nature receivables from the immediate holding company, fellow subsidiaries and other related companies mainly represented property management service income from properties managed on a lump sum basis and value-added service income 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 these 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 2022 (2021: Nil).

(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. 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. Interest received and receivable from this related company in connection with this loan for the year ended 31 December 2022 amounted to HK$3,914,000 (2021: HK$4,070,000).

There was no recent history of default and past due amounts. At 31 December 2022 and 2021, the loss allowance was assessed to be minimal.

(c) Prepayments to fellow subsidiaries as at 31 December 2022 included down payments of HK$72,373,000 for material procurement and supply chain management services (2021: down payments of HK$40,257,000 and HK$34,466,000 for the purchase of right-of-use of car parking spaces and for material procurement and supply chain management services, respectively). Prepayments to other related companies as at 31 December 2021 included down payments of HK$33,207,000 for the purchase of right-of-use of car parking spaces.

During the year ended 31 December 2022, the Group committed with fellow subsidiaries for material procurement and supply chain management services at a total lump sum amount of HK$38,590,000, inclusive of value-added taxes, which constitute continuing connected transactions as defined in Chapter 14A of the Listing Rules.

## 24. Cash and Bank Balances

| | 2022<br>HK$'000 | 2021<br>HK$'000 |
|---|---|---|
| Cash and bank balances other than time deposits | **2,747,938** | 3,298,152 |
| Time deposits | **1,943,182** | 985,222 |
| Cash and bank balances | **4,691,120** | 4,283,374 |

Notes:

(a) At 31 December 2022, the cash and bank balances of the Group denominated in RMB amounted to HK$4,538,780,000 (2021: HK$4,144,316,000). 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 of more than three months, and earn interest at short term time deposit rates ranging from 1.50% to 4.10% (2021: 3.10% to 4.10%) per annum. The bank balances and time deposits are deposited with creditworthy banks with no recent history of default. In the opinion of the directors, the carrying amounts of such deposits approximate to their fair value as at 31 December 2022.

## 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:

| | 2022<br>HK$'000 | 2021<br>HK$'000 |
|---|---|---|
| Within 1 month | **594,018** | 222,592 |
| 1 to 3 months | **273,890** | 156,623 |
| 3 months to 12 months | **413,763** | 184,859 |
| 1 to 2 years | **136,124** | 130,616 |
| Over 2 years | **99,156** | 81,796 |
| | **1,516,951** | 776,486 |

## 26. Other Payables and Accruals

| | 2022 HK$'000 | 2021 HK$'000 |
|---|---|---|
| Special funds (note) | **100,390** | 108,004 |
| Accrued staff costs | **811,206** | 765,062 |
| Payables for value-added tax and other levies | **82,830** | 46,107 |
| Other payables | **292,706** | 183,990 |
| | **1,287,132** | 1,103,163 |

Note: Amount mainly represents the special maintenance funds held on custody of property owners for future settlement of construction costs for certain properties managed by the Group.

## 27. Temporary Receipts from Properties Managed

| | 2022 HK$'000 | 2021 HK$'000 |
|---|---|---|
| Temporary receipts from properties managed: | | |
| — on a commission basis | **904,777** | 939,560 |
| — on a lump sum basis | **566,642** | 603,666 |
| | **1,471,419** | 1,543,226 |

## 28. Receipts in Advance and Other Deposits

| | Notes | 2022 HK$'000 | 2021 HK$'000 |
|---|---|---|---|
| Contract liabilities — Receipts in advance | (a) | **1,146,180** | 1,064,366 |
| Various deposits received | (b) | **481,332** | 436,437 |
| | | **1,627,512** | 1,500,803 |

Notes:

(a) Details of contract liabilities are as follows:

| | 31 December 2022 HK$'000 | 31 December 2021 HK$'000 | 1 January 2021 HK$'000 |
|---|---|---|---|
| Receipts in advance from customers | **1,146,180** | 1,064,366 | 598,097 |

Except for those classified as balances due to fellow subsidiaries and related companies as set out in note 29 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 increase in contract liabilities in 2022 and 2021 was mainly due to increase in the number of property management projects.

(b) Various deposits received mainly represent security, tender and quality guarantee deposits held by the Group.

# Notes to Financial Statements (Continued)

31 December 2022

## 29. Balances Due to Related Parties

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

| | 2022<br>HK$'000 | 2021<br>HK$'000 |
|---|---|---|
| **Balance due to the immediate holding company** | | |
| **— trade nature** | | |
| Within 1 month | — | 1,084 |
| **Balances due to fellow subsidiaries** | | |
| **— trade nature** | | |
| Within 1 month | 4,531 | 1,003 |
| 1 to 3 months | 614 | 897 |
| 3 to 12 months | 27,429 | 754 |
| 1 to 2 years | 669 | 1,877 |
| Over 2 years | 1,974 | 550 |
| | 35,217 | 5,081 |
| **— receipts in advance (note)** | 5,467 | 6,238 |
| | 40,684 | 11,319 |
| **Balances due to other related companies (including joint ventures and associates of fellow subsidiaries)** | | |
| **— trade nature** | | |
| Within 1 month | 369 | 715 |
| 1 to 3 months | 7,800 | 874 |
| 3 to 12 months | 23,914 | 152 |
| 1 to 2 years | 576 | 2 |
| Over 2 years | 216 | 232 |
| | 32,875 | 1,975 |
| **— receipts in advance (note)** | 10,012 | 10,559 |
| | 42,887 | 12,534 |
| Total balances due to related parties | 83,571 | 24,937 |

## 29. Balances Due to Related Parties (Continued)

Note: Details of contract liabilities included in balances due to related parties are as follows:

| | 31 December 2022 HK$'000 | 31 December 2021 HK$'000 | 1 January 2021 HK$'000 |
|---|---|---|---|
| Receipts in advance from | | | |
| — fellow subsidiaries | **5,467** | 6,238 | 11,863 |
| — other related companies | **10,012** | 10,559 | 13,784 |
| | **15,479** | 16,797 | 25,647 |

These balances are contract liabilities arising from the provision of property management services and value-added services to fellow subsidiaries and other 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 decrease in contract liabilities of balances due to fellow subsidiaries and other related companies in 2022 is mainly attributable to the decrease in balances relating to value-added services as at year ended 31 December 2022.

Revenue from property management services of HK$5,507,000 (2021: HK$10,992,000) and HK$8,029,000 (2021: HK$11,735,000) recognised in the current reporting period were included in the balances due to fellow subsidiaries and other related companies as at 1 January 2022, respectively.

## 30. Bank Borrowings

| | 2022 HK$'000 | 2021 HK$'000 |
|---|---|---|
| At 1 January | — | — |
| Drawdown of bank borrowings | **674,563** | 80,000 |
| Repayment of bank borrowings | **(604,715)** | (80,000) |
| Exchange realignment | **(1,666)** | — |
| At 31 December | **68,182** | — |

Note: At 31 December 2022, the Group had unsecured short-term bank borrowings denominated in RMB of RMB60,000,000 (equivalent to approximately HK$68,182,000), which bear floating interest rates at the Loan Prime Rate of the PRC minus specific rates. The weighted average effective interest rate was 2.72% per annum during the year ended 31 December 2022.

## 31. Deferred Tax

Net deferred tax assets and liabilities recognised in the consolidated statement of financial position are as follows:

| | 2022 HK$'000 | 2021 HK$'000 |
|---|---|---|
| Deferred tax assets | **46,647** | 43,450 |
| Deferred tax liabilities | **(16,922)** | (17,925) |
| | **29,725** | 25,525 |

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:

| | 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 2021 | 51,114 | (33,446) | 2,259 | 19,927 |
| Net deferred tax credited/(charged) to profit or loss during the year | 2,244 | (312) | 2,917 | 4,849 |
| Exchange realignment | 2,049 | (1,300) | — | 749 |
| At 31 December 2021 and 1 January 2022 | **55,407** | **(35,058)** | **5,176** | **25,525** |
| Net deferred tax credited/(charged) to profit or loss during the year | **6,600** | **(764)** | **132** | **5,968** |
| Exchange realignment | **(4,425)** | **2,657** | **—** | **(1,768)** |
| At 31 December 2022 | **57,582** | **(33,165)** | **5,308** | **29,725** |

## 31. Deferred Tax (Continued)

Notes:

(a) At 31 December 2022, deferred tax assets have not been recognised in respect of unused tax losses of HK$402,607,000 (2021: HK$375,406,000) as they have arisen in the Company and certain subsidiaries that have been loss-making for some time and it is not assured that taxable profits will be available against which such tax losses can be utilised. Out of this amount, tax losses of HK$28,849,000 (2021: HK$26,208,000) 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 dividends 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征税和防止偷漏税的安排》).

At 31 December 2022, 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 (2021: 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$2,488,101,000 (2021: HK$2,063,260,000) as at 31 December 2022.

## 32. Share Capital

| | **2022 HK$'000** | 2021 HK$'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 |

## 33. A-Share 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 outstanding incentive shares of CSCECL | |
|---|---|---|---|---|
| | | | **2022** | 2021 |
| A-share Restricted Stock Incentive Plan: | | | | |
| Phase III | 26 December 2018 | RMB3.468 per share | **6,234,000** | 6,084,000 |
| Phase IV | 23 December 2020 | RMB3.06 per share | **7,150,000** | 7,170,000 |
| | | | **13,384,000** | 13,254,000 |

The fair values of incentive shares on the dates of grant for the A-shares Restricted Stock Incentive Plan (Phase III) and (Phase IV) were 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 an addition of 150,000 granted incentive shares due to an additional entitled normal staff under the A-share Restricted Stock Incentive Plan (Phase III) and 20,000 incentive shares being lapsed under the A-share Restricted Stock Incentive Plan (Phase IV), there was no other movements in the incentive shares granted under the A-share Restricted Stock Incentive Plan.

During the year, total expenses of HK$6,300,000 (2021: HK$8,048,000) arising from the aforesaid share-based payments were recognised in profit or loss, with a corresponding credit to capital reserve.

## 34. 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) PRC statutory reserve represents the general and development fund reserve applicable to subsidiaries which was established in accordance with the relevant PRC regulations.

(c) 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.

(d) Capital reserve represents capital contribution relating to share-based payments borne by an intermediate holding company as set out in note 33 to the financial statements.

## 35. Business Combination under Common Control

On 9 December 2022, the Group entered into an equity transfer agreement with a non-wholly owned subsidiary of COLI, which is a fellow subsidiary of the Group, to acquire all the interests in Guangzhou Lihe Property Management Company Limited ("Lihe") at a cash consideration of approximately RMB76,071,000 (equivalent to HK$86,446,000) (the "Lihe Acquisition"). The Lihe Acquisition was completed in December 2022 and constitutes a connected transaction under Chapter 14A of the Listing Rules.

Lihe is principally engaged in the provision of property management services in Guangzhou, the PRC. Given that Lihe is ultimately controlled by COHL before and after the business combination, the Lihe Acquisition was accounted for as a business combination under common control using the principle of merger accounting in accordance with AG 5 (Revised) in the preparation of the consolidated financial statements of the Group for the year ended 31 December 2022. Under the principle of merger accounting, the consolidated financial statements had been prepared as if the Lihe Acquisition had been completed on 27 January 2022, which is the earlier of the beginning of the earliest period presented and the combining entity first came under the control of COHL.

During the year, dividend paid to the previous equity holder of Lihe before the completion of the Lihe Acquisition in December 2022 amounted to HK$11,639,000.

# Notes to Financial Statements (Continued)

31 December 2022

## 35. Business Combination under Common Control (Continued)

The identifiable assets and liabilities of Lihe as at 27 January 2022 (the date Lihe first came under the control of COHL) were as follows:

| | Notes | 2022<br>HK$'000 |
|---|---|---|
| Property, plant and equipment | 14 | **828** |
| Right-of-use assets | 16(b) | **230** |
| Intangible assets | 17 | **29** |
| Cash and bank balances | | **37,591** |
| Trade and retention receivables | | **9,994** |
| Prepayments, deposits and other receivables | | **1,487** |
| Trade payables | | **(10,786)** |
| Other payables and accruals | | **(13,664)** |
| Receipts in advance and other deposits | | **(8,720)** |
| Lease liabilities | 16(b) | **(233)** |
| Net assets | | **16,756** |
| Less: Dividend paid to the previous equity holder of Lihe before the completion of the Lihe Acquisition in December 2022 | | **(11,639)** |
| Less: Consideration transferred | | **(86,446)** |
| Amount charged to the special reserve | | **(81,329)** |

An analysis of the cash flows in respect of the Lihe Acquisition is as follows:

| | 2022<br>HK$'000 |
|---|---|
| Cash consideration | **(86,446)** |
| Cash and bank balances acquired | **37,591** |
| Net outflow of cash and bank balances included in cash flows from investing activities | **(48,855)** |

## 36. Notes to the Consolidated Statement of Cash Flows

### (a) Major non-cash transactions

Save as disclosed in notes 15 and 16 regarding additions of leased investment properties, 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 2022 and 2021.

### (b) Changes in liabilities arising from financing activities

| | Bank borrowings HK$'000 | Lease liabilities HK$'000 (note) |
|---|---|---|
| At 1 January 2021 | — | 63,406 |
| Changes from: | | |
| — financing cash inflow | 80,000 | — |
| — financing cash outflow | (80,191) | (34,148) |
| Interest expenses | 191 | 3,044 |
| Non-cash transactions | — | 40,730 |
| Exchange realignment | — | 1,052 |
| At 31 December 2021 and 1 January 2022 | **—** | **74,084** |
| Changes from: | | |
| — financing cash inflow | **674,563** | **—** |
| — financing cash outflow | **(613,190)** | **(41,425)** |
| Interest expenses | **8,475** | **5,526** |
| Non-cash transactions | **—** | **106,193** |
| Exchange realignment | **(1,666)** | **(6,011)** |
| At 31 December 2022 | **68,182** | **138,367** |

Note: The total cash outflow for leases included in the consolidated statement of cash flows within operating activities and financial activities for the year ended 31 December 2022 were HK$30,442,000 (2021: HK$21,705,000) and HK$41,425,000 (2021: HK$34,148,000), respectively.

## 37. Capital Commitments

The Group had the following capital commitments as at the end of the reporting period:

| | 2022 HK$'000 | 2021 HK$'000 |
|---|---|---|
| **Contracted, but not provided for** | | |
| Capital investment into a joint venture | **2,898** | 3,140 |
| Acquisition of items of property, plant and equipment and intangible assets | **4,819** | 7,940 |
| | **7,717** | 11,080 |

## 38. Contingent Liabilities

At 31 December 2022, the Group provided (i) counter indemnities to a fellow subsidiary and banks amounting to approximately HK$95,114,000 (2021: HK$101,325,000) and HK$215,415,000 (2021: HK$147,456,000), respectively, for performance guarantees issued by the fellow subsidiary and the banks in respect of certain property management service contracts of the Group; and (ii) guarantees to COLI, China State Construction International Holdings Limited ("CSC") and COGO amounting to HK$56,818,000 (2021: Nil), HK$34,091,000 (2021: Nil) and HK$22,727,000 (2021: Nil), respectively, for tender deposits, performance bonds issued by banks or security deposits on contracts following tender acceptances to ensure contract performance and quality guarantees on settlement, which constituted connected transactions as defined in Chapter 14A of the Listing Rules.

## 39. Related Party Disclosures

The table set forth below summarises the name of the major related parties as defined in HKAS 24 (Revised) *Related Party Disclosures* and the nature of their relationship with the Group as at 31 December 2022:

| Related Parties | Relationship with the Group |
|---|---|
| CSCEC | Ultimate holding company |
| CSCECL | Intermediate holding company |
| COHL | Immediate holding company |
| COLI and its subsidiaries | Fellow subsidiaries |
| CSC and its subsidiaries | Fellow subsidiaries |
| COGO, and joint ventures and associates of fellow subsidiaries | Other related companies |

## 39. Related Party Disclosures (Continued)

### (a) Transactions with related parties

In addition to the transactions detailed elsewhere in these financial statements, the Group had the following material transactions with related parties, which also constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules, during the year:

| | Notes | 2022 HK$'000 | 2021 HK$'000 |
|---|---|---|---|
| **CSCEC and its subsidiaries (exclusive of COHL and its subsidiaries)** | | | |
| Property management income and value-added service income | (i) | **130,680** | 106,242 |
| Rental expenses paid | (ii) | **4,661** | — |
| **COHL and its subsidiaries (exclusive of COLI, CSC and their subsidiaries)** | | | |
| Property management income and value-added service income | (i) | **12,153** | 2,459 |
| Rental expenses paid | (ii) | **2,805** | 3,695 |
| **COLI, CSC and their subsidiaries (fellow subsidiaries)** | | | |
| Property management income and value-added service income | (i) | **1,556,977** | 1,040,425 |
| Rental and utility expenses paid | (ii) | **135,981** | 116,281 |
| **Other related companies** | | | |
| Property management income and value-added service income | (i) | **411,948** | 331,950 |
| Rental expenses paid | (ii) | **617** | 6,857 |

Notes:

(i) The property management income and value-added service income were based on the rates in accordance with the respective contracts.

(ii) The rental and utility expenses paid were charged in accordance with the respective tenancy agreements and property management agreements. Certain of the rental expenses paid were in relation to additions to leased investment properties and right-of-use assets during the current year, as disclosed in notes 15 and 16, respectively.

### (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 38 to the financial statements.

## 39. Related Party Disclosures (Continued)

### (c) Outstanding balances with related parties

Details of the Group's outstanding balances with related parties are disclosed in notes 23 and 29 to the financial statements.

### (d) Key management personnel compensation

| | 2022 HK$'000 | 2021 HK$'000 |
|---|---|---|
| Short-term benefits | **43,860** | 50,143 |
| Contributions to defined contribution schemes | **964** | 3,257 |
| Total compensation paid to key management personnel | **44,824** | 53,400 |

Further details of directors' emoluments 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.

## 40. Financial Instruments by Category

All financial assets and liabilities of the Group as at 31 December 2022 and 2021 were classified as financial assets and financial liabilities at amortised cost, respectively.

The carrying amounts of each of the financial assets and financial liabilities at amortised cost as at the end of the reporting period are as follows:

### Financial assets at amortised cost

| | 2022<br>HK$'000 | 2021<br>HK$'000 |
|---|---|---|
| Trade receivables | **2,120,738** | 1,369,134 |
| Deposits and other receivables | **653,303** | 397,871 |
| Financial assets included in balances due from related parties | **688,230** | 512,689 |
| Cash and bank balances | **4,691,120** | 4,283,374 |
| | **8,153,391** | 6,563,068 |

### Financial liabilities at amortised cost

| | 2022<br>HK$'000 | 2021<br>HK$'000 |
|---|---|---|
| Trade payables | **1,516,951** | 776,486 |
| Financial liabilities included in other payables | **393,096** | 728,431 |
| Temporary receipts from properties managed | **1,471,419** | 1,543,226 |
| Financial liabilities included in receipts in advances and other deposits | **481,332** | 436,437 |
| Financial liabilities included in balances due to related parties | **68,092** | 8,140 |
| Bank borrowings | **68,182** | — |
| Lease liabilities | **138,367** | 74,084 |
| | **4,137,439** | 3,566,804 |

## 41. 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.

## 42. Financial Risk Management Objectives and Policies

The Group's principal financial instruments comprise trade and retention receivables, deposits under current assets and current liabilities and other receivables, amounts due from/(to) the immediate holding company, fellow subsidiaries and other related companies, trade payables, other payables and accruals, temporary receipts from properties managed, 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$4,691,120,000 (2021: HK$4,283,374,000). 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 have 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$11,728,000 (2021: HK$10,708,000). 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.

## 42. 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 2022 and 2021. The amounts presented are gross carrying amounts of financial assets.

**At 31 December 2022**

| | 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 | — | — | — | 2,290,632 | 2,290,632 |
| Deposits and other receivables | | | | | |
| — Normal* | 576,375 | — | — | — | 576,375 |
| — Well covered* | 26,108 | — | — | — | 26,108 |
| — Not well covered* | — | 135,322 | — | — | 135,322 |
| Due from the immediate holding company | — | — | — | 2,170 | 2,170 |
| Due from other fellow subsidiaries | — | — | — | 486,491 | 486,491 |
| Due from other related companies (trade) | — | — | — | 114,312 | 114,312 |
| Due from other related companies (non-trade) | | | | | |
| — Normal* | 85,257 | — | — | — | 85,257 |
| Cash and bank balances (exclusive of time deposits) | 2,747,938 | — | — | — | 2,747,938 |
| Time deposits included in cash and bank balances (not yet matured) | 1,943,182 | — | — | — | 1,943,182 |
| | 5,378,860 | 135,322 | — | 2,893,605 | 8,407,787 |

## 42. Financial Risk Management Objectives and Policies (Continued)

### Credit risk (Continued)

**At 31 December 2021**

| | 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 | — | — | — | 1,524,891 | 1,524,891 |
| Deposits and other receivables | | | | | |
| — Normal* | 330,169 | — | — | — | 330,169 |
| — Well covered* | 3,867 | — | — | — | 3,867 |
| — Not well covered* | — | 142,803 | — | — | 142,803 |
| Due from the immediate holding company | — | — | — | 408 | 408 |
| Due from fellow subsidiaries | — | — | — | 338,744 | 338,744 |
| Due from other related companies (trade) | — | — | — | 81,140 | 81,140 |
| Due from other related companies (non-trade) | | | | | |
| — Normal* | 92,397 | — | — | — | 92,397 |
| Cash and bank balances (exclusive of time deposits) | 3,298,152 | — | — | — | 3,298,152 |
| Time deposits included in cash and bank balances (not yet matured) | 985,222 | — | — | — | 985,222 |
| | 4,709,807 | 142,803 | — | 1,945,183 | 6,797,793 |

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 other 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 other 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.

## 42. 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 2022, the Group has been granted with undrawn borrowing facilities of RMB568,807,000 (equivalent to approximately HK$646,372,000) (2021: RMB887,223,000 (equivalent to approximately HK$1,092,639,000)) in Mainland China and HK$700,000,000 (2021: HK$700,000,000) in Hong Kong. The bank borrowing facilities granted in Mainland China may be drawn at any time in RMB at floating interest rates and the facilities will expire within 1 to 3 years (2021: 1 to 2 years) after the end of the reporting period. The bank borrowing facilities granted in Hong Kong may be drawn at any time in HK$ at either Hong Kong Inter-bank Offered Rate plus 1.35% per annum (2021: at either Hong Kong Inter-bank Offered Rate plus 1.35% or 1.50% 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:

**At 31 December 2022**

| | Within 1 year or on demand HK$'000 | Between 1 and 2 years HK$'000 | Between 2 and 5 years HK$'000 | Over 5 years HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|
| Trade payables | 1,516,951 | — | — | — | 1,516,951 |
| Other deposits and other payables | 874,428 | — | — | — | 874,428 |
| Temporary receipts from properties managed | 1,471,419 | — | — | — | 1,471,419 |
| Due to fellow subsidiaries | 35,217 | — | — | — | 35,217 |
| Due to other related companies | 32,875 | — | — | — | 32,875 |
| Bank borrowings | 69,839 | — | — | — | 69,839 |
| Lease liabilities | 57,481 | 35,866 | 43,987 | 17,451 | 154,785 |
| | 4,058,210 | 35,866 | 43,987 | 17,451 | 4,155,514 |

## 42. Financial Risk Management Objectives and Policies (Continued)

### Liquidity risk (Continued)

**At 31 December 2021**

| | Within 1 year or on demand HK$'000 | Between 1 and 2 years HK$'000 | Between 2 and 5 years HK$'000 | Over 5 years HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|
| Trade payables | 776,486 | — | — | — | 776,486 |
| Other deposits and other payables | 728,431 | — | — | — | 728,431 |
| Temporary receipts from properties managed | 1,543,226 | — | — | — | 1,543,226 |
| Due to the immediate holding company | 1,084 | — | — | — | 1,084 |
| Due to fellow subsidiaries | 5,081 | — | — | — | 5,081 |
| Due to other related companies | 1,975 | — | — | — | 1,975 |
| Lease liabilities | 46,183 | 14,543 | 21,826 | 772 | 83,324 |
| | 3,102,466 | 14,543 | 21,826 | 772 | 3,139,607 |

### 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 to maintain or adjust 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 2022 and 2021.

## 43. Comparative Amounts

The presentation of the geographical segment information was redefined during the year as further details in note 4 to the financial statements. Accordingly, the comparative geographical segment information for the year ended 31 December 2021 has been restated to conform to the current year's presentation and disclosures.

## 44. Statement of Financial Position of the Company

| | 2022 HK$'000 | 2021 HK$'000 |
|---|---|---|
| **NON-CURRENT ASSETS** | | |
| Property, plant and equipment | **787** | 1,436 |
| Right-of-use assets | **11,419** | 1,194 |
| Investments in subsidiaries | **460,451** | 460,451 |
| Total non-current assets | **472,657** | 463,081 |
| **CURRENT ASSETS** | | |
| Prepayments, deposits and other receivables | **506** | 1,666 |
| Due from the immediate holding company | **843** | — |
| Due from subsidiaries | **82,338** | 112,409 |
| Cash and bank balances | **37,042** | 23,599 |
| Total current assets | **120,729** | 137,674 |
| **CURRENT LIABILITIES** | | |
| Other payables and accruals | **23,880** | 35,373 |
| Due to a subsidiary | **170,573** | 142,045 |
| Due to fellow subsidiaries | **304** | 383 |
| Due to other related companies | **17** | 14 |
| Income tax payable | **30,682** | 19,704 |
| Lease liabilities | **2,606** | 1,204 |
| Total current liabilities | **228,062** | 198,723 |
| **NET CURRENT LIABILITIES** | **(107,333)** | (61,049) |
| **TOTAL ASSETS LESS CURRENT LIABILITIES** | **365,324** | 402,032 |
| **NON-CURRENT LIABILITIES** | | |
| Lease liabilities | **9,234** | — |
| Net assets | **356,090** | 402,032 |
| **EQUITY** | | |
| Issued capital | **3,287** | 3,287 |
| Reserves (note) | **352,803** | 398,745 |
| Total equity | **356,090** | 402,032 |

## 44. Statement of Financial Position of the Company (Continued)

Note: A summary of the Company's reserves is as follows:

| | Capital reserve HK$'000 | Retained profits HK$'000 | Total HK$'000 |
|---|---|---|---|
| At 1 January 2021 | 9,665 | 156,530 | 166,195 |
| Profit for the year and total comprehensive income for the year | — | 461,156 | 461,156 |
| Capital contribution relating to share-based payments borne by an intermediate holding company | 8,048 | — | 8,048 |
| 2020 final dividend | — | (138,048) | (138,048) |
| 2021 interim dividend | — | (98,606) | (98,606) |
| At 31 December 2021 and 1 January 2022 | **17,713** | **381,032** | **398,745** |
| Profit for the year and total comprehensive income for the year | **—** | **276,444** | **276,444** |
| Capital contribution relating to share-based payments borne by an intermediate holding company | **6,300** | **—** | **6,300** |
| 2021 final dividend | **—** | **(197,212)** | **(197,212)** |
| 2022 interim dividend | **—** | **(131,474)** | **(131,474)** |
| At 31 December 2022 | **24,013** | **328,790** | **352,803** |

## 45. Approval of the Financial Statements

The financial statements were approved and authorised for issue by the board of directors on 23 March 2023.

# 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 2021, is set out below:

## Consolidated Results

| | Year ended 31 December | | | | |
|---|---|---|---|---|---|
| | **2022** | 2021 | 2020 | 2019 | 2018 |
| | **HK$'000** | HK$'000 | HK$'000 | HK$'000 | HK$'000 |
| **REVENUE** | **12,688,968** | 9,442,035 | 6,544,877 | 5,465,521 | 4,177,531 |
| Direct operating expenses | **(10,668,584)** | (7,800,427) | (5,349,433) | (4,375,097) | (3,327,206) |
| **GROSS PROFIT** | **2,020,384** | 1,641,608 | 1,195,444 | 1,090,424 | 850,325 |
| Other income and gains, net | **186,282** | 131,840 | 121,157 | 66,154 | 48,606 |
| Fair value (loss)/gain of self-owned investment properties, net | **(3,067)** | (1,902) | (4,790) | 2,572 | 4,345 |
| Selling and administrative expenses | **(465,594)** | (428,681) | (339,588) | (395,755) | (336,809) |
| Impairment of financial assets, net | **(50,538)** | (23,542) | (38,162) | (867) | (6,987) |
| **OPERATING PROFIT** | **1,687,467** | 1,319,323 | 934,061 | 762,528 | 559,480 |
| Finance costs | **(14,001)** | (3,235) | (3,161) | (2,352) | (3,239) |
| Share of profit of a joint venture | **4,691** | 1,455 | 538 | 177 | — |
| Share of profit of an associate | **185** | 191 | 183 | 193 | 200 |
| **PROFIT BEFORE TAX** | **1,678,342** | 1,317,734 | 931,621 | 760,546 | 556,441 |
| Income tax expenses | **(397,663)** | (331,087) | (224,424) | (216,406) | (148,949) |
| PROFIT FOR THE YEAR | **1,280,679** | 986,647 | 707,197 | 544,140 | 407,492 |
| **ATTRIBUTABLE TO:** | | | | | |
| Shareholders of the Company | **1,273,146** | 983,872 | 700,008 | 537,840 | 403,189 |
| Non-controlling interests | **7,533** | 2,775 | 7,189 | 6,300 | 4,303 |
| | **1,280,679** | 986,647 | 707,197 | 544,140 | 407,492 |
| **EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY** | | | | | |
| Basic and diluted (HK cents) | **38.73** | 29.93 | 21.30 | 16.36 | 12.27 |

# Five Year Financial Summary (Continued)

## Consolidated Net Assets

| | At 31 December | | | | |
|---|---|---|---|---|---|
| | **2022 HK$'000** | 2021 HK$'000 | 2020 HK$'000 | 2019 HK$'000 | 2018 HK$'000 |
| **NON-CURRENT ASSETS** | | | | | |
| Property, plant and equipment | **114,044** | 111,409 | 68,411 | 56,471 | 40,935 |
| Investment properties | **209,159** | 167,069 | 162,559 | 145,898 | 132,586 |
| Right-of-use assets | **83,120** | 80,840 | 72,017 | 61,656 | — |
| Intangible assets | **114,824** | 59,444 | 20,948 | 11,657 | 6,232 |
| Prepaid lease payments for land | **—** | — | — | — | 1,458 |
| Investment in a joint venture | **9,561** | 5,399 | 3,771 | 3,164 | — |
| Investment in an associate | **329** | 144 | 328 | 145 | 552 |
| Due from a related company | **—** | 92,397 | 88,894 | — | 85,842 |
| Prepayments | **16,368** | 26,260 | 2,353 | 5,540 | — |
| Deferred tax assets | **46,647** | 43,450 | 38,600 | 35,006 | 26,427 |
| | **594,052** | 586,412 | 457,881 | 319,537 | 294,032 |
| **CURRENT ASSETS** | | | | | |
| Inventories | **970,808** | 935,295 | 606,471 | 418,408 | 37,142 |
| Trade and retention receivables | **2,138,997** | 1,387,463 | 846,135 | 567,562 | 416,976 |
| Prepayments, deposits and other receivables | **964,948** | 595,347 | 384,565 | 296,091 | 236,568 |
| Prepaid lease payment for land | **—** | — | — | — | 226 |
| Due from the immediate holding company | **2,170** | 408 | 893 | 231 | 384 |
| Due from fellow subsidiaries | **559,524** | 416,518 | 129,165 | 90,220 | 150,670 |
| Due from other related companies | **199,776** | 114,919 | 63,559 | 107,613 | 32,806 |
| Cash and bank balances | **4,691,120** | 4,283,374 | 3,705,703 | 2,495,693 | 2,398,559 |
| | **9,527,343** | 7,733,324 | 5,736,491 | 3,975,818 | 3,273,331 |
| **CURRENT LIABILITIES** | | | | | |
| Trade payables | **1,516,951** | 776,486 | 461,113 | 427,487 | 432,691 |
| Other payables and accruals | **1,287,132** | 1,103,163 | 996,575 | 773,856 | 722,879 |
| Temporary receipts from properties managed | **1,471,419** | 1,543,226 | 1,285,659 | 544,560 | 453,406 |
| Receipts in advance and other deposits | **1,627,512** | 1,500,803 | 934,831 | 740,090 | 670,591 |
| Due to the immediate holding company | **—** | 1,084 | — | — | 1,547 |
| Due to fellow subsidiaries | **40,684** | 11,319 | 18,118 | 4,332 | 8,822 |
| Due to other related companies | **42,887** | 12,534 | 18,269 | 6,588 | 2,496 |
| Income tax payables | **248,356** | 226,612 | 213,422 | 177,439 | 118,286 |
| Bank borrowings | **68,182** | — | — | — | — |
| Lease liabilities | **53,678** | 41,245 | 24,794 | 22,044 | — |
| | **6,356,801** | 5,216,472 | 3,952,781 | 2,696,396 | 2,410,718 |
| Net current assets | **3,170,542** | 2,516,852 | 1,783,710 | 1,279,422 | 862,613 |
| Total assets less current liabilities | **3,764,594** | 3,103,264 | 2,241,591 | 1,598,959 | 1,156,645 |

## Consolidated Net Assets (Continued)

| | At 31 December | | | | |
|---|---|---|---|---|---|
| | **2022** | 2021 | 2020 | 2019 | 2018 |
| | **HK$'000** | HK$'000 | HK$'000 | HK$'000 | HK$'000 |
| **NON-CURRENT LIABILITIES** | | | | | |
| Lease liabilities | **84,689** | 32,839 | 38,612 | 32,461 | — |
| Deferred tax liabilities | **16,922** | 17,925 | 18,673 | 31,795 | 22,249 |
| | **101,611** | 50,764 | 57,285 | 64,256 | 22,249 |
| **Net assets** | **3,662,983** | 3,052,500 | 2,184,306 | 1,534,703 | 1,134,396 |
| **EQUITY** | | | | | |
| Equity attributable to shareholders of the Company | | | | | |
| Issued capital | **3,287** | 3,287 | 3,287 | 3,287 | 3,287 |
| Reserves | **3,608,063** | 2,996,751 | 2,145,544 | 1,510,586 | 1,121,902 |
| | **3,611,350** | 3,000,038 | 2,148,831 | 1,513,873 | 1,125,189 |
| Non-controlling interests | **51,633** | 52,462 | 35,475 | 20,830 | 9,207 |
| **TOTAL EQUITY** | **3,662,983** | 3,052,500 | 2,184,306 | 1,534,703 | 1,134,396 |

# 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% |
| Unit 2001 on Level 20, 1 Linglan Street, Cannes Garden,Tianhe District, Guangzhou, Guangdong Province, the PRC | Residential | Leasehold | 100% |

## (a) Property held for investment (Continued)

| | Usage | Leasehold/ Freehold | Attributable interest % |
|---|---|---|---|
| 7 car parking spaces, Cannes Garden, 9 Linglan Street, Tianhe District, Guangzhou, Guangdong Province, the PRC | Carparks | Leasehold | 100% |
| 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 | Retails | 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 | Retails | Leasehold | 100% |
| Level 7, Citic Mansion, 1 Jianxin South Road, Jiangbei District, Chongqing, the PRC | Office | Leasehold | 100% |
| China Architecture Cultural Centre (Partial) 13 Sanlihe Road, Haidian District, Beijing, the PRC | Commercial | Leasehold | 100% |
| China State Construction Development Building 18 (Partial) 51 Tengfei Boulevard, Qingyang District, Chengdu Province, the PRC | Industrial | Leasehold | 100% |
| Unit 301 52 Haibin South Road, Xiangzhou District, Zhuhai, Guangdong Province, the PRC | Commercial | Leasehold | 100% |

## Particulars of Major Properties & Property Interests (Continued)

### (b) Property held as inventories

| | Usage | Leasehold/ Freehold | Attributable interest (%) |
|---|---|---|---|
| 68 car parking spaces located at Jinxi Mansion, 85 Chengxing Street, Shijingshan District, Beijing, the PRC | Carparks | Leasehold | 100% |
| 121 car parking spaces located at Jinxin Pavilion, 36 Gusheng Road, Shijingshan District, Beijing, the PRC | Carparks | Leasehold | 100% |
| 93 car parking spaces located at No. 9 Luhua Road, Yizhuang Town, Daxing District, Beijing, the PRC | Carparks | Leasehold | 100% |
| 1,581 car parking spaces located at No. 66, Section 1, Huayang Mei'an Road, Tianfu New District, Chengdu, the PRC | Carparks | Leasehold | 100% |
| 378 car parking spaces located at Zhonghai International Shopping Park, No. 166 Huichuan Street, High-tech West District, Chengdu, Sichuan Province, the PRC | Carparks | Leasehold | 100% |
| 15 car parking spaces located at Zhonghai Tianfushan, Jindun Road, Shahekou District, Dalian, Liaoning Province, the PRC | Carparks | Leasehold | 100% |
| 149 car parking spaces located at No. 60–3 Zhuyuxi Street, Zhongshan District, Dalian, Liaoning Province, the PRC | Carparks | Leasehold | 100% |
| 715 car parking spaces located at Zhonghaijin, 1 Haiba East Road, Nanhai District, Foshan, the PRC | Carparks | Leasehold | 100% |

## (b) Property held as inventories (Continued)

| | Usage | Leasehold/ Freehold | Attributable interest (%) |
|---|---|---|---|
| 149 car parking spaces located at No. 20 Wuzhifeng Road, Zhanggong District, Ganzhou City, Jiangxi Province, the PRC | Carparks | Leasehold | 100% |
| 2,622 car parking spaces located at the North Garden of Glory City, Guangzhou, Guangdong Province, the PRC | Carparks | Leasehold | 100% |
| 54 car parking spaces located at Zhonghai Flower City Bay, No. 86 Huacheng Avenue, Zhujiang New Town, Tianhe District, Guangzhou, the PRC | Carparks | Leasehold | 100% |
| 1,092 car parking spaces located at Zhonghai, Yuhong District, Shenyang, the PRC | Carparks | Leasehold | 100% |
| 585 car parking spaces located at Zhonghai Jincheng, No. 160 Xijiang Street, Yuhong District, Shenyang City, Liaoning Province, the PRC | Carparks | Leasehold | 100% |
| 25 car parking spaces located at Zhonghai Kangcheng, No. 33–32, Wisdom 3rd Street, Shuangshen Road, Hunnan District, Shenyang City, Liaoning Province, the PRC | Carparks | Leasehold | 100% |
| 343 car parking spaces located at Zhonghai Blue Bay, Baotou Street, Shihan District, Huhehaote, the PRC | Carparks | Leasehold | 100% |
| 220 car parking spaces located at No. 1118–2, Yishan East Road, Fengman District, Jilin City, Jilin Province, the PRC | Carparks | Leasehold | 100% |
| 51 car parking spaces located at No. 1455 Hengshan East Road, Fengman District, Jilin City, Jilin Province, the PRC | Carparks | Leasehold | 100% |

# Particulars of Major Properties & Property Interests (Continued)

## (b) Property held as inventories (Continued)

| | Usage | Leasehold/ Freehold | Attributable interest (%) |
|---|---|---|---|
| 190 car parking spaces located at No. 135, Wusong West Road, Yuebei Town, Chuanying District, Jilin City, Jilin Province, the PRC | Carparks | Leasehold | 100% |
| 820 car parking spaces located at No. 404, Linyin Road, Changyi District, Jilin City, Jilin Province, the PRC | Carparks | Leasehold | 100% |
| 921 car parking spaces located at Zhonghai Sunshine Rose Garden, No. 1699 Huanggu Road, Qingshan Lake District, Nanchang City, Jiangxi Province, the PRC | Carparks | Leasehold | 100% |
| 56 car parking spaces located at Zhonghai Linanfu, 28 Hangzhou Road, Shibei District, Qingdao, Shandong Province, the PRC | Carparks | Leasehold | 100% |
| 134 car parking spaces located at Zhonghai Markham Hee, No. 9, Guantian Yangyili, Xike Town, Tong'an District, Xiamen, Fujian Province, the PRC | Carparks | Leasehold | 100% |
| 91 car parking spaces located at Zhongxin Haibin Garden, Longhu District, Shantou, Guangdong Province, the PRC | Carparks | Leasehold | 100% |
| 817 car parking spaces located at Zhonghai Universe, No. 2 Bolan Road, Haojiang District, Shantou, Guangdong Province, the PRC | Carparks | Leasehold | 100% |
| 67 car parking spaces located at CITIC Huafu, Puning City, Jieyang, Guangdong Province, the PRC | Carparks | Leasehold | 100% |
| 115 car parking spaces located at Riverside Palace, Alley No. 1259, Deyuan Road, Jiading District, Shanghai, the PRC | Carparks | Leasehold | 100% |

## (b) Property held as inventories (Continued)

| | Usage | Leasehold/ Freehold | Attributable interest (%) |
|---|---|---|---|
| 100 car parking spaces located at Xu Riverside Garden, No. 333, Tongjing South Road, Gusu District, Suzhou, the PRC | Carparks | Leasehold | 100% |
| 1,608 car parking spaces located at Sixinli& Wufuli Tianjin, Heiniucheng Road and Dongting Road, Hexi District, Tianjin, the PRC | Carparks | Leasehold | 100% |
| 48 car parking spaces located at Top Metropolitan Marina, the intersection of Jingjintang Expressway and Weihai Road, Tanggu, Binhai New District, Tianjin, the PRC | Carparks | Leasehold | 100% |
| 289 car parking spaces located at No. 58, Nanwei Lane, High-tech Industrial Development Zone, Urumqi, Xinjiang Uyghur Autonomous Region, the PRC | Carparks | Leasehold | 100% |
| 306 car parking spaces located at No. 1029 East Kashi Road, High-tech Industrial Development Zone, Urumqi, Xinjiang Uyghur Autonomous Region, the PRC | Carparks | Leasehold | 100% |
| 67 car parking spaces located at No. 196 Guanshan Road, Jingkai District, Wuxi City, Jiangsu Province, the PRC | Carparks | Leasehold | 100% |
| 182 car parking spaces located at No. 288 Hechang Road, Jingkai District, Wuxi City, Jiangsu Province, the PRC | Carparks | Leasehold | 100% |
| 853 car parking spaces located at Nanhu Avenue, Jingkai District, Wuxi City, Jiangsu Province, the PRC | Carparks | Leasehold | 100% |

## Particulars of Major Properties & Property Interests (Continued)

### (b) Property held as inventories (Continued)

| | Usage | Leasehold/ Freehold | Attributable interest (%) |
|---|---|---|---|
| 525 car parking spaces located at Zhonghai International Community, Taqu Street, Liupanshan Road, Jinfeng District, Yinchuan, the PRC | Carparks | Leasehold | 100% |
| 121 car parking spaces located at Zhonghai International Plaza, No. 8377, Linhe Street, Nanguan District, Changchun, Jilin Province, the PRC | Carparks | Leasehold | 100% |
| 287 car parking spaces located at Zhonghai, Nanyang Road, Lvyuan District, Changchun, Jilin Province, the PRC | Carparks | Leasehold | 100% |
| 1,763 car parking spaces located at Zhonghai Universe, Jingkai North District, Changchun, Jilin Province, the PRC | Carparks | Leasehold | 100% |
| 101 car parking spaces located at No. 1501 Kuanda Road, Jingkai North District, Changchun, Jilin Province, the PRC | Carparks | Leasehold | 100% |
| 120 car parking spaces located at CITIC Triumph Blue Bank, No. 29, Section 3, Furong South Road, Tianxin District, Changsha, Hunan Province, the PRC | Carparks | Leasehold | 100% |
| 52 car parking spaces located at Silver Bay, No. 299 Lovers Road, Xiangzhou District, Zhuhai, Guangdong Province, the PRC | Carparks | Leasehold | 100% |

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