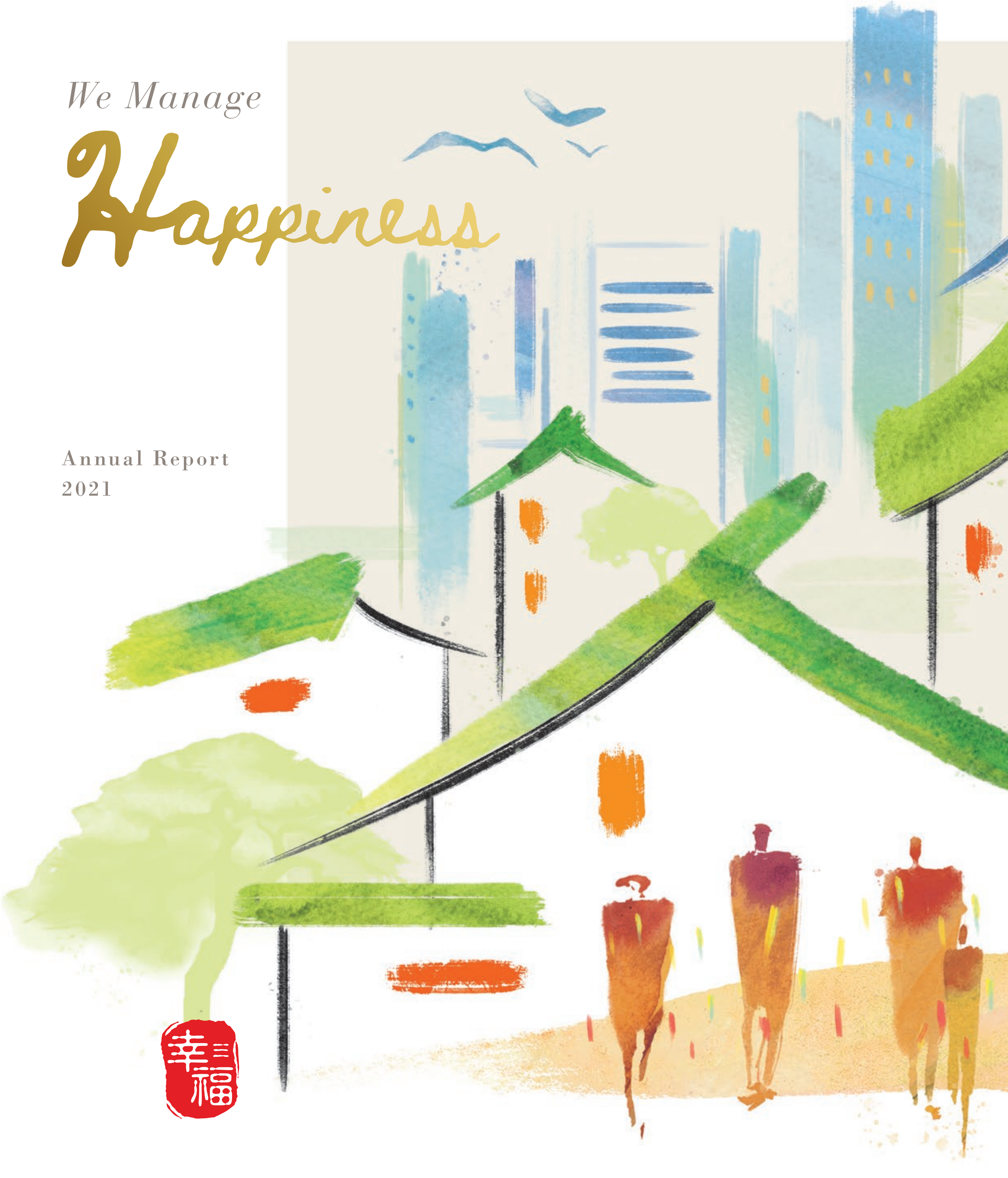
中海物業集團有限公司
CHINA OVERSEAS PROPERTY HOLDINGS LIMITED
(Incorporated in the Cayman Islands with limited liability)

Stock Code : 2669

We Manage
Happiness



Annual Report
2021

Contents

CORPORATE INFORMATION

(As at 24 March 2022, date of this Annual Report)

Board of Directors

Executive Directors

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

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
Yang Ou
Yung, Wing Ki Samuel
So, Gregory Kam Leung

Authorized Representatives

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

Company Secretary

Wong Yee Wah

Independent Auditor

Ernst & Young
Certified Public Accountants and Registered PIE Auditor

Registered Office

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

Head Office and Principal Place of Business in Hong Kong

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

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 24 March 2022, date of this Annual Report)

Principal Share Registrar and Transfer Office

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

Hong Kong Branch Share Registrar and Transfer Office

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

Legal Advisors

As to Hong Kong laws

Woo Kwan Lee & Lo

As to Cayman Islands laws

Conyers Dill & Pearman

Principal Bankers

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

Investor and Public Relations

Corporate Communications Department

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

Stock 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

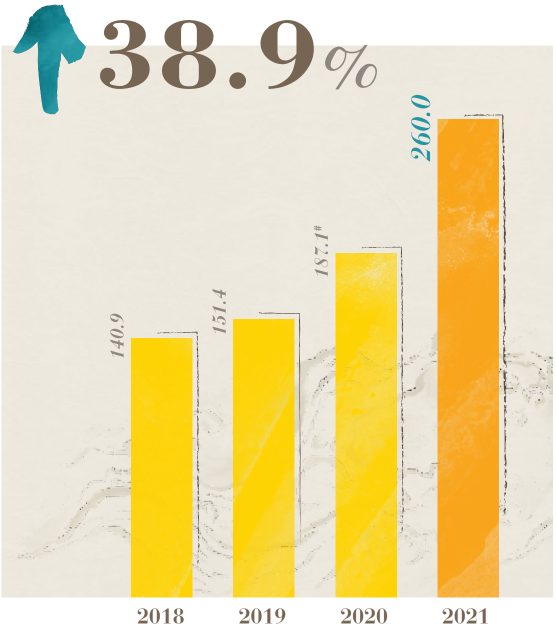
www.copl.com.hk

Financial Calendar 2022

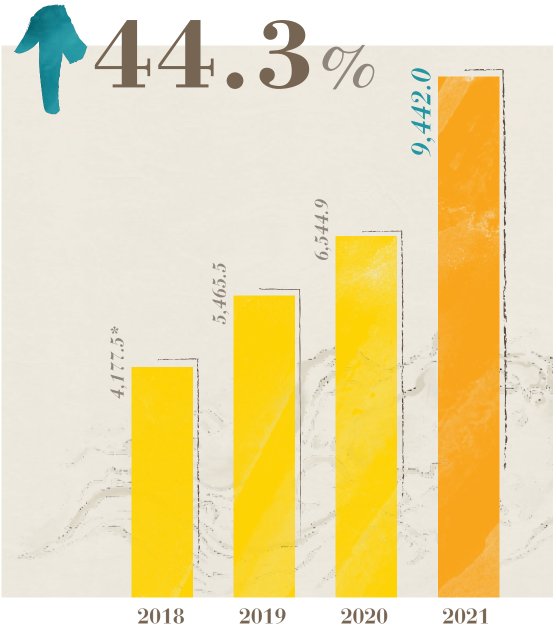
Annual Results Announcement	24 March
Closure of Register of Members (Annual General Meeting)	16 June to 21 June (both days inclusive)
AGM Voting and Attending Eligibility Record Date	21 June
Annual General Meeting	21 June
Final Dividend Ex-dividend Date	23 June
Closure of Register of Members (Final Dividend)	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

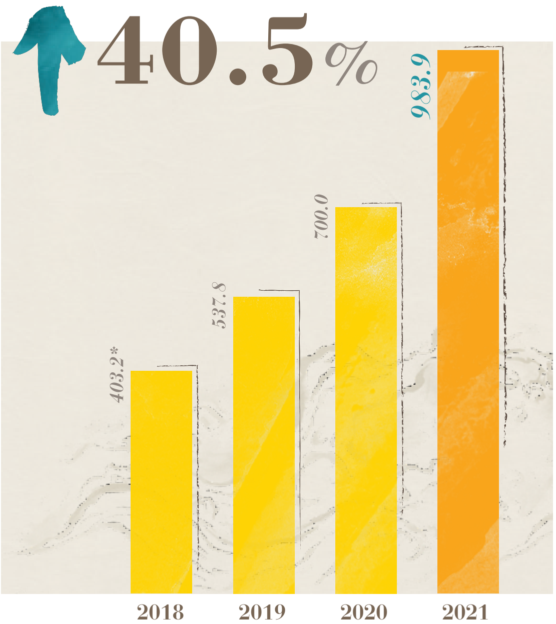
Gross Floor Area under Management as at Year Ended (Million sq.m.)



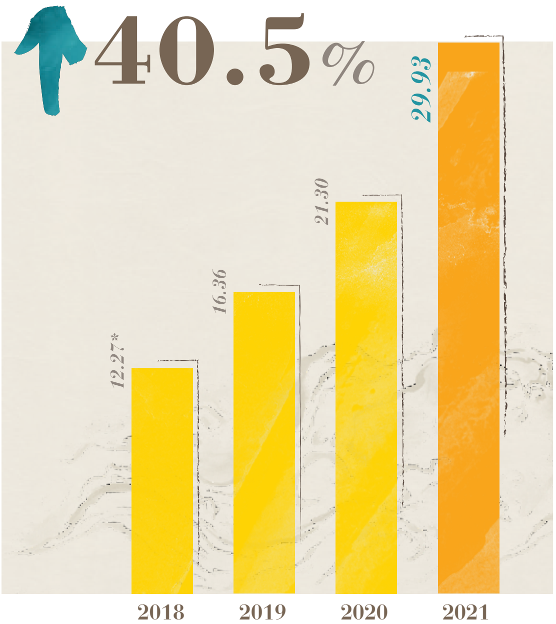
Revenue (HK$ Million)



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



Earnings per Share (HK Cents)



* *Restated under merger accounting. For details, please refer to note 2.4 of the "Notes to the Financial Statements".*

\# *Since 2021, the GFA under our management is re-defined generally only to include all full services, comprehensive property management projects, and the corresponding area under our management in 2020 was restated accordingly.*

Business and Financial Highlights (Continued)

	Formula	2021	2020	Change
Operating Scale:				
Gross floor area under management as at year ended (million sq.m.)		**260.0**	187.1#	+38.9%
Employee headcount		**52,220**	45,398	+15.0%
Revenue (HK$ million)		**9,442.0**	6,544.9	+44.3%
Profitability & Rates of Return:				
Gross profit (HK$ million)		**1,641.6**	1,195.4	+37.3%
Profit attributable to shareholders of the Company (HK$ million)		**983.9**	700.0	+40.5%
Net Profit Margin	Profit for the year÷Revenue	**10.4%**	10.8%	−0.4ppt
Earnings per share (HK cents)		**29.93**	21.30	+40.5%
Dividends per share (HK cents)		**9.0**	6.4	+40.6%
Payout ratio	Dividends per share÷ Earnings per share	**30.1%**	30.0%	+0.1ppt
Average return on equity	Profit attributable to shareholders of the Company÷Average capital and reserves attributable to shareholders of the Company	**38.2%**	38.2%	—
Liquidity:				
Current ratio	Total current assets÷ Total current liabilities	**1.5**	1.5	—
Debt-to-assets ratio	Total liabilities÷ Total assets	**63.3%**	64.7%	−1.4ppt

Since 2021, the GFA under our management is re-defined generally only to include all full services, comprehensive property management projects, and the corresponding area under our management in 2020 was restated accordingly.

HIGHLIGHTS OF THE GROUP IN 2021

JAN

Tender Awarded for Three Major Parks in Shenzhen

COPL won the tender for Lianhua Mountain Park, Shenzhen Bay Park and Yinhu Mountain Park in Shenzhen, representing the integrated management service project of these three parks. Upon settlement, COPL will provide quality property services to clients and general visitors from the aspects of green space management and maintenance, sanitation and cleaning, vector biological control, security and forest fire prevention, visitor services, and facility maintenance.

Construction of Wen Jia He Hope Primary School (溫家河希望小學)

COPL took part in constructing "China Overseas Wen Jia He Hope Primary School" to improve the local teaching conditions and quality of teaching.

FEB

Initiating the Reform of Project General Manager Partnership System (項目總經理合夥人制)

COPL officially initiated the reform of the Project General Manager Partnership System in Shenzhen and held the opening ceremony of the first project general manager license certification.

Highlights of the Group in 2021 (Continued)

MAR

Strategic Cooperation between COPL and Huaxia Kunpeng (華夏鯤鵬)

On 19 March, Huaxia Kunpeng and COPL held a strategic cooperation signing ceremony, pursuant to which the strategic cooperation will rely on Huaxia Kunpeng's nationwide business layout and industrial advantages and fully utilize COPL's excellent project operation and management experience to promote regional value enhancement and urban construction.

Convening of 2020 Annual Results Conference

On 25 March, COPL convened its online 2020 annual results conference. Well-known domestic and foreign brokerage firms and institutional investors participated in the conference via telephone and live webcast, where they fully communicated with the management on issues of market concern such as the impact of the epidemic, value-added services and scale expansion.

Highlights of the Group in 2021 (Continued)

APR

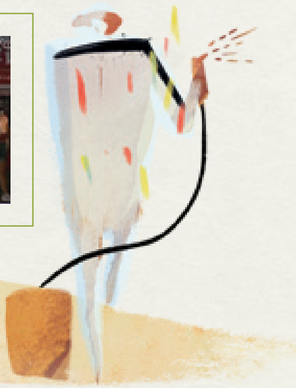
Strategic Cooperation Agreement between COPL and Yancheng, Jiangsu Province

On 25 April, Mr. Zhang Guiqing, Chairman of the Board of Directors of COPL, attended the inauguration ceremony of Yancheng Zhonghai Huiyan Property Management Co., Ltd. (鹽城中海慧鹽物業管理有限公司). Both parties will develop comprehensive strategic cooperation focusing on the transformation and upgrading of digital and information-based property management, building smart communities, and leading the trend of property management technology.

MAY

Epidemic Prevention in Guangzhou and Foshan

Since May, the outbreak occurred one after another in Guangzhou and Foshan, where COPL resisted the heat and witnessed the cities unlocked, which was highlighted by Xinhua News Agency, CCTV and GRT.



Awarding of "Poverty Alleviation Model Collective of Gansu Province"

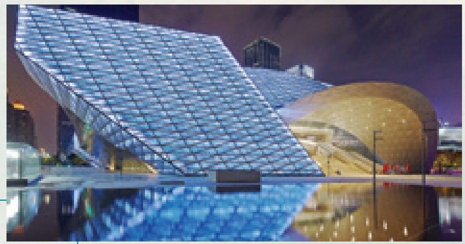
On 20 May, a commendation ceremony for poverty alleviation model individual and collective was held in Gansu Province, and COPL was awarded the "Poverty Alleviation Model Collective of the Province".

Highlights of the Group in 2021 (Continued)

JUN

Benchmark Property Management Project in China

The Two Pavilions in Shenzhen and Blossom Wave in Guangzhou were selected as "Benchmark Property Management Project in China".



Celebrating the 42nd Anniversary of China Overseas Group

On 6 June, COPL celebrated the 42nd Anniversary of China Overseas Group. Departments at all levels expressed their blessings to it through different activities and employees' caring initiatives. Mr. Yan Jianguo, the Chairman of China Overseas Group, delivered his message on the occasion of the Anniversary.

Convening of 2021 Annual General Meeting

COPL successfully held its Annual General Meeting of 2021, where the Directors and the management exchanged views on business with shareholders to ensure adequate communication between the two parties.

Highlights of the Group in 2021 (Continued)

JUL

Organised the first class of youth cadres in Shenzhen

COPL implemented the youth cadre plan to enhance the quality and professionalism of the youth cadre teams and cultivate middle to senior operation and management talent for the Company to contribute to the 14th 5-year plan.

No. 1 Most Valuable Brand of China Property Management Service for four consecutive years

On 15 July, at the "Chinese Real Estate Brand Convention 2021" hosted in Beijing by China Real Estate, COPL was awarded the "No. 1 Most Valuable Brand of China Property Management Service in 2021". COPL has ranked first for four consecutive years.

Organised the Marketing Strategy Conference

On 30 July, COPL organised once again after 16 years a conference on service products, marketing strategies and cooperations. The event was broadcasted by 156 media platforms with brand publicity exceeding 2 million, demonstrating excellent market recognition. At the conference COPL held signing ceremonies with various partners on integrated urban renewal strategic cooperation, comprehensive strategic cooperations, strategic eco-system partnerships, as well as launching the urban renewal campaign with China Construction consortium.

Highlights of the Group in 2021 (Continued)

AUG

Organised the 2021 Interim Results Conference

On 17 August, COPL organised the online 2021 interim results conference. Reputable domestic and overseas securities firms and corporate investors participated in the event through telephone and online streaming and sufficiently communicated with the management on the concerns of the market, such as the impact of the pandemic, market expansion, five-year development targets, etc.

SEP

"Youthful Dreams and Directions"

COPL initiated the 2022 School Recruitment to connect with 32 institutions and signed 298 tripartite agreements, bringing new intakes to the Company.

Celebrated Mid-Autumn with Rural Support

Hong Kong and Mainland China contributed to the launch of the Rural Support Cloud Streaming, with sales of agricultural assistance products close to RMB4 million.

Highlights of the Group in 2021 (Continued)

OCT

Leading the way to intelligent property innovation

On 29 October, under the direction of Shenzhen Administration for Market Regulation, COPL organised a conference on the findings of analysis and appraisal of smart property and intelligent property right in Shenzhen, as the first enterprise in the industry to publish findings of analysis and appraisal of smart property and intelligent property right in a centralised manner.

NOV

Established equity cooperation with China Construction Sixth Engineering Division and China Construction Property Management

Through multi-faceted and diversified collaboration and development from the parties, a win-win model was achieved through joint efforts to actively explore new sectors and new business models, thereby co-developing a bigger business platform in Tianjin and other regions in the PRC.

Jiu Series Brand was launched at Residence 9, Shenzhen

On 27 November, COPL hosted a standard compliance conference for its Jiu Series Brand at Residence 9, Shenzhen, themed "developing 'renovative' services, experiencing the splendid Jiu Series".

Highlights of the Group in 2021 (Continued)

DEC

Strategic cooperation with Tus Digital Sanitation Group

On 2 December, Mr. Zhang Guiqing, the Chairman of the Board of Directors of COPL attended the signing ceremony of strategic cooperation agreement with Tus Digital Sanitation Group in Hefei, further deepening the utilization of resources and business integration to achieve comprehensive and multi-perspective collaborative development.

Among the first batch recognised by the CSCEC Technological Innovation Platform

On 20 December, Mr. Zhao Xiaojiang, the deputy general manager of CSCEC and Dr. Yang Ou, the Chief Executive Officer of COPL jointly inaugurated "Research Center of China Construction and Urban Renewal and Smart Operation and Maintenance Engineering" (中國建築城市更新與智慧運維工程研究中心), which is a technology and innovation platform built by the research team of Xinghai Wulian of COPL based on years of experience in the construction industry.

Xi'an epidemic prevention was reported by CCTV

On 23 December, three major CCTV news programs including *Xinwen Lianbo* (《新聞聯播》), *Live News* (《新聞直播間》) and *Xinwen 1+1* (《新聞1+1》) reported the epidemic prevention work of COPL in Xi'an.

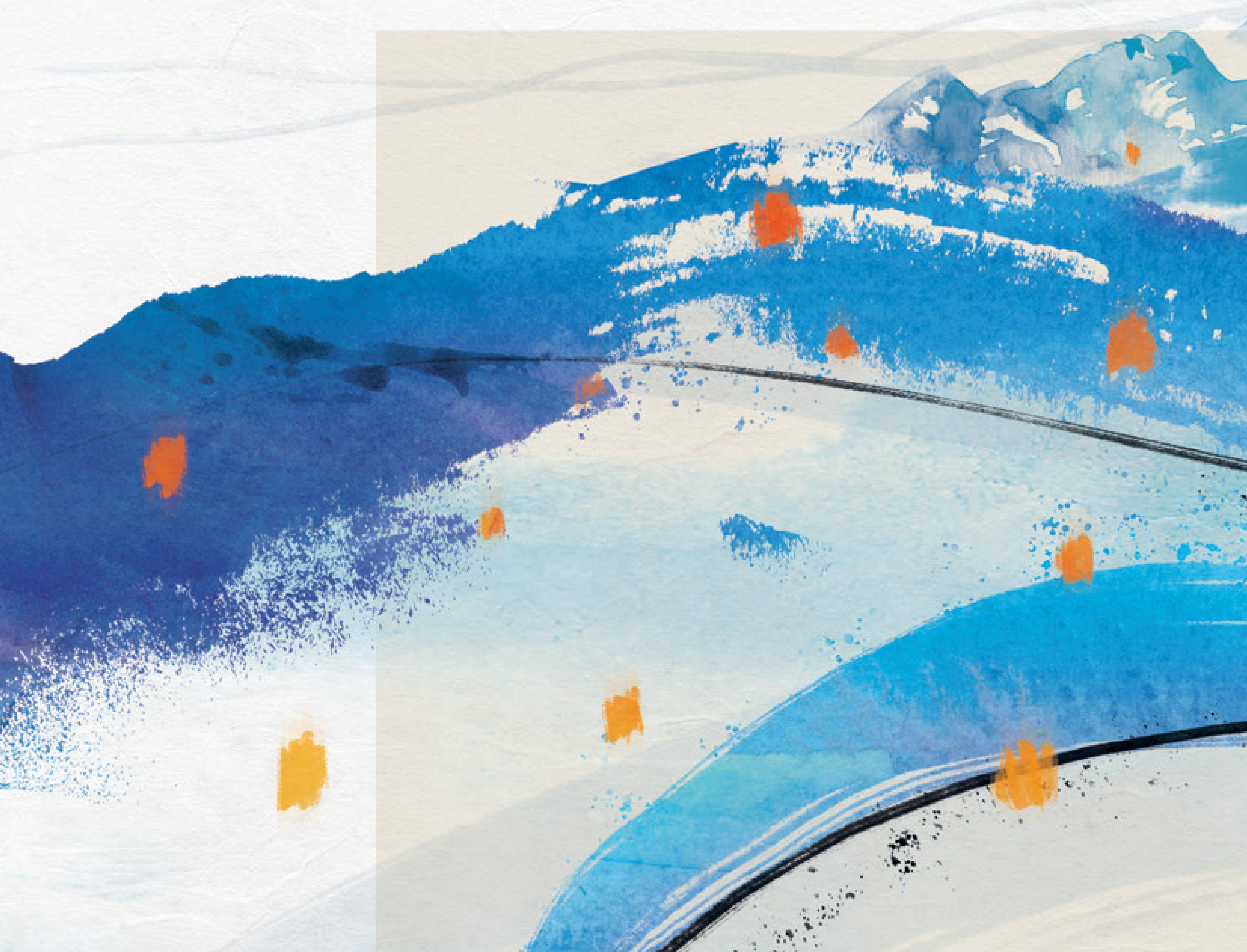
HONOURS AND AWARDS OF THE GROUP IN 2021

NO.	AWARD	ORGANISER
1	Top 20 Office Service Companies in 2021	CRIC Shanghai E-House China R&D Institute China Real Estate Appraisal Centre
2	Top 10 High-end Property Service Companies in 2021	CRIC Shanghai E-House China R&D Institute China Real Estate Appraisal Centre
3	Top 100 Property Service Companies in 2021	CRIC Shanghai E-House China R&D Institute China Real Estate Appraisal Centre
4	Top 20 Commercial Property Service Companies in 2021	CRIC Shanghai E-House China R&D Institute China Real Estate Appraisal Centre
5	Leading Property Service Satisfaction Companies in 2021	CRIC Shanghai E-House China R&D Institute China Real Estate Appraisal Centre
6	Guangdong-Hong Kong-Macao Greater Bay Area Preferred Property Services Brand in 2021	CRIC Shanghai E-House China R&D Institute China Real Estate Appraisal Centre
7	Comprehensive Strength Enterprise Amongst Listed Companies 2021	The Economic Observer
8	Most Valuable Excellent Service Enterprise 2021	The Economic Observer
9	Most Valuable Brand Enterprise 2021	The Economic Observer
10	2021 Fast Pass Entreprise in Nanshan District (2021–2023)	Shenzhen Nanshan District People’s Government
11	2021 TOP100 Property Management Companies in China	China Index Academy
12	2021 China Excellent Listed Property Management Company by Investment Value	China Index Academy

Honours and Awards of the Group in 2021 (Continued)

NO.	AWARD	ORGANISER
13	2021 China Excellent Listed Property Management Companies by ESG Development	China Index Academy
14	2021 TOP100 Satisfaction Leading of Property Management Companies in China	China Index Academy
15	2021 China Top 10 Property Management Companies in terms of Service Scale	China Index Academy
16	2021 China Top 10 Listed Property Management Companies in terms of Scale	China Index Academy
17	2021 China Top 10 Listed Property Management Companies in terms of Comprehensive Strength	China Index Academy
18	2021 Best Employer of Property Management Companies in China	China Index Academy
19	The No. 1 Most Valuable Brand of China Property Management Service in 2021	China Real Estate News
20	2021/22 MERCURY Awards Bronze Award — Interior Design: Traditional Format: Asia/Pacific	MerComm, Inc
21	2021/22 MERCURY Awards Honors Award — Overall Presentation: Other/Misc. — Property Management	MerComm, Inc
22	2021 Galaxy Awards Bronze Award — Interior Design: Graphics/Text	MerComm, Inc
23	2020/21 LACP Vision Awards Top 100 Worldwide Rank 54	League of American Communications Professionals LLC
24	2020/21 LACP Vision Awards Integrated Corporate Investment Holding Company: Gold Award (98 marks)	League of American Communications Professionals LLC
25	2020/21 LACP Vision Awards Technical Achievement Award	League of American Communications Professionals LLC

Chairman's Statement



CHAIRMAN'S STATEMENT

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.

Mr. Zhang Guiqing
Chairman and Executive Director

Chairman's Statement (Continued)

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 2021. The annual turnover of the Group increased by 44.3% to HK$9,442.0 million from HK$6,544.9 million of last year. Operating profit rose by 41.2% to HK$1,319.3 million (2020: HK$934.1 million). The profit attributable to shareholders of the Company increased by 40.5% to HK$983.9 million (2020: HK$700.0 million). Basic and diluted earnings per share was HK29.93 cents (2020: HK21.30 cents). Average return on equity was 38.2% (2020: 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 HK6.0 cents (2020: HK4.2 cents) per share for the year 2021. Together with the interim dividend of HK3.0 cents (2020: HK2.2 cents) per share distributed in October 2021, total dividends for the year will amount to HK9.0 cents (2020: HK6.4 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 21 June 2022 (the "2022 AGM").

In 2021, the world was still plagued by coronavirus variants. Despite the intense and effective prevention measures focusing on "Preventing Imported Cases from the Outside and Resurgence from the Inside", China can hardly be immune from the pandemic. Sporadic cases in local areas, coupled with the geopolitical conflicts and the negative impact of the overall economic climate, the future is still full of challenges. In spite of the difficulties of the epidemic prevention and control, as the guardian standing closest to the people, we have confidence and perseverance to grow steadily and will strive to protect the lives of customers with a view to achieving a win-win situation for epidemic prevention and control as well as production and operation. During the inception year of the Group's "14th Five-Year strategic plan", 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 organisation. We insist on consolidating our existing strengths in the basic services of core stream business to penetrate well into and cultivate existing markets, building a moat mechanism, vigorously incubating innovative businesses, and continuing to actively explore external expanding markets. We also make use of technology-enabled digitalisation and intelligent transformation to facilitate a high quality and diversified upgrade on our property management services business, so as to meet our customers' ever-increasing demand for a wonderful

Chairman's Statement (Continued)

living condition. 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 35 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 brand concept of "Building Happiness and Leading the Trend" to reflect the enterprise value, the enterprise spirit of "Progress Whole-heartedly Each 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. In this period of uncertainty and rapid changes in the external environment, 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 "Progress Whole-heartedly Each Day" and the sincere attitude of "Serving with Heart Every Single Day", and we have been endeavoring along the road to standardisation and refinement 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 2021, the Group had a cumulative presence in 141 cities, covering Hong Kong and Macau, and a current workforce of approximately 52,220 employees. With continued market expansion, we promoted vertical and horizontal exploration of customer resources by consolidating the existing resources while actively seeking new ones. Through innovative business models of "Integration of Letting Operation + Property Services (招商運營+物業服務一體化)", "Cost on Lump Sum Basis + Operating Profit Sharing (成本包乾制+經營利潤分成)", we achieved remarkable results. We continued to diversify our property management portfolio and made new breakthroughs in expanding to non-residential areas with significant progress in parks, commercial buildings and offices as well as in the finite residential properties market. We also won several bids for premium landmark projects and high contract value items, and realised the transformation to quality joint venture projects, further diversifying our product portfolio consisting of commercial complexes, offices, shopping centers, industrial parks, aviation, high-speed rail, hospitals, schools, government properties, parks, ports, roads and bridges, bus terminuses and other public facilities, with 388 pre-sales sites projects under management and 1,281 property management projects with service area of nearly 260.0 million square meters ("sq.m."). We secured new contracts of No.2 JD Headquarters (京東總部2號樓) (with annual contract value of more than RMB30 million) and tapped into the market of Bijie in Guizhou (貴州畢節). Other projects included Translational Medicine Building of Peking Union Medical College Hospital (北京協和醫院轉化醫學綜合樓), Maintenance of the main stream of the Maozhou River in Shenzhen (深圳茅洲河干流河道養護), Tianfu Art Park (天府藝術公園), Nanjing Zijin Yuefeng Plaza (南京紫金悦峰廣場) and Xiaojiahe of Peking University (北京大學蕭家河). In Hong Kong and Macau regions, we provided management services for the first time for the Architectural Services Department under the Hong Kong Development Bureau, and Hong Kong Museum of Arts under the Leisure and Cultural Services Department of Hong Kong as well as extended our services to approximately 50% hospital projects under Hospital Authority and the headquarters building of Hospital Authority. Currently, our government management projects cover nine bureaux and 21 executive departments. We continued to maintain a robust growth momentum and we are now 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. We have focused on and continued to upgrade the three major scenarios of real estate development: marketing, construction and move-in. On the strategic level, we actively liaise with large customers to achieve strategic synergy through complementary resources and advantages, and provide full lifecycle services. During the property development stage, we provide developers with whole-process property consultation and management services, including product positioning consultation, gardening, interior fine finishing, vetting of building plans, equipment and facility selection advice, pre-delivery marketing value-added services, 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 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 "2021 China Top 100 Property Management Companies" (2021中國物業服務百強企業), "The No. 1 Among the Top 100 Valuable Brands of China Property Management Service in 2021" (2021中國物業服務企業品牌價值百强第一名), "2021 China TOP 10 Property Management Companies in terms of Service Scale" (2021中國物業服務百強企業服務規模TOP10), "2021 China TOP 10 Listed Property Service Companies in terms of Comprehensive Strength" (2021中國物業服務上市公司綜合實力TOP10), "2021 Property Service Satisfaction Leading Company" (2021物業服務滿意度領先企業), "2021 The Preferred Brand of Property Services in the Guangdong-Hong Kong-Macao Greater Bay Area" (2021粵港澳大灣區物業服務首選品牌), "2021 Outstanding Company in ESG Development of China Property Service" (2021中國物業服務ESG發展優秀企業) and "2021 Listed Companies with Strongest Comprehensive Strength" (2021上市綜合實力企業). Besides being a constituent in Morgan Stanley Capital International Index (MSCI) China Index and also included in the Shanghai-Hong Kong connect list, in April 2021, we were further shortlisted in Hang Seng Property Service and Management Index, receiving high recognition from the capital market.

COPL's "Xinghai Wulian" (興海物聯) platform adhered to its "1155" strategic objectives in the backdrop of the national implementation of innovation-driven development strategy, digitalisation and intelligentisation. We maintained to increase investment in technology research and development, and strengthened protection for intellectual achievement transformation and intellectual property rights. And, we continued to set standards for and lead the trend of the industry by further exploring innovative results, which accumulated a solid and steady reserve of intellectual property rights assets. The proprietary system of "basic property + artificial intelligent ("AI")" was preliminarily formed, which possesses a multitude of key patented technologies in the fields of Internet of Things ("IoT"), smart communities and smart industrial parks. We actively engaged in existing markets by participating in old neighborhood renewal, energy conservation and emission reduction and environmental engineering. As a pioneer in "Urban Renewal and Intelligent Operation and Maintenance Engineering Technology", we took the initiatives to tap into new markets, expanding the portfolio to commercial complex, manufacturing parks, exhibition venues and other new segments. In the era of "Smart+", the development and trend of the property industry shows the core obstacles of the industry's development and also the direction towards breaking the bottleneck. COPL has made vigorous efforts in construction development of smart parks, and has sped up scalable, standardised and customised production to fully cover the application scenarios of smart parks and ensure professional operation and maintenance in smart parks. We strived to build COPL's reputation in technology with industry benchmark projects, facilitating upgrade of the property industry. We followed the "People-oriented Technology" principle in every urban scenario in order to create harmony between people and space.

Chairman's Statement (Continued)

As a platinum member of Building Owners and Managers Association International, an international accreditation organisation, "Hainawanshang" (海納萬商), a commercial property service brand under the Group, continues to cultivate its position in non-residential premises such as office buildings, commercial complexes, industrial parks, government and public construction as well as colleges and universities, with the new development engine powered by full life-cycle and asset operation along the entire business chain. Meanwhile, the Group offers community value-added services under the brand of "UN+" (優你互聯), which aims to create a vibrant and sustainable business environment for its communities by use of both online and offline approaches, and expand its services reach through market-oriented strategies. The brand actively innovates its incentive mechanism and conceives value-added services, so as to deepen its foothold in the existing market and explore the potentials of projects under our management, which will enable us to meet our customers' ever-increasing demand for a wonderful living condition. In particular, COPL introduces the move-in business of direct sales of customised products and explores opportunities through the sales model of "Move-In Pre-Purchase + Group Purchase", which builds a combination to open up new paths and achieve new growth.

The Group adheres to the commonly acclaimed motto of "Gathering Hard-workers and Inspiring Talents". We actively explored and took full advantage of the market-oriented principle and fostered the resilience and agility of our organisation to match the business development. We pursue top-notch efficiency and vitality in our organisation and more precisely define the organisational structure as a three-tiered management model of "Headquarter-City-Project". In addition, the "1+N" strategy has been implemented on the city level for the purpose of strengthening the headquarter, deep ploughing cities and energising projects. Meanwhile, the number of approval procedures by the person in charge at platform companies decreased by 40% through differentiated authorisation, further boosting decision-making efficiency; 90% projects completed its tendering at platform companies, thereby empowering frontline staff to command. At the same time, we implemented the reform of "Project General Manager Partnership System" (項目總經理合夥人制) through management model innovation, controlled back-office management fee rate at a reasonable level with 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 regional advantage, area advantage and workforce advantage. The "UN+ Butler Partnership System" (優管家合夥人制) is also an integral part of our reform of 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 problem solving and goal setting mindset. Through the partnership system, we will seek and cultivate a group of elite 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. The reform of precise cleaning business model creates a new environment to provide employees with workload-based rewards and improve efficiency through differentiated and quantifiable service menu design, while 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 enhancing service quality. The Group also took the initiative to set up standard rooms for the staff to rest at the workplace, thus creating an environment catering to their well-being. We pay attention to staff's day-to-day needs and always put their physical and mental health on our heart. We have installed new and upgraded filtered water dispensers to provide safe and reliable drinking water for our staff. The rest rooms are also equipped with refrigerators and a variety of food and beverages as refreshment for the staff at any time to replenish them to complete their work with high quality. On the other hand, lively corporate posters and staff photos are displayed on wall to showcase the corporate culture and staff's appearances, enhancing solidarity and promoting our corporate identity as well as cultivating happiness.

While the year 2021 represented a historical watershed as the nation endeavored to stabilise employment, safeguard livelihood and emerge victorious against poverty, we strived to meet the society's expectations during this crucial time and actively participated in community service. The Group engaged grassroots workers to cleaning, security, greening, maintenance and other works, organised special recruitment campaigns targeted at poverty-stricken regions, provided job opportunities, protected labour safety, improved service skills and promoted the poverty alleviation through stabilising employment. In order to alleviate poverty through consumption, the Group fully leveraged on the advantages of its two E-Commence platforms, namely "Haihui Youxuan" (海惠優選) and "China Overseas Youjia" (中海優家), to sell agricultural products from poverty-stricken regions, established long-term charity sale channels in the communities, launched ongoing promotion activities and realised industrial commercialisation and marketisation to increase the revenue received by families from poverty-stricken regions. We contributed to the task of supporting three counties in Gansu and exceeded the sales target of farmer-supporting products by more than RMB50 million, and were awarded the honour of "Poverty Alleviation and Pioneering Corporate" (脱貧攻堅先進集體) in Gansu Province. We also signed donation contracts to help the local economy, and took part in volunteer activities such as constructing "China Overseas Wen Jia He Hope Primary School" (中國海外溫家河希望小學), donating teaching aids and books to schools and rehabilitation devices to patients with breast cancer. In the times of fighting against blizzards, typhoons and other natural disasters, COPL "Bears Owners' Needs in Mind and Takes Immediate Actions to Solve Problems for Owners", takes proactive and timely actions to eliminate potential hazards, inspect key equipment and facilities, avoid casualties and material property losses, and fulfils its service commitment and social responsibility with practical actions. We also launched a series of "Home Warming Actions", including air ventilation, filter cleaning, electrical inspection, hardware maintenance and the delivery of winter food to keep the cold away, so that the homeowners of COPL may enjoy their winter as warm as spring.

While the COVID-19 epidemic continues to spread around the globe, there have been scattered outbreaks in multiple places in China and the prevention and control situation has been complicated and constantly changing. COPL has adhered to its national strategic role and insisted on the overall prevention and control strategy of "Preventing Imported Cases from the Outside and Resurgence from the Inside", building a great wall to fight against the epidemic. With our staff always standing firm at the frontline of battling the epidemic, we have established a project-based, all-encompassing system for epidemic prevention and control. We also fully cooperate with community efforts in epidemic prevention and control management, and enhance our communication and liaison mechanism with local street, community and epidemic prevention authorities to implement various prevention and control measures, effectively protecting the lives and health of our customers. We insist on the classification and control of epidemic prevention and management at different levels to maintain smooth information flow. We integrate the epidemic prevention and control with the production and operation to ensure strict accountability as well as implementation and supervision of measures, and enforce the responsibility of prevention and control at all levels, thereby guaranteeing "good gatekeeping and good staff control". Based on the development of epidemic in the regions, units at all levels constantly refine measures to implement relevant control requirements in a targeted manner; improve regular response plans and conduct proper epidemic prevention and control drills. In order to avoid the difficulty of control caused by large crowds, property management offices have timely put in place a scanning and registration process at the entrance and exit of buildings as the first line of defense, and assigned dedicated staff to

Chairman's Statement (Continued)

measure body temperature and register vehicle information for the purposes of examining and registering incoming vehicles, especially vehicles of visitors, thereby providing a strong guarantee for blocking the transmission means and curbing the outbreak. In order to inspect key crowds in a timely manner and cut the transmission chain, in accordance with the government's epidemic prevention and control requirements, staff of several projects stayed on the frontline and cooperated with relevant departments to carry out the nucleic acid testing work overnight. Emergent project teams were assembled with proper division of labour to quickly set up a restricted area at the site and complete relevant works, such as cleaning and disinfection and the installation of lighting facilities. Temporary nucleic acid testing sites were also promptly set up to ensure the commencement of nucleic acid testing. Through various means such as notification by WeChat, phone calls and door-to-door visits, all residents were gathered within an hour from each and every household, who were then guided to queue up in an orderly manner to ensure that every resident could complete the inspection safely and efficiently. From midnight to late-night, all staff remained on duty to work with the residents to fight against the epidemic. We also properly went through body temperature measurement, scanning and labelling, disinfection and other prevention and control works, and strengthened the management of key personnel to ensure that all new recruits completed travel inspection and nucleic acid testing before they assumed duty. Frontline staff completed vaccination before they assumed duty and were under close health monitoring. We also attached great importance to logistic support for our frontline staff, provided them with daily necessities and epidemic prevention supplies, enhanced psychological guidance, made proper arrangement for work shift and leave rotation to avoid fatigue and psychological stress. During the period of normalised epidemic prevention and control, coronavirus vaccination is the most convenient and effective way to prevent the transmission of viruses, especially variants, and to safeguard the health of the entire population. We actively encourage each unit to mobilise staff to focus on the remaining unvaccinated individuals eligible for vaccination, and actively liaise with districts where "booster" vaccination has commenced, to further strengthen the herd immunity barrier. To protect the livelihood of our residents, we have begun to handle the "Last Mile" of daily supply delivery. Our anti-epidemic work was widely recognised by the society, and has also greatly enhanced the popularity and reputation of the COPL brand. In particular, we received numerous praises on the news for our rapid, timely and effective response during the outbreak, especially in Xi'an and Tianjin. At the same time, the property management industry's resistance to cyclicity and risk were clearly demonstrated. Due to epidemic prevention and control, remote office, online education and online shopping rapidly become a new way of production and living. The integration of innovative technology products, such as contactless lifts, access control and intelligent temperature detection equipment, into community management will be expedited, further facilitating the development of technological intelligence of the property management industry. The comprehensive legal system of the Civil Code of the People's Republic of China defines the rights and responsibilities between property management enterprises and property owners, general meetings of owners, owners' committees and government departments, and provides standard rules for the focuses and difficult points of conflicts in the past property management practice. On 5 January 2021, ten departments under the State Council, including the Ministry of Housing and Urban-Rural Development of the PRC, jointly issued the Circular on Strengthening and Improving the Administration of Residential Property (《關於加強和改進住宅物業管理工作的通知》), which encourages a variable adjustment mechanism for property management fees, enhances the penetration rate of property management services and seeks to improve the collection rate of management fees. Under the new legal environment, enterprises that operate with integrity, technological innovation and management innovation will have more market opportunities.

Chairman's Statement (Continued)

Looking forward, the COVID-19 pandemic continues to bring adverse impacts and challenges to global development. Faced with the unprecedented transformation in a century, we will pass the flame of our fighting spirit and strive to push ahead with the 14th Five-Year Plan. Under the new development philosophy, we will insist on co-ordinating development and epidemic prevention and control safety, and maintain balanced, sustainable, healthy and quality development as "One Core". We must learn, take responsibilities, and strive hard amidst the fierce competition of full marketisation and continue to strengthen our competitive edge and take initiatives so as to achieve solid first moves and make proactive strides in the game. We will embrace changes in this period with emerging strategic opportunities, and revitalise 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 support.

Zhang Guiqing
Chairman and Executive Director

Hong Kong, 24 March 2022

Management

Discussion & 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 (the "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, industrial parks, aviation, high-speed rail, hospitals, schools, government properties, 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.

Starting from 2021, the GFA under our management is re-defined generally only to include all full services, comprehensive property management projects, and the corresponding area under our management at last year end was restated accordingly. During the year, we pro-actively commenced market expansion, partly via equity investment, and enlarged operating scale 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. As a result, the GFA under our management increased by 72.9 million sq.m. or 38.9% to 260.0 million sq.m. from 187.1 million sq.m. (restated) at the last year, in which, 65.8% of the new projects with a contract sum of HK$3,938.9 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 2021:

	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)*	24.9	34.2%	3,678.2
Independent third parties	48.0	65.8%	3,938.9
Total	72.9	100.0%	7,617.1

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).

Frontline team dedicated to preserve and add value to the properties under management

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 new breakthroughs in the non-residential sector, leading to a more balanced contribution of new GFA from residential projects and non-residential projects of 46.4% and 53.6% respectively, with corresponding contract sums amounting to HK$4,246.7 million and HK$3,370.4 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 2021:

	New orders secured during the year		
	GFA under management		Contract sums
	million sq.m.	%	HK$ million
Project types:			
Residential projects	33.9	46.4%	4,246.7
Non-residential projects	39.0	53.6%	3,370.4
— *Commercial and office buildings*	*2.5*	*3.5%*	*2,200.9*
— *Public and other properties*	*36.5*	*50.1%*	*1,169.5*
Total	72.9	100.0%	7,617.1

Management Discussion and Analysis (Continued)

Business Review (Continued)

Revenue and Operating Results (Continued)

2021 is the inception year of the Group's "14th Five-Year strategic plan". We actively expanded our business under a normalised environment with the "Coronavirus Disease 2019" pneumonia epidemic ("COVID-19"). During the year ended 31 December 2021, total revenue increased by 44.3% to HK$9,442.0 million (2020: HK$6,544.9 million), except for the effect of average appreciation of Renminbi in the year, which mainly arisen from (i) the increase in GFA under our management from lump-sum basis contracts; (ii) continuous business growth on value-added services to both non-residents and residents; and (iii) the significant increase in sales of car parking spaces.

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

	For the year ended 31 December					
	2021		2020		Change	
	Revenue		Revenue			
	Proportion	HK$'000	Proportion	HK$'000	HK$'000	%
Property management services:						
— Lump sum basis	66.8%	6,306,857	69.9%	4,574,777	1,732,080	37.9%
— Commission basis	3.2%	304,001	4.3%	282,588	21,413	7.6%
	70.0%	6,610,858	74.2%	4,857,365	1,753,493	36.1%
Value-added services:						
— Non-residents	18.9%	1,789,403	17.9%	1,171,617	617,786	52.7%
— Residents	8.6%	811,020	7.6%	496,547	314,473	63.3%
	27.5%	2,600,423	25.5%	1,668,164	932,259	55.9%
Car parking space trading business	2.5%	230,754	0.3%	19,348	211,406	10.9x
Total	100.0%	9,442,035	100.0%	6,544,877	2,897,158	44.3%

Business Review (Continued)

Revenue and Operating Results (Continued)

On the other hand, direct operating expenses raised in line with our revenue growth at 45.8% to HK$7,800.4 million for the year (2020: HK$5,349.4 million), which was mainly due to (i) higher proportion of lump-sum basis contracts upon market expansion in property management sector; (ii) diversity and extension of product range of value-added services to non-residents and residents; (iii) the establishment of sub-brands and expansion in workforce to actively explore external expanding markets; and (iv) absence of significant government relief (including relief policy on provident fund) against impacts of COVID-19 as occurred in last year.

Accordingly, gross profit margin decreased slightly to 17.4% for the year (2020: 18.3%). Nonetheless, with the increasing business scales, the gross profit increased by 37.3% to HK$1,641.6 million for the year (2020: HK$1,195.4 million).

Other income and gains, net was HK$131.8 million for the year (2020: HK$121.2 million), mainly represented by unconditional government grants and interest income of HK$63.2 million and HK$69.0 million respectively (2020: HK$71.8 million and HK$42.5 million respectively). The decrease in unconditional government grants was mainly attributable to the reduction of government subsidies against COVID-19 in current year. The increase in interest income mainly benefited from a higher level of cash balances comparing with last year together with more effective treasury management.

The minimal fair value loss on investment properties for the year amounted to HK$1.9 million (2020: fair value loss of HK$4.8 million) was fully covered, after taking into account the impact of Renminbi appreciation at the end of the financial year as recognised in other comprehensive income. Overall, the carrying value of investment properties increased to HK$167.1 million (2020: HK$162.6 million) as at 31 December 2021.

Pre-delivery service for developers

Management Discussion and Analysis (Continued)

Business Review (Continued)

Revenue and Operating Results (Continued)

After deducting selling and administrative expenses of HK$428.7 million (2020: HK$339.6 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$23.5 million (2020: HK$38.2 million), operating profit increased by 41.2% to HK$1,319.3 million (2020: HK$934.1 million) for the year. On one hand, the increase in selling and administrative expenses was due to increase in manpower and salary level year on year driven by continuous scale expansion on both traditional property management business and value-added services. On the other hand, there was strategic development and enhancement on intelligent software platforms and expansion of hardware distribution business, leading to higher selling costs of HK$43.2 million, compared to last year. The decrease in net impairment of trade and retention receivables, and payments on behalf of property owners was mainly arisen from the continuously strengthening of the controls and recovery of receivables and advances, including the net reversal of impairment on payments on behalf of property owners managed on a commission basis amounted to HK$6.3 million (2020: net impairment of HK$19.6 million) upon improving economic condition as the pandemic disease was relatively under control comparing with last year.

Income tax expenses increased by 47.5% to HK$331.1 million for the year (2020: HK$224.4 million), mainly due to increase in profit before tax and withholding income tax provision, which was in line with our revenue growth. Withholding income tax provision of HK$16.9 million (2020: HK$15.7 million) in respect of dividends distributed/expected to be distributed from a PRC subsidiary was recognised during the year as part of the income tax expenses.

Overall, profit attributable to shareholders of the Company for the year ended 31 December 2021 increased by 40.5% to HK$983.9 million (2020: HK$700.0 million).

Maintenance engineering services

Professionally trained security staff

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 2021, we pro-actively commenced market expansion, partly via equity investment, and enlarged operating scale 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. Total GFA under management increased to 260.0 million sq.m. that was 38.9% more comparing with the last year (2020: 187.1 million sq.m. (restated)). The portion of GFA under management from independent third parties at year end increased to 27.6% (2020: 12.6% (restated)).

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 2021		As at 31 Dec 2020 (Restated)	
	GFA under management		GFA under management	
	million sq.m	%	million sq.m	%
Source of projects:				
China State Construction and China Overseas Group	**188.4**	**72.4%**	163.5	87.4%
Independent third parties	**71.6**	**27.6%**	23.6	12.6%
Total	**260.0**	**100.0%**	187.1	100.0%

Management Discussion and Analysis (Continued)

Commercial property service brand "Hainawanshang" (海納萬商) is a platinum member of Building Owners and Managers Association International

Segment Information (Continued)

Property Management Services (Continued)

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, offices, shopping centers, industrial parks, aviation, high-speed rail, hospitals, schools, government properties, parks, ports, roads and bridges, bus terminus and other public facilities. At year end, the GFA under management from non-residential projects increased to 22.8% (2020: 10.8%).

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 2021		As at 31 Dec 2020 (Restated)	
	GFA under management		GFA under management	
	million sq.m	%	million sq.m	%
Project types:				
Residential projects	200.7	77.2%	166.8	89.2%
Non-residential projects	59.3	22.8%	20.3	10.8%
— *Commercial and office buildings*	*12.6*	*4.9%*	*10.1*	*5.4%*
— *Public and other properties*	*46.7*	*17.9%*	*10.2*	*5.4%*
Total	260.0	100.0%	187.1	100.0%

Segment Information (Continued)

Property Management Services (Continued)

During the year ended 31 December 2021, revenue from property management services constituted 70.0% of total revenue (2020: 74.2%), and increased by 36.1% to HK$6,610.9 million from last year (2020: HK$4,857.4 million). The increase in revenue from property management services was mainly arisen from the increase in GFA under our management from lump-sum basis contracts, and the effect of average appreciation of RMB against HK dollar for the year ended 31 December 2021.

For the year ended 31 December 2021, approximately 95.4% and 4.6% of the segment revenue were generated from regular property management contracts under lump sum basis and commission basis respectively (2020: 94.2% and 5.8% respectively).

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

	For the year ended 31 December				Change	
	2021		2020			
	Segment revenue		Segment revenue			
	HK$'000	%	HK$'000	%	HK$'000	%
Property management services:						
— Lump sum basis	6,306,857	95.4%	4,574,777	94.2%	1,732,080	37.9%
— Commission basis	304,001	4.6%	282,588	5.8%	21,413	7.6%
Total	6,610,858	100.0%	4,857,365	100.0%	1,753,493	36.1%

Keeping the community green and tidy

Management Discussion and Analysis (Continued)

Segment Information (Continued)

Property Management Services (Continued)

As at 31 December 2021, the ratio of GFA under management from lump sum basis and commission basis was 72.4% to 27.6% (2020: 62.0% to 38.0%).

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 2021		As at 31 Dec 2020 (Restated)	
	GFA under management		GFA under management	
	million sq.m	%	million sq.m	%
Contract bases:				
Property management contracts under lump sum basis	188.4	72.4%	116.0	62.0%
Property management contracts under commission basis	71.6	27.6%	71.1	38.0%
Total	260.0	100.0%	187.1	100.0%

Consistently elevate customer service quality

Segment Information (Continued)

Property Management Services (Continued)

During the year, the segment gross profit margin from regular property management contracts under lump sum basis and commission basis was 10.8% and 100.0% respectively (2020: 10.9% and 100.0% respectively). Overall, the weighted average segment gross profit margin decreased to 14.9% for the year (2020: 16.1%), mainly due to higher proportion of lump-sum basis contracts upon market expansion in property management sector. Accordingly, with continuing increase in segment revenue, the gross profit of our property management services segment increased by 26.1% to HK$983.6 million from last year for the year ended 31 December 2021 (2020: HK$780.1 million).

The following table sets forth 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				Change in gross profit	
	2021		2020			
	Gross profit HK$'000	Gross profit margin %	Gross profit HK$'000	Gross profit margin %	HK$'000	%
Property management services:						
— Lump sum basis	679,605	10.8%	497,471	10.9%	182,134	36.6%
— Commission basis	304,001	100.0%	282,588	100.0%	21,413	7.6%
Total	983,606	14.9%	780,059	16.1%	203,547	26.1%

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 31.5% to HK$882.4 million for the year (2020: HK$670.9 million). The enhancement of segment result was due to (i) increase in other income that was beefed up with increased interest income due to higher cash and bank balances, and effective treasury management, partly offset by the reduction of unconditional government grants towards COVID-19; and (ii) reduction in net impairment of trade and retention receivables, and payments on behalf of property owners for properties managed on a commission basis by the strengthening of the controls and recovery of receivables and advances and reversal of certain impairment costs upon improving economic condition as comparing with last year.

Management Discussion and Analysis (Continued)

Segment Information (Continued)

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 2021, revenue from the non-residents sub-segment constituted 18.9% (2020: 17.9%) of total revenue, and increased by 52.7% to HK$1,789.4 million (2020: HK$1,171.6 million). The increase in segment revenue was mainly arisen from (i) expansion of Xinghai Wulian's intelligent building & construction and technical support for specific engineering business for the development of smart communities to meet residents' smart park experience; (ii) expansion in business volumes on pre-delivery services (such as security, cleaning and repair and maintenance services for display units in pre-sales offices for developing properties) and inspection services rendered to property developers; and (iii) the increase in consultancy services revenue.

The following table sets forth 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		Change	
	2021	2020		
	Sub-segment revenue	Sub-segment revenue		
	HK$'000	HK$'000	HK$'000	%
Value-added services to non-residents:				
Engineering services	643,011	383,948	259,063	67.5%
Pre-delivery services	873,252	594,802	278,450	46.8%
Inspection services	167,580	98,701	68,879	69.8%
Consulting services	105,560	94,166	11,394	12.1%
Total	1,789,403	1,171,617	617,786	52.7%

Professional frontline team provides high quality services

Living service operations provides daily shopping assistance to residents

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 17.9% (2020: 20.1%) due to higher diversity and extension of product range of our services to meet customers' requirements. Overall, driven by increasing revenue, the sub-segment gross profit remains increased by 36.4% to HK$320.8 million (2020: HK$235.1 million).

Accordingly, the sub-segment profit from value-added services to non-residents, after having allowed for sub-segment overhead, including higher selling costs due to increase in headcounts for promotion of intelligent software platforms and distribution of hardware, increased by 10.7% to HK$196.5 million against last year (2020: HK$177.5 million).

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 and rental of self-owned properties); (ii) living service operations (to meet the various needs of residents of the properties, including housing ecology, home improvement, new retail, home services, tourism and leisure, education and training, health and elderly care, automotive services, platform services, commercial office services, etc.); and (iii) commercial service operations (to meet the needs of business users). Both of the customers' recognition of our traditional property management services, and diversification of our product offerings and marketing channels through services offered with our online-to-offline platform facilitates meeting the various needs of residents of the properties, which promotes the life style quality and satisfaction of our customers.

Management Discussion and Analysis (Continued)

Property management with a warming touch

Segment Information (Continued)

Value-Added Services to Residents (Continued)

For the year ended 31 December 2021, revenue from the residents sub-segment constituted 8.6% (2020: 7.6%) of total revenue, and increased by 63.3% to HK$811.0 million (2020: HK$496.6 million). With the epidemic more or less under control in last year, our operating condition improved gradually at full wing. Business resumed an upward trend and growth normalised. Revenue increased with community asset management, living service operations and commercial service operations expanded quickly during the year.

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

	For the year ended 31 December		Change	
	2021	2020		
	Sub-segment revenue HK$'000	Sub-segment revenue HK$'000	HK$'000	%
Value-added services to residents:				
Community asset management services and commercial service operations	439,949	324,816	115,133	35.4%
Living service operations	371,071	171,731	199,340	1.2x
Total	811,020	496,547	314,473	63.3%

Segment Information (Continued)

Value-Added Services to Residents (Continued)

The gross profit margin of value-added services to residents sub-segment slightly declined to 33.3% (2020: 35.2%), as a result of the change in sales mix with significant business volumes for daily necessities, food and community group purchases that command lower profit margin and the establishment of sub-brands and expansion in workforce to actively explore external expanding markets. Nonetheless, driven by increasing revenue, the sub-segment gross profit of value-added services to residents increased by 54.6% to HK$270.4 million (2020: HK$174.9 million).

After having allowed for sub-segment overhead, the sub-segment profit from value-added services to residents increased by 56.7% to HK$257.9 million against last year (2020: HK$164.5 million).

Car Parking Spaces Trading Business

Through acquiring unfettered rights and ability to control and coordinate the sales of the car parking spaces at the properties under the Group's management, the Group can create greater ease and value to the residents of such properties, and thereby enhance the Group's overall management of the amenities within such properties. This in turn also enable the Group to take advantage of its existing abundance of cash balance and increase the shareholders' value.

Night patrol gives peace of mind

Management Discussion and Analysis (Continued)

Segment Information (Continued)

Car Parking Spaces Trading Business (Continued)

During the year ended 31 December 2021, through our incentive scheme to enhance sales momentum, revenue from the car parking spaces trading business segment soared by 10.9 times to HK$230.8 million from last year (2020: HK$19.3 million). Total number of car parking spaces sold was 2,067 (2020: 164), with segment profit increased substantially to HK$64.9 million (2020: HK$5.1 million) in the year.

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

	For the year ended 31 December		Change	
	2021	2020		
	HK$'000	HK$'000	HK$'000	%
Segment revenue from car parking spaces trading business	230,754	19,348	211,406	10.9x

	For the year ended 31 December	
	2021	2020
	Unit	Unit
Number of car parking spaces sold	2,067	164

Liquidity, Financial Resources and Debt Structure

The Group adopts prudent financial policies, with effective financial and cash management under centralised supervision, and maintains appropriate and sufficient cash and bank balances. As at 31 December 2021, net working capital amounted to HK$2,516.9 million (as at 31 December 2020: HK$1,783.7 million).

As at 31 December 2021, cash and bank balances increased by 15.6% to HK$4,283.4 million comparing to last year end (2020: HK$3,705.7 million), in which, 96.8% were denominated in Renminbi and 3.2% were denominated in Hong Kong dollar/Macau Pataca respectively.

Capital Expenditures

The capital expenditures, which mainly represent additions to / payment on investment properties, leasehold improvement, motor vehicles, machinery and equipment, furniture, fixtures, office equipment, leasehold right-of-use assets (including capitalised lease commitments) and software systems, were HK$191.7 million for the year ended 31 December 2021.

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

The Group had no material acquisitions, disposals, significant investments and future plans of material investment during the year ended 31 December 2021.

Principal Risk Management Strategies

1. Operating Efficiency

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

2. Customers and Suppliers Relationship Management

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

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

Festival gathering

Community fun fair

Principal Risk Management Strategies (Continued)

2. Customers and Suppliers Relationship Management (Continued)

Our suppliers primarily include suppliers of our raw materials and sub-contractors who provide cleaning and garden landscape maintenance services to the properties we manage. In order to ensure cost effectiveness and standardisation quality customer services to promote customers' satisfaction, our business strategies includes objectives to maintain close business relationships with quality vendors and sub-contractors so as to achieve consistency and reliability in service quality, while controlling costs through bulk purchases or economies of scale. Our competitiveness depends on our ability to differentiate our Group from our competitors through quality services and reliability.

3. Monitoring of Foreign Exchange Exposure

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

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

Compliance with Relevant Laws and Regulation

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

Sustainability Development Policy and Performance

We are committed to sustainability and apply high standards to environmental, social and governance ("ESG") issues for the projects we manage, some of which have been certified by the U.S. Green Building Council as "Leading Energy and Environmental Design (LEED)". At some of our managed properties, we leverage on our technical expertise and capabilities to organize and participate in various programs. During the year, we worked on various aspects of sustainable development, including:

- Task Force on Climate-related Financial Disclosures ("TCFD") formulated a response plan for the proposed disclosure exercise. Based on the TCFD's recommendations, a contingency plan for climate-related financial risks and opportunities has been developed to analyze the impact of climate change on the Group. In addition, COPL has also become a supporter of TCFD;

Sustainability Development Policy and Performance (Continued)

- An annual care plan for our employees is formulated each year to continuously enhance their satisfaction and happiness, and increase their sense of belonging and cohesion. During the year, we adopted "Happiness N times (幸福 N 次方)" as theme of the COPL employee care work, aiming to highlight that employee happiness is our goal of fulfilling corporate social responsibility; and

- Since the epidemic, each unit continues to improve prevention and control measures to reduce the risk of disease transmission. In accordance with the national epidemic prevention requirements, COPL has strengthened its epidemic prevention system as appropriate under its own actual conditions and gradually formed a 1+X epidemic prevention system during this year.

For more information on our sustainability performance, please refer to the "Sustainable Development" page on the COPL website.

Capital Commitment and Contingent Liabilities

As at 31 December 2021, the capital commitments of the Group were HK$11.1 million, which mainly related to capital investment in a joint venture and acquisition of equipment and software. In addition, the Group provided counter-indemnities amounting to approximately HK$248.8 million, for guarantees issued in respect of certain property management service contracts for which we are required to provide performance bonds in the ordinary course of business.

Except as disclosed above, we had no other material capital commitments and outstanding contingent liabilities as at 31 December 2021.

Significant Events after the Reporting Period

The Group had no significant events occurred after the year ended 31 December 2021, which have material impact on the performance and the value of the Group.

Employees

As at 31 December 2021, the Group had approximately 52,220 employees (as at 31 December 2020: 45,398).

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 2021 was approximately HK$4,625.0 million (2020: HK$3,232.3 million), of which, HK$4,314.2 million (2020: HK$2,993.8 million) and HK$310.8 million (2020: HK$238.5 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.

SUPPORTING WINTER OLYMPICS WITH SMART TECHNOLOGY — Xinghai Wulian

National Ski Jumping Centre "Snow Ruyi"

Grandstand Fire Services Central Control Room

Olympic Village at Zhangjiakou in 2022

Team of Xinghai Wulian

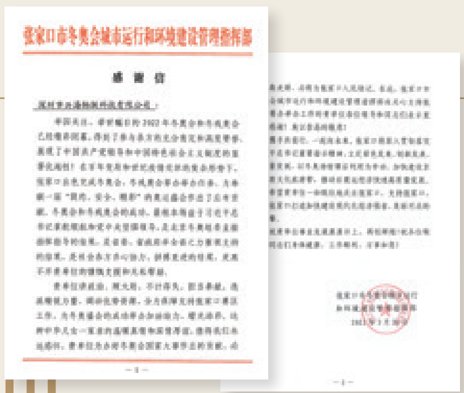
Supporting Winter Olympics With Smart Technology — Xinghai Wulian (Continued)

With its experience accumulated over years of smart park development, solutions for smart venues, outstanding ability to guarantee post-game operation during the Olympics, and the collective ability of a state-owned enterprise, Xinghai Wulian won the "Three Venues and One Village" smart venue contract with its eco-partners for the 2022 Winter Olympic Games in the Zhangjiakou competition zone.

11-minute special report on Beijing TV Science and Education Channel

"Three Venues" refer to the following three competition venues: the National Ski Jumping Centre, the National Cross Country Centre, and the National Biathlon Centre; "One Village" refers to Zhangjiakou Olympic Village and Zhangjiakou Paralympic Village, which is one of the major venues of the Winter Olympic Games. Xinghai Wulian undertook the construction and operation of the "Three Venues and One Village" smart project in the Zhangjiakou competition zone, and participated in the "R&D and Application Demonstration of Smart Presentation and Advanced Display Technology for Snow Venues", a key project of the National Key R&D Programme "Technology and Winter Olympics".

During the Winter Olympic Games, a core team of 22 staff made every effort to ensure the smart operation of the Olympic venues. Through technologies such as IoT, big data and artificial intelligence, Xinghai Wulian designed a set of public security systems, including video surveillance, security check systems and alarm systems, to provide "behind-the-scenes protection" for a safe Winter Olympics. To achieve the goal of a green and low-carbon Winter Olympic Games, a building energy efficiency monitoring system was designed to incorporate various high-end technologies such as real-time data collection, IoT communication and data feature extraction, etc. With the help of this system, every single unit of water and electricity consumption in the Winter Olympic venues had a "green ID card", presenting the world with a smart, green and safe Winter Olympics and bringing green, safe and smart solutions to the Winter Olympics.



张家口市冬奥会城市运行和环境建设管理指挥部

感 谢 信

A thank-you letter to Xinghai Wulian from Zhangjiakou Commanding Unit of City Operation and Environmental Construction Management for the Winter Olympic Games

张家口奥体建设开发有限公司

感 谢 信

Zhangjiakou Olympic Sports Construction Company expressing its gratitude to 16 operation, maintenance and support staff members of Xinghai Wulian for their contribution

Supporting Winter Olympics With Smart Technology — Xinghai Wulian (Continued)

Xinghai Wulian is an IoT company that provides overall solutions for smart buildings. It has a large number of key patented technologies in the fields of IoT, smart communities and smart parks, and is one of the first technological innovation companies to be recognised by the CSCEC Technological Innovation Platform.

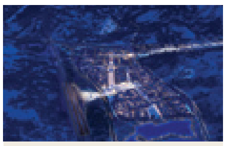
Xinghai Wulian is among the first batch of companies recognised by the CSCEC Technological Innovation Platform

Based on the strategic background of the "CSCEC 136 Project", the technological innovation platform takes the building of smart IoT platform as its core, constructs a sensory system for IoT of buildings, develops the key technology of "platform + connection" of the IoT, realises the industrial development of building smart spaces, fills the technology gaps in related fields such as the standard of new infrastructure smart space and the application of supporting building IoT technology, builds the whole industry chain technology system of the CSCEC in the field of IoT technology, and empowers technology in various industrial fields such as construction, development, operation, maintenance, and energy conservation.

Xinghai Wulian's full chain of services for smart parks span across over 70 first- and second-tier cities. It has served over 3 million customers in more than 2,000 projects. Based on the full chain service capacity, it has established presence in various industries, including manufacturing parks, commercial complexes, exhibition venues, residences, industrial parks, schools, elderly services, cultural tourism and livestock industry. It undertook the national construction project of Smart Venue for the 2022 Beijing Winter Olympics, the first zero-carbon park in China, namely Yancheng Electricity Smart Park, Shenzhen World Exhibition & Convention Center, Shanghai Stadium with a capacity of 80,000 pax, Shanghai Bailian Outlets Plaza, Hangzhou Chunfeng Dongli Future Factory, Hangzhou Ru Yu De Shui Smart Manufacturing Park, Changsha Syoung Holdings Global Facial Mask Smart Manufacturing Base, Yunnan Junfa Luosiwan Trade City, Shanghai Jinmao K12 Smart Campus, Shenzhen Metro Zhiye Building, the first 5G community in China, namely Shanghai Zhenru Mansion, and other landmark smart park projects.

2019
Venue
Hong Kong Palace Museum Project

2020
Education
Shanghai Jinmao K12 Smart Campus Project



2020
Venue
Zhangjiakou Competition Zone Smart Venue for the 2022 Beijing Winter Olympics

2021
Industrial Park
Yancheng Electricity Zero-Carbon Smart Park

2021
Manufacturing Park
Changsha Syoung Holdings Global Facial Mask Smart Manufacturing Base

Supporting Winter Olympics With Smart Technology — Xinghai Wulian (Continued)

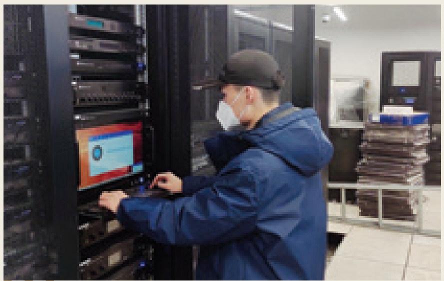
Xinghai Wulian focuses on the R&D of IoT platform technologies for buildings, and has established R&D centres one in Shenzhen and one in Changsha. The technological innovation achievements have served the IoT construction of more than 1,000 projects such as the real estate industry at home and abroad and Xiong'an New District. The number of IoT devices exceeds 5 million, covering more than 100 cities and regions.

As an important platform for technological innovation of COPL, Xinghai Wulian actively promotes the application of artificial intelligence in business formats. In existing markets, it actively participates in energy conservation and emission reduction and environmental projects, while in primary markets, it actively expands into different new business formats such as commercial complexes, manufacturing parks, venues and exhibitions.

Park Management

Unified access to and management of smart systems such as security systems and energy consumption systems to build a smart venue that can be monitored dynamically in real time, creating a real "Smart Winter Olympics Park"

Network Security



Physical isolation of the intranet and extranet, a "two-pronged approach", provides professional network security protection and effective mitigation of network risks

Security Protection

All-weather AI automatic monitoring and unified control through the background management platform to create an all-round, three-dimensional and unobtrusive security protection

Low Carbon and Environmental Protection

Build a building energy efficiency monitoring system so that every unit of water and electricity has a "green ID card"

In the future, Xinghai Wulian will continue to deepen the R&D of IoT platform technology for buildings, increase investment in technology R&D, strengthen the transformation of knowledge achievements and the protection of intellectual property rights, and continue to define industry standards, so as to help build a technology system for the whole industry chain in the field of IoT technology of CSCEC and lead the industry trend.

Corporate Governance Report

CORPORATE GOVERNANCE REPORT

Corporate Governance Practices

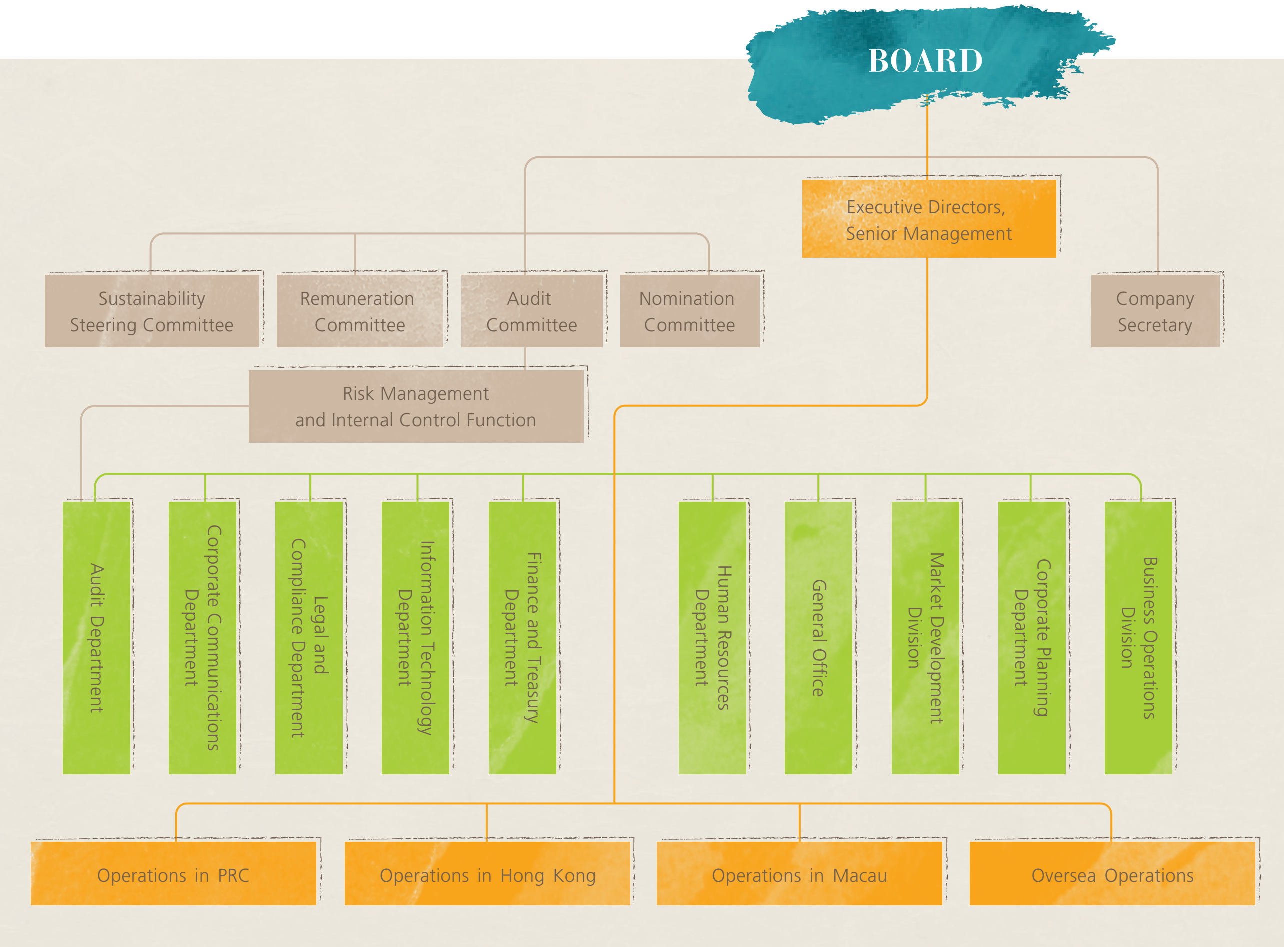
China Overseas Property Holdings Limited (the "Company", together with its subsidiaries, the "Group") acknowledges the important roles of its board of directors in providing effective leadership and direction to the Group's business, and ensuring transparency and accountability of the Group's operations.

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

During the year ended 31 December 2021, the Company has adopted and complied with all the code provisions of the Corporate Governance Code (the "Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

Corporate Governance Structure

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



A. Board

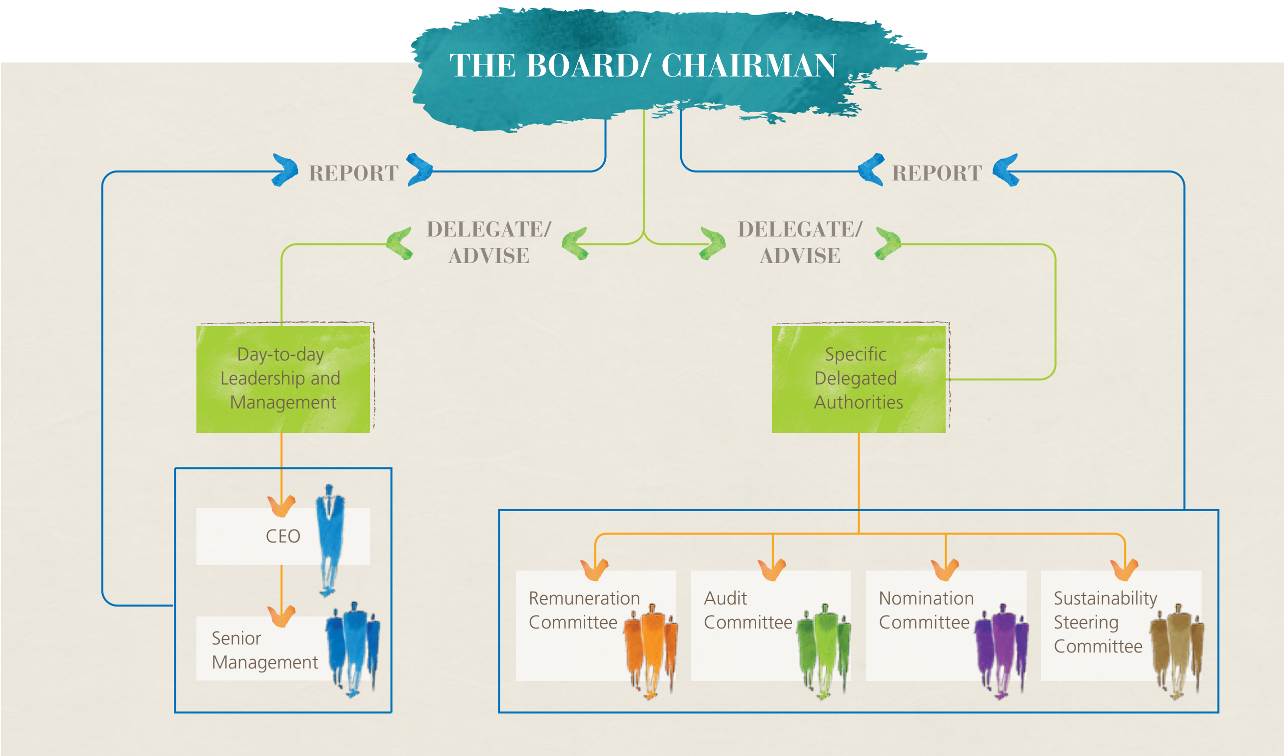
A1. Board's Role and Delegation

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

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.

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

In order to enable the board as a whole and each director to discharge their duties and to make informed decisions, the Board at all times have full access to information of the Company. The Board is provided monthly operating information which contain the up-to-date performance and information of the Company. Meanwhile, the Board can access information from senior management independently.



Corporate Governance Report (Continued)

A. Board (Continued)

A2. Board Composition

The composition of the Board during the year ended 31 December 2021 and up to the date of this Annual Report is as follows:

Executive Directors:

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

Non-executive Directors:

Mr. Ma Fujun	*(appointed on 23 August 2021)*
Mr. Guo Lei	*(appointed on 23 August 2021)*

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).

All executive directors are appointed on a full-time basis while all non-executive directors (including independent non-executive directors) are appointed on a term of three years. 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.

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

A. Board (Continued)

A3. Chairman and Chief Executive Officer

The Company supports the division of responsibility between the Chairman and the Chief Executive Officer in order to ensure a balance of power and authority and preserve a balanced judgement of views.

Mr. Zhang Guiqing, as the Chairman and Executive Director of the Company, 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 promoting a culture of openness and encourage directors to voice their concerns 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 Executive Director and Chief Executive Officer of the Company, is responsible for leading the senior management of the Company, advising strategic directions, setting business goals, supervising the daily management as well as the business operations and development of the Group.

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

A4. Appointment, Re-election and Removal of Directors

The procedures and process of appointment, re-election and removal of directors are laid down in the Company's 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. It is also the Board's goal to increase the varieties of expertise among our Directors to achieve board diversity.

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 term of office, duties and responsibilities. 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).

Corporate Governance Report (Continued)

A. Board (Continued)

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

Pursuant to the article 83(3) of the Articles of Association, Mr. Ma Fujun and Mr. Guo Lei, both appointed as an addition to the existing Board on 23 August 2021, shall hold office only until the next following annual general meeting of the Company, i.e. the annual general meeting to be held on 21 June 2022 (the "2022 AGM"). Both of them, being eligible, will offer themselves for re-election at the 2022 AGM.

Pursuant to the articles 84(1) & 84(2) of the Articles of Association, not less than one-third of the directors for the time being shall retire from office by rotation at an annual general meeting. As such, Dr. Yang Ou, Mr. Kam Yuk Fai and Mr. So, Gregory Kam Leung will retire by rotation at the 2022 AGM. All of them, being eligible, will offer themselves for re-election at the 2022 AGM.

A5. Board Diversity

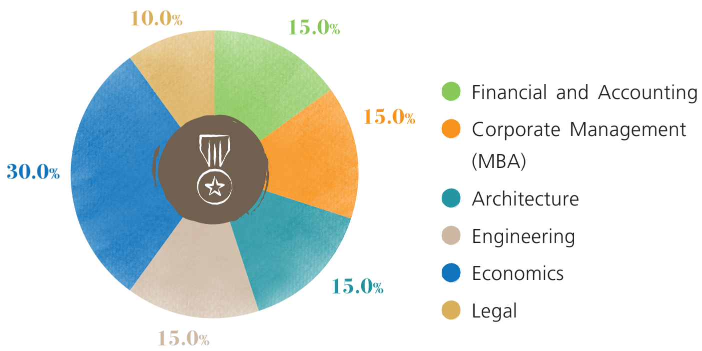
The Board has maintained the necessary balance of skills and experiences appropriate for the business and objectives of the Group and for the exercise of independent judgement. The Independent Non-executive Directors bring different business and financial expertise, experiences and independent judgement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

The Company also recognises and embraces the benefits of having a diverse Board to enhance its effectiveness as well as improve the quality of its performance. The Board has adopted a Board Diversity Policy effective since October 2015, a copy of which is available on the Company's website (www.copl.com.hk). Under the policy, all Board appointments will be based on merit and selection of candidates will be based on a range of diversity factors, including but not limited to education background, professional experience and knowledge. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board. As at the date of this Annual Report, the Board comprises 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:

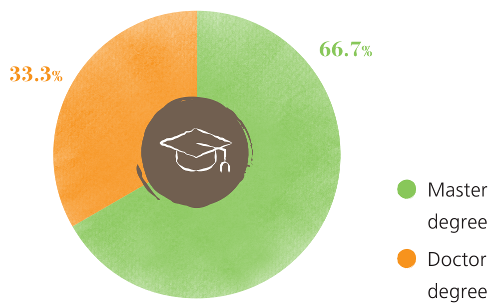
A. Board (Continued)

A5. Board Diversity (Continued)

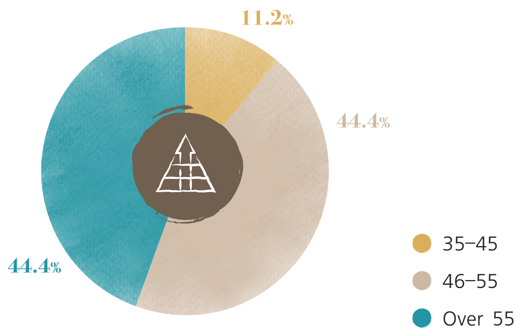
Professional experience and knowledge*:



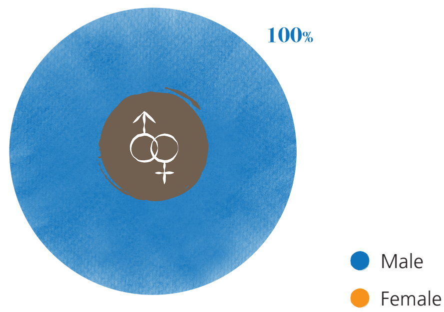
Education background (highest):



Age:



Gender:



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

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

A6. Confirmation of Independence

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

Corporate Governance Report (Continued)

A. Board (Continued)

A7. Directors Training

Pursuant to the code provision A.6.5, the Company has received from the Directors below a record of the type(s) of training they received for the year ended 31 December 2021.

Directors	Type(s) of training (See Remarks)
Mr. Zhang Guiqing	A, B
Dr. Yang Ou	A, B
Mr. Pang Jinying	A, B
Mr. Kam Yuk Fai	A, B
Mr. Ma Fujun *(appointed on 23 August 2021)*	A, B, C
Mr. Guo Lei *(appointed on 23 August 2021)*	A, B, C
Mr. Yung, Wing Ki Samuel	A, B
Mr. So, Gregory Kam Leung	A, B
Mr. Lim, Wan Fung Bernard Vincent	A, B

Remarks:

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

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

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

A. Board (Continued)

A8. Board Meetings

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

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

All Directors have timely access to all relevant information of the Company as well as the advice and services of the Company Secretary and senior staff, with a view to ensuring compliance with Board procedures and all applicable laws and regulations. Any Director may seek independent professional advice in appropriate circumstances at the Company's expenses upon reasonable request made to the Board. 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. Directors are given an opportunity to comment on the draft Board minutes which are sent to Directors within a reasonable time frame. Such minutes are 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 2021 are provided in the section headed "Attendance at Board Meetings, Committee Meetings and Shareholders' Meetings" of this Corporate Governance Report.

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

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as contained in Appendix 10 to the Listing Rules as the code for dealing in securities of the Company by the Directors. After specific enquiry, all Directors confirmed that they have complied with the required standard regarding securities transactions set out therein throughout the year 2021.

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

Corporate Governance Report (Continued)

A. Board (Continued)

A10. Corporate Governance Functions

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

For the year ended 31 December 2021, the Board has reviewed the training and continuous professional development of Directors, the compliance of the Model Code and the Company's compliance with the Corporate Governance Code and disclosures in this Annual Report.

A11. Directors' and Officers' Liabilities Insurance

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

B. Board Committees

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

B1. Remuneration Committee

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

B. Board Committees (Continued)

B1. Remuneration Committee (Continued)

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

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

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

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

For the year ended 31 December 2021, the Remuneration Committee has held two meetings during which the Remuneration Committee 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;

— reviewed the proposed directors' remuneration of the Independent Non-executive Directors and recommended the proposal to the Board for approval; and

— reviewed the proposed directors' remuneration of the newly appointed Non-executive Directors and recommended the proposal to the Board for approval.

Details of the attendance record of each Remuneration Committee member for 2021 are provided in the section headed "Attendance at Board Meetings, Committee Meetings and Shareholders' Meetings" of this Corporate Governance Report.

B. Board Committees (Continued)

B1. Remuneration Committee (Continued)

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

Details of the remuneration of each Director and senior management of the Company for the year ended 31 December 2021 are disclosed in note 9 and note 37(d) respectively to the financial statements contained in this Annual Report.

B2. Audit Committee

The Audit Committee comprises a total of three Independent Non-executive Directors of the Company, namely, Mr. Yung, Wing Ki Samuel, Mr. So, Gregory Kam Leung and Mr. Lim, Wan Fung Bernard Vincent. 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.

B. Board Committees (Continued)

B2. Audit Committee (Continued)

For the year ended 31 December 2021, 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 2020 and for the six months ended 30 June 2021 and the quarterly financial information for the periods ended 31 March 2021 and 30 September 2021;

— reviewed and approved the audit plan for the year ended 31 December 2021;

— 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 2020; and

— reviewed and approved the proposed fee of external auditor in respect of (i) non-audit services for the year ended 31 December 2020; and (ii) audit services and non-audit services for the year ended 31 December 2021;

Details of the attendance record of each Audit Committee member for 2021 are provided in the section headed "Attendance at Board Meetings, Committee Meetings and Shareholders' Meetings" of this Corporate Governance Report.

B. Board Committees (Continued)

B2. Audit Committee (Continued)

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.

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 2021, each of CSCEC and CSCECL has complied with the Deeds of Non-competition.

B3. Nomination Committee

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

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

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

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

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

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

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

B. Board Committees (Continued)

B3. Nomination Committee (Continued)

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

For the year ended 31 December 2021, the Nomination Committee has held two meetings 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;

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

— recommended to the Board on the appointment of Mr. Ma Fujun and Mr. Guo Lei as Non-executive Directors;

Details of the attendance record of each Nomination Committee member for 2021 are provided in the section headed "Attendance at Board Meetings, Committee Meetings and Shareholders' Meetings" of this Corporate Governance Report.

B4. Sustainability Steering Committee

The Sustainability Steering Committee was established on 27 October 2020. It 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, Dr. Yang Ou, 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 2021, 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 2020 environmental, social and governance report and the related policy.

Details of the attendance record of each Sustainability Steering Committee member for 2021 are provided in the section headed "Attendance at Board Meetings, Committee Meetings and Shareholders' Meetings" of this Corporate Governance Report.

Corporate Governance Report (Continued)

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

Details of Directors' attendance at the Board Meetings, Meetings of Board committees and Shareholders' Meetings held in 2021 are set out in the table below:

Directors	Board Meetings	Audit Committee Meetings	Remuneration Committee Meetings	Nomination Committee Meetings	Sustainability Steering Committee Meetings	Annual General Meeting
Executive Directors:						
Mr. Zhang Guiqing	6/6	N/A	2/2	2/2	2/2	1/1
Dr. Yang Ou	6/6	N/A	N/A	N/A	2/2	1/1
Mr. Pang Jinying	6/6	N/A	N/A	N/A	N/A	1/1
Mr. Kam Yuk Fai	6/6	N/A	N/A	N/A	N/A	1/1
Non-executive Directors:						
Mr. Ma Fujun *(appointed on 23 August 2021)*	1/1	N/A	N/A	N/A	N/A	N/A
Mr. Guo Lei *(appointed on 23 August 2021)*	1/1	N/A	N/A	N/A	N/A	N/A
Independent Non-executive Directors:						
Mr. Yung, Wing Ki Samuel	6/6	4/4	2/2	2/2	2/2	1/1
Mr. So, Gregory Kam Leung	6/6	4/4	2/2	2/2	2/2	1/1
Mr. Lim, Wan Fung Bernard Vincent	6/6	4/4	2/2	2/2	2/2	1/1

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 2021, Mr. Zhang Guiqing, the Chairman of the Board, has held a meeting with the Independent Non-executive Directors without the presence of Executive Directors.

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

Directors acknowledged their responsibilities for preparing the consolidated financial statements of the Company for the year ended 31 December 2021.

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

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

E. Risk Management and Internal Control

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

Managing Risks to Achieve Goals of Sustainable Growth

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

Corporate Governance Report (Continued)

E. Risk Management and Internal Control (Continued)

Risk Management Responsibilities

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

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

— the Audit Committee is responsible for overseeing the finance, internal control and risk management of the Company as well as monitoring the implementation of the relevant code provisions relating to risk management as amended, 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 and evaluation of the effectiveness of the risk management and internal control systems which are subsequently reported to the Board.

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

E. Risk Management and Internal Control (Continued)

Risk Management and Internal Control Systems Operation

Risk control groups of the Group at each level conduct risk control works in accordance with their corresponding duties under the three defensive lines structure. Each respective department/project, as the first defence line, shall identify risk factors that may happen or continuously hinder the Company from achieving our development goals and conduct assessment, and update and polish the internal control system or take preventive actions or respond to relevant risks in a timely manner. The Group establishes various countermeasures with a view to reducing and mitigating the possible impact of the above risks to a controllable extent. The main measures are as follows:

1. We pay close attention to changes in industry trends and give full play to the three-level control platform of headquarters — platform/city — project to vitalise the frontline, promote incremental creation and achieve multi-project management efficiency and scale expansion. The Business Operations Division facilitates the implementation of the first phase of the "Project General Manager Partnership System" (項目總經理合夥人制) business model, implements independent financial audit and precise project operation, and applies cost control by project general managers to precisely improve the overall operation standard of projects and quickly respond to the risks of market changes.

2. In terms of community security and project management risk prevention and control, the Business Operations Division launched the "100 incident-free days in 2021–2022" series activities to enhance safety awareness, implement safety systems and strengthen safety measures. The activities were jointly organised by the Business Operations Division, Finance and Treasury Department, Market Expansion Centre and Information Technology Department, focusing on safety inspection before the Mid-autumn Festival, National Day, New Year's Day and Spring Festival, winter equipment maintenance, fire emergency drills, training on safe management of finance and treasury, etc. At the same time, we formulated and issued the "Safety Production Management Manual of China Overseas Property Holdings Limited" to establish a sound safety production management system, regulate safety production management practices, fulfil the Group's main responsibility for safety production, promote the advancement of safety production, and expressly stipulate the requirements of the investigation and treatment of major safety hazards and larger safety hazards, so as to effectively prevent risks, eliminate potential risks and curb accidents.

E. Risk Management and Internal Control (Continued)

Risk Management and Internal Control Systems Operation (Continued)

3. In terms of addressing market expansion risks, the Group strictly adheres to the principle of quality expansion, strictly controls the prior preparation of new expansion projects, advances the risk control points, and implements graded approval to maintain market competitiveness. In respect of the development of internal control measures for market expansion, the Group insists on establishing a long-term risk prevention mechanism. In 2021, the Group has established the market expansion position standards, the "Guidelines on Cooperation with Small and Medium-sized Real Estate Enterprises" (《關於與中小房企開展合作指引》), the market expansion business guidelines and other institutional regulations to enhance the risk prevention capability of its expansion business and focus on preventing risks at source in the preparation of tenders. In August 2021, the "Notice on Adjustment of Rules of Procedure and Composition of the Professional Committee of China Overseas Property Holdings" (《關於調整中海物業集團專業委員會議事規則及成員構成的通知》) was issued, which clarified the procedures of expansion work in all aspects, such as the market expansion principles, work standards, and the audit, approval, coordination and authority of expansion projects. The Group also organises self-inspection of the market expansion business process and spot checks by the head office. After a comprehensive evaluation, all units' expansion projects are carried out in accordance with the corresponding systems in the areas of project creation, measurement and assessment, and the process is closed and under control.

4. In response to risks arising from new project undertakings developed within the system of China Overseas/CSCEC, the Group's Business Operations Division has worked on the establishment of internal control system and issued systems and tools such as the "Notice on the Standardisation of the Pricing and Assessment of Property Charge for New Projects" (《關於規範新專案物業費定評價評審工作的通知》) and the "Tiered Positioning of Property Charge and Cost Estimation Table" (《物業費分級定位及費用概算表》) in 2021 to implement controls throughout the cycle of projection operation, such as pricing assessment, assessment of occupation plans and assessment of project operation for new projects undertaken. Subsequently, the Business Operations Division monitors at all times the operational efficiency of the project and regularly generates dynamic monitoring reports for control.

5. In order to address business outsourcing and procurement risks, the Group further regulates its supplier management practices, establishes a supplier approval, cooperation, evaluation and grading management system, cultivates a quality supplier resource base and enhances core competitiveness. The Business Operations Division issued the "Supplier Management Measures of China Overseas Property Holdings Limited (Trial)" (《中海物業集團有限公司供應商管理辦法(試行)》) in September 2021, which further improved the supplier management system and effectively strengthened the business outsourcing and procurement risk control of all units.

6. In order to further regulate the tendering and procurement practices of all units under the Group, the tendering supervision and regulation mechanism is improved to effectively address the risks of business outsourcing and procurement. The Business Operations Division issued the "Management Measures of Tendering and Procurement of China Overseas Property Holdings Limited (2021 Edition)" (《中海物業集團有限公司招標及採購管理辦法(2021年版)》) in September 2021, which was adjusted in accordance with the organisational structure and approval authority of the Company to further protect the interests of the Company and the legitimate interests of parties involved in tendering activities.

E. Risk Management and Internal Control (Continued)

Risk Management and Internal Control Systems Operation (Continued)

7. With a view to further promoting the clean-up of inefficient and ineffective assets, reducing the scale of the Group's accounts receivable and improving the asset turnover rate and operational quality, the Finance and Treasury Department issued the "Management Measures on Incentives for Historical Clearance of China Overseas Property Holdings" (《中海物業集團歷史清欠激勵管理辦法》) in August 2021 to continuously reduce the risk of bad debts in accounts receivable through systematic regulations and incentives.

8. In order to implement the comprehensive legal corporate governance and compliant operation, improve the legal risk management mechanism of "prevention beforehand, control during the process and remedy afterwards", and standardise the legal audit of major operation activities, the Legal Compliance Department issued the "Rules for Legal Audit of Major Operation Activities of China Overseas Property Holdings Limited" (《中海物業集團有限公司重大經營活動法律審核細則》) in November 2021 in accordance with the relevant laws and regulations. The rules regulated the legal audit process and key points related to major economic and commercial activities or events that may directly or indirectly establish one or more legal relationships and form legal powers and obligations in the Group's major operating activities, so as to further enhance the standardisation of the relevant legal audit process of the Company.

9. In order to continuously strengthen the Group's information security, establish a sound network security guarantee and work responsibility system, and prevent and control various risks, the Information Technology Department issued the "Network and Information Security Management Measures of China Overseas Property Holdings Limited" (《中海物業集團有限公司網路與資訊安全管理辦法》) in September 2021, which updated and improved the relevant requirements on information asset account management, information asset access control and authorisation to ensure the safe, reliable and stable operation of information systems and to reduce or eliminate security threats posed by human or natural factors to the confidentiality, integrity and availability of information systems.

10. Based on the responsibility of internal audit supervision and in order to effectively reduce the risk of operating and investment decisions, improve the Group's operating and investment responsibility system, strengthen the awareness of the main responsibility of operating and investment at all units, standardise the work of accountability and consider the actual property condition, the Audit Department issued the "Implementation Measures for Accountability for Non-compliant Operating and Investment of China Overseas Property Holdings Limited" (《中海物業集團有限公司違規經營投資責任追究實施辦法》) in June 2021 to further strengthen the supervision of operating and investment compliance.

As the second line of defence, the Risk Control Working Group at all levels organised 113 risk control meetings at all levels on a regular basis as planned, reinforced risk control awareness, reviewed the risk management structure 18 times throughout the year, insisted on continuous evaluation of major or important risks identified in the first half of the year, and actively organised risk control training 53 times to ensure regular risk management.

Corporate Governance Report (Continued)

E. Risk Management and Internal Control (Continued)

Risk Management and Internal Control Systems Operation (Continued)

As the third line of defence for risk control, the Audit Department performs independent monitoring and evaluation duties and assists the Board and the Audit Committee in the continuous supervision of the Group's risk management and internal control systems, makes independent evaluations of the operation of the risk management and internal control systems, and identifies deficiencies and makes appropriate recommendations for improvement. The Audit Department formulated the internal audit plan for 2021 at the beginning of the year, with the major or significant risks assessed by the Group as the guideline and the internal control system and measures as the backbone. In 2021, independent monitoring and evaluation activities were implemented and completed for nine projects, such as the economic responsibility audit during the term, internal control compliance, project remedy, review and audit for units like Hefei Company, Nanjing Company, Shanghai Company, Guangzhou Company, Hong Kong and Macau Company and Chengdu Hainawanshang. The scope of monitoring includes, but is not limited to, financial, business, operation and market expansion compliance. In particular, in 2021, internal control compliance monitoring was comprehensively carried out for 19 expansion projects out of the 318 projects under audit, and the project creation, undertaking and approval procedures complied with the requirements of relevant systems. The Audit Department strictly performed its duties as the third line of defence for risk control of the Group through continuous independent audit and monitoring activities.

Annual Confirmation

During the year, a risk management and internal control report was submitted by the Audit Department to the Audit Committee for review at least semi-annually. The Board, through the Audit Committee, has reviewed reports concerning risk management and internal control systems and also conducted annual review on the effectiveness of the risk management and internal control systems of the Group and unanimously considered that the risk management and internal control systems and unanimously considered that the risk management and internal control systems and procedures of the Company for the financial year ended 31 December 2021 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.

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

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

F. Company Secretary

The Company Secretary of the Company is a full time employee of the Company and is appointed by the Board. The Company Secretary reports to the Boards and is responsible for advising the Board on governance matter. The Company Secretary has taken not less than 15 hours of relevant professional training for the year ended 31 December 2021 and comply with the Rule 3.29 of the Listing Rules.

G. External Auditor and Auditor's Remuneration

The statement of the external auditor of the Company about its reporting responsibilities on the Company's consolidated financial statements for the year ended 31 December 2021 is set out in the section headed "Independent Auditor's Report" of this Annual Report.

The fees paid/payable to Ernst & Young, the Company's 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 2021 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	3,110
Non-audit services	240
Total	3,350

H. Constitutional Documents

To reflect the changes brought about by the amendments to the applicable laws and regulations including the Companies Law of the Cayman Islands and the Listing Rules and to provide the Company with more flexibility to adapt to changing market practices and needs, on 3 June 2021, shareholders of the Company have passed a special resolution during the annual general meeting to amend the previous articles of association of the Company and to adopt the Articles of Association in substitution for and to the exclusion of the previous articles of association of the Company. 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).

Corporate Governance Report (Continued)

I. Communications with Shareholders and Investors

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

(a) Shareholders' Communication Policy

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

(b) The Company's Website

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

(c) General Meetings

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

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

(d) 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

J. Shareholders' Rights

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

J1. Convening of Extraordinary General Meeting on Requisition by Shareholders

The Board may whenever it thinks fit call extraordinary general meeting. Any one or more shareholders holding 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.

J2. Procedures for Putting Forward Proposals at General Meetings by Shareholders

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

J3. Procedures for Directing Shareholders' Enquiries to the Board

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

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

Shareholders may refer to the Articles of Association for further details of the rights of shareholders.

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

DIRECTORS AND SENIOR MANAGEMENT

(As at 24 March 2022, date of this Annual Report)

Executive Directors

Mr. Zhang Guiqing

Chairman and Executive Director

Aged 49, has been appointed as the Chairman of the Board, Executive Director, Authorized Representative, chairman of the nomination committee and a member of the remuneration committee of the Company on 11 February 2020 and has been appointed as a member of the sustainability steering committee on 27 October 2020. He is also a director of certain subsidiaries of the Group. Mr. Zhang holds a bachelor degree from the Shenyang Jianzhu University and a master degree from the Harbin Institute of Technology. He joined a subsidiary of China Overseas Holdings Limited ("COHL", the controlling shareholder of the Company) as engineer in 1995 and since then, he worked in various business units within COHL and China Overseas Land & Investment Ltd. ("COLI", the fellow subsidiary of the Company, Stock Code: 688, listed on the Main Board of the Stock Exchange), such as, development management department, marketing and planning department, general manager of Suzhou, Shenzhen and Northern District regional companies. Mr. Zhang has also been appointed as director of COHL with effect from 5 March 2020. He was the executive director and chief executive officer, authorized representative and a member of remuneration committee of China Overseas Grand Oceans Group 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 26 years' experience in property development and corporate management.

Dr. Yang Ou

Executive Director and Chief Executive Officer

Aged 44, has been appointed as Executive Director and Chief Executive Officer as well as Authorized Representative of the Company on 22 March 2018 and has been appointed as a member of the sustainability steering committee on 27 October 2020. He is also a director of certain subsidiaries of the Group. Dr. Yang graduated from Nanjing University of Science and Technology in the PRC with a Bachelor of Engineering degree in Materials Science in June 2000. He obtained his Master degree in Architecture and Civil Engineering from Chongqing University in the PRC in December 2006, a Master degree in Business Administration from National University of Singapore in June 2011 and obtained a Doctorate degree in management from The Hong Kong Polytechnic University in September 2015. Dr. Yang obtained qualifications in securities practice in December 2001, a senior economist in materials science and engineering in June 2011, a senior engineer in architecture and civil engineering in August 2013 and a senior economist in business administration specialty in September 2020. Since September 2014, Dr. Yang has been an instructor at the VENCI-CIH Learning Centre (英國特許房屋經理學會中國學習中心). Since December 2014 and May 2015 respectively, Dr. Yang has been the corporate mentor of the MBA Education Centre of Shantou University and Southwest Jiaotong University in the PRC. He has been Vice President of China Property Management Institute since 26 May 2019. Dr. Yang was appointed as the Executive Director and Vice President of the Company for the period from 25 June 2015 to 5 May 2016. From July 2013 to February 2014, he was the chairman of the board of three subsidiaries of the Group engaged in value-added services. From 2002 to 2015, Dr. Yang served as the director and deputy general manager of 成都中海物業管理有限公司, the director and assistant general manager of 中海興業(成都) 發展有限公司, the director and general manager of the client relationship department of COLI, the general manager of 中海物業管理有限公司 and the property management department of COLI, being responsible for the overall management and operation of the business in the PRC and the general manager of 汕頭市中海宏洋地產有限公司, a subsidiary of COGO. He was the president of Sichuan District of Country Garden Holdings Company Limited (Stock Code: 2007, listed on the Main Board of the Stock Exchange) from June 2016 to June 2017. Dr. Yang rejoined COLI as general manager of customer services department since June 2017. Dr. Yang has over 20 years of industry experience in property development and management.

Directors and Senior Management (Continued)

(As at 24 March 2022, date of this Annual Report)

Mr. Pang Jinying

Executive Director and Vice President

Aged 54, 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 Group. Mr. Pang graduated from the Economics and Management School of Wuhan University in July 1989, where he received his bachelor's degree in Economics. In 2001, he enrolled in the Business Administration Programme in the School of Business of Renmin University of China, and obtained a master's degree in Business Administration (MBA) in June 2004. He obtained qualification in senior accountant. In 1989, Mr. Pang 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 32 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 58, 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 Group. Mr. Kam graduated from The Hong Kong Polytechnic (now The Hong Kong Polytechnic University) with a Professional Diploma in Accountancy, and also held a Master degree in Business Administration from the University of Strathclyde in Britain. He is a qualified accountant, a fellow member of the Association of Chartered Certified Accountants and an associate member of the Hong Kong Institute of Certified Public Accountants. Prior to joining the Group, Mr. Kam had held various senior finance positions, and from 1997 to 2010 he served in a company listed on the Main Board of the Stock Exchange and his last held position was the group financial controller. Mr. Kam had held positions in COGO from March 2010 to June 2015 and his last held position in COGO was the general manager of Finance & Treasury Department (HK). Mr. Kam has over 34 years' experience in the fields of accounting, auditing and finance.

Directors and Senior Management (Continued)

(As at 24 March 2022, date of this Annual Report)

Non-executive Directors

Mr. Ma Fujun

Non-executive Director

Aged 47, has been appointed as Non-executive Director of the Company on 23 August 2021. Mr. Ma graduated from Lanzhou University with a Bachelor degree in July 1998; obtained a Master degree in law from the Peking University in September 2003; obtained a Doctorate degree in law from the Southwestern University of Finance and Economics in June 2011; and obtained qualification in Senior Economist from the evaluation committee of professional titles of CSCEC in January 2021. Mr. Ma joined 中建二局第一建築工程有限公司 as a general office staff in 1998. He worked in various business units within 中國建築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 20 years' experience in human resources administration and management in construction industry.

Mr. Guo Lei

Non-executive Director

Aged 50, has been appointed as Non-executive Director of the Company on 23 August 2021. Mr. Guo graduated from Shenyang Architecture and Civil Engineering Institute (now known as Shenyang Jianzhu University) with a Bachelor degree of engineering in July 1993; obtained a Master degree in management from Harbin University of Architecture and Engineering (now known as Harbin Institute of Technology) in July 1999; obtained a Doctorate degree in management from Harbin Institute of Technology in July 2003; and obtained qualification in Professor-level Senior Engineer from CSCEC in November 2018. 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 projects department of 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. Since October 2020, 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 has about 28 years' experience in engineering, contract and corporate management in real estate industry.

Independent Non-executive Directors

Mr. Yung, Wing Ki Samuel

SBS, MH, JP, Independent Non-executive Director

Aged 63, has been appointed as Independent Non-executive Director of the Company on 9 October 2015. Mr. Yung also serves as chairman of audit committee and a member of remuneration committee, nomination committee and sustainability steering committee of the Company. He is responsible for giving independent strategic advice and guidance on the business and operations of the Group. Mr. Yung is currently an executive district director and honorable advisor of AIA International Limited as well as an honorable advisor of China South City Holdings Limited (Stock Code: 1668, listed on the Main Board of the Stock Exchange). He is also presently a member of the National Committee of the Chinese People's Political Consultative Conference, the vice chairman of the Committee for Economic Affair of the National Committee of the Chinese People's Political Consultative Conference, the founding president of Hong Kong Professionals and Senior Executives Association, a member cum chairperson of Finance Committee of the Board of Management of the Chinese Permanent Cemeteries, a member of Council of Hong Kong University of Science and Technology, a member of Court of the Hong Kong Metropolitan University 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 respectively. Mr. Yung was also a standing member of the Chinese People's Political Consultative Conference of Jilin (中國人民政治協商會議吉林省委員會常務委員), standing committee member of All-China Youth Federation, member of Commission on Strategic Development of Hong Kong, member of Central Policy Unit, the chairman of Betting and Lotteries Commission of Home Affairs Bureau, chairman of Hong Kong United Youth Association, chairman of Top Outstanding Young Persons Association, board member of General Agents and Managers Association International and chairman of its International Committee, president of The Life Underwriters Association of Hong Kong, chairman of General Agents and Managers Association of Hong Kong and an independent non-executive director and a member of the audit committee of China Overseas Insurance Limited, a wholly-owned subsidiary of CSC for the period from 14 October 2014 to 31 August 2020. Mr. Yung was awarded an Executive Master degree in Business Administration from the Hong Kong University of Science and Technology and has attained certain professional qualifications, including Certified Financial Planner, Registered Financial Consultant, Fellow Chartered Financial Practitioner, Chartered Life Practitioner, Certified Manager of Financial Advisor and Chartered Insurance Agency Manager. He has over 39 years' experience in the insurance sector.

Directors and Senior Management (Continued)

(As at 24 March 2022, date of this Annual Report)

Mr. So, Gregory Kam Leung

GBS, JP, Independent Non-executive Director

Aged 63, has been appointed as Independent Non-executive Director of the Company on 9 October 2018. Mr. So also serves as chairman of remuneration committee and a member of audit committee, nomination committee and sustainability steering committee of the Company. He is responsible for giving independent strategic advice and guidance on the business and operations of the Group. Mr. So graduated from Carleton University, Canada in June 1980 with a Bachelor of Arts degree in economics. In May 1984, he graduated from the University of Ottawa, Canada with a bachelor's degree in law and a Master degree in Business Administration. Mr. So 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 Hong Kong Special Administrative Region on 1 June 2008. He was then appointed as the Secretary for the Commerce and Economic Development on 28 June 2011. On 1 July 2012, Mr. So was again appointed as the Secretary for Commerce and Economic Development of the fourth term Government of the Hong Kong Special Administrative Region until 30 June 2017. The Commerce and Economic Development Bureau is responsible for various policy matters including Hong Kong's external commercial relations, inward investment promotion, intellectual property protection, industry and business support, tourism, consumer protection, competition, information technology, telecommunications, broadcasting, development of innovation and technology (until November 2015), film-related issues, and creative industries. Mr. So has currently served as a consultant in So, Lung and Associates, Solicitors, an independent non-executive director, a member of audit committee and the chairman of risk committee of Blue Insurance Limited, 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., an advisor of Superland Group Holdings Limited (Stock Code: 368, listed on the Main Board of the Stock Exchange) 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.

Directors and Senior Management (Continued)

(As at 24 March 2022, date of this Annual Report)

Mr. Lim, Wan Fung Bernard Vincent

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

Aged 64, has been appointed as Independent Non-executive Director of the Company on 9 October 2015. Mr. Lim also serves as chairman of sustainability steering committee and a member of audit committee, remuneration committee and nomination committee of the Company. He is responsible for giving independent strategic advice and guidance on the business and operations of the Group. Mr. Lim 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 obtained a Bachelor of Arts in Architectural Studies (1st Hons) from The University of Hong Kong in November 1979, a Bachelor degree in Architecture (Distinction) from The University of Hong Kong in November 1981 and a Master of Science in Urban Planning from The University of Hong Kong in November 1985. He is a Registered Architect (Hong Kong), 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 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 Hong Kong Special Administrative Region, 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, chairman of Advisory Board of Nan Lian Garden of Home Affairs Bureau, a president of The Hong Kong Institute of Architects, a president of The Hong Kong Institute of Urban Design, a member of Town Planning Board, a member of Antiquities Advisory Board of Development Bureau, a member of the Energy Advisory Committee of Environment Bureau and a member of the Advisory Committee on Education Development Fund of Education Bureau.

Directors and Senior Management (Continued)

(As at 24 March 2022, date of this Annual Report)

Senior Management

Mr. Ye Xiang

Vice President

Aged 49, has been appointed as Vice President of the Company on 13 December 2017 and has been appointed as chief technology officer of the Company on 7 December 2021. He is responsible for the matters of the business operation division of the Group and doubles as the general manager of the Group's Wuhan companies. Mr. Ye graduated from Huazhong University of Science and Technology in the PRC majoring in Power Engineering in 1992; and obtained a Master degree in Political Economics from Central China Normal University in 2004. Mr. Ye served various positions in 中海發展(廣州)有限公司 since 1992 including assistant general manager of the real estate department from October 1996 to January 1997. During the period from January 1997 to August 2011, he served as deputy general manager and general manager of 中海物業管理廣州有限公司 respectively, assistant general manager of president office of COHL, and general manager of property management department of COPG. From August 2011 to May 2017, Mr. Ye served as the president of Genting Resort Secret Garden of Genting Group in Malaysia, assistant president of Henderson (China) Investment Company Limited, vice president of Agile Group Holdings Limited and president of A-living Group. He has approximately 28 years' experience in real estate and property management.

Mr. Liu Zhonghua

Vice President

Aged 57, has been appointed as Vice President of the Company on 25 June 2015. He is responsible for the businesses of Xinghai Wulian (興海物聯) and Zhonghai Yuanlin (中海園林) companies and doubles as the chairman of the Group's Foshan companies. Mr. Liu graduated from the Chongqing Construction Engineering College (重慶建築工程學院) in the PRC with a Bachelor of Engineering in Industrial Electrical Automation in July 1988; obtained a Master degree in Business Administration from the University of South Australia in Australia in May 2002; and obtained an Executive Master degree in Business Administration from Nankai University in the PRC in June 2010. Mr. Liu is an Affiliate of The Hong Kong Institute of Housing and a member of Hong Kong Institute of Real Estate Administrators. He is a qualified senior engineer in electrical and mechanical engineering. Mr. Liu joined CSCEC in 1988, and joined China Overseas Property Services Limited for the period from October 1995 to August 2016 and had held positions including assistant general manager, director and deputy general manager. He has approximately 34 years' experience in electrical and mechanical engineering project management, 20 years' and 7 years' experience in property management in Hong Kong and PRC respectively.

Directors and Senior Management (Continued)

(As at 24 March 2022, date of this Annual Report)

Mr. Wang Zhigang

Vice President

Aged 48, has been appointed as Vice President of the Company on 5 March 2019. He is also a director of certain subsidiaries of the Company. Mr. Wang is responsible for the operation of the Group's property management business in Hong Kong and Macau and assist to manage the matters of corporate communications department of the Group. Mr. Wang graduated from Tongji University in the PRC with a Bachelor degree in Materials Science in July 1996, and obtained two professional certificates in Construction Engineering Management and Real Estate Management in Tongji University; and obtained a Master degree in Construction and Civil Engineering from Huazhong University of Science and Technology in the PRC in December 2006. He is a qualified senior engineer. Mr. Wang is 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 July 1996 and was employed in a subsidiary of COLI until August 2001. From September 2001 to February 2012, he served different positions in various subsidiaries of 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 responsible for commercial, quality control, engineering, information technology management, business operation and specialized company business. Mr. Wang has approximately 26 years' experience in property management in the PRC.

Ms. Li Xiaohua

Assistant President

Aged 47, has been appointed as Assistant President of the Company on 25 June 2015. Ms. Li is also a director of certain subsidiaries of the Company. She is responsible for the matters of the general office of the Group. Ms. Li graduated from Provincial Party School of Liaoning Province in the PRC with a degree in Accounting in December 1997. She joined COLI Group in 1999, and has served various positions in COLI Group including assistant general manager of the human resources department from September 2007 to December 2010 and deputy general manager of COLI Group's property management department, which oversaw CO Property Management and other PRC subsidiaries of the Group from December 2010 to September 2012. Ms. Li served as deputy general manager of CO Property Management from August 2012 onwards. She has approximately 23 years' experience in human resources and administration management in the PRC.

Directors and Senior Management (Continued)

(As at 24 March 2022, date of this Annual Report)

Mr. Li Zhenxi

Assistant President

Aged 48, has been appointed as Assistant President of the Company on 18 August 2015. He is responsible for the operation of the Group's property management non-residential business in the PRC. Mr. Li graduated from Harbin University of Civil Engineering and Architecture with a Bachelor degree in Industrial Automatic in June 1996, obtained a Master degree in Project Management from Harbin Institute of Technology in June 2010. He is a qualified senior engineer and a registered 1st grade constructor. Mr. Li joined COLI Group in July 1996 and served different positions in various subsidiaries of COLI Group including the general manager of West China region of CO Property Management, general manager of Beijing branch office of CO Commercial Property Management and the deputy general manager of Wanda Business Management Centre between February 2012 and October 2012. Mr. Li became the deputy general manager of CO Property Management in October 2014. He has approximately 26 years' experience in operation of property management.

Ms. Han Fang

Assistant President

Aged 49, has been appointed as Assistant President of the Company on 10 May 2016. Ms. Han graduated from Jiang Su University with a Bachelor degree in Economics in July 1992. She joined COLI Group in February 2002 and served different positions in various subsidiaries of COLI Group including the general manager of Quality Management and Corporate Communication Department of CO Property Management, deputy general manager of Shenzhen branch of CO Property Management for assisting to manage several operation matters and doubles as the general manager of the Group's UN+ companies. Currently, she is responsible for the matters of the business operations division of the Group. She has approximately 19 years' experience in operation of property management.

Mr. Xiao Jun Qiang

Assistant President

Aged 44, has been appointed as Assistant President of the Company on 1 March 2020. He is responsible for the matters of the human resources department and doubles as the chairman of the Group's Beijing companies. Mr. Xiao graduated from Hunan University of Arts and Science with major in Agriculture in June 1999; graduated from Sun Yat-sen University with major in Administration Management in October 2006 and obtained an Executive Master degree in Business Administration from University of Liège in June 2021. He obtained senior economist in 2017. Mr. Xiao joined COLI Group in November 2000 and served different positions in various subsidiaries of COLI Group including the general manager of Beijing branch office of CO Commercial Property Management and general manager of the Group's Beijing companies. He has approximately 21 years' experience in operation of property management.

Directors and Senior Management (Continued)

(As at 24 March 2022, date of this Annual Report)

Mr. Wang Meng

Assistant President

Aged 49, has been appointed as Assistant President of the Company on 1 March 2020. He is responsible for the business of UN+ companies and doubles as the general manager of the Group's Chengdu companies. He graduated from Chongqing Radio & TV University with major in Real Estate Development and Management in July 1996 and studied in Sichuan Normal University with major in Social Work and Management from February 2007 to June 2009. He joined COLI Group in October 2002 and served different positions in various subsidiaries of COLI Group including the assistant general manager of the Group's Chengdu companies, general manager of Chengdu branch office of CO Commercial Property Management, deputy general manager and general manager of the Group's Chengdu companies during March 2017 to February 2019. He has approximately 21 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 2021.

Principal Activities

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

Segment Information

An analysis of the Group's revenue and contribution to results by principal activities and geographical area and operations for the year ended 31 December 2021 is set out in note 4 to the financial statements.

Results and Appropriations

The results of the Group for the year ended 31 December 2021 are set out in the consolidated statement of profit or loss and consolidated statement of comprehensive income on pages 118 and 119 of this Annual Report respectively.

An interim dividend of HK3.0 cents per share was paid to shareholders of the Company (the "Shareholders") in October 2021 (2020: HK2.2 cents per share).

The Board recommended the declaration of a final dividend of HK6.0 cents per share for the year ended 31 December 2021 (for the year ended 31 December 2020: a final dividend of HK4.2 cents per share) representing a total amount of approximately HK$197,212,000, subject to the approval of Shareholders at the forthcoming annual general meeting to be held on Tuesday, 21 June 2022 (the "2022 AGM"). The proposed final dividend will be paid to Shareholders on Thursday, 14 July 2022 whose names appear on the Company's register of members on Wednesday, 29 June 2022.

Dividend Policy

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

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

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

Closure of Register of Members

(a) Entitlement to attend and vote at the 2022 AGM

The register of members of the Company will be closed from Thursday, 16 June 2022 to Tuesday, 21 June 2022 (both days inclusive) for the purpose of determining the right to attend and vote at the 2022 AGM. During that period, no transfer of shares will be registered. In order to be entitled to attend and vote at the 2022 AGM, all share transfer documents accompanied with corresponding share certificates must be lodged with the branch share registrar of the Company in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Wednesday, 15 June 2022.

(b) Entitlement to the proposed final dividend

The register of members of the Company will also be closed from Monday, 27 June 2022 to Wednesday, 29 June 2022 (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 2022 AGM. During that period, no transfer of shares will be registered. In order to be qualified for entitlement to the final dividend, all share transfer documents accompanied with the corresponding share certificates must be lodged with the branch share registrar of the Company in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Friday, 24 June 2022.

Report of Directors (Continued)

Reserves

Movements in the reserves of the Group and of the Company during the year are set out in note 33 and note 42 to the financial statements.

Distributable Reserves

Distributable reserves of the Company at 31 December 2021 were approximately HK$398.7 million (2020: approximately HK$166.2 million).

Financial Summary

A summary of the results, assets and liabilities of the Group for the past five financial years is set out on pages 211 to 213 of this Annual Report.

Charitable Donations

Charitable donations made by the Group during the year amounted to HK$428,000.

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 2021 are set out in note 31 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 2021, 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

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

Non-executive Directors

Mr. Ma Fujun *(appointed on 23 August 2021)*
Mr. Guo Lei *(appointed on 23 August 2021)*

Independent Non-executive Directors

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

In accordance with article 83(3) of the Articles of Association, Mr. Ma Fujun and Mr. Guo Lei shall hold office until the 2022 AGM and shall be subject to re-election and in accordance with articles 84(1) and 84(2) of the Articles of Association, Dr. Yang Ou, Mr. Kam Yuk Fai and Mr. So, Gregory Kam Leung shall retire by rotation at the 2022 AGM. Dr. Yang Ou, Mr. Kam Yuk Fai, Mr. Ma Fujun, Mr. Guo Lei and Mr. So, Gregory Kam Leung, are being eligible, will offer themselves for re-election at the 2022 AGM.

Confirmation of Independence on Independent Non-executive Directors

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

Report of Directors (Continued)

Directors' Service Contracts

No Director proposed for re-election at the 2022 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 37(d) to the financial statements.

Permitted Indemnity Provision

The Articles of Association provides that, amongst others, the Directors and other officers of the Company being acting in relation to any of the affairs of the Company shall be indemnified and secured harmless out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which they shall or may incur or sustain by or by reason of any act done, concurred in or omitted in or about the execution of their duty, or supposed duty, in their respective offices provided that this indemnity shall not extend to any matter in respect of any fraud or dishonesty which may attach to any said persons. Such provision and the Directors and Officers Liability Insurance Policy maintained by the Company which provides insurance coverage for liabilities of the Directors and officers of the Company and its subsidiaries were in force during the year ended 31 December 2021 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 76 to 85 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) between the date of the Company's 2021 interim report (i.e. 17 August 2021) and up to the date of this Annual Report (i.e. 24 March 2022) are set out below:

Director	Detail of Change
Pang Jinying	Resigned as a director of Anhui Guoyuan Trust Co., Ltd. with effect from 24 December 2021.
So, Gregory Kam Leung	Appointed as an independent non-executive director, the chairman of audit committee and a member of nomination committee of Shui On Xintiandi Limited with effect from 7 September 2021.
Lim, Wan Fung Bernard Vincent	Elected as Election Committee member on 19 September 2021.

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

As at 31 December 2021, 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:

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%[1]
	China Overseas Land & Investments Limited ("COLI")	Beneficial owner	620,000[2]	0.006%[3]
Yang Ou	CSCECL	Beneficial owner	480,000	0.001%[1]
	COLI	Beneficial owner	40,000	0.0004%[3]
Pang Jinying	CSCECL	Beneficial owner	480,000	0.001%[1]
Ma Fujun	CSCECL	Beneficial owner	830,000	0.002%[1]
Guo Lei	COLI	Beneficial owner	1,600,000[4]	0.015%[3]

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

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

Notes:

1. The percentage represents the number of A shares interested divided by the number of total issued A shares of CSCECL as at 31 December 2021 (i.e. 41,948,167,844 shares).

2. Mr. Zhang Guiqing ("Mr. Zhang") has personal interests in (i) 20,000 shares in COLI; and (ii) 600,000 share options granted by COLI under its shares option scheme adopted on 29 June 2018 ("COLI Share Option Scheme"), which entitled Mr. Zhang to acquire 600,000 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).

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 2021 (i.e. 10,944,815,035 shares).

4. Mr. Guo Lei ("Mr. Guo") has personal interests in 1,600,000 share options granted by COLI under COLI Share Option Scheme, which entitled Mr. Guo to acquire (i) 500,000 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 2021, none of the Directors and chief executive of the Company or their respective associates had held or deemed or taken to have held any interest or short position in the shares, underlying shares and debentures of the Company or any of its associated corporation within the meaning of Part XV of the SFO.

Arrangements to Acquire Shares or Debentures

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

Report of Directors (Continued)

Substantial Shareholders' Interests in the Securities of the Company

As at 31 December 2021, 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[1] ("Silver Lot")	Beneficial owner	169,712,309	5.16%[3]
China Overseas Holdings Limited[1] ("COHL")	Beneficial owner	1,841,328,751	56.02%[3]
	Interest of controlled corporation	169,712,309	5.16%[3]
CSCECL[2]	Interest of controlled corporations	2,011,041,060	61.18%[3]
China State Construction Engineering Corporation[2] ("CSCEC")	Interest of controlled corporations	2,011,041,060	61.18%[3]

Notes:

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

2. COHL is a direct wholly-owned subsidiary of CSCECL, which in turn is a direct non-wholly owned subsidiary of CSCEC, and therefore, CSCECL and CSCEC are deemed to be interested in a total of 2,011,041,060 shares of the Company in which COHL is or is taken to be interested under the SFO.

3. The percentage represents the number of shares interested divided by the number of total issued shares of the Company as at 31 December 2021 (i.e. 3,286,860,460 shares).

Save as disclosed above, as at 31 December 2021, 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:

"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
"COGO Property Group"	China Overseas Grand Oceans Property Group Company Limited (中海宏洋地產集團有限公司), a company incorporated in the PRC with limited liability and a wholly-owned subsidiary of COGO
"COGO Property Management"	China Overseas Grand Oceans Property Management Company Limited (中海宏洋物業管理有限公司), a company incorporated in the PRC with limited liability and a wholly-owned subsidiary of the Company
"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
"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

Report of Directors (Continued)

Connected Transaction and Continuing Connected Transactions (Continued)

Definitions (Continued)

"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)
"COPML"	China Overseas Property Management Limited (中海物業管理有限公司), a company incorporated in the PRC with limited liability and a 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 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
"CSCECL"	China State Construction Engineering Corporation Limited (中國建築股份有限公司), a company incorporated in the PRC with limited liability, whose shares are listed on the Shanghai Stock Exchange (stock code: 601668), 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
"Group"	the Company and its subsidiaries from time to time
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Independent Shareholders"	the Shareholders other than CSCEC and its associates
"Listing Rules"	The Rules Governing the Listing of Securities on the Stock Exchange

Connected Transaction and Continuing Connected Transactions (Continued)

Definitions (Continued)

"Macau"	the Macao Special Administrative Region of the PRC
"PRC"	the People's Republic of China, which for the purpose of this Annual Report excludes Hong Kong, Macau and Taiwan
"RMB"	Renminbi, the lawful currency of the PRC
"Share(s)"	the ordinary share(s) of HK$0.001 each in the share capital of the Company
"Shareholder(s)"	the holder(s) of Share(s)
"Shenzhen Lingchao"	Shenzhen Lingchao Supply Chain Management Co., Ltd. (深圳領潮供應鏈管理有限公司), a company established in the PRC with limited liability and a wholly-owned subsidiary of COLI
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"%"	per cent.

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 2021 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 Transaction

1.1 Lease Agreement (with COGO)

On 30 December 2020, COGO Property Management entered into a lease agreement (the "Lease Agreement") with COGO Property Group whereby COGO Property Group agreed to lease to COGO Property Management a total of 1,154 car parking spaces and ancillary facilities including a club house and a suite in five residential developments, namely EverBright Garden (光大花園), EverBright Xiyuan (光大西園), EverBright Mingzhu (光大名築), Xiqing Apartment (西晴公寓) and Academism (學院派), located in Beijing, the PRC developed by COGO Property Group and/or its subsidiaries for a term of one year commencing on 1 January 2021 and ending on 31 December 2021 (both days inclusive), for a total annual rent of RMB5,300,000 (equivalent to approximately HK$6,300,000).

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

Report of Directors (Continued)

Connected Transaction and Continuing Connected Transactions (Continued)

1. Connected Transaction (Continued)

1.1 Lease Agreement (with COGO) (Continued)

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

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

2. Continuing Connected Transactions

2.1. Continuing Connected Transactions with CSCEC

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

CSCEC Services Agreement

On 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 property management services and value-added 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.) (the "Services") to CSCEC Group's residential communities, commercial properties and other projects in the PRC, Hong Kong, Macau and other locations for a terms of three years commencing on 1 July 2020 and ending on 30 June 2023 (both days inclusive) subject to the 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 ending 31 December 2022 HK$	For the period from 1 January 2023 to 30 June 2023 HK$
82,000,000	221,400,000	308,400,000	168,200,000

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

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

For the year ended 31 December 2021, the amount paid to the Group by CSCEC Group for the provision of the Services was HK$108,730,000, that is below the cap of HK$221,400,000 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) Material Procurement and Supply Chain Management Services Agreement

On 28 April 2021, COPML and Shenzhen Lingchao entered into a framework agreement (the "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) to COPML Group from time to time for a term of 14 months, commencing on 1 May 2021 and ending on 30 June 2022 (both days inclusive) subject to the caps as 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$
133,000,000	67,000,000

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

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 transactions contemplated under the Material Procurement and Supply Chain Management Services Agreement are subject to the annual review, reporting and announcement requirements but exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

For the year ended 31 December 2021, the amount paid/committed to Shenzhen Lingchao by the COPML Group in respect of the goods and materials procured was HK$100,551,000, that is below the cap of HK$133,000,000 under the Material Procurement and Supply Chain Management 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)*

(ii) 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 on 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 ending 31 December 2022 HK$	For the period from 1 January 2023 to 30 June 2023 HK$
1,076,000,000	2,093,000,000	2,616,000,000	1,633,000,000

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

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

For the year ended 31 December 2021, the amount paid to the Group by COLI Group for the provision of the Services was HK$1,019,731,000, that is below the cap of HK$2,093,000,000 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)

(iii) 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 on 1 July 2020 and ending on 30 June 2023 (both days inclusive) subject to the leasing caps (being the maximum aggregate amounts payable by the Group to COLI Group as determined with reference to the maximum aggregate right-of-use asset recognized by the Group in relation to its lease arrangements with COLI Group for the relevant years/periods under the COLI Leasing Agreement) as listed below:

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

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

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

For the year ended 31 December 2021, the amount paid/committed to COLI Group by the Group for the lease of premises was HK$3,838,000, that is below the cap of HK$41,000,000 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)

(iv) 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 on 1 July 2020 and ending on 30 June 2023 (both days inclusive) subject to the utilities charges caps as listed below:

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

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

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

For the year ended 31 December 2021, the amount paid to COLI Group by the Group in respect of the utilities charge was HK$109,940,000, that is below the cap of HK$135,000,000 under the COLI Property Management Utilities Charges Agreement for the year.

Connected Transaction and Continuing Connected Transactions (Continued)

2. Continuing Connected Transactions (Continued)

2.2. Continuing Connected Transactions with COLI Group (Continued)

(v) COLI Car Parking Spaces Agreement

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

For the period from 1 December 2019 to 31 December 2019 HK$	For the year ended 31 December 2020 HK$	For the year 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

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

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

For the year ended 31 December 2021, the amount paid/committed to COLI Group by the Group for the acquisition of rights-of-use of the car parking spaces was HK$454,549,000, that is below the cap of HK$600,000,000 under the COLI Car Parking Spaces Agreement for the year.

Connected Transaction and Continuing Connected Transactions (Continued)

2. Continuing Connected Transactions (Continued)

2.3. Continuing Connected Transactions with CSC Group

Since CSC is a non-wholly-owned subsidiary of COHL, the controlling shareholder of the Company, 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 on 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 ending 31 December 2022 HK$	For the period from 1 January 2023 to 30 June 2023 HK$
118,000,000	255,000,000	356,000,000	224,000,000

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

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

For the year ended 31 December 2021, the amount paid to the Group by CSC Group for the provision of the Services was HK$70,933,000, that is below the cap of HK$255,000,000 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 on 1 July 2020 and ending on 30 June 2023 (both days inclusive) subject to the leasing caps (being the maximum aggregate amounts payable by the Group to CSC Group as determined with reference to the maximum aggregate right-of-use asset recognized by the Group in relation to its lease arrangement with CSC Group for the relevant years/periods under the CSC Leasing Agreement) as listed below:

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

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

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

For the year ended 31 December 2021, the amount paid/committed to CSC Group by the Group for the lease of premises was HK$2,449,000, that is below the cap of HK$11,000,000 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 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 on 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 ending 31 December 2022 HK$	For the period from 1 January 2023 to 30 June 2023 HK$
166,000,000	321,000,000	386,000,000	224,000,000

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

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

For the year ended 31 December 2021, the amount paid to the Group by COGO Group for the provision of the Services was HK$281,682,000, that is below the cap of HK$321,000,000 under the COGO Services Agreement for the year.

Connected Transaction and Continuing Connected Transactions (Continued)

2. Continuing Connected Transactions (Continued)

2.4. Continuing Connected Transactions with COGO Group (Continued)

(ii) COGO Car Parking Spaces Agreement

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

For the period from 1 December 2019 to 31 December 2019 HK$	For the year ended 31 December 2020 HK$	For the year 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

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

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

For the year ended 31 December 2020, the amount paid to COGO Group by the Group for the acquisition of the rights-of-use of the car parking spaces was HK$101,459,000, that is below the cap of HK$300,000,000 under the COGO Car Parking Spaces Agreement for the year.

Report of Directors (Continued)

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

For the year ended 31 December 2021, the transaction amounts under the above respective agreements were, in aggregate, HK$6,287,000, which exceeded 0.1% but less than 5% of the applicable percentage ratios, and such continuing connected transactions are subject to the annual review, reporting and announcement requirements but exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

2. Aggregation of property management and related transactions

The Directors are of the view that (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 annual review, reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

In respect of the continuing connected transactions under (i) the CSCEC Services Agreement; (ii) the COLI Services Agreement; (iii) the 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 2021, the transaction amounts under the above respective agreements were, in aggregate, HK$1,481,076,000, which exceeded 5% of the applicable percentage ratios, and such continuing connected transactions are subject to the annual review, reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Aggregation of Continuing Connected Transactions (Continued)

3. Aggregation of car parking spaces transactions

The Directors are of the view that (i) COLI Car Parking Spaces Agreement; and (ii) COGO Car Parking Spaces Agreement are 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 annual review, reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

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

For the year ended 31 December 2021, the transaction amounts under the above respective agreements were, in aggregate, HK$556,008,000, which exceeded 5% of the applicable percentage ratios, and such continuing connected transactions are subject to the annual review, reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Review and Approval

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

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

(ii) on normal commercial terms or better; and

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

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

Report of Directors (Continued)

Review and Approval (Continued)

The auditor has issued his unqualified letter containing his findings and conclusions in respect of the continuing connected transactions disclosed by the Group on pages 95 to 109 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 37 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 remuneration of the Directors are decided by Remuneration Committee or the Board, having regard to the Group's operating results, individual performance and comparable market statistics.

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

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 50 to 75 of this Annual Report.

Business Review

The business review of the Group including the information below are set out in the Management Discussion and Analysis on pages 26 to 45 of this Annual Report:

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

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

(c) An analysis using financial key performance indicators;

(d) A discussion on:

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

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

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

Report of Directors (Continued)

Auditor

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

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

The consolidated financial statements for the year ended 31 December 2021 have been audited by Ernst & Young, who will retire and, being eligible, offer itself for re-appointment at the 2022 AGM.

A resolution will be proposed at the 2022 AGM to re-appoint Ernst & Young as auditor of the Company.

On behalf of the Board

Zhang Guiqing
Chairman and Executive Director

Hong Kong, 24 March 2022

INDEPENDENT AUDITOR'S REPORT

Ernst & Young
27/F, One Taikoo Place
979 King's Road
Quarry Bay, Hong Kong

安永會計師事務所
香港鰂魚涌英皇道979號
太古坊一座27樓

Tel 電話: +852 2846 9888
Fax 傳真: +852 2868 4432
ey.com

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 118 to 210, which comprise the consolidated statement of financial position as at 31 December 2021, 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 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

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

Independent Auditor's Report (Continued)

EY 安永

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 2021, the Group had gross trade and retention receivables of approximately HK$1,525 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$147 million. The carrying amount of these receivables, net of impairment allowance, amounted to HK$1,455 million in aggregate as at 31 December 2021, which represented 17% of the Group's total assets as at that date. Significant management's judgements and estimates, such as the historical default rate, past repayment history, cash flow projections and forward-looking estimates, were involved in the impairment assessment of these receivables. Related disclosures are included in notes 2.4, 3, 21(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. 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. 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 fee and subcontracting costs against property management contracts and contracts with subcontractors, applied in the cash flow forecasts of the relevant property management projects to which the Other Receivables related; (ii) reviewed the outcome of cash flow forecasts of those property management projects in the prior year in order to evaluate the effectiveness of management's previous estimation process; 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.

Independent Auditor's Report (Continued)

EY 安永

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.

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

24 March 2022

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2021

	Notes	2021 HK$'000	2020 HK$'000
REVENUE	5	**9,442,035**	6,544,877
Direct operating expenses		**(7,800,427)**	(5,349,433)
GROSS PROFIT		**1,641,608**	1,195,444
Other income and gains, net	6	**131,840**	121,157
Fair value loss of investment properties, net	15	**(1,902)**	(4,790)
Selling and administrative expenses		**(428,681)**	(339,588)
Impairment of financial assets, net	8	**(23,542)**	(38,162)
OPERATING PROFIT		**1,319,323**	934,061
Finance costs	7	**(3,235)**	(3,161)
Share of profit of a joint venture		**1,455**	538
Share of profit of an associate		**191**	183
PROFIT BEFORE TAX	8	**1,317,734**	931,621
Income tax expenses	11	**(331,087)**	(224,424)
PROFIT FOR THE YEAR		**986,647**	707,197
ATTRIBUTABLE TO:			
Shareholders of the Company		**983,872**	700,008
Non-controlling interests		**2,775**	7,189
		986,647	707,197
EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY			
Basic and diluted (HK cents per share)	12	**29.93**	21.30

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2021

	2021 HK$'000	2020 HK$'000
PROFIT FOR THE YEAR	986,647	707,197
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF INCOME TAX		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
— Exchange differences on translation of subsidiaries of the Company	97,603	96,892
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	1,084,250	804,089
ATTRIBUTABLE TO:		
Shareholders of the Company	1,079,813	795,112
Non-controlling interests	4,437	8,977
	1,084,250	804,089

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

	Notes	2021 HK$'000	2020 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	**111,409**	68,411
Investment properties	15	**167,069**	162,559
Right-of-use assets	16(b)	**80,840**	72,017
Intangible assets	17	**59,444**	20,948
Investment in a joint venture	18	**5,399**	3,771
Investment in an associate	19	**144**	328
Due from a related company	23	**92,397**	88,894
Prepayments	22	**26,260**	2,353
Deferred tax assets	30	**43,450**	38,600
Total non-current assets		**586,412**	457,881
CURRENT ASSETS			
Inventories	20	**935,295**	606,471
Trade and retention receivables	21	**1,387,463**	846,135
Prepayments, deposits and other receivables	22	**595,347**	384,565
Due from the immediate holding company	23	**408**	893
Due from fellow subsidiaries	23	**416,518**	129,165
Due from other related companies	23	**114,919**	63,559
Cash and bank balances	24	**4,283,374**	3,705,703
Total current assets		**7,733,324**	5,736,491
CURRENT LIABILITIES			
Trade payables	25	**776,486**	461,113
Other payables and accruals	26	**1,103,163**	996,575
Temporary receipts from properties managed	27	**1,543,226**	1,285,659
Receipts in advance and other deposits	28	**1,500,803**	934,831
Lease liabilities	16(b)	**41,245**	24,794
Due to the immediate holding company	29	**1,084**	—
Due to fellow subsidiaries	29	**11,319**	18,118
Due to other related companies	29	**12,534**	18,269
Income tax payables		**226,612**	213,422
Total current liabilities		**5,216,472**	3,952,781
Net current assets		**2,516,852**	1,783,710
Total assets less current liabilities		**3,103,264**	2,241,591

Consolidated Statement of Financial Position (Continued)

As at 31 December 2021

	Notes	2021 HK$'000	2020 HK$'000
NON-CURRENT LIABILITIES			
Lease liabilities	16(b)	32,839	38,612
Deferred tax liabilities	30	17,925	18,673
Total non-current liabilities		50,764	57,285
Net assets		3,052,500	2,184,306
EQUITY			
Equity attributable to shareholders of the Company			
Issued capital	31	3,287	3,287
Reserves	33	2,996,751	2,145,544
		3,000,038	2,148,831
Non-controlling interests		52,462	35,475
Total equity		3,052,500	2,184,306

Yang Ou
Director

Pang Jinying
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2021

	Attributable to shareholders of the Company									
	Issued capital HK$'000 (note 31)	Property revaluation reserve HK$'000	Exchange fluctuation reserve HK$'000	PRC statutory reserve HK$'000 (note 33(b))	Special reserve HK$'000 (note 33(c))	Capital reserve HK$'000 (note 33(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 32)	—	—	—	—	—	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

Consolidated Statement of Changes in Equity (Continued)

Year ended 31 December 2021

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

* These reserve accounts comprise the consolidated reserves of HK$2,996,751,000 (2020: HK$2,145,544,000) in the consolidated statement of financial position as at 31 December 2021.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2021

	Notes	2021 HK$'000	2020 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**1,317,734**	931,621
Adjustments for:			
Share of profit of a joint venture		**(1,455)**	(538)
Share of profit of an associate		**(191)**	(183)
Interest income	6	**(68,969)**	(42,469)
Gain on bargain purchase	6	**—**	(175)
Finance costs	7	**3,235**	3,161
Impairment of financial assets, net	8	**23,542**	38,162
Depreciation of property, plant and equipment	8	**24,412**	15,643
Depreciation of right-of-use assets	8	**35,397**	28,287
Amortisation of intangible assets	8	**6,796**	5,708
Share-based payments	8	**8,048**	4,189
Fair value loss of investment properties, net	15	**1,902**	4,790
Loss on disposal of items of property, plant and equipment, net	8	**644**	131
(Gain)/loss on early termination of lease contracts, net	8	**(502)**	87
Operating cash flows before working capital changes		**1,350,593**	988,414
Increase in inventories		**(271,595)**	(159,068)
Increase in trade and retention receivables		**(537,981)**	(266,544)
Increase in prepayments, deposits and other receivables		**(171,426)**	(106,336)
Decrease/(increase) in amount due from the immediate holding company		**485**	(662)
Increase in amounts due from fellow subsidiaries		**(277,990)**	(33,518)
Increase in amounts due from other related companies		**(76,230)**	(37,608)
Increase in trade payables		**294,670**	14,378
Increase in receipts in advance and other deposits		**528,073**	150,581
Increase in other payables and accruals		**71,054**	180,763
Increase in temporary receipts from properties managed		**203,382**	677,709
Increase in amount due to the immediate holding company		**1,084**	—
(Decrease)/increase in amounts due to fellow subsidiaries		**(7,361)**	12,915
(Decrease)/increase in amounts due to other related companies		**(6,345)**	10,774
Cash generated from operations		**1,100,413**	1,431,798
Income taxes paid		**(316,335)**	(203,954)
PRC withholding tax paid		**(14,486)**	(7,753)
Net cash flows from operating activities		**769,592**	1,220,091

Consolidated Statement of Cash Flows (Continued)

Year ended 31 December 2021

	Notes	2021 HK$'000	2020 HK$'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		**39,507**	57,089
Dividend received from an associate		**375**	—
Purchase of items of property, plant and equipment		**(66,129)**	(23,961)
Purchase of investment properties	15	**(37)**	(13,944)
Purchase of intangible assets		**(43,827)**	(8,739)
Increase in non-current prepayments		**(12,643)**	(1,962)
Placement of non-pledged time deposits with original maturity of over three months		**(363,197)**	(730,337)
Withdrawal of non-pledged time deposits with original maturity of over three months		**181,598**	876,405
Acquisition of a subsidiary		**(350)**	1,636
Proceeds from the disposal of items of property, plant and equipment		**1,174**	19
Net cash flows (used in)/from investing activities		**(263,529)**	156,206
CASH FLOWS FROM FINANCING ACTIVITIES			
Principal portion of lease payments	34(b)	**(31,104)**	(28,171)
Interest portion of lease payments	34(b)	**(3,044)**	(3,161)
Other interest paid	34(b)	**(191)**	—
Drawdown of revolving bank loans	34(b)	**80,000**	—
Repayment of bank loans	34(b)	**(80,000)**	—
Capital contribution from non-controlling interests of subsidiaries		**12,482**	5,019
Dividends paid to shareholders of the Company	13	**(236,654)**	(164,343)
Dividends paid to non-controlling equity holders of subsidiaries		**—**	(1,707)
Net cash flows used in financing activities		**(258,511)**	(192,363)
NET INCREASE IN CASH AND CASH EQUIVALENTS		**247,552**	1,183,934
Cash and cash equivalents at beginning of year		**2,935,561**	1,614,337
Effect of foreign exchange rate changes, net		**115,039**	137,290
CASH AND CASH EQUIVALENTS AT END OF YEAR		**3,298,152**	2,935,561
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances as stated in the consolidated statement of financial position	24	**4,283,374**	3,705,703
Less: Time deposits with original maturity of over three months		**(985,222)**	(770,142)
Cash and cash equivalents as stated in the consolidated statement of cash flows		**3,298,152**	2,935,561

NOTES TO FINANCIAL STATEMENTS

31 December 2021

1. Corporate and Group Information

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

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

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

Information about subsidiaries

Particulars of the Company's subsidiaries as at 31 December 2021 are as follows:

Company name	Place of incorporation/ registration and business	Registered/issued and paid-up capital	Percentage of equity attributable to the Company Direct %	Indirect %	Principal activities
China Overseas Property Services Limited	Hong Kong	HK$50,000,100	100	—	Real estate management and investment holding
中海物業管理有限公司*	The PRC	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	RMB50,000,000	—	100	Real estate management
成都中海物業管理有限公司#	The PRC	RMB50,000,000	—	100	Real estate management
湖南省中海海惠物業管理有限公司#	The PRC	RMB2,000,000	—	84	Real estate management
深圳市中海商業服務有限公司#	The PRC	RMB5,000,000	—	60	Real estate management
中海物業管理廣州有限公司#	The PRC	RMB50,000,000	—	100	Real estate management
China Overseas Building Management Limited	Hong Kong	HK$100	—	100	Real estate management

Notes to Financial Statements (Continued)
31 December 2021

1. Corporate and Group Information (Continued)

Information about subsidiaries (Continued)

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

Notes to Financial Statements (Continued)
31 December 2021

1. Corporate and Group Information (Continued)

Information about subsidiaries (Continued)

Company name	Place of incorporation/ registration and business	Registered/issued and paid-up capital	Percentage of equity attributable to the Company Direct %	Indirect %	Principal activities
西安中海物業管理有限公司#	The PRC	RMB20,000,000	—	100	Real estate management
甘肅中海泊悦物業管理有限公司#	The PRC	RMB20,000,000	—	100	Real estate management
寧波中海物業管理有限公司#	The PRC	RMB20,000,000	—	100	Real estate management
重慶中海海惠物業管理有限公司#	The PRC	RMB5,000,000	—	100	Real estate management
淮安高新中海物業管理有限公司#	The PRC	RMB5,000,000	—	51	Real estate management
廣東中海星城際物業服務有限公司#	The PRC	RMB5,000,000	—	51	Real estate management
海納萬商物業管理有限公司#	The PRC	RMB50,000,000	—	100	Real estate management
四川軌道中海物業管理有限公司#	The PRC	RMB10,000,000	—	100	Real estate management
中海物業管理(邯鄲)有限公司#	The PRC	RMB10,000,000	—	100	Real estate management
珠海航空綜合服務有限公司#	The PRC	RMB4,180,000	—	51	Real estate management
貴州播投中海物業服務有限公司#	The PRC	RMB5,000,000	—	51	Real estate management
海口海越物業管理有限公司#	The PRC	RMB5,000,000	—	60	Real estate management
六盤水城投中海物業管理有限公司#	The PRC	RMB1,800,000	—	51	Real estate management
遼寧中海麗都物業管理有限公司#	The PRC	RMB5,000,000	—	60	Real estate management
新疆中海物業管理有限公司#	The PRC	RMB3,000,000	—	100	Real estate management
溫州中海物業管理有限公司#	The PRC	RMB5,000,000	—	100	Real estate management
渭南中海親頤物業服務有限公司#	The PRC	RMB1,000,000	—	100	Real estate management
中海同心(貴州)物業管理有限公司#	The PRC	RMB3,000,000	—	55	Real estate management
畢節中海建投物業管理有限公司#	The PRC	RMB3,000,000	—	60	Real estate management

1. Corporate and Group Information (Continued)

Information about subsidiaries (Continued)

Company name	Place of incorporation/ registration and business	Registered/issued and paid-up capital	Percentage of equity attributable to the Company		Principal activities
			Direct %	Indirect %	
天津中建物業服務有限公司#	The PRC	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	RMB10,000,000	—	51	Real estate management
中海海穗物業管理(廣州)有限公司#	The PRC	RMB2,000,000	—	100	Real estate management
南通中海陽光物業管理有限公司#	The PRC	RMB10,000,000	—	60	Real estate management
海南中海投物業管理有限公司#	The PRC	RMB5,000,000	—	60	Real estate management
佛山中海物業管理有限公司#	The PRC	RMB2,000,000	—	100	Real estate management
鹽城中海慧鹽物業管理有限公司#	The PRC	RMB10,000,000	—	51	Real estate management
江蘇中海物業服務有限公司#	The PRC	RMB20,000,000	—	100	Real estate management
濟南中海城市服務有限公司*	The PRC	USD3,000,000	—	100	Real estate management
濟南中海華不注城市服務有限公司#	The PRC	RMB10,000,000	—	60	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	RMB20,000,000	—	100	Provision of gardening services
廣東省美博工程服務有限公司#	The PRC	RMB5,000,000	—	100	Provision of engineering, repair and maintenance services
深圳市興海物聯科技有限公司#	The PRC	RMB150,000,000	—	100	Provision of engineering, repair and maintenance services
深圳市興海機電工程有限公司#	The PRC	RMB20,000,000	—	100	Provision of engineering, repair and maintenance services
深圳市優你家裝飾工程有限公司#	The PRC	RMB20,000,000	—	100	Provision of engineering, repair and maintenance service

Notes to Financial Statements (Continued)

31 December 2021

1. Corporate and Group Information (Continued)

Information about subsidiaries (Continued)

Company name	Place of incorporation/ registration and business	Registered/issued and paid-up capital	Percentage of equity attributable to the Company Direct %	Indirect %	Principal activities
Mepork Engineering Services Limited	Hong Kong	HK$100	—	100	Provision of building cleaning, engineering, repair and maintenance services
Mepork (Macau) Engineering Services Limited	Macau	MOP25,000	—	100	Provision of building cleaning, engineering, repair and maintenance services
深圳市海潮智匯數字科技有限公司#	The PRC	RMB20,000,000	—	100	Provision of information technology services
Xinghai Iot (Hong Kong) Technology Co., Limited	Hong Kong	HK$100	—	100	Provision of information technology 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	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	RMB1,000,000	—	100	Provision of services through an online-to-offline ("O2O") platform
河南(海略)資訊科技有限公司#	The PRC	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	RMB25,000,000	—	100	Provision of services through an O2O platform
杭州優你互聯科技有限公司#	The PRC	RMB2,000,000	—	100	Provision of services through an O2O platform
天津市海惠優選互聯網科技有限公司#	The PRC	RMB5,000,000	—	100	Provision of services through an O2O platform

1. Corporate and Group Information (Continued)

Information about subsidiaries (Continued)

Company name	Place of incorporation/ registration and business	Registered/issued and paid-up capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
			%	%	
重慶市優你家互聯網科技有限公司#	The PRC	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	RMB5,000,000	—	100	Provision of property agency services
北京優你家房地產經紀有限公司#	The PRC	RMB5,000,000	—	100	Provision of property agency services
Able Rise Development Limited	Hong Kong	HK$1	100	—	Investment holding

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

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

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 2021. 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).

Notes to Financial Statements (Continued)

31 December 2021

2.1 Basis of Preparation (Continued)

Basis of consolidation (Continued)

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

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

(b) rights arising from other contractual arrangements; and

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

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

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

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

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

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 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	*Interest Rate Benchmark Reform — Phase 2*
Amendment to HKFRS 16	*Covid-19-Related Rent Concessions beyond 30 June 2021* (early adopted)

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

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

At 31 December 2021, the Group did not have borrowings, including lease liabilities, which were denominated in foreign currencies based on an Interbank Offered Rate. Accordingly, the adoption of these amendments did not have any impact on these financial statements.

Notes to Financial Statements (Continued)
31 December 2021

2.2 Changes in Accounting Policies and Disclosures (Continued)

(b) Amendment to HKFRS 16 issued in April 2021 extends the availability of the practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the covid-19 pandemic by 12 months. Accordingly, the practical expedient applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met. The amendment is effective retrospectively for annual periods beginning on or after 1 April 2021 with any cumulative effect of initially applying the amendment recognised as an adjustment to the opening balance of retained profits at the beginning of the current accounting period. Earlier application is permitted.

The Group has early adopted the amendment on 1 January 2021. However, the Group has not received covid-19-related rent concessions and plans to apply the practical expedient when it becomes applicable within the allowed period of application.

2.3 Issued but Not Yet Effective Hong Kong Financial Reporting Standards

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

Amendments to HKFRS 3	*Reference to the Conceptual Framework*[1]
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 HKAS 1	*Classification of Liabilities as Current or Non-current*[2,4]
Amendments to HKAS 1 and HKFRS Practice Statement 2	*Disclosure of Accounting Policies*[2]
Amendments to HKAS 8	*Definition of Accounting Estimates*[2]
Amendments to HKAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*[2]
Amendments to HKAS 16	*Property, Plant and Equipment: Proceeds before Intended Use*[1]
Amendments to HKAS 37	*Onerous Contracts — Cost of Fulfilling a Contract*[1]
Annual Improvements to HKFRSs 2018–2020	*Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41*[1]

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

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

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

(a) Amendments to HKFRS 3 are intended to replace a reference to the previous *Framework for the Preparation and Presentation of Financial Statements* with a reference to the *Conceptual Framework 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 should refer to HKAS 37 or HK(IFRIC)-Int 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group expects to adopt the amendments prospectively from 1 January 2022. Since the amendments apply prospectively to business combinations for which the acquisition date is on or after the date of first application, the Group will not be significantly affected by these amendments on the date of transition.

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

(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 assessing the impact of the amendments on the Group's accounting policy disclosures.

Notes to Financial Statements (Continued)

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

(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 reporting 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.

(e) Amendments to HKAS 12 narrow the scope of the initial recognition exception 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 and a deferred tax liability for temporary differences arising from these transactions. The amendments are effective for annual reporting 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 Group has applied the initial recognition exception and did not recognise a deferred tax asset and a deferred tax liability for temporary differences for transactions related to leases. Upon initial application of these amendments, the Group will recognise a deferred tax asset and a deferred tax liability for deductible and taxable temporary differences associated with right-of-use assets and lease liabilities, and recognise the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained profits at the beginning of the earliest comparative period presented.

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

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

(g) Annual Improvements to HKFRSs 2018–2020 sets out amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16 *Leases* and HKAS 41 *Agriculture*. Details of the amendments that are expected to be 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. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendment is effective for annual periods beginning on or after 1 January 2022. Earlier application is permitted. The amendment is not expected to have a significant impact on the Group's financial statements.

- HKFRS 16: removes the illustration of payments from the lessor relating to leasehold improvements in Illustrative Example 13 accompanying HKFRS 16. This removes potential confusion regarding the treatment of lease incentives when applying HKFRS 16.

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.

Notes to Financial Statements (Continued)

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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.

Notes to Financial Statements (Continued)

31 December 2021

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") 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, 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 year 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 year of the retirement or disposal.

Notes to Financial Statements (Continued)

31 December 2021

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.

Notes to Financial Statements (Continued)

31 December 2021

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

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

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

Subsequent measurement

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

Notes to Financial Statements (Continued)

31 December 2021

2.4 Summary of Significant Accounting Policies (Continued)

Financial assets (Continued)

Impairment

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

(a) General approach

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

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

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

2.4 Summary of Significant Accounting Policies (Continued)

Financial assets (Continued)

Impairment (Continued)

(a) General approach (Continued)

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

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

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

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

(b) Simplified approach

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

Derecognition

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

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

Notes to Financial Statements (Continued)

31 December 2021

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, joint ventures and associates, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

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

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

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

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

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

2.4 Summary of Significant Accounting Policies (Continued)

Government grants

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

Revenue recognition

Revenue from contracts with customers

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

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

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

(a) Property management services and value-added services

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

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.

Notes to Financial Statements (Continued)

31 December 2021

2.4 Summary of Significant Accounting Policies (Continued)

Revenue recognition (Continued)

Revenue from contracts with customers (Continued)

(b) *Trading of car parking spaces*

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

Revenue from other sources

(a) *Rental income*

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

(b) *Interest income*

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

Contract assets

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

Contract liabilities

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

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 on trade and retention receivables

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

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

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

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

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

Notes to Financial Statements (Continued)

31 December 2021

3. Significant Accounting Judgements and Estimates (Continued)

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

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

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

(d) Estimation of fair value of investment properties

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

Further details of the fair values estimation of the investment properties, including the key assumptions used and valuation techniques adopted for the fair value measurement, as well as a sensitivity analysis, are set out in note 15(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 costs and net realisable values at the end of each reporting period, whereas car parking spaces intended to be held to earn rentals and/or for capital appreciation are accounted for as investment properties in non-current assets and subsequently measured at fair value at the end of each reporting period.

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

(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 30(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 and further details are set out in note 30(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, except 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 included:

(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.

Notes to Financial Statements (Continued)

31 December 2021

4. Operating Segment Information (Continued)

Segment revenue and results

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 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 2021

4. Operating Segment Information (Continued)

Segment revenue and results (Continued)

Year ended 31 December 2020

	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)	4,857,365	*1,171,617*	*496,547*	1,668,164	19,348	6,544,877
Inter-segment revenue	59,100	*111,165*	*40,611*	151,776	—	210,876
	4,916,465	*1,282,782*	*537,158*	1,819,940	19,348	6,755,753
Reconciliation:						
Elimination of inter-segment revenue						(210,876)
Reported total revenue						6,544,877
Reportable segment results	670,940	*177,537*	*164,530*	342,067	5,063	1,018,070
Reconciliation:						
Corporate expenses, net						(86,449)
Profit before tax						931,621

	Property management services HK$'000	Value-added services: *Non-residents HK$'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	41,824	*136*	*476*	612	17	16	42,469
Loss on disposal of items of property, plant and equipment	131	—	—	—	—	—	131
Loss on early termination of lease contracts, net	52	*35*	—	35	—	—	87
Impairment/(reversal of impairment) of financial assets, net	38,454	*(292)*	—	(292)	—	—	38,162
Depreciation and amortisation	41,419	*4,118*	*294*	4,412	—	3,807	49,638
Fair value loss of investment properties, net	—	—	*4,790*	4,790	—	—	4,790
Share of profit of a joint venture	538	—	—	—	—	—	538
Share of profit of an associate	183	—	—	—	—	—	183

Notes to Financial Statements (Continued)

31 December 2021

4. Operating Segment Information (Continued)

Geographical information

(a) Revenue from external customers

	2021	2020
	HK$'000	HK$'000
Mainland China:		
Hua Nan Region	**2,323,856**	1,912,669
Hua Dong Region	**2,157,932**	965,836
Hua Bei Region	**1,343,896**	1,113,150
Northern Region	**608,965**	485,487
Western Region	**1,762,788**	1,159,670
	8,197,437	5,636,812
Hong Kong and Macau	**1,244,598**	908,065
Total	**9,442,035**	6,544,877

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

(b) Non-current assets

	2021	2020
	HK$'000	HK$'000
Mainland China:		
Hua Nan Region	**259,617**	172,821
Hua Dong Region	**87,925**	70,456
Hua Bei Region	**9,967**	9,354
Northern Region	**15,888**	4,602
Western Region	**48,679**	39,334
	422,076	296,567
Hong Kong and Macau	**22,946**	29,721
Total	**445,022**	326,288

The non-current asset 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 2021, the Group earned revenue of HK$1,019,731,000 (2020: HK$747,665,000) from the provision of property management services and value-added services to subsidiaries of China Overseas Land & Investment Limited ("COLI", a fellow subsidiary of the Company incorporated in Hong Kong with its shares listed on the Stock Exchange). Other than this, there was no individual customer which contributed 10% or more of the Group's revenue during each of the years ended 31 December 2021 and 2020.

5. Revenue

(a) Disaggregated revenue information

Type of goods or services

Revenue from contracts with customers disaggregated by type of goods or services (i.e., provision of property management services, provision of value-added services 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 2021

		Value-added services				
Segments	Property management services HK$'000	*Non-residents HK$'000*	*Residents HK$'000*	Sub-total HK$'000	Car parking space trading business HK$'000	Total HK$'000
At a point in time	—	—	*527,371*	527,371	227,899	755,270
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

Notes to Financial Statements (Continued)

31 December 2021

5. Revenue (Continued)

(a) Disaggregated revenue information (Continued)

Timing of revenue recognition (Continued)

Year ended 31 December 2020

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
At a point in time	—	*—*	*300,066*	300,066	19,003	319,069
Over time	4,857,365	*1,171,617*	*193,108*	1,364,725	—	6,222,090
Total revenue from contracts with customers	4,857,365	*1,171,617*	*493,174*	1,664,791	19,003	6,541,159
Revenue from another source — rental income	—	*—*	*3,373*	3,373	345	3,718
Total revenue from external customers	4,857,365	*1,171,617*	*496,547*	1,668,164	19,348	6,544,877

Geographical market

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

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

	2021 HK$'000	2020 HK$'000
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Property management services	**562,864**	422,796
Value-added services	**25,268**	19,756
	588,132	442,552

No revenue recognised during the year ended 31 December 2021 was in relation to performance obligations satisfied or partially satisfied in previous periods (2020: Nil).

5. Revenue (Continued)

(b) Performance obligations

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

Provision of property management services

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

Provision of value-added services to non-residents

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

Provision of value-added services to residents

The performance obligations are satisfied over time, except for those in relation to rental assistance, agency and custody for real 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. The payment is due in accordance with the terms of the sales and purchase agreement.

At 31 December 2021, 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$7,178,870,000 (2020: HK$6,695,007,000), of which approximately 39% (2020: 42%) 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 2021

6. Other Income and Gains, Net

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

	2021	2020
	HK$'000	HK$'000
Unconditional government grants:		
— Government subsidies relating to covid-19 pandemic	**3,288**	17,825
— Government subsidies from value-added and other tax beneficial policies	**44,445**	33,961
— Other government grants	**15,427**	19,971
	63,160	71,757
Interest income	**68,969**	42,469
Gain on bargain purchase	**—**	175
Gain/(loss) on early termination of lease contracts, net	**502**	(87)
Others	**(791)**	6,843
	131,840	121,157

7. Finance Costs

	2021	2020
	HK$'000	HK$'000
Interest expenses on lease liabilities (note 16(b))	**3,044**	3,161
Interest expenses on short-term bank borrowings	**191**	—
	3,235	3,161

8. Profit before Tax

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

	Notes	2021 HK$'000	2020 HK$'000
Cost of inventories sold*		**121,155**	9,494
Cost of consumables consumed*		**663,349**	372,859
Sub-contracting costs*		**1,769,366**	1,164,218
Depreciation of property, plant and equipment	14	**24,412**	15,643
Less: Included in direct operating expenses		**(7,694)**	(6,916)
		16,718	8,727
Depreciation of right-of-use assets	16(b)	**35,397**	28,287
Less: Included in direct operating expenses		**(24,880)**	(12,328)
		10,517	15,959
Amortisation of intangible assets (included in selling and administrative expenses)	17	**6,796**	5,708
Rental expenses relating to short-term leases or low-value assets	16(b)	**21,705**	21,276
Direct operating expenses arising from rental-earning investment properties (including repairs and maintenance)		**147**	273
Tax surcharges and other levies*		**42,191**	28,156
Auditor's remuneration:			
Audit services in respect of annual audit		**3,110**	2,800
Non-audit services		**240**	218
		3,350	3,018
Employee benefit expense (including directors' remuneration (Note 9)):			
Wages and salaries#		**4,327,025**	3,140,244
Share-based payments	32	**8,048**	4,189
Pension scheme contributions (defined contribution schemes)@		**289,924**	87,850
		4,624,997	3,232,283
Less: Included in direct operating expenses		**(4,314,205)**	(2,993,788)
		310,792	238,495

Notes to Financial Statements (Continued)

31 December 2021

8. Profit before Tax (Continued)

	Notes	2021 HK$'000	2020 HK$'000
Impairment/(reversal of impairment) of financial assets, net:			
Trade and retention receivables	21(c)	**29,840**	18,587
Other receivables	22(b)	**(6,298)**	19,575
		23,542	38,162
Loss on disposal of items of property, plant and equipment		**644**	131
(Gain)/loss on early termination of lease contracts, net		**(502)**	87

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

In 2020, there were receipts of government grants under covid-19 amounting to HK$31,351,000 from the governments of Hong Kong and Macau, which were offset against wages and salaries.

@ In 2020, there were reduction and waiver of employer's obligations on social security contributions for a specified period of time in a total amount of HK$132,307,000, as announced by the Ministry of Human Resources and Social Security of the PRC. In respect of each of the years ended 31 December 2021 and 2020, there were no forfeited contributions that may be used by the Group as the employer to reduce the existing level of contribution.

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:

	2021 HK$'000	2020 HK$'000
Fees	**1,200**	970
Other emoluments:		
Salaries, allowances and benefits in kind	**7,756**	6,396
Performance related bonuses	**13,833**	12,784
Pension scheme contributions	**1,605**	1,333
	23,194	20,513
	24,394	21,483

9. Directors' Remuneration (Continued)

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

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 to Financial Statements (Continued)

31 December 2021

9. Directors' Remuneration (Continued)

Year ended 31 December 2020

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

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

Notes:

(a) Executive directors of the Company are entitled to bonus payments with reference to the remuneration policy of the Group and based on individual skills, knowledge, experience, performance and contribution, the overall performance of the Group, the prevailing economic condition and the market trend.

(b) During the year and in prior years, certain directors were granted incentive A-shares of China State Construction Engineering Corporation Limited ("CSCECL, an intermediate holding company of the Company established in the PRC and 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 32 to the financial statements. The fair values of such incentive shares, which have been recognised in profit or loss over the vesting periods, were determined as at the respective dates of grant and the amounts included in the financial statements for the current and prior years are included in the "Salaries, allowances and benefits in kind" in the above directors' remuneration disclosures.

(c) During each of the years ended 31 December 2021 and 2020, 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 (2020: three) directors, details of whose remuneration are set out in note 9 above. Details of the remuneration for the year of the two (2020: two) non-director highest paid employees are as follows:

	2021	2020
	HK$'000	HK$'000
Salaries, allowances and benefits in kind (note (b))	**3,584**	3,108
Performance related bonuses	**5,020**	4,756
Pension scheme contributions	**388**	347
	8,992	8,211

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

	2021	2020
HK$3,500,001 to HK$4,000,000	**1**	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 2021 and 2020.

(b) During the year and in prior years, the above non-director highest paid employees were granted incentive A-shares of CSCECL, in respect of their services to the Group, under the A-shares restricted stock incentive plan of CSCECL, further details of which are set out in note 32 to the financial statements. The fair values of such incentive shares, which have been recognised in profit or loss over the vesting periods, were determined as at the respective dates of grant and the amount included in the financial statements for the current and prior years are included in the "Salaries, allowances and benefits in kind" in the above non-director highest paid employees' remuneration disclosures.

Notes to Financial Statements (Continued)

31 December 2021

11. Income Tax Expenses

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

	2021	2020
	HK$'000	HK$'000
Current:		
Hong Kong	**3,221**	889
Macau	**311**	299
Overprovision in prior years — Hong Kong and Macau	**—**	(528)
Mainland China	**315,455**	233,633
Overprovision in prior years — Mainland China	**—**	(11,596)
The PRC withholding income tax	**16,949**	15,730
	335,936	238,427
Deferred (note 30)	**(4,849)**	(14,003)
Total	**331,087**	224,424

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:

	2021	2020
	%	%
Hong Kong	**16.5**	16.5
Macau	**12**	12
Mainland China*	**25**	25

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

The PRC withholding 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% (2020: 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 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:

	2021 HK$'000	2020 HK$'000
Profit before tax	1,317,734	931,621
Income tax expense at the PRC statutory tax rate of 25%	329,434	232,905
Lower tax rates for specific provinces	(30,197)	(21,957)
Effect of withholding tax at 5% on the dividend declared by a PRC subsidiary	16,949	15,730
Effect of different tax rates applicable to subsidiaries operating in Hong Kong and Macau	(2,081)	(651)
Adjustments in respect of current tax of previous periods	—	(12,124)
Profit attributable to a joint venture	(364)	(134)
Profit attributable to an associate	(48)	(46)
Income not subject to tax	(2,165)	(7,842)
Expenses not deductible for tax	3,612	3,348
Recognition of deductible temporary differences previously not recognised	(1,647)	(4,322)
Tax losses not recognised	18,743	20,444
Utilisation/recognition of tax losses previously not recognised	(1,030)	(1,373)
Others	(119)	446
Income tax expense for the year at the effective tax rate of 25% (2020: 24%)	331,087	224,424

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$983,872,000 (2020: HK$700,008,000), and the weighted average number of ordinary shares of 3,286,860,460 (2020: 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 2021 and 2020 for a dilution as the Group had no dilutive potential ordinary shares in issue during these years.

Notes to Financial Statements (Continued)

31 December 2021

13. Dividends

The dividends paid in 2021 and 2020 were HK$236,654,000 and HK$164,343,000, respectively. A final dividend of HK6.0 cents per share, amounting to a total dividend of 197,212,000, in respect of the year ended 31 December 2021 is proposed which is subject to the approval of the Company's shareholders at the forthcoming annual general meeting on 21 June 2022. The financial statements do not reflect this proposed final dividend.

	Dividends declared/ proposed	**Dividends paid and recorded in the financial statements**	
		2021	2020
	HK$'000	**HK$'000**	HK$'000
2019			
Final dividend of HK2.8 cents per ordinary share	92,032		92,032
2020			
Interim dividend of HK2.2 cents per ordinary share	72,311		72,311
Final dividend of HK4.2 cents per ordinary share	138,048	**138,048**	
Total	210,359		
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		
Total	295,818	**236,654**	164,343

14. Property, Plant and Equipment

Year ended 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

Notes to Financial Statements (Continued)

31 December 2021

14. Property, Plant and Equipment (Continued)

Year ended 31 December 2020

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

15. Investment Properties

	2021 HK$'000	2020 HK$'000
Carrying amount as at 1 January	162,559	145,898
Additions	37	13,944*
Fair value loss of investment properties, net	(1,902)	(4,790)
Exchange realignment	6,375	7,507
Carrying amount as at 31 December	167,069	162,559

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

Notes:

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

(b) The Group's investment properties were revalued on 31 December 2021 based on valuations performed by CHFT Advisory and Appraisal Limited (2020: CHFT Advisory and Appraisal Limited), independent professionally qualified valuers, at RMB135,660,000 (equivalent to HK$167,069,000) 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.

Notes to Financial Statements (Continued)

31 December 2021

15. Investment Properties (Continued)

Notes: (Continued)

(b) (Continued)

Fair value hierarchy disclosure

At 31 December 2021, 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 2021 and 2020, 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**	
			2021	2020
Offices	Investment approach	Prevailing market rents	**RMB37–120 per square metre per month**	RMB37–120 per square metre per month
		Reversionary yield	**4.5%–5%**	4.5%–5%
Retail stores, a swimming pool and a storeroom	Investment approach	Prevailing market rents	**RMB13–440 per square metre per month**	RMB100–400 per square metre per month
		Reversionary yield	**3%–6.5%**	4.5%–6.5%
Car parking spaces	Direct comparison	Unit price	**RMB80,000 –830,000 per car parking space**	RMB150,000–923,000 per car parking space
Residential property	Investment approach	Prevailing market rents	**RMB43–53 per square metre per month**	RMB47–57 per square metre per month
		Reversionary yield	**1.6%**	1.4%–1.5%

The investment approach is applied based on net rental income that can be derived from existing tenancies with due allowance for the reversionary potential of the properties. The direct comparison method is based on comparing the properties to be valued directly with other comparable properties, which have recently been asked/transacted. However, given the heterogeneous nature of properties, appropriate adjustments are usually required to allow for any qualitative differences that may affect the price likely to be achieved by the properties under consideration.

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

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$6,566,000 (2020: HK$3,718,000), details of which are included in note 5 to the financial statements.

At 31 December 2021, the undiscounted lease payments receivable by the Group in future periods under non-cancellable operating leases with its customers are as follows:

	2021	2020
	HK$'000	HK$'000
Within one year	**8,408**	2,874
After one year but within two years	**5,327**	1,762
After two years but within three years	**2,887**	1,077
After three years but within four years	**1,141**	195
After four years but within five years	**579**	—
Total	**18,342**	5,908

(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.

Notes to Financial Statements (Continued)

31 December 2021

16. Leases (Continued)

(b) The Group as a lessee (Continued)

Right-of-use assets

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

	Leasehold land	Buildings	Total
	HK$'000	HK$'000	HK$'000
At 1 January 2020	8,183	53,473	61,656
Acquisition of a subsidiary	1,075	—	1,075
Additions	—	37,241	37,241
Early termination of lease contracts	—	(1,892)	(1,892)
Depreciation provided during the year	(559)	(27,728)	(28,287)
Exchange realignment	(292)	2,516	2,224
At 31 December 2020 and 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	**8,086**	**72,754**	**80,840**

Lease liabilities

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

	2021	2020
	HK$'000	HK$'000
Carrying amount as at 1 January	**63,406**	54,505
New leases	**70,075**	37,026
Accretion of interest recognised during the year	**3,044**	3,161
Payments	**(34,148)**	(31,332)
Early termination of lease contracts	**(29,345)**	(1,805)
Exchange realignment	**1,052**	1,851
Carrying amount as at 31 December	**74,084**	63,406
Portion classified as current liabilities	**(41,245)**	(24,794)
Non-current portion	**32,839**	38,612

16. Leases (Continued)

(b) The Group as a lessee (Continued)

Other lease information

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

	2021	2020
	HK$'000	HK$'000
Interest expenses on lease liabilities	3,044	3,161
Depreciation of right-of-use assets	35,397	28,287
Rental expenses relating to short-term leases or low-value assets	21,705	21,276
(Gain)/loss on early termination of lease contracts, net	(502)	87
Total amount recognised in profit or loss	59,644	52,811

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

17. Intangible Assets

	Computer software	
	2021	2020
	HK$'000	HK$'000
At 1 January:		
Cost	34,181	18,531
Accumulated amortisation	(13,233)	(6,874)
Net carrying amount	20,948	11,657
Net carrying amount:		
At 1 January	20,948	11,657
Acquisition of a subsidiary	—	4
Additions	43,827	13,979
Amortisation provided during the year	(6,796)	(5,708)
Exchange realignment	1,465	1,016
At 31 December	59,444	20,948
At 31 December:		
Cost	80,118	34,181
Accumulated amortisation	(20,674)	(13,233)
Net carrying amount	59,444	20,948

Notes to Financial Statements (Continued)
31 December 2021

18. Investment in a Joint Venture

	2021	2020
	HK$'000	HK$'000
Share of net assets	5,399	3,771

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	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

	2021	2020
	HK$'000	HK$'000
Share of net assets	144	328

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

	2021 HK$'000	2020 HK$'000
Car parking spaces (notes (a) and (b))	**934,282**	606,471
Consumables	**1,013**	—
	935,295	606,471

Notes:

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

(b) During the year ended 31 December 2021, the Group entered into agreements with COLI (a fellow subsidiary of the Company) and its subsidiaries (collectively, "COLI Group") and China Overseas Grand Oceans Group Limited ("COGO", an associate of COLI and a related company of the Company) and its subsidiaries (collectively, "COGO Group") for the purchase of right-of-use of certain car parking spaces at total contract sums of HK$454,549,000 and HK$101,459,000, inclusive of value-added tax, respectively. Pursuant to these agreements, the Group has purchased right-of-use of car parking spaces from COLI Group and COGO Group during the year ended 31 December 2021 with total values of HK$289,815,000 and HK$98,069,000 inclusive of value-added tax, respectively, and down payments in total of HK$73,464,000 (note 23(c)) have been paid to COLI Group and COGO Group as at 31 December 2021 in respect of the remaining contract sums which have not been completed.

In addition, the Group also entered into agreements with COLI Group and COGO Group in 2020 for the purchase of right-of-use of certain car parking spaces at total contract sums of HK$141,732,000 and HK$101,263,000, inclusive of value-added tax, respectively. Pursuant to these agreements, the Group completed the purchase of the right-of-use of car parking spaces from COLI Group of HK$141,732,000 during the year ended 31 December 2020, and purchased the right-of-use of car parking spaces from COGO Group with total values of HK$45,055,000 and HK$56,208,000 during the year ended 31 December 2021 and 2020, respectively (inclusive of value-added tax).

All of the above transactions constitute continuing connected transactions as defined in Chapter 14A of the Listing Rules.

21. Trade and Retention Receivables

	Notes	2021 HK$'000	2020 HK$'000
Trade receivables	(a)	**1,506,562**	909,016
Retention receivables	(b)	**18,329**	40,256
Total trade and retention receivables		**1,524,891**	949,272
Less: Impairment	(c)	**(137,428)**	(103,137)
		1,387,463	846,135

Notes to Financial Statements (Continued)

31 December 2021

21. Trade and Retention Receivables (Continued)

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 service income from properties managed under lump sum basis are received in accordance with the terms of the relevant property management service 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 purchase agreement.

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

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

	2021	2020
	HK$'000	HK$'000
Within 1 month	**452,399**	245,478
1 to 3 months	**350,666**	184,391
3 to 12 months	**419,642**	289,185
1 to 2 years	**113,209**	64,337
Over 2 years	**170,646**	125,625
	1,506,562	909,016

(b) Details of retention receivables are as follows:

	31 December 2021	31 December 2020	1 January 2020
	HK$'000	HK$'000	HK$'000
Retention receivables arising from the provision of value-added services	**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 when compared to that of 31 December 2020 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 2021 and 2020, 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:

	2021	2020
	HK$'000	HK$'000
At 1 January	**103,137**	79,688
Impairment recognised	**29,840**	18,587
Exchange realignment	**4,451**	4,862
At 31 December	**137,428**	103,137

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	**1–2 years**	**Over 2 years**	**Total**
	HK$'000	HK$'000	HK$'000	HK$'000
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**
At 31 December 2020				
Expected loss rate	1%	10%	71%	11%
Gross carrying amount	740,118	78,339	130,815	949,272
Expected credit losses	1,874	8,220	93,043	103,137

Notes to Financial Statements (Continued)

31 December 2021

22. Prepayments, Deposits and Other Receivables

	2021 HK$'000	2020 HK$'000
Prepayments	**223,736**	141,989
Deposits	**81,205**	54,483
Payments on behalf of property owners for properties managed on a commission basis, net of provision for expected credit losses (note (a))	**67,702**	48,309
Payments on behalf of property owners for properties managed on a lump sum basis, sub-contractors and staff	**149,194**	102,917
Other receivables	**99,770**	39,220
Total prepayments, deposits and other receivables	**621,607**	386,918
Portion classified as current assets	**(595,347)**	(384,565)
Non-current portion	**26,260**	2,353

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:

	2021 HK$'000	2020 HK$'000
Gross payments on behalf of property owners for properties managed on a commission basis	**146,670**	130,446
Less: Impairment (note (b))	**(78,968)**	(82,137)
	67,702	48,309

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:

	2021	2020
	HK$'000	HK$'000
At 1 January	**82,137**	58,646
(Reversal of impairment)/impairment recognised, net	**(6,298)**	19,575
Exchange realignment	**3,129**	3,916
At 31 December	**78,968**	82,137

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 2021 and 2020, the loss allowance was assessed to be minimal.

Notes to Financial Statements (Continued)

31 December 2021

23. Balances Due from Related Parties

	Notes	2021 HK$'000	2020 HK$'000
Balance due from the immediate holding company			
Trade nature	(a)	**408**	893
Balances due from fellow subsidiaries			
Trade nature	(a)	**338,744**	129,165
Prepayments	(c)	**77,774**	—
		416,518	129,165
Balances due from other related companies (including joint ventures and associates of fellow subsidiaries)			
Trade nature	(a)	**81,140**	63,559
Non-trade nature	(b)	**92,397**	88,894
Prepayments	(c)	**33,779**	—
		207,316	152,453
Total balances due from related parties		**624,242**	282,511

Notes:

(a) An ageing analysis of the trade nature receivables from related parties as at the end of the reporting period, based on the invoice date, is as follows:

	2021 HK$'000	2020 HK$'000
Balance due from the immediate holding company		
Within 1 month	**29**	283
1 to 3 months	**71**	335
Over 3 months	**308**	275
	408	893

23. Balances Due from Related Parties (Continued)

Notes: (Continued)

(a) (Continued)

	2021 HK$'000	2020 HK$'000
Balances due from fellow subsidiaries		
Within 1 month	118,773	62,378
1 to 3 months	64,064	27,583
3 to 12 months	116,881	18,782
1 to 2 years	22,487	12,738
Over 2 years	16,539	7,684
	338,744	129,165
Balances due from other related companies		
Within 1 month	30,537	13,926
1 to 3 months	15,500	33,968
3 to 12 months	27,821	10,088
1 to 2 years	4,518	4,541
Over 2 years	2,764	1,036
	81,140	63,559

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 2021 (2020: 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 the related company in connection with this loan for the year ended 31 December 2021 amounted to HK$4,070,000 (2020: HK$3,778,000).

There was no recent history of default and past due amounts. At 31 December 2021 and 2020, the loss allowance was assessed to be minimal.

(c) Prepayments to fellow subsidiaries as at 31 December 2021 included 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 2021, the Group committed with fellow subsidiaries for material procurement and supply chain management services at a total lump sum amount of HK$100,551,000, inclusive of value-added taxes, which constitute continuing connected transactions as defined in Chapter 14A of the Listing Rules.

Notes to Financial Statements (Continued)

31 December 2021

24. Cash and Bank Balances

	2021 HK$'000	2020 HK$'000
Cash and bank deposits other than time deposits	**3,298,152**	2,935,561
Time deposits	**985,222**	770,142
Cash and bank balances	**4,283,374**	3,705,703

Notes:

(a) At 31 December 2021, the cash and bank balances of the Group denominated in RMB amounted to HK$4,144,316,000 (2020: HK$3,592,062,000). 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 3.10% to 4.10% (2020: 2.80% to 4.10%) per annum. The bank balances are deposited with creditworthy banks with no recent history of default.

25. Trade Payables

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

	2021 HK$'000	2020 HK$'000
Within 1 month	**222,592**	171,054
1 to 3 months	**156,623**	74,106
3 months to 12 months	**184,859**	90,871
1 to 2 years	**130,616**	101,437
Over 2 years	**81,796**	23,645
	776,486	461,113

26. Other Payables and Accruals

	2021 HK$'000	2020 HK$'000
Special funds (note)	**108,004**	104,270
Accrued staff costs	**765,062**	692,958
Payables for value-added tax and other levies	**46,107**	52,791
Other payables	**183,990**	146,556
	1,103,163	996,575

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

	2021 HK$'000	2020 HK$'000
Temporary receipts from properties managed:		
— on a commission basis	**939,560**	845,124
— on a lump sum basis	**603,666**	440,535
	1,543,226	1,285,659

28. Receipts in Advance and Other Deposits

	Notes	2021 HK$'000	2020 HK$'000
Contract liabilities — Receipts in advance	(a)	**1,064,366**	598,097
Various deposits received	(b)	**436,437**	336,734
		1,500,803	934,831

Notes:

(a) Details of contract liabilities are as follows:

	31 December 2021 HK$'000	31 December 2020 HK$'000	1 January 2020 HK$'000
Receipts in advance from customers	**1,064,366**	598,097	451,829

Except for those classified as balances due to fellow subsidiaries and other 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 2021 and 2020 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 2021

29. Balances Due to Related Parties

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

	2021	2020
	HK$'000	HK$'000
Balances due to the immediate holding company — Trade nature		
Within 1 month	**1,084**	—
Balances due to fellow subsidiaries — Trade nature		
Within 1 month	**1,003**	4,225
1 to 3 months	**897**	96
3 to 12 months	**754**	610
1 to 2 years	**1,877**	1,235
Over 2 years	**550**	89
	5,081	6,255
— **Receipts in advance** (note)	**6,238**	11,863
	11,319	18,118
Balances due to other related companies (including joint ventures and associates of fellow subsidiaries) — Trade nature		
Within 1 month	**715**	765
1–3 months	**874**	451
3–12 months	**152**	2,490
1–2 years	**2**	557
Over 2 years	**232**	222
	1,975	4,485
— **Receipts in advance** (note)	**10,559**	13,784
	12,534	18,269
Total balances due to related parties	**24,937**	36,387

29. Balances Due to Related Parties (Continued)

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

	31 December 2021 HK$'000	31 December 2020 HK$'000	1 January 2020 HK$'000
Receipts in advance from			
— fellow subsidiaries	6,238	11,863	156
— other related companies	10,559	13,784	1,638
	16,797	25,647	1,794

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 2021 is mainly attributable to the decrease balance in value-added services. The increase in contract liabilities of balances due to fellow subsidiaries and other related companies in 2020 was mainly attributable to the increase in the number of property management projects.

Revenue from property management services of HK$10,992,000 (2020: HK$118,000) and HK$11,735,000 (2020: HK$1,258,000) recognised in the current reporting period were included in the balances due to fellow subsidiaries and other related companies as at 1 January 2021, respectively.

30. Deferred Tax

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

	2021 HK$'000	2020 HK$'000
Deferred tax assets	43,450	38,600
Deferred tax liabilities	(17,925)	(18,673)
	25,525	19,927

Notes to Financial Statements (Continued)

31 December 2021

30. Deferred Tax (Continued)

The movements in deferred tax assets/(liabilities) of the Group, without taking into consideration the offsetting of balances within the same taxation authority, are as follows:

	Impairment provision for financial assets	Revaluation of properties and accelerated tax deprecation	Provision for unused annual leave	Total
	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2020	34,623	(32,712)	1,300	3,211
Net deferred tax credited/(charged) to profit or loss during the year	13,403	(359)	959	14,003
Exchange realignment	3,088	(375)	—	2,713
At 31 December 2020 and 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	**55,407**	**(35,058)**	**5,176**	**25,525**

Notes:

(a) At 31 December 2021, deferred tax assets have not been recognised in respect of unused tax losses of HK$375,406,000 (2020: HK$304,915,000) 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$26,208,000 (2020: HK$23,904,000) 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 2021, 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 (2020: 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$2,063,260,000 (2020: HK$1,709,368,000) as at 31 December 2021.

31. Share Capital

	2021 HK$'000	2020 HK$'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

32. 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 2021	2020
A-share Restricted Stock Incentive Plan:				
Phase II	29 December 2016	RMB4.866 per share	**1,540,000**	1,540,000
Phase III	26 December 2018	RMB3.468 per share	**6,084,000**	5,850,000
Phase IV	23 December 2020	RMB3.06 per share	**7,170,000**	7,170,000
			14,794,000	14,560,000

Notes to Financial Statements (Continued)

31 December 2021

32. A-Share Restricted Stock Incentive Plan (Continued)

The fair values of incentive shares on the date of grant for the A-shares Restricted Stock Incentive Plan (Phase II), (Phase III) and (Phase IV) were RMB2.21 per share, RMB2.112 per share and RMB1.94 per share, respectively, which were determined using relevant valuation techniques and the significant inputs such as the market price on the grant date and the exercise price.

During the year, except for an addition of 270,000 granted incentive shares due to transfer of an employee from the immediate holding company and 36,000 incentive shares being lapsed, for the A-share Restricted Stock Incentive Plan (Phase II), there is no other movement in the number of incentive shares.

During the year, total expenses of HK$8,048,000 (2020: HK$4,189,000) arising from the aforesaid share-based payments were recognised in profit or loss, with a corresponding credit to capital reserve.

33. 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 of the Group represents the general and development fund reserve applicable to subsidiaries which were 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 32 to the financial statements.

34. Notes to the Consolidated Statement of Cash Flows

(a) Major non-cash transactions

Save as disclosed in note 16 regarding early termination of lease contracts and additions of right-of-use assets and lease liabilities, the Group had no major non-cash transactions of investing and financing activities during the years ended 31 December 2021 and 2020.

(b) Changes in liabilities arising from financing activities

	Bank borrowings HK$'000	**Lease liabilities** HK$'000 (note)	**Due to the immediate holding company** HK$'000
At 1 January 2020	—	54,505	—
Changes from:			
— financing cash inflow	—	—	120
— financing cash outflow	—	(31,332)	(120)
Interest expenses	—	3,161	—
Non-cash transactions	—	35,221	—
Exchange realignment	—	1,851	—
At 31 December 2020 and 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	—	**74,084**	—

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 2021 were HK$21,705,000 (2020: HK$21,276,000) and HK$34,148,000 (2020: HK$31,332,000), respectively.

Notes to Financial Statements (Continued)

31 December 2021

35. Capital Commitments

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

	2021 HK$'000	2020 HK$'000
Contracted, but not provided for		
Capital investment into a joint venture	3,140	3,021
Acquisition of items of property, plant and equipment and intangible assets	7,940	6,626
	11,080	9,647

36. Contingent Liabilities

At 31 December 2021, the Group provided counter indemnities to a fellow subsidiary and banks amounting to approximately HK$101,325,000 (2020: HK$78,815,000) and HK$147,456,000 (2020: HK$92,394,000), respectively, for performance guarantees issued by the fellow subsidiary and the banks in respect of certain property management service contracts of the Group.

37. Related Party Disclosures

The table set forth below summarises the name of the major related parties which are entities as defined in HKAS 24 (Revised) Related Party Disclosures and the nature of their relationship with the Group as at 31 December 2021:

Related Parties	Relationship with the Group
CSCEC	Ultimate holding company
CSCECL	Intermediate holding company
COHL	Immediate holding company
COLI and its subsidiaries	Fellow subsidiaries
China State Construction International Holdings Limited ("CSC") and its subsidiaries	Fellow subsidiaries
COGO, and joint ventures and associates of fellow subsidiaries	Other related companies

37. 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 transaction and continuing connected transactions as defined in Chapter 14A of the Listing Rules, during the year:

	Notes	2021 HK$'000	2020 HK$'000
CSCEC and its subsidiaries (exclusive of COHL and its subsidiaries)			
Property management income and value-added service income	(i)	106,242	82,860
COHL and its subsidiaries (exclusive of COLI, CSC and their subsidiaries)			
Property management income and value-added service income	(i)	2,459	2,590
Rental expenses paid	(ii)	3,695	3,989
Other fellow subsidiaries			
Property management income and value-added service income	(i)	1,040,425	749,086
Rental and utility expenses paid	(ii)	116,281	83,954
Other related companies			
Property management income and value-added service income	(i)	331,950	219,500
Rental expenses paid	(ii)	6,857	—

Notes:

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

(ii) The rental and utility paid expenses were charged in accordance with the respective tenancy agreements and property management agreements.

(b) Performance guarantees

Details of the performance guarantees given by a fellow subsidiary and the counter indemnities given by the Group in connection with the operations of the Group are disclosed in note 36 to the financial statements.

Notes to Financial Statements (Continued)

31 December 2021

37. 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

	2021 HK$'000	2020 HK$'000
Short-term benefits	50,143	47,341
Contributions to provident fund schemes	3,257	2,843
Total compensation paid to key management personnel	53,400	50,184

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.

38. Financial Instruments by Category

All financial assets and liabilities of the Group as at 31 December 2021 and 2020 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

	2021 **HK$'000**	2020 HK$'000
Trade receivables	**1,369,134**	805,879
Deposits and other receivables	**397,871**	244,929
Financial assets included in balances due from related parties	**512,689**	251,817
Cash and bank balances	**4,283,374**	3,705,703
	6,563,068	5,008,328

Financial liabilities at amortised cost

	2021 **HK$'000**	2020 HK$'000
Trade payables	**776,486**	461,113
Financial liabilities included in other payables and accruals	**1,057,056**	943,784
Temporary receipts from properties managed	**1,543,226**	1,285,659
Financial liabilities included in receipts in advances and other deposits	**436,437**	336,734
Financial liabilities included in balances due to related parties	**8,140**	10,740
Lease liabilities	**74,084**	63,406
	3,895,429	3,101,436

Notes to Financial Statements (Continued)
31 December 2021

39. Fair Value and Fair Value Hierarchy of Financial Instruments

In the opinion of the directors of the Company, the fair values of the financial assets and financial liabilities which are due to be received or settled within one year approximate to their carrying amounts largely due to the short term maturities of these financial instruments, and therefore, no disclosure of their fair values is made.

For other non-current financial assets and financial liabilities, in the opinion of the directors of the Company, since their carrying amounts are not significantly different from their respective fair values, no disclosure of the fair values is made.

40. 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$4,283,374,000 (2020: HK$3,705,703,000). Management monitors interest rate exposure on a dynamic basis and will consider hedging significant interest rate exposure should the need arise.

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

If interest rates has been 25 basis points higher/lower and all other variables were held constant, the Group's profit before tax for the year end would increase/decrease by approximately HK$10,708,000 (2020: HK$9,264,000). 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.

40. Financial Risk Management Objectives and Policies (Continued)

Credit risk

Credit risk arises from the potential failure of the Group's counterparties to meet their obligations under property management services agreements, value-added services agreements and trading of car parking spaces agreements. Credit risk exposure is minimised by the management of the Group through monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual receivable balance at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced. The Group had no concentration of credit risk in respect of trade and retention receivables, with exposure spread over a number of customers, e.g., property owners of the properties managed on a lump sum basis by the Group and customers of value-added services. In order to enhance the timeliness of property management fee and other payments, the Group has undertaken effective measures aimed at boosting the collections of trade and retention receivables.

The table below shows the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 December 2021 and 2020. The amounts presented are gross carrying amounts of financial assets.

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

Notes to Financial Statements (Continued)

31 December 2021

40. Financial Risk Management Objectives and Policies (Continued)

Credit risk (Continued)

At 31 December 2020

	12-month ECLs	Lifetime ECLs			
	Stage 1 HK$'000	Stage 2 HK$'000	Stage 3 HK$'000	Simplified approach HK$'000	Total HK$'000
Trade and retention receivables	—	—	—	949,272	949,272
Deposits and other receivables					
— Normal*	196,620	—	—	—	196,620
— Well covered*	4,767	—	—	—	4,767
— Not well covered*	—	125,679	—	—	125,679
Due from the immediate holding company	—	—	—	893	893
Due from fellow subsidiaries	—	—	—	129,165	129,165
Due from other related companies (trade)	—	—	—	63,559	63,559
Due from other related companies (non-trade)					
— Normal*	88,894	—	—	—	88,894
Cash and bank balances (exclusive of time deposits)	2,935,561	—	—	—	2,935,561
Time deposits included in cash and bank balances (not yet matured)	770,142	—	—	—	770,142
	3,995,984	125,679	—	1,142,889	5,264,552

For trade and retention receivables to which the Group applies the simplified approach for impairment, information is disclosed in note 21(c) 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 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.

40. Financial Risk Management Objectives and Policies (Continued)

Liquidity risk

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

At 31 December 2021, the Group has been granted with undrawn borrowing facilities of RMB887,223,000 (equivalent to approximately HK$1,092,639,000) (2020: RMB895,821,000 (equivalent to approximately HK$1,061,399,000)) in Mainland China and HK$700,000,000 (2020: HK$200,000,000) in Hong Kong. The bank borrowing facilities granted in Mainland China may be drawn at any time in RMB at floating interest rates and the facilities will expire within 1 to 2 years (2020: 1 to 3 years) after the end of the reporting period. The bank borrowing facilities granted in Hong Kong may be drawn at any time in HK$ at either Hong Kong Inter-bank Offered Rate plus 1.35% or 1.50% per annum (2020: at Hong Kong Inter-bank Offered Rate plus 1.35% per annum) and the expiry date will be reviewed annually.

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

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	1,493,493	—	—	—	1,493,493
Temporary receipts from properties managed	1,543,226	—	—	—	1,543,226
Lease liabilities	46,183	14,543	21,826	772	83,324
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
	3,867,528	14,543	21,826	772	3,904,669

40. Financial Risk Management Objectives and Policies (Continued)

Liquidity risk (Continued)

At 31 December 2020

	Within 1 year or on demand HK$'000	Between 1 and 2 years HK$'000	Between 2 and 5 years HK$'000	Total HK$'000
Trade payables	461,113	—	—	461,113
Other deposits and other payables	1,280,518	—	—	1,280,518
Temporary receipts from properties managed	1,285,659	—	—	1,285,659
Lease liabilities	27,259	19,176	21,384	67,819
Due to fellow subsidiaries	6,255	—	—	6,255
Due to other related companies	4,485	—	—	4,485
	3,065,289	19,176	21,384	3,105,849

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 2021 and 2020.

41. Comparative Amounts

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

42. Statement of Financial Position of the Company

	2021 HK$'000	2020 HK$'000
NON-CURRENT ASSETS		
Property, plant and equipment	1,436	2,085
Right-of-use assets	1,194	4,777
Investments in subsidiaries	460,451	217,524
Total non-current assets	463,081	224,386
CURRENT ASSETS		
Prepayments, deposits and other receivables	1,666	1,785
Due from subsidiaries	112,409	82,506
Cash and bank balances	23,599	6,738
Total current assets	137,674	91,029
CURRENT LIABILITIES		
Other payables and accruals	35,373	34,394
Lease liabilities	1,204	3,577
Due to a subsidiary	142,045	89,402
Due to fellow subsidiaries	383	768
Due to other related companies	14	—
Income tax payable	19,704	16,588
Total current liabilities	198,723	144,729
NET CURRENT LIABILITIES	(61,049)	(53,700)
TOTAL ASSETS LESS CURRENT LIABILITIES	402,032	170,686
NON-CURRENT LIABILITIES		
Lease liabilities	—	1,204
Net assets	402,032	169,482
EQUITY		
Issued capital	3,287	3,287
Reserves (note)	398,745	166,195
Total equity	402,032	169,482

Notes to Financial Statements (Continued)

31 December 2021

42. Statement of Financial Position of the Company (Continued)

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

	Capital reserve	Retained profits	Total
	HK$'000	HK$'000	HK$'000
At 1 January 2020	5,476	136,678	142,154
Profit for the year and total comprehensive income for the year	—	184,195	184,195
Capital contribution relating to share-based payments borne by an intermediate holding company	4,189	—	4,189
2019 final dividend	—	(92,032)	(92,032)
2020 interim dividend	—	(72,311)	(72,311)
At 31 December 2020 and 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	17,713	381,032	398,745

43. Approval of the Financial Statements

The financial statements were approved and authorised for issue by the board of directors on 24 March 2022.

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 2020, is set out below:

Consolidated results

	Year ended 31 December				
	2021	2020	2019	2018	2017
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
REVENUE	**9,442,035**	6,544,877	5,465,521	4,177,531	3,373,313
Direct operating expenses	**(7,800,427)**	(5,349,433)	(4,375,097)	(3,327,206)	(2,570,458)
GROSS PROFIT	**1,641,608**	1,195,444	1,090,424	850,325	802,855
Other income and gains, net	**131,840**	121,157	66,154	48,606	47,839
Fair value (loss)/gain of investment properties, net	**(1,902)**	(4,790)	2,572	4,345	6,930
Selling and administrative expenses	**(428,681)**	(339,588)	(395,755)	(336,809)	(403,153)
Impairment of financial assets, net	**(23,542)**	(38,162)	(867)	(6,987)	(16,466)
OPERATING PROFIT	**1,319,323**	934,061	762,528	559,480	438,005
Finance costs	**(3,235)**	(3,161)	(2,352)	(3,239)	(8,910)
Share of profit of a joint venture	**1,455**	538	177	—	—
Share of profit of an associate	**191**	183	193	200	161
PROFIT BEFORE TAX	**1,317,734**	931,621	760,546	556,441	429,256
Income tax expenses	**(331,087)**	(224,424)	(216,406)	(148,949)	(121,715)
Profit for the year	**986,647**	707,197	544,140	407,492	307,541
ATTRIBUTABLE TO:					
Shareholders of the Company	**983,872**	700,008	537,840	403,189	307,112
Non-controlling interests	**2,775**	7,189	6,300	4,303	429
	986,647	707,197	544,140	407,492	307,541
EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY					
Basic and diluted (HK cents)	**29.93**	21.30	16.36	12.27	9.34

Five-Year Financial Summary (Continued)

Consolidated financial position

	At 31 December				
	2021	2020	2019	2018	2017
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
NON-CURRENT ASSETS					
Property, plant and equipment	**111,409**	68,411	56,471	40,935	34,924
Investment properties	**167,069**	162,559	145,898	132,586	106,083
Right-of-use assets	**80,840**	72,017	61,656	—	—
Intangible assets	**59,444**	20,948	11,657	6,232	5,419
Prepaid lease payments for land	—	—	—	1,458	1,965
Investment in a joint venture	**5,399**	3,771	3,164	—	—
Investment in an associate	**144**	328	145	552	352
Due from a related company	**92,397**	88,894	—	85,842	90,393
Prepayments	**26,260**	2,353	5,540	—	—
Deferred tax assets	**43,450**	38,600	35,006	26,427	29,510
	586,412	457,881	319,537	294,032	268,646
CURRENT ASSETS					
Inventories	**935,295**	606,471	418,408	37,142	9,664
Trade and retention receivables	**1,387,463**	846,135	567,562	416,976	377,487
Prepayments, deposits and other receivables	**595,347**	384,565	296,091	236,568	133,368
Prepaid lease payment for land	—	—	—	226	301
Due from the immediate holding company	**408**	893	231	384	96
Due from fellow subsidiaries	**416,518**	129,165	90,220	150,670	53,703
Due from other related companies	**114,919**	63,559	107,613	32,806	11,056
Income tax prepaid	—	—	—	—	39
Cash and bank balances	**4,283,374**	3,705,703	2,495,693	2,398,559	2,711,107
	7,733,324	5,736,491	3,975,818	3,273,331	3,296,821
CURRENT LIABILITIES					
Trade payables	**776,486**	461,113	427,487	432,691	468,169
Other payables and accruals	**1,103,163**	996,575	773,856	722,879	766,192
Temporary receipts from properties managed	**1,543,226**	1,285,659	544,560	453,406	361,118
Receipts in advance and other deposits	**1,500,803**	934,831	740,090	670,591	651,660
Lease liabilities	**41,245**	24,794	22,044	—	—
Due to the immediate holding company	**1,084**	—	—	1,547	1,417
Due to fellow subsidiaries	**11,319**	18,118	4,332	8,822	57,488
Due to other related companies	**12,534**	18,269	6,588	2,496	3,794
Income tax payables	**226,612**	213,422	177,439	118,286	108,467
	5,216,472	3,952,781	2,696,396	2,410,718	2,418,305
Net current assets	**2,516,852**	1,783,710	1,279,422	862,613	878,516
Total assets less current liabilities	**3,103,264**	2,241,591	1,598,959	1,156,645	1,147,162

Consolidated financial position (Continued)

	At 31 December				
	2021	2020	2019	2018	2017
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
NON-CURRENT LIABILITIES					
Lease liabilities	**32,839**	38,612	32,461	—	—
Deferred tax liabilities	**17,925**	18,673	31,795	22,249	16,029
Bank borrowings	**—**	—	—	—	265,000
	50,764	57,285	64,256	22,249	281,029
NET ASSETS	**3,052,500**	2,184,306	1,534,703	1,134,396	866,133
EQUITY					
Equity attributable to shareholders of the Company					
Share capital	**3,287**	3,287	3,287	3,287	3,287
Reserves	**2,996,751**	2,145,544	1,510,586	1,121,902	857,468
	3,000,038	2,148,831	1,513,873	1,125,189	860,755
Non-controlling interests	**52,462**	35,475	20,830	9,207	5,378
TOTAL EQUITY	**3,052,500**	2,184,306	1,534,703	1,134,396	866,133

PARTICULARS OF MAJOR PROPERTIES & PROPERTY INTERESTS

(a) Properties 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%

(a) Properties 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%
Unit 2001 on Level 20, 1 Linglan Street Cannes Garden, Tianhe District, Guangzhou, Guangdong Province, the PRC	Residential	Leasehold	100%
Level 7, Citic Mansion, 1 Jianxin South Road, Jiangbei District, Chongqing, the PRC	Office	Leasehold	100%

Particulars of Major Properties & Property Interests (Continued)

(b) Properties held as inventories

	Usage	Leasehold/ Freehold	Attributable interest (%)
52 car parking spaces located at Zhonghai Tianfushan, Jindun Road, Shahekou District, Dalian, Liaoning Province, the PRC	Carparks	Leasehold	100%
74 car parking spaces located at Zhonghai Linanfu, 28 Hangzhou Road, Shibei District, Qingdao, Shandong Province, the PRC	Carparks	Leasehold	100%
150 car parking spaces located at Zhongxin Haibin Garden, Longhu District, Shantou, Guangdong Province, the PRC	Carparks	Leasehold	100%
127 car parking spaces located at Riverside Palace, Alley No. 1259, Deyuan Road, Jiading District, Shanghai, the PRC	Carparks	Leasehold	100%
1,713 car parking spaces located at Sixinli & Wufuli Tianjin, Heiniucheng Road and Dongting Road, Hexi District, Tianjin, the PRC	Carparks	Leasehold	100%
121 car parking spaces located at Top Metropolitan Marina, Tianjin, the intersection of Jingjintang Expressway and Weihai Road, Tanggu, Binhai New District, Tianjin, the PRC	Carparks	Leasehold	100%
2,740 car parking spaces located at the North Garden of Glory City, Guangzhou, Guangdong Province, the PRC	Carparks	Leasehold	100%
1,143 car parking spaces located at Zhonghai, Yuhong District, Shenyang, the PRC	Carparks	Leasehold	100%
100 car parking spaces located at Jinxi Mansion, 85 Chengxing Street, Shijingshan District, Beijing, the PRC	Carparks	Leasehold	100%

Particulars of Major Properties & Property Interests (Continued)

(b) Properties held as inventories (Continued)

	Usage	Leasehold/ Freehold	Attributable interest (%)
123 car parking spaces located at Jinxin Pavilion, 36 Gusheng Road, Shijingshan District, Beijing, the PRC	Carparks	Leasehold	100%
41 car parking spaces located at Northeast corner, the intersection between Chanba Biological District Jiushi Road and Xuanwu East Road, Guangning Road, Weiyang District, Xi'an, the PRC	Carparks	Leasehold	100%
629 car parking spaces located at Zhonghai International Community, Taqu Street, Liupanshan Road, Jinfeng District, Hechuan, the PRC	Carparks	Leasehold	100%
413 car parking spaces located at Zhonghai Blue Bay, Baotou Street, Shihan District, Huhehaote, the PRC	Carparks	Leasehold	100%
25 car parking spaces located at Zhonghai Kaixuanmen, Feizhou Road, Shihan District, Huhehaote, the PRC	Carparks	Leasehold	100%
757 car parking spaces located at Zhonghaijin, 1 Haiba East Road, Nanhai District, Foshan, the PRC	Carparks	Leasehold	100%
1,594 car parking spaces located at No. 66, Section 1, Huayang Mei'an Road, Tianfu New District, Chengdu, the PRC	Carparks	Leasehold	100%

Particulars of Major Properties & Property Interests (Continued)

(b) Properties held as inventories (Continued)

	Usage	Leasehold/ Freehold	Attributable interest (%)
268 car parking spaces located at No. 20 Wuzhifeng Road, Zhanggong District, Ganzhou City, Jiangxi Province, the PRC	Carparks	Leasehold	100%
262 car parking spaces located at No. 1118–2, Yishan East Road, Fengman District, Jilin City, Jilin Province, the PRC	Carparks	Leasehold	100%
54 car parking spaces located at No. 1455 Hengshan East Road, Fengman District, Jilin City, Jilin Province, the PRC	Carparks	Leasehold	100%
660 car parking spaces located at Zhonghai Jincheng, No. 160 Xijiang Street, Yuhong District, Shenyang City, Liaoning Province, the PRC	Carparks	Leasehold	100%
139 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%
1,030 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%
125 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%
405 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%

Particulars of Major Properties & Property Interests (Continued)

(b) Properties held as inventories (Continued)

	Usage	Leasehold/ Freehold	Attributable interest (%)
71 car parking spaces located at No. 207 Sunshine Street, High-tech West District, Chengdu, Sichuan Province, the PRC	Carparks	Leasehold	100%
896 car parking spaces located at Zhonghai Universe No. 2 Bolan Road, Haojiang District, Shantou City, Guangdong Province, the PRC	Carparks	Leasehold	100%
118 car parking spaces located at Zhonghai Flower City Bay, No. 86 Huacheng Avenue, Zhujiang New Town, Tianhe District, Guangzhou, the PRC	Carparks	Leasehold	100%
24 car parking spaces located at Zhonghai Yunlu Mansion, No. 196 Qifu Road, Baiyun District, Guangzhou, the PRC	Carparks	Leasehold	100%
140 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%
122 car parking spaces located at No. 9 Luhua Road, Yizhuang Town, Daxing District, Beijing, the PRC	Carparks	Leasehold	100%
106 car parking spaces located at Xu Riverside Garden, No. 333, Tongjing South Road, Gusu District, Suzhou, the PRC	Carparks	Leasehold	100%

Particulars of Major Properties & Property Interests (Continued)

(b) Properties held as inventories (Continued)

	Usage	Leasehold/ Freehold	Attributable interest (%)
125 car parking spaces located at No. 196 Guanshan Road, Jingkai District, Wuxi City, Jiangsu Province, the PRC	Carparks	Leasehold	100%
231 car parking spaces located at No. 288 Hechang Road, Jingkai District, Wuxi City, Jiangsu Province, the PRC	Carparks	Leasehold	100%
63 car parking spaces located at Silver Bay, No. 299 Lovers Road, Xiangzhou District, Zhuhai, Guangdong Province, the PRC	Carparks	Leasehold	100%

China Overseas Property Holdings Limited

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

Tel : 2988 0600
Fax : 2988 0606
www.copl.com.hk