青建國際控股有限公司

CNQC International Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 1240

Annual Report 2018

CONTENTS

This Annual Report is printed on environmentally friendly paper

CORPORATE INFORMATION

DIRECTORS

Executive Directors

Mr. Cheng Wing On, Michael *(Chairman)*
Mr. Wang Congyuan *(Chief Executive Officer)*
Mr. Ho Chi Ling *(resigned on 11 January 2019)*
Mr. Zhang Yuqiang
Mr. Wang Linxuan *(resigned on 11 January 2019)*

Non-executive Directors

Dr. Sun Huiye *(resigned on 11 January 2019)*
Mr. Wang Xianmao *(resigned on 11 January 2019)*
Mr. Chen Anhua

Independent Non-executive Directors

Mr. Chuck Winston Calptor *(resigned on 11 January 2019)*
Mr. Ching Kwok Hoo, Pedro
Mr. Tam Tak Kei, Raymond
Mr. Chan Kok Chung, Johnny

COMPANY SECRETARY

Mr. Chan Tat Hung

AUDIT COMMITTEE

Mr. Tam Tak Kei, Raymond
(Chairman of the Audit Committee)
Mr. Chuck Winston Calptor *(resigned on 11 January 2019)*
Mr. Ching Kwok Hoo, Pedro
Mr. Chan Kok Chung, Johnny
Mr. Wang Xianmao *(resigned on 11 January 2019)*

REMUNERATION COMMITTEE

Mr. Chuck Winston Calptor *(resigned on 11 January 2019)*
(Chairman of the Remuneration Committee)
Mr. Ching Kwok Hoo, Pedro *(appointed as the chairman of the Remuneration Committee on 11 January 2019)*
Mr. Zhang Yuqiang
Mr. Wang Congyuan
Mr. Chan Kok Chung, Johnny
Mr. Tam Tak Kei, Raymond *(appointed on 11 January 2019)*

NOMINATION COMMITTEE

Mr. Cheng Wing On, Michael
(Chairman of the Nomination Committee)
Dr. Sun Huiye *(resigned on 11 January 2019)*
Mr. Tam Tak Kei, Raymond
Mr. Ching Kwok Hoo, Pedro
Mr. Chan Kok Chung, Johnny

STRATEGY AND INVESTMENT COMMITTEE

Mr. Cheng Wing On, Michael
(Chairman of Strategy and Investment Committee)
Mr. Wang Congyuan
Mr. Zhang Yuqiang
Mr. Ho Chi Ling *(resigned on 11 January 2019)*
Mr. Wang Linxuan *(resigned on 11 January 2019)*
Mr. Wang Xianmao *(resigned on 11 January 2019)*
Dr. Sun Huiye *(resigned on 11 January 2019)*
Mr. Chan Kok Chun, Johnny
Mr. Chen Anhua *(appointed on 11 January 2019)*

AUTHORIZED REPRESENTATIVES

Mr. Cheng Wing On, Michael
Mr. Chan Tat Hung

REGISTERED OFFICE

Clifton House, 75 Fort Street
PO Box 1350, Grand Cayman, KY1-1108
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 601, 6/F
Exchange Tower
33 Wang Chiu Road
Kowloon Bay, Hong Kong

LEGAL ADVISERS AS TO HONG KONG LAWS

Norton Rose Fulbright Hong Kong

AUDITOR

PricewaterhouseCoopers

CORPORATE INFORMATION

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Estera Trust (Cayman) Limited
Clifton House, 75 Fort Street
PO Box 1350, Grand Cayman, KY1-1108
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

PRINCIPAL BANKER

United Overseas Bank
Hong Leong Finance Limited
The Export-Import Bank Of China
Bank Of China
The Hong Kong and Shanghai Banking Corporation Limited
Hang Seng Bank Limited

STOCK CODE

1240

WEBSITE

www.cnqc.com.hk

CHAIRMAN'S STATEMENT

CHAIRMAN'S STATEMENT

On behalf of the board ("**Board**") of directors ("**Directors**") of CNQC International Holdings Limited (the "**Company**"), I hereby present you with the annual report of the Company and its subsidiaries ("**Group**") for the twelve months ended 31 December 2018 (the "**Reporting Period**" or "**Year**").

BUSINESS REVIEW

In 2018, the turnover of the Group was approximately HK$7.5 billion (2017: approximately HK$10.3 billion). Profit attributable to the owners of the Company was approximately HK$224.9 million (2017: approximately HK$512.1 million). Profit attributable to the shareholders per share was HK$0.135 (2017: HK$0.306).

DIVIDENDS

The Board recommended payment of final dividend of approximately HK$82.2 million for the year ended 31 December 2018, representing payment of HK$0.05 per ordinary share and convertible preference share of the Company. The proposed final dividend will be payable on 21 June 2019, subject to the shareholders' approval at the Annual General Meeting of the Company, to those persons registered as shareholders of the Company on 31 May 2019, being the record date for determining shareholders' entitlement to the proposed final dividend and the holders of the convertible preference shares. Including the interim dividend of HK$0.06 per share, full year dividend amounts to HK$0.11 per share (2017: HK$0.16 per share) which is in line with the dividend policy of the Company to enhance shareholders' value over the long-term.

GLOBAL ECONOMIC BACKGROUND AND STRATEGY

The United States has raised interest rates nine times since 2015, leading to a cumulative increase of 2.25% by the end of December 2018. In September 2018, Hong Kong followed the United States into the interest rate hike cycle for the first time in the past twelve years. However, there was only a 0.125% prime rate increase in the Hong Kong major banks, such as HSBC. Market participants generally anticipate that the pace of interest rate hikes will slow down in the United States, and the market interest rate may even stay at the current level in 2019. It is expected to remain relatively low in the near future.

The 2019-20 Budget issued by the Hong Kong Government also pointed out the downside risks of the global economy and was not optimistic about the outlook for the economic performance in the coming year due to a number of uncertainties. For example, the trade frictions between the United States and China remain unresolved and the UK's Brexit process is full of twists and turns.

Although there are uncertainties in the global economic environment, there is great potential for growth in the new economies in Asia, including ASEAN and India. Their annual economic growth is 6.3% on average for the past five years, contributing a quarter of global economic growth. Moreover, the International Monetary Fund forecasts that the emerging economies in Asia (other than the Mainland China) will grow at a pace faster than 6% in the next two years. The Group is rooted in Hong Kong and Singapore with its business covering the Belt and Road zone, and such growth forecast provide the Group with opportunities for business development and earnings growth in the future.

CHAIRMAN'S STATEMENT

The HKSAR Government stated that in order to address the insufficient land supply, they will commit themselves to a series of short-term, medium-term and long-term measures in terms of resources to increase the supply of land and housing in Hong Kong. For example, the Government is studying options to reclaim some brownfield sites and idle land for re-development, and to carry out the artificial island reclamation program and restart industrial buildings revitalization among others. We believe that such measures will bring new opportunities to the construction and real estate industry in Hong Kong. Although it is generally expected that there might be still moderate room for Hong Kong's land and property prices to correct themselves in the coming year, Hong Kong property prices will be driven by the local rigid demand and rise steadily with economic growth in the long term. Therefore, next year may still be a good time for the Group to increase its investment in Hong Kong.

In 2018, the Group established a Property Development Department in Hong Kong. After a careful study, the Group successfully acquired a land site at Yau Tong Marine Lots, Hong Kong and participated in the acquisition of old buildings in Sham Shui Po, Hong Kong through a joint venture. Moreover, we are operating joint venture property development projects with sizable Southeast Asian developers in Singapore and Jakarta, Indonesia. We are closely evaluating other investment projects and co-operation opportunities in the above region, and are striving to appropriately increase the land reserve and/or property projects every year so that the Group can achieve sustainable growth on the long run.

"The Outline Development Plan for the Guangdong-Hong Kong-Macao Greater Bay Area " provides guidance for the development, and the Guangdong-Hong Kong-Macao Greater Bay Area is expected to become a first-class bay area, and a quality life circle suitable for living, working, and travelling, with the coordinated development of cities within the region. The construction and development projects in the region will continue to increase and the Group's construction and property development company in Hong Kong will actively seek development opportunities in the Greater Bay Area.

Currently, the Group is an integrated property developer and contractor with 36-year experience of developing business in Hong Kong and 20 years in Singapore. According to our own market assessment, we believe that the Hong Kong construction segment shall be able to recover from the trough over the past two years this year, and we are cautiously optimistic about the construction market for the next three to five years. In 2018, we managed to win a number of new construction projects through tendering in Hong Kong, Singapore, Malaysia, Indonesia, and Vietnam. In addition, we can cut costs, increase efficiency, and enhance our brand name through the synergy generated from operating the two major business segments of construction and property development. Looking forward, the Group will continue to penetrate existing markets in Southeast Asia, further seek and develop more quality projects, and develop gradually in other markets (including Sri Lanka and Cambodia) when the timing is good along the Belt and Road region.

APPRECIATION

On behalf of the Board and management, I would like to express my sincere appreciation to members of the Board, the management and staff of the Group for their commitment and dedication over the course of the year. On behalf of the Board, I would also like to thank our valued customers, shareholders, business associates and investors, amongst others, for their continued support to the Group.

CNQC International Holdings Limited
Cheng Wing On, Michael
Chairman

28 March 2019

MANAGEMENT DISCUSSION AND ANALYSIS

SINGAPORE PROPERTY MARKET REVIEW

In 2018, China's economic growth slowed down as the global economy faced uncertainties. There were constant trade disputes between China and the United States. The US Federal Reserve raised interest rates for four times. All these affected Singapore, one of the global financial centres. In 2018, Singapore's GDP grew by 3.3%, slightly lower in comparison with that over the previous year. The country's property market was at a rising pace during the first half of the year under review. In response to the market development, the government introduced a new round of property market cooling measures in July 2018, specifically, increasing stamp duty for local buyers' second and subsequent home purchases, foreigners' first and subsequent home purchases as well as raising loan-to-value ratios. After the introduction of the policy, mass private residence sales subsided and the market moderated. The private home price index gained only 0.5% in the third quarter and fell 0.1% instead of rise in the fourth quarter. The private home price index increased by 7.9% throughout the year and the market stabilised. In 2018, residence trading volume in Singapore fell year-on-year, while over 8,700 new private properties were sold, posting a year-on-year drop. The government remains responsive to the property market with various policies promulgated and adjusted in time, so as to ensure a favourable development of the property market in alignment with overall economy and citizens' income growth.

SINGAPORE CONSTRUCTION MARKET REVIEW

In 2018, the construction market in Singapore recorded a 3.4% contraction, lower than the 10.2% for 2017. Despite a small increase in demand for new building construction in the private sector in 2018, the overall demand in the country's construction market for the year declined due to sluggish construction activities in the public sector. According to the Building and Construction Authority of Singapore, the construction demand of the public and private sectors in 2018 was SGD18.4 billion and SGD12.1 billion, respectively.

HONG KONG PROPERTY MARKET REVIEW

According to the provisional data from the Rating and Valuation Department, in 2018, the private housing prices in Hong Kong increased by approximately 13% year-on-year but decreased by over 6% quarter-on-quarter in the fourth quarter. Certain buyers are holding a wait-and-see attitude due to continued escalation of the trade disputes between China and the United States, heightened downside risks in the global economy and the local market's move on a rate hike cycle. Hence, Hong Kong property prices have fallen back from the peak in September 2018, resulting in the shrinkage of trading volume in recent months.

However, several developers have recently launched new projects at nearly second-hand property prices. This received a satisfactory response and served positive support in the market, manifesting itself underpinned by rigid demand as well. According to the statistics of the Hong Kong Monetary Authority, the total deposits of authorised financial institutions in the island exceeded HK$6.7 trillion at the end of 2018, representing an increase of over 50% when compared to HK$4.4 trillion five years ago. It is thus evident that there is abundant liquidity in the market as a measure of support for the property market.

Unless the negative factors such as trade disputes between China and the United States worsen again, strong rigid demand and abundant liquidity could gradually drive up property prices. The accumulated purchasing power is set to release in the next one or two years and the market is expected to stabilize.

MANAGEMENT DISCUSSION AND ANALYSIS

HONG KONG CONSTRUCTION MARKET REVIEW

According to the Census and Statistics Department, the total nominal value of construction works completed by Hong Kong major contractors was HK$60.3 billion in the third quarter of 2018, a decrease of 4.5% overall as compared with the same period of last year (taking no account of the effects of price changes). Breakdown by project category showed that public sector sites had experienced the largest drop, 22% down compared with the same period of last year. Accordingly, the local construction industry, especially public sector sites, remained in a relative recession in 2018.

At the end of 2018, the Task Force on Land Supply submitted its report to the Chief Executive recommending priority be given to studying and implementing the eight land supply options favoured by mainstream public opinion. It also recommended that the government should draw up a comprehensive and sustainable regime of land supply and take forward a multi-pronged land supply strategy. The short-to-medium term options include developing brownfield sites, tapping into private agricultural land reserve in the New Territories and exploring alternative uses of sites under private recreational leases. The medium-to-long term options include near-shore reclamation outside Victoria Harbour, developing the East Lantau Metropolis, developing caverns and underground space, more new development areas in the New Territories and developing the River Trade Terminal site in Tuen Mun. In February 2019, the government announced that the recommendations in the report were accepted in full, which we believe is beneficial to the construction industry in Hong Kong.

BUSINESS REVIEW

Property Development Business

The Group focuses on the development and sale of quality residential projects in Singapore. During the Reporting Period, one development project, namely The Visionaire, obtained the Temporary Occupation Permit ("**TOP**") from the Building and Construction Authority of Singapore ("**BCA**").

In May 2018, the Group's comprehensive property development located at Butik Batok, Le Quest, launched the second phase of sales with over 70 units and the selling price continued to rise.

In September 2018, our private apartment project located at Shunfu Road, Jadescape, commenced pre-sale on schedule and was successful. Phase I had 480 units on offer and sold 300 units in the opening week. As of the end of 2018, 363 units were sold and the sales rate of Phase I reached 75.6% with the number of units sold and selling prices both higher than expected. Offer of units for Phase II of the project is scheduled to commence in most favourable conditions. The project is located near Marymount MRT Station and is equipped with smart features such as newly updated smart home systems, face recognition systems and smart sinks. In addition, this project launched the "Gold Standard" units for seniors, taking into particular consideration of the elderly needs.

During the Reporting Period, the Group won numerous industry awards, including the Best Developer in Singapore award from PropertyGuru for the first time. This gave us recognition as a local mainstream developer.

MANAGEMENT DISCUSSION AND ANALYSIS

The sales revenue and the average selling price ("**ASP**") realised by the Group are set out in the table below:

Projects		Sales Revenue 2018 (HK$' billion)	ASP 2018 (HK$/sq.m.)
I	Visionaire	3.03	50,418
II	Le Quest	0.76	83,865

The Group started to hand over units at The Visionaire (77% owned by the Group), an executive condominium ("**EC**") development, which obtained its Temporary Occupation Permit ("**TOP**") in June 2018.

Le Quest is a private mixed development project under development and it started to recognise pre-sales revenue from 2018 based on its percentage of completion. As such, it recognised pre-sales revenue of HK$764.3 million during the Reporting Period.

As at 31 December 2018, the Group's current portfolio of property projects under development with significant interest consists of 3 projects across Singapore, with one EC development and two private condominium developments with a total saleable floor area ("**SFA**") of over 194,000 sq.m.. As at 31 December 2018, the unsold SFA of these properties was over 100,000 sq.m.. The project details are as follows:

Project	Location	Intended use	Site area sq.m.	Total SFA sq.m.	Cumulative Contracted sales area sq.m.	Cumulative Contracted sales amount HK$ billion	% of completion as at 31 December 2018	Estimated year of construction completion	Ownership interest
iNz Residence	Choa Chu Kang Avenue 5 and Brickland Road junction, Singapore	Residential, EC	16,386	49,979	48,266	2.38	96.7%	June 2019	46%
Le Quest	Bukit Batok West Avenue 6, Singapore	Residential, Private & Retail Space	14,697	37,562	23,379	1.95	50.5%	March 2020	73%
Jadescape	314–319 Shunfu Road, Singapore	Residential, Private and Retail Space	37,991	106,955	22,725	2.36	8.4%	May 2021	45%

iNz Residence (46% owned by the Group)

iNz Residence is an executive condominium development of 497 units featuring 9 blocks of 15 or 16-storey apartments, ranging from two to five-bedrooms. It is located at the junction of Choa Chu Kang Avenue 5 and Brickland Road.

The total SFA of this project is 49,979 sq.m. and the percentage of saleable area sold was 96.6% as at 31 December 2018. The construction is scheduled to be completed in June 2019.

Le Quest (73% owned by the Group)

Le Quest is a private mixed development project comprising a 2-storey podium consisting of retail and 5 blocks of 13-storey apartment with total 516 units. It is located at Butik Batok West Avenue 6. This project is a mixed development project of the Group.

The total SFA of this project is 37,562 sq.m and the percentage of saleable area sold was 62.2% as at 31 December 2018. The construction is scheduled to be completed in March 2020.

Jadescape (45% owned by the Group)

The project is located at 314-319 Shunfu Road, near the Bishan-Thomson area and the site covers an area of approximately 38,000 sq.m. with an estimated GFA of over 117,000 sq.m. It is intended to be developed as a private condominium with around 1,200 apartment units, basement carparks, retail and communal facilities. This project commenced construction in January 2018.

The total SFA of this project is approximately 106,955 sq.m. and the percentage of saleable area sold was 21.2% as at 31 December 2018. The construction is scheduled to be completed in May 2021.

Land bank status

(1) Goodluck Garden, Singapore

On 8 March 2018, the Group's tender has been duly accepted by the vendors of Goodluck Garden, located at Toh Tuck Road in Singapore at a total consideration of S$610 million (equivalent to approximately HK$3.64 billion). It is a freehold land with a total land area of approximately 33,457 sq.m. with an estimated GFA of 46,840 sq.m. It is intended to be developed as a private condominium with over 600 apartments.

(2) Yau Tong project, Hong Kong

On 31 October 2018, the Group has completed the acquisition of the land parcels at Yau Tong Marine Lot No. 58 and 59 and the extensions thereto for a total consideration of HK$530 million. The total site area of the lots and its extensions to the harbour are approximately 17,400 sq.ft. and 5,400 sq.ft. respectively and the maximum plot ratio under the approved outline zoning plan is 5. It is intended to be a residential redevelopment.

(3) Sham Shui Po project, Hong Kong

During the Reporting Period, the Group has acquired over 80% ownership of two blocks of old residential buildings in Sham Shui Po, Hong Kong through joint venture and it is intended as a residential redevelopment project after 100% ownership is acquired.

The management believes that it is essential to replenish its land bank in order for the Group's sustainable project development in the coming years. The Group will follow its current strategy on land bank reserve whilst taking a prudent approach in selecting quality land with reasonable price which is suitable for the Group's investment.

MANAGEMENT DISCUSSION AND ANALYSIS

Construction Business

During the Reporting Period, the Group has further expanded in the Southeast Asia countries including Malaysia and Vietnam. As such, the construction projects undertaken by the Group can be broadly divided into two major geographical segments, namely "Singapore and Southeast Asia" and "Hong Kong and Macau". In Singapore and Southeast Asia, the Group tenders for governmental authorities construction works, external private construction works and being engaged in the Group's property development projects whereas in Hong Kong and Macau, the Group is mainly responsible for superstructure construction, foundation works and ancillary services with particular specialization in piling works.

The Group's revenue from construction contracts in Singapore and Southeast Asia countries for the Reporting Period was approximately HK$2,560.4 million (year ended 31 December 2017: approximately HK$1,972.7 million). The revenue attributable from Hong Kong and Macau segment is approximately HK$1,103.9 million (year ended 31 December 2017: approximately HK$1,623.0 million).

During the Reporting Period, for Singapore, the Group completed 4 construction projects including 3 private projects and 1 owned property development project. There were 2 projects newly awarded by the HDB in 2018 and 2 private construction projects with aggregated contract sum of approximately HK$3.38 billion. As at 31 December 2018, there were 17 external private construction projects on hand and the outstanding contract sums were approximately HK$5.83 billion. As for Southeast Asia, the Group was awarded 5 new construction contracts in Malaysia and Vietnam with aggregated contract sums of approximately HK$1.12 billion. As at 31 December 2018, the outstanding contract sums of 6 projects on hand were approximately HK$1.35 billion.

As for the Hong Kong & Macau segment, the Group was awarded 10 new foundation and superstructure construction projects with aggregated contract sums of approximately HK$550 million. As at 31 December 2018, the outstanding contract sums of 12 projects on hand were approximately HK$719 million.

FINANCIAL REVIEW

Revenue

The Group's total revenue for the Reporting Period was approximately HK$7.5 billion (2017: approximately HK$10.3 billion), representing a decrease of 27.2% as compared with last year. The decrease is mainly attributable to less property sales in Singapore being recognized in 2018. During the Reporting Period, the revenue derived from the projects in Singapore and Southeast Asia was approximately HK$6.4 billion (2017: approximately HK$8.7 billion) whereas those in Hong Kong and Macau were approximately HK$1.1 billion (2017: approximately HK$1.6 billion).

Out of the HK$6.4 billion revenue derived from the Singapore segment, the aggregate contracted sales of properties amounted to HK$3.8 billion, representing a decrease of 43% over that of last year.

Gross Profit Margin

The Group's gross profit margin during the Reporting Period was approximately 12% (2017: approximately 12.6%). The slight decrease in margin was mainly due to the higher proportion of sales revenue from construction segment which had a lower gross profit margin than property development segment in the Reporting Period.

Selling and Marketing Expenses

The Group's selling and marketing expenses for the Reporting Period were approximately HK$93.9 million (2017: approximately HK$224.9 million), which was approximately 1.3% (2017: approximately 2.2%) of the Group's total revenue. The decrease was due to the lower sales commission paid for the development project recognized during the Reporting Period.

General and Administrative Expenses

The Group's general and administrative expenses for the Reporting Period were approximately HK$327.7 million (2017: approximately HK$332.1 million), which was approximately 4.4% (2017: approximately 3.2%) of the Group's total revenue. The decrease was mainly attributable to the decrease in share based payment and staff costs recognized, which was partially offset by the increase in rental, administrative and office expenses, during the Reporting Period.

Net Profit

During the Reporting Period, the Group reported a net profit of approximately HK$305.2 million (2017: approximately HK$673.2 million), representing a decrease of 55% as compared with last year. The profit attributable to owners of the Company was approximately HK$224.9 million (2017: approximately HK$512.1 million, representing a decrease of approximately 56% over the last year. Basic earnings per share and diluted earnings per share were HK$0.135 (2017: HK$0.306).

NON-COMPETITION DEED

To minimize the potential competition, the Group and Guotsing Holding Group Co. Ltd ("**Guotsing PRC**"), Guotsing Holding Company Limited (collectively, the "**Covenantors**") entered into a deed of non-competition dated 22 September 2015 (the "**Non-Competition Deed**"), pursuant to which the Covenantors have severally and jointly undertaken that they will not engage in property development or property construction in Hong Kong, Macau and Singapore (the "**Restricted Territories**").

They have furthermore given the right of first refusal to the Company whereby any of the Covenantors must submit formal written application to the Company if they wish to engage in any of the above restricted businesses in the Restricted Territories, and the Company must decide within 30 days whether or not it shall participate in such business. With regards to this decision, only the independent non-executive Directors will be involved in the decision-making process of the Group in relation to the decision whether to exercise the aforementioned right of first refusal, to avoid any potential conflicts of interest.

PROSPECTS

Looking forward to 2019, the Ministry of Trade and Industry of Singapore predicts that the country will achieve a GDP growth ranging from 1.5% to 3.5%. Uncertainties in the external environment and the continued tightening of cooling measures may have impact on demands in the market. During the past year, collective sales of enormous private home caused higher prices and thus more supply, which brought certain challenges to the sales of the Group's projects. However, Singapore's overall economy remains stable and the property market has stayed on a healthy track in alignment with economic development. According to the Emerging Trends in Real Estate® Asia Pacific 2019 jointly released by PricewaterhouseCoopers and the Urban Land Institute, Singapore scored 5.88 on City Investment Prospects for 2019, rising to the second place from the third in the previous year among the 22 Asia Pacific cities featured in the study. The country still sees a steady investment outlook and continues to provide long-term growth opportunities and expansion room for the Group. The Group will strive to maintain and capitalise upon its superior competitive strength in the property development business and consolidate its market position as a major local developer.

According to the BCA of Singapore, it is estimated that the overall local construction demand will range from SGD27 billion to SGD32 billion in 2019, with the public sector and the private sector accounting for 60% and 40%, respectively. Construction demand is likely to remain strong and the whole industry will recover from a 3-year downturn. In addition, the Group is well placed to further expand its existing presence in Southeast Asian markets via Singapore, and capture this opportunity to penetrate other countries along the Belt and Road, such as Sri Lanka, Myanmar, and Cambodia.

MANAGEMENT DISCUSSION AND ANALYSIS

Referring to the Hong Kong property market, a total of fifteen residential sites is available under the 2019/20 Land Sale Programme. Seven of them are new land sites, where more than 8,800 units can be placed in aggregate. Together with projects for railway property development, the Urban Renewal Authority and private development and reconstruction, it is estimated that the potential land supply for the whole year can be used for approximately 15,500 units, a little higher than that corresponding to the targeted private housing land supply for 2019/20. This suggests that the local government may adjust land supply to market demand so as to stabilise property prices. Market participants generally believe that there is still room for adjustment in property prices in Hong Kong this year and sales volume could shrink. In the medium-to-long term, property prices should be driven by local rigid demand and rise steadily along with economic growth. The Group is actively seeking and studying potential property projects in various districts, including the acquisition of residential and commercial projects and the redevelopment of old buildings. It is expected that one or two quality development projects will be added on the account at a steady pace during this year.

For the next few years, the Hong Kong government estimates that the local construction industry as a whole will grow to over HK$300 billion per annum, which covers public and private housing, hospital development and redevelopment, development and expansion of new towns and new development zones, and construction of the third runway of the airport. In order to address the issues of labour shortage, ageing workforce and to match the strong demand for skilled workers in short-to-medium term infrastructure development, the government has allocated HK$200 million to extend the apprenticeship scheme for construction industry to include more short-staffed construction crafts and to fund further education allowances and other expenses. We believe that the above measures are beneficial to the Hong Kong construction sector.

DEBTS AND CHARGE ON ASSETS

The total interest bearing bank borrowings of the Group, including bank loans and finance leases, decreased from approximately HK$5.0 billion as at 31 December 2017 to approximately HK$4.1 billion as at 31 December 2018. Borrowings were denominated mainly in Singapore Dollar, Hong Kong Dollar, Renminbi and US Dollar. Interests on bank borrowings were charged at floating rates. The Group currently does not have an interest rate hedging policy and the Group monitors interest risks continuously and considers hedging any excessive risk when necessary.

These banking facilities were secured by the Group's property, plant and equipment, investment properties under development and development properties for sale with net carrying amounts of HK$62,029,000 (2017: HK$176,615,000), HK$561,012,000 (2017: HK$518,546,000) and HK$2,100,107,000 (2017: HK$4,375,337,000), respectively.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Group has funded the liquidity and capital requirements primarily through medium term notes issuance, bank borrowings and cash inflows from the operating activities.

As at 31 December 2018, the Group had cash and cash equivalents of approximately HK$1.5 billion (2017: approximately HK$3.2 billion) of which approximately 66.3% was held in Singapore Dollar, 30.7% was held in Hong Kong dollar, and the remaining was mainly held in US Dollars, Malaysian Ringgit, Macau Patacas, Indonesian Rupiah and Vietnamese Dong. The gearing ratio of the Group as at 31 December 2018 (defined as the net debt divided by total equity plus net debt, where net debt is defined as borrowings less cash and cash equivalents and pledged bank deposits) was approximately 41.9% (2017: approximately 31.3%).

During the Reporting Period, the Group employed financial instrument for currency hedging purposes.

FOREIGN EXCHANGE

Since the Group mainly operates in Singapore and Hong Kong and most of the revenue and transactions arising from its operations were settled in Singapore Dollar and Hong Kong Dollar, and the Group's assets and liabilities were primarily denominated in Singapore Dollar and Hong Kong Dollar, the Board believes that the Group will have sufficient foreign exchange to meet its foreign exchange requirements. The Group has not experienced any material difficulties or effects on its operations or liquidity as a result of fluctuations in currency exchange rates. During the Reporting Period, the Group minimizes its foreign exchange exposure of a borrowing by way of entering into forward contracts with reputable financial institutions. The hedging policies are regularly reviewed by the Group.

SIGNIFICANT INVESTMENT, MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES AND ASSOCIATED COMPANIES

During the Reporting Period, there was no significant investment, material acquisition and disposal of subsidiaries and associated companies by the Company.

CAPITAL COMMITMENTS

As at 31 December 2018, the Group had capital commitments of approximately HK$7.5 million (2017: HK$19.9 million) for development expenditure and HK$478.3 million (2017: HK$471.6 million) for investment in Great Wall and CNQC Fund.

CONTINGENT LIABILITIES

Save as disclosed in note 38 to the financial information in this annual report, the Group had no other contingent liabilities as at 31 December 2018.

EVENT AFTER THE REPORTING PERIOD

In February 2019, the Group acquired additional 5% shareholding of the project iNz Residence. After the acquisition, the Group's shares in the project increased from 46% to 51% and it would be reclassified from an associate company to a subsidiary company.

After the Reporting Period, the board of directors was informed by the collective sales committee of Goodluck Garden that the appeal against the statutory sale order previously granted to the vendors of Goodluck Garden was dismissed by the Court of Appeal in Singapore on 7 March 2019 and it is expected that the property purchase will proceed to completion shortly. For details, please refer to the company announcement dated 15 March 2019.

There are no other significant events after the Reporting Period and up to the date of this annual report.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2018, the Group had 1,846 full-time employees (2017: 1,921 full-time employees). Most of the Group's employees were based in Singapore and Hong Kong. The remuneration policy and package of the Group's employees were periodically reviewed. Apart from provident fund and in-house training programmes, salaries increment and discretionary bonuses may be awarded to employees according to the assessment of individual performance.

The total remuneration cost incurred by the Group for the Reporting Period was approximately HK$595.5 million (2017: approximately HK$699.3 million).

SHARE OPTIONS

Share Option Scheme

On 27 June 2014, the Company offered to grant an aggregate of 19,500,000 share options (the "**2014 Share Options**") to certain Directors, employees and consultants of the Group (collectively, the "**2014 Grantees**"), subject to acceptance of the 2014 Grantees, under its share option scheme adopted on 11 September 2012 (the "**Share Option Scheme**"). The 2014 Share Options will enable the 2014 Grantees to subscribe for an aggregate of 19,500,000 new Shares, representing 6.5% of the issued share capital of the Company as at the date of grant subject to certain vesting periods. For further details, please refer to the announcement of the Company dated 27 June 2014.

On 28 April 2016, the Company offered to grant an aggregate of 10,500,000 share options (the "**2016 Share Options**") to certain Directors (the "**2016 Grantees**"), subject to acceptance of the 2016 Grantees, under the Share Option Scheme. The 2016 Share Options will enable the 2016 Grantees to subscribe for an aggregate of 10,500,000 new Shares, representing 1.59% of the issued share capital of the Company as at the date of grant subject to certain vesting periods. For further details, please refer to the announcement of the Company dated 28 April 2016.

Since then, the Group has not granted any new options under the Share Option Scheme nor is there any option being exercised as at the date of this report.

On 29 April 2016, an ordinary resolution was passed by the Shareholders to approve the proposed refreshment of the 10% scheme mandate limit of the Share Option Scheme. Based on 660,202,500 Shares in issue as at the 2016 annual general meeting, the Directors are authorised to issue share options to subscribe for a total of 66,020,250 Shares, representing 10% of the total number of Shares in issue as at the date of refreshment.

As at 31 December 2018, the maximum number of options issuable under the Scheme was 66,020,250 Shares, which represented 4.53% of the issued share capital of the Company.

Management Share Scheme

Pursuant to the terms of the Share Purchase Agreement, a management share scheme (the "**Management Share Scheme**") was set up and a trust (the "**Trust**") was constituted whereby awards (the "**Awards**") were conditionally granted to certain senior management and employees of Guotsing Holding Group Co. Ltd. and its subsidiaries (the "**Selected Participants**") to purchase from the Trust up to a total of 304,599,273 new non-redeemable convertible preference shares of the Company in accordance with the terms and conditions of the Management Share Scheme. For further details of the Management Share Scheme, including the list of the Selected Participants, please refer to the announcements of the Company dated 23 May 2015, 8 June 2015, 12 June 2015, 23 July 2015, 25 September 2015, 15 October 2015 and the circular of the Company dated 25 September 2015.

During the Reporting Period, none of CPS were transferred to the Selected Participants and 187,836,224 CPS remain under the trust.

Subsequent to the Reporting Period and as at the date of this annual report, a total of 58,860,925 CPS were transferred to the Selected Participants and were converted into Ordinary Shares and 128,975,299 CPS remains under the trust.

PURCHASE, SALE AND REDEMPTION OF THE COMPANY'S SECURITIES

On 18 May 2018, the Company's shareholders granted a general mandate (the "**Repurchase Mandate**") to the directors of the Company to repurchase shares of the Company at the annual general meeting (the "**2018 AGM**"). Pursuant to the Repurchase Mandate, the Company is allowed to repurchase up to 148,523,900 shares, being 10% of the total number of issued shares of the Company as at the date of the 2018 AGM, on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

During the Reporting Period, the Company repurchased an aggregate of 29,880,000 Shares (2017: Nil) of its own issued ordinary share capital through the Stock Exchange at an aggregate consideration of HK$57.0 million (2017: Nil), details of which are as follows:

Month	Number of shares repurchased	Price per share Highest price HK$	Price per share Lowest price HK$	Aggregate amount paid HK$
June	5,792,500	2.37	2.19	12,931,025
July	4,062,500	2.45	2.23	9,508,750
September	35,000	1.75	1.75	61,250
October	14,187,500	1.79	1.66	24,048,575
November	5,220,000	2.01	1.68	9,320,125
December	582,500	1.99	1.88	1,141,750

All the Shares repurchased were cancelled.

The repurchases were effected by the Directors for the benefit of the Company and to create value to its Shareholders.

Further details of the Share repurchase and other movements in the share capital of the Company during the Reporting Period are set out in note 30 to the financial statements.

Save for the aforesaid, during the Reporting Period, neither the Company nor any of the subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

CORPORATE GOVERNANCE

Corporate Governance Code

The Company had complied with all the applicable code provisions as set out in the Corporate Governance Code contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") during the Reporting Period.

CODE OF CONDUCT REGARDING DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules as its code of conduct regarding securities transactions by the Directors. All Directors have confirmed, following a specific enquiry by the Company, that they have complied with the required standard as set out in the Model Code throughout the Reporting Period.

REPORT OF THE DIRECTORS

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding and the principal activities of its subsidiaries are set out in note 12 to the financial statements.

BUSINESS REVIEW

In compliance with Schedule 5 to the Companies Ordinance, Chapter 622, a fair review of the business of the Company and further discussion and analysis of important events affecting the Group after the Reporting Period and future development of the Company's business are set out in Management Discussion and Analysis in pages 6 to 15 of this annual report, which forms part of this Report of the Directors.

RESULTS AND DIVIDENDS

The results of the Group for the Reporting Period are set out in the consolidated statement of comprehensive income on pages 58 and 59 of this annual report. The payment of a final dividend of HK$0.05 per ordinary share of the Company and Convertible Preference Shares for the Reporting Period to shareholders whose names appear on the Register of Members of the Company on 31 May 2019 and the holders of the Convertible Preference Shares have been recommended by the Directors and is subject to the approval of the shareholders of the Company at the forthcoming annual general meeting of the Company. The dividend, if approved, is expected to be paid on or around 21 June 2019.

For further information on the dividend policy of the Group, please refer to page 49 of this annual report.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Company and the Group during the Reporting Period are set out in note 17 to the financial statements.

SHARE CAPITAL

Details of movements during the Reporting Period in the share capital of the Company are set out in note 30 to the financial statements.

RESERVES

Details of movements in the reserves of the Group during the Reporting Period are set out in the consolidated statement of changes in equity on page 63.

As at 31 December 2018, the Company had reserves amounted to HK$3,113.4 million available for distribution as calculated based on Company's share premium less accumulated losses under applicable provisions of the Companies Law in the Cayman Islands (2017: HK$3,238.1 million).

GROUP FINANCIAL SUMMARY

A summary of the results and the assets and liabilities of the Group for last five financial years is set out on page 164 of this annual report.

DIRECTORS

The Directors who held office during the Reporting Period and up to the date of this report were:

Executive Directors

Mr. Cheng Wing On, Michael *(Chairman)*
Mr. Wang Congyuan
Mr. Ho Chi Ling (resigned as an executive Director on 11 January 2019)
Mr. Zhang Yuqiang
Mr. Wang Linxuan (resigned as an executive Director on 11 January 2019)

Non-executive Directors

Dr. Sun Huiye (resigned as a non-executive Director on 11 January 2019)
Mr. Wang Xianmao (resigned as a non-executive Director on 11 January 2019)
Mr. Chen Anhua

Independent Non-executive Directors

Mr. Chuck Winston Calptor (resigned as an independent non-executive Director on 11 January 2019)
Mr. Ching Kwok Hoo, Pedro
Mr. Tam Tak Kei, Raymond
Mr. Chan Kok Chung, Johnny

Mr. Cheng Wing On, Michael, Mr. Wang Congyuan and Mr. Zhang Yuqiang will retire from office as Directors at the forthcoming annual general meeting of the Company, being eligible, to offer themselves for re-election pursuant to Article 108(a) of the Articles of Association of the Company (the "**Articles**").

DIRECTORS' SERVICE CONTRACT

Mr. Cheng Wing On, Michael, Mr. Zhang Yuqiang respectively entered into a service contract as an executive Director on 11 August 2017 with the Company for a term of three years. Mr. Wang Congyuan renewed a service contract as an executive Director on 26 January 2019 with the Company for a term of three years. The service contract can be terminated by not less than three months' notice in writing served by either party on the other or otherwise in accordance with the terms of the director's service contract.

Mr. Chen Anhua has entered into a service contract as a non-executive Director on 27 November 2017, with the Company for a term of three years. The service contract can be terminated by not less than three months' notice in writing served by either party on the other or otherwise in accordance with the terms of the director's service agreement.

Mr. Ching Kwok Hoo, Pedro and Mr. Tam Tak Kei, Raymond respectively renewed a service contract as an independent non-executive Director on 12 September 2018 with the Company for a term of two years. Mr. Chan Kok Chung, Johnny entered into a service contract as an independent non-executive Director on 26 January 2018 with the Company for a term of two years. The service contract can be terminated by not less than three months' notice in writing served by either party on the other. The Company has received annual confirmation of independence from all the independent non-executive Directors pursuant to Rule 3.13 of the Listing Rules, and considers them to be independent.

Apart from the foregoing, no Director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

MANAGEMENT CONTRACTS

No significant contracts concerning the management and administrative of the whole or any substantial part of the business of the Company has been entered into or existed during the year.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2018, interests or short positions in the shares, underlying shares and debentures of the Company and any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("**SFO**")) held by the Directors and chief executives of the Company which have been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have under such provisions of the SFO) or have been entered in the register maintained by the Company pursuant to section 352 of the SFO, or otherwise have been notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") in Appendix 10 to the Listing Rules are as follows:

Interests in the Shares and underlying Shares of the Company

Name of director	Capacity	Number of Shares and underlying Shares held in long position	Approximate percentage of interests
Mr. Cheng Wing On, Michael	Beneficial owner *(note 1)*	3,000,000	0.206%
	Beneficial owner *(note 3)*	3,000,000	0.206%
Mr. Wang Congyuan	Beneficial owner *(note 3)*	2,100,000	0.144%
	Beneficiary of a trust *(note 2)*	2,284,495	0.157%
	Beneficial owner	397,500	0.027%
Mr. Zhang Yuqiang	Beneficial owner *(note 1)*	2,400,000	0.165%
	Beneficiary of a trust *(note 2)*	715,810	0.049%
Mr. Ho Chi Ling *(note 4)*	Beneficial owner *(note 1)*	2,400,000	0.165%
	Beneficial owner *(note 3)*	2,400,000	0.165%
Mr. Wang Linxuan *(note 4)*	Beneficial owner *(note 3)*	2,100,000	0.144%
	Beneficiary of a trust *(note 2)*	6,091,985	0.418%
	Beneficial owner	480,000	0.033%
Dr. Sun Huiye *(note 5)*	Beneficial owner *(note 3)*	900,000	0.062%
Mr. Wang Xianmao *(note 5)*	Beneficiary of a trust *(note 2)*	2,284,495	0.157%
	Beneficial owner	152,500	0.010%

Notes:

1. This represents long position in the underlying Shares under share options granted on 27 June 2014 pursuant to the share option scheme of the Company.

2. This represents long position in the underlying CPS under the Awards granted under the Management Share Scheme. Please refer to the paragraph headed "Management Share Scheme" in this report for more details.

3. This represents long position in the underlying Shares under share options granted on 28 April 2016 pursuant to the share option scheme of the Company.

4. Mr. Ho Chi Ling and Mr. Wang Linxuan each resigned as an Executive Director on 11 January 2019.

5. Dr. Sun Huiye and Mr. Wang Xianmao each resigned as a Non-executive Director on 11 January 2019.

Save as disclosed above, as at 31 December 2018, none of the Directors nor chief executives of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' AND OTHERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 December 2018, the following persons (not being a Director or chief executive of the Company) had interests or short positions in the shares of the Company (the "**Shares**") or underlying Shares which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO:

Long position in the Shares and underlying Shares

Name of substantial shareholder	Capacity/Nature of interest	Number of Shares and underlying Shares held/ interested	Approximate Shareholding Percentage
Dr. Du Bo	Interest in controlled corporation *(Note 1)*	988,181,503	67.87%
	Beneficiary of a trust *(Note 4)*	68,534,837	4.71%
	Beneficial owner	997,500	0.07%
Hui Long Enterprises Limited	Interest in controlled corporation *(Note 1)*	988,181,503	67.87%
Bliss Wave Holding Investments Limited	Interest in controlled corporation *(Note 1)*	988,181,503	67.87%
Top Elate Investments Limited	Interest in controlled corporation *(Note 1)*	988,181,503	67.87%
Hao Bo Investments Limited	Interest in controlled corporation *(Note 1)*	988,181,503	67.87%
Guotsing Holding Company Limited	Beneficial owner *(Note 1)*	756,421,520	51.95%
	Interest in controlled corporation *(Notes 1, 2 and 3)*	231,759,983	15.92%
Trustee	Trustee *(Note 5)*	187,836,224	12.90%
Qingdao Qingjian Holding Co Staff Shareholding Union	Interest in controlled corporation *(Note 1)*	988,181,503	67.87%
Qingdao Qingjian Holdings Co	Interest in controlled corporation *(Note 1)*	988,181,503	67.87%
CNQC Development Limited	Beneficial owner *(Note 1)*	224,145,000	15.40%
Guotsing Finance Holding Limited	Interest in controlled corporation *(Note 3)*	7,614,983	0.52%
Guotsing Asset Management Limited	Interest in controlled corporation *(Note 3)*	7,614,983	0.52%
Guotsing Growth Fund LP I	Beneficial owner	7,614,983	0.52%
Great Wall Pan Asia International Investment Company Limited	Beneficial owner	142,000,000	9.75%
Sino Concord Ventures Limited	Beneficial owner	100,000,000	6.87%
Sun East Development Limited	Interest in controlled corporation *(Note 6)*	100,000,000	6.87%

Note:

(1) Guotsing Holding Company Limited ("**Guotsing BVI**") is wholly held by Hao Bo Investments Limited, and is in turn held as to 48.55% by Top Elate Investments Limited ad as to 51.45% by Bliss Wave Holding Investments Limited, a company held as to 74.53% by Hui Long Enterprises Limited which is wholly-owned by Dr. Du Bo. Top Elate Investements Limited is wholly-owned by Qingdao Qingjian Holdings Co. which in turn is wholly-owned by the Qingdao Qingjian Holdings Co Staff Shareholding Union.

(2) The 224,145,000 Shares were held by CNQC Development Limited ("**CNQC Development**") as at 31 December 2018. CNQC Development is wholly-owned by Guotsing BVI .

(3) Guotsing Asset Management Limited is the General Partner of Guotsing Growth Fund LP I, and is in turn wholly held by Guotsing Finance Holding Limited,which held as to 100% by Guotsing BVI.

(4) This represents long position in the underlying CPS under the Awards granted under the Management Share Scheme. Please refer to the paragraph headed "Management Share Scheme" in this report for more details.

(5) This represents the CPS under the Awards held by the Trustee pursuant to the Management Share Scheme. Please refer to the paragraph headed "Management Share Scheme" in this report for more details.

(6) Sino Concord Ventures Limited is owned as to 80% by Sun East Development Limited.

Save as disclosed above, as at 31 December 2018, to the best information, knowledge and belief of the Directors, no person (other than the Directors and chief executives of the Company), had registered an interest or short position in the Shares or underlying Shares of the Company that was required to be recorded pursuant to section 336 of the SFO.

TRANSACTIONS, ARRANGEMENT OR CONTRACTS OF SIGNIFICANCE

Save as disclosed in the sections headed "Connected Transactions and Continuing Connected Transactions" and "Non-Competition Undertaking" in this report, no transaction, arrangement or contract of significance to which the Company or any of its subsidiaries was a party and in which a Director or an entity connected with a Director is or was materially interested, either directly or indirectly, subsisted at the end of Reporting Period or at any time during the Reporting Period, and no contract of significance between the Company or any of its subsidiaries and a controlling shareholder of the Company or any of its subsidiaries subsisted at the end of the Reporting Period or at any time during the Reporting Period.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Apart from the section headed "Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures" above and "Share Option Scheme" below, at no time during the Reporting Period were rights to acquire benefits by means of the acquisition of Shares in or debentures of the Company granted to any Director or their respective associates nor was the Company and any of its subsidiaries a party to any arrangement to enable the Directors, or their respective associates to acquire such rights in any other body corporate.

MAJOR CUSTOMERS AND SUPPLIERS

The percentages of the Group's purchases and turnover attributable to major suppliers and customers are as follows:

	2018 **%**	2017 %
Percentage of construction material purchases:		
From the largest supplier	**2.1%**	5.2%
From the five largest suppliers	**9.1%**	14.7%
Percentage of turnover:		
From the largest customer	**11.8%**	14.1%
From the five largest customers	**31.2%**	28.7%

During the Reporting Period, no Directors, their close associates or any shareholders (which to the knowledge of the Directors who owned more than 5% of the Company's share capital) had any interest in the five largest customers or suppliers.

DIRECTORS' INTEREST IN A COMPETING BUSINESS

Pursuant to Rule 8.10 of the Listing Rules, during the Reporting Period and up to the date of this annual report, the following Directors are considered to have business interests which are likely to compete directly or indirectly with the business of the Group.

During the Reporting Period, Mr. Wang Cougyuan, the executive director, served as a director and vice chairman of Guotsing PRC. Mr. Wang Xianmao , the former non-executive director, served as a chief executive officer of Guotsing PRC and Dr. Sun Huiye , the former non-executive director, served as a director of Guotsing PRC. Guotsing PRC, together with its subsidiaries ("**Guotsing Group**"), is primarily engaged in (i) investments in projects in the real estate and related industries; (ii) property development in the PRC and other overseas markets; (iii) provision of construction services to both the private and public sectors in the PRC and other overseas markets; (iv) logistics and trading of steel, machinery and other raw materials related to construction business; and (v) provision of design consultation services. However, pursuant to a non-competition deed, the Guotsing Group will not engage in the Restricted Business in competition with the Group in Hong Kong, Singapore and Macau, more particulars of which are set out below in this report. Therefore, the Directors are of the view that the business of Guotsing Group do not compete directly with the business of the Group.

Save as disclosed above, the Directors were not aware of any business or interest of the Directors and their respective associates that had competed or might compete with the business of the Group and any other conflicts of interests which any such person had or might have with the Group.

PUBLIC FLOAT

From information publicly available to the Company and within the knowledge of the Directors, at least 25% of the Company's total issued share capital was held by the public as at the date of this report.

REPORT OF THE DIRECTORS

SHARE OPTION SCHEME

Reference is made to the "Share Options" section of Management Discussion and Analysis in this annual report.

The Company adopted a share option scheme (the "**Share Option Scheme**" or the "**Scheme**") to attract and retain the best available personnel and to provide additional incentive to the eligible participants under the Scheme. Pursuant to the Scheme, the Board is authorised, at its absolute discretion and subject to the terms of the Scheme, to grant options to subscribe the Shares to any employees (full-time or part-time), directors, consultants or advisor of the Group, or any substantial shareholder of the Group, or any distributor, contractor, supplier, agent, customer, business partner or service provider of the Group. The Scheme shall be valid and effective for a period of ten years commencing on 11 September 2012, subject to early termination provisions contained in the Scheme.

An offer for the grant of options must be accepted within seven days inclusive of the day on which such offer was made. The amount payable by the grantee of an option to the Company on acceptance of the offer for the grant of an option is HK$1.00. The subscription price of a Share in respect of any particular option granted under the Scheme shall be a price solely determined by the Board and notified to a participant and shall be at least the highest of: (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of grant of the option; (ii) the average of the closing prices of the Shares as stated in the Stock Exchange's daily quotations sheets for the 5 business days immediately preceding the date of grant of the option; and (iii) the nominal value of a Share on the date of grant of the option.

The Company shall be entitled to issue options, provided that the total number of Shares which may be issued upon exercise of all options to be granted under the Scheme and any other share option schemes of the Company must not exceed 10% of the shares in issue on 18 October 2012, the date of Listing of the Company. The Company may at any time refresh such limit, subject to the shareholders' approval and issue of a circular in compliance with the Listing Rules, provided that the total number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under all the share option schemes of the Company does not exceed 30% of the Shares in issue from time to time. The total number of Shares issued and to be issued upon exercise of the options granted to each participant (including both exercised and outstanding options) in any 12-month period must not exceed 1% of the Shares in issue unless approved by the shareholders of the Company and issue of a circular in compliance with the Listing Rules.

An option may be exercised in accordance with the terms of the Scheme at any time during a period as the Board may determine which shall not exceed ten years from the date of grant subject to the provisions of early termination thereof.

On 29 April 2016, an ordinary resolution was passed by the Shareholders to approve the proposed refreshment of the 10% scheme mandate limit of the Share Option Scheme. Based on 660,202,500 Shares in issue as at the 2016 annual general meeting, the Directors are authorised to issue share options to subscribe for a total of 66,020,250 Shares, representing 10% of the total number of Shares in issue as at the date of refreshment.

As at the date of this annual report, the maximum number of securities issuable under the Scheme was 66,020,250 Shares, which represented 4.53% of the issued share capital of the Company.

The outstanding share options granted entitled the relevant grantees to subscribe for an aggregate 30,000,000 new shares of HK$0.01 each in the share capital of the Company. Detail of movements of the options granted under the Scheme for the year ended 31 December 2018 is as follows:

				Number of options						
Grantees	Date of Grant	Exercise price per share	As at 01/01/2018	Granted during the period	Exercised during the period	Lapsed during the period	Cancelled during the period	As at 31/12/2018	Vesting Period	Exercise period
Executive directors										
Cheng Wing On, Michael	27/6/2014	HK$2.70	3,000,000	–	–	–	–	3,000,000	27/06/2015	27/6/2015–27/6/2020
	28/04/2016	HK$3.022	3,000,000	–	–	–	–	3,000,000	28/04/2017	28/04/2017–27/04/2022
Wang Congyuan	28/04/2016	HK$3.022	2,100,000	–	–	–	–	2,100,000	28/04/2017	28/04/2017–27/04/2022
Ho Chi Ling *(note 1)*	27/6/2014	HK$2.70	2,400,000	–	–	–	–	2,400,000	27/06/2015	27/6/2015–27/6/2020
	28/04/2016	HK$3.022	2,400,000	–	–	–	–	2,400,000	28/04/2017	28/04/2017–27/04/2022
Zhang Yuqiang	27/6/2014	HK$2.70	2,400,000	–	–	–	–	2,400,000	27/06/2015	27/6/2015–27/6/2020
Wang Linxuan *(note 1)*	28/04/2016	HK$3.022	2,100,000	–	–	–	–	2,100,000	28/04/2017	28/04/2017–27/04/2022
Non-executive Directors										
Sun Huiye *(note 2)*	28/04/2016	HK$3.022	900,000	–	–	–	–	900,000	28/04/2017	28/04/2017–27/04/2022
Employees of the Group in aggregate	27/6/2014	HK$2.70	1,500,000	–	–	–	–	1,500,000	27/06/2015	27/6/2015–27/6/2020
Other participants of the Group in aggregate	27/6/2014	HK$2.70	10,200,000	–	–	–	–	10,200,000	27/06/2015	27/6/2015–27/6/2020
			30,000,000	–	–	–	–	30,000,000		

Notes:

1. Mr. Ho Chi Ling and Mr. Wang Linxuan resigned as an Executive Director on 11 January 2019.
2. Dr. Sun Huiye resigned as a Non-executive Director on 11 January 2019.

Save as disclosed above, as at 31 December 2018, no Directors had any interests in the share options to subscribe for the shares.

MANAGEMENT SHARE SCHEME

Pursuant to the terms of the Share Purchase Agreement, a management share scheme (the "**Management Share Scheme**") was set up and a trust (the "**Trust**") was constituted whereby awards (the "**Awards**") were conditionally granted to certain senior management and employees of Guotsing PRC. and its subsidiaries (the "**Selected Participants**") to purchase from the Trust up to a total of 304,599,273 new non-redeemable convertible preference shares of the Company in accordance with the terms and conditions of the Management Share Scheme. For further details of the Management Share Scheme, including the list of the Selected Participants, please refer to the announcements of the Company dated 23 May 2015, 8 June 2015, 12 June 2015, 23 July 2015, 25 September 2015, 15 October 2015 and the circular of the Company dated 25 September 2015.

During the Reporting Period, none of CPS were transferred to the Selected Participants and were converted into Ordinary Shares.

REPORT OF THE DIRECTORS

CONVERTIBLE SECURITIES

Currently the Company has two classes of shares, being the ordinary Shares and the convertible preference shares of the Company (the "**CPS**").

On 15 October 2015, the acquisition of the entire issued share capital of Wang Bao Development Limited by the Company (the "**Acquisition**") was completed and upon completion of the Acquisition, the Company issued 647,273,454 CPS to Guotsing BVI and 304,599,273 CPS to the trustee of the Trust as settlement of the consideration for the Acquisition. During the Reporting Period, no CPS were transferred to the Selected Participants and were converted into Ordinary Shares.

Subsequent to the Reporting Period and as at the date of this annual report, a total of 58,860,925 CPS were transferred to the Selected Participants and were converted into Ordinary Shares and 128,975,299 CPS remains under the trust.

The major terms of the CPS are as follows:

Nominal value: Non-redeemable convertible preference shares of HK$0.01 each created as a new class of shares in the share capital of the Company.

Conversion ratio: The CPS shall be convertible at the option of its holder, without the payment of any additional consideration therefor, into such number of fully-paid Shares at the conversion ratio of one CPS for one Share.

Conversion rights: Holders of the CPS will have the right to convert all or such number of CPS into the new Shares to be issued and allotted by the Company upon the exercise of the conversion rights attaching to the CPS (the "**Conversion Shares**") at any time after the issuance of the CPS, provided that they may not exercise the conversion rights as to such number of CPS the conversion of which would result in the Company not meeting the minimum public float requirement under Rule 8.08 of the Listing Rules or any of the Shareholders having triggered any mandatory general offer obligation under Rule 26 of the Takeovers Code (unless a waiver from compliance with such requirement has otherwise been obtained).

Redemption: The CPS shall be non-redeemable by the Company or their holders.

Preferred distribution: Subject to compliance with all applicable laws and the Articles, each CPS shall confer on its holder the right to receive a preferred distribution ("**Preferred Distribution**") from the date of the issue of the CPS at a rate of 0.01% per annum on HK$2.75 per CPS, payable annually in arrears. Each Preferred Distribution is non-cumulative.

Dividend: Each CPS shall confer on its holder the right to receive, in addition to the Preferred Distribution, any dividend pari passu with holders of Shares on the basis of the number of Share(s) into which each CPS may be converted and on an as converted basis.

Distribution of Assets: The holders of the CPS shall have priority over the Shareholders on the assets and funds of the Company available for distribution in a distribution of assets on liquidation, winding-up or dissolution of the Company (but not on conversion of CPS or any repurchase by the Company of CPS).

Voting rights: The holders of the CPS shall be entitled to receive notices of and to attend general meetings of the Company, but the CPS shall not confer on their holders the right to vote at a general meeting of the Company, unless a resolution is to be proposed at a general meeting for the winding-up of the Company or a resolution is to be proposed which if passed would vary or abrogate the rights or privileges of the CPS or vary the restrictions to which the CPS are subject.

Transferability: The CPS (including the Conversion Shares once converted from the CPS) may be transferred by their holders without restriction.

Ranking: Save and except for the voting rights, distribution entitlements upon liquidation, winding-up or dissolution of the Company, the Preferred Distribution rights and the rights set out above, each CPS shall have the same rights as each of the Shares. The Conversion Shares will be issued as fully paid and rank pari passu in all respects with the Shares in issue as at the date of conversion.

Adjustment: If and whenever the Shares are consolidated or sub-divided into a different nominal amount, then the same consolidation or subdivision shall be effected on the CPS, in which case the conversion ratio shall remain as one CPS for one Share (as consolidated or sub-divided, as the case may be).

Listing: No listing has been sought for the CPS on the Stock Exchange or any other stock exchange. However, an application has been made by the Company to the Listing Committee for the listing of, and permission to deal in, the Conversion Shares.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles or the laws of Cayman Islands, which would oblige the Company to offer new Shares on a pro-rata basis to existing shareholders.

CONTINUING CONNECTED TRANSACTIONS

The transactions set out below which were entered into between the Group and either Guotsing PRC or its subsidiaries (being connected persons of the Company) constitute continuing connected transactions of the Company and were subject to reporting, announcement, annual review and independent shareholders' approval requirements (as the case maybe) for the purpose of Chapter 14A of the Listing Rules. Details of such continuing connected transactions are as follows:

(i) Sub-contract Agreement with Qingjian Malaysia

On 30 May 2018, CNQC Engineering & Construction (Malaysia) Sdn. Bhd. ("**CNQC Malaysia**"), which is an indirectly wholly-owned subsidiary of the Company, entered into the sub-contract agreement ("**Sub-contract Agreement**") with Qingjian Holding Group (M) Sdn. Bhd ("**Qingjian Malaysia**"), which is an indirect subsidiary of Guotsing PRC. Pursuant to which CNQC Malaysia agreed to be the sub-contractor to Qingjian Malaysia in the construction project of a hotel in Kuala Lumpur, Malaysia ("**Construction Project**") and undertake construction work of the Construction Project.

Details of the terms of the Sub-contract Agreement and the transactions contemplated thereunder were set out in the announcement of the Company dated 30 March 2018.

Qingjian Malaysia is an indirect subsidiary of Guotsing PRC, which is under the common control of the ultimate beneficial owners of Guotsing BVI, a controlling Shareholder. Qingjian Malaysia is therefore a connected person of the Company by virtue of being an associate of Guotsing BVI and the transactions contemplated under the Sub-contract Agreement constitute a continuing connected transaction of the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios in respect of the annual caps are more than 0.1% but are all less than 5%, the transactions contemplated under the Sub-contract Agreement are subject to the reporting and announcement requirements but are exempted from the independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

The transaction amount for the transactions contemplated under the Sub-contract Agreement for the following period will not exceed the following annual caps of:

Annual Caps	(million RM)
From 1 June 2018 to 31 December 2018	12
From 1 January 2019 to 31 December 2019	50
From 1 January 2020 to 31 December 2020	68
From 1 January 2021 to 31 March 2021	17

The annual caps are determined based on (i) the amount of Contract Sum; and (ii) the projected progress of the Construction Project.

The total amount of such continuing connected transaction for the year ended 31 December 2018 was 12.0 million RM. (equivalent to HK$23.3 million).

(ii) Provision of Decoration Engineering Services by Singapore Bai Chuan

On 30 March 2017, the Company entered into a framework agreement (the "**Framework Agreement**") with Singapore Bai Chuan Investment Pte. Ltd. ("**Singapore Bai Chuan**"), pursuant to which Singapore Bai Chuan agreed to provide the design, supply, manufacture and commission of various interior and exterior decoration engineering services, including but not limited to aluminum alloy, wood, iron, glass doors and windows, curtain wall, blinds lattice, corridors, ironwork, wood products, tiles, floors, elevators and other services (the "**Decoration Engineering Services**") to the Group. The transactions contemplated under the Framework Agreement would allow the Group to leverage on the experience and expertise of the Singapore Bai Chuan Group in the interior and exterior decoration engineering works for the Group's construction projects.

Details of the terms of the Framework Agreement and the transactions contemplated thereunder were set out in the announcement of the Company dated 30 March 2017.

Singapore Bai Chuan is an indirect subsidiary of Guotsing PRC, which is under the common control of the ultimate beneficial owners of Guotsing PRC, a controlling Shareholder. Singapore Bai Chuan is therefore a connected person of the Company by virtue of being an associate of Guotsing PRC and the transactions contemplated under the Framework Agreement constitute a continuing connected transaction of the Company under Chapter 14A of the Listing Rules.

The amount to be paid by the Group to the Singapore Bai Chuan Group for the provision of the Decoration Engineering Services under the Framework Agreement for the financial year ending 31 December 2017, 2018 and 2019 would not exceed the annual caps of SGD30,000,000. The total amount of such continuing connected transaction for the year ended 31 December 2018 was SGD6.9 million (equivalent to HK$39.4 million).

As one or more of the applicable percentage ratios in respect of the annual caps are more than 0.1% but less than 5%, the transactions contemplated under the Framework Agreement are subject to the reporting and announcement requirements but are exempted from the independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

(iii) Annual review of continuing connected transactions

The independent non-executive Directors have reviewed the above continuing connected transactions and confirmed that the transactions had been entered into:

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

(ii) on normal commercial terms; and

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

The Directors consider that all material related party transactions disclosed in note 42 to the consolidated financial statements that fall under the definition of "connected transaction" or "continuing connected transaction" in Chapter 14A of the Listing Rules have already been set out in the section headed "Continuing Connected Transactions" in this annual report and the Company has complied with the disclosure requirements for all such connected transactions or continuing connected transactions in accordance with Chapter 14A of the Listing Rules.

PricewaterhouseCoopers ("**PwC**"), 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 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. PwC has issued its unqualified letter containing its findings and conclusions in respect of the continuing connected transactions for the year ended 31 December 2018 as disclosed above in accordance with Rule 14A.38 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to the Stock Exchange at least 10 business days prior to the bulk printing of this annual report.

PERMITTED INDEMNITY PROVISION

A permitted indemnity provision for the benefit of the Directors is currently in force and was in force throughout the financial year. The Company has taken out and maintained appropriate insurance cover in respect of potential legal actions against its Directors and officers.

CHARITABLE DONATIONS

Charitable donations made by the Group during the Reporting Period amounted to HK$88,000 (2017: HK$384,600).

REPORT OF THE DIRECTORS

NON-COMPETITION UNDERTAKING

Reference is made to the "Non-Competition Deed" section of Management Discussion and Analysis in this annual report.

Guotsing PRC, Guotsing BVI and Dr. Du (collectively, the "**Covenantors**") and the Company entered into the non-competition deed on 22 September 2015 (the "**Non-competition Deed**"), pursuant to which each Covenantor has undertaken in favour of the Company (for itself and on behalf of its subsidiaries) that during the term of the Non-Competition Deed, it shall not, and shall procure that none of its/his associates shall (other than through the Group), directly or indirectly, carry on, engage, invest, participate or otherwise be interested in any property development projects and provision of construction services (the "**Restricted Businesses**") in Hong Kong, Macau, and Singapore (the "**Restricted Territories**").

The Covenantors also granted a right of first refusal to the Company (the "**Company's Right of First Refusal**") in respect of any new business opportunity to participate in the Restricted Businesses (the "**New Business Opportunity**") in the Restricted Territories and in respect of any Restricted Businesses of the Covenantor which the Covenantor has intentions to sell.

Details of the terms of the Non-Competition Deed and the Company's Right of First Refusal were set out in the circular of the Company dated 25 September 2015.

Guotsing Group has declared in writing that it has complied with the Non-competition Deed within the year under review.

CORPORATE GOVERNANCE CODE

The Company had complied with all the applicable code provisions as set out in the Corporate Governance Code contained in Appendix 14 to the Listing Rules during the Reporting Period.

The details of the Group's compliance with the Code is set out in the Corporate Governance Report from page 37 to page 50 of this report.

AUDITOR

PwC shall retire in the forthcoming annual general meeting and, being eligible, offer itself for re-appointment. A resolution for the re-appointment of PwC as auditor of the Company will be proposed at the forthcoming annual general meeting.

PRINCIPAL RISKS AND UNCERTAINTIES

A considerable portion of the Group's revenue was derived from property development and construction businesses in Singapore. The Group's business operates in an industry which may be affected by factors such as unexpected project delay, changes in government policies, changes in interest rates, construction costs, land costs, market condition, technological advancements, changing industry standards and changing customers' needs and preferences for our new apartment design and quality construction services. Those factors may have various levels of negative impact on the results of the Group's operations. The Company has been closely monitoring the policies and regulations related to the business of the Group and will optimize its business model, adjust its operating strategies and leverage on its development strengths in order to maintain stable development.

Further, property development business is capital intensive in nature. Whilst the Group finances its property projects primarily through proceeds from sales, bank borrowings and internal funds, if no adequate financing can be secured or fail to renew the Group's existing credit facilities prior to their expiration, the Group's operation may adversely be impacted. The property construction business in Singapore is regulated by the BCA and other regulatory bodies in Singapore. These regulatory bodies stipulate the various criteria that must be satisfied before permits and licenses are granted to, and/or renewed for, the construction business and the registration with the Contractors Registration System (CRS) maintained by the BCA is a pre-requisite requirement for tendering construction projects in the public sector. The renewal of the permits and licenses of the Group is subject to compliance with the relevant regulations. The Group are currently operating under various construction requisite licenses, which will expire in July 2020. Any non-renewal in the existing BCA permits and licenses will result in us not being qualified to tender or participate in certain projects, therefore reducing the number of project opportunities for the Group, and this may have an adverse impact on the Group's operations and financial performance. The Group's operation units will continue to closely monitor and ensure the Group's compliance with the standards and requirement of those licenses.

Also, volatility in the securities market may affect the Company's shares investments. The Company is also subject to market risk, such as currency fluctuations, and volatility of interest rates, credit risk, and liquidity risk in the normal course of the Group's business. Particulars of financial risk management of the Company are set out in note 3 to the consolidated financial statements.

KEY RELATIONSHIPS

(i) Employees

The Group understands that employees are valuable assets. The Group provides competitive remuneration package to attract and motivate the employees. The Group regularly reviews the remuneration package of employees and makes necessary adjustments to conform to the market standard. The Group also places emphasis on the continuing education and training of staff. In particular, the Group focus on training management and key personnel to develop their management and decision-making abilities to enhance their work performance. The Group encourage a culture of learning and education and sponsor the employees to attend external training programmes cover areas such as construction, site safety, quality control, workplace ethics and training of other areas relevant to the industry.

(ii) Sub-contractors and Suppliers

The Group have developed long-standing relationships with a number of our sub-contractors and suppliers and take great care to ensure that they share our commitment to quality and ethics. The Group carefully select and require them to satisfy certain assessment criteria including track record, experience, financial strength, reputation, ability to produce high-quality construction and quality control effectiveness. The potential risk from the sub-contractors and supplies is that they may not always meet quality standards or provide services in a timely manner. The Group may incur additional costs in respect of remedial action, such as the replacement of such contractors, as well as potential damage to reputation and additional financial losses as a result of delay in completion. Any of the above factors could have a material adverse effect on the business, financial condition and results of operations of the Group.

(iii) Customers

For property development, the Group is committed to offer a broad and diverse range of inspiring, value-for money, good-quality apartments with our various floor layout to our customers. The Group enhances the relationship by continuous interaction with customers to gain insight on the changing market demand for the products so that we can respond proactively. The Group maintain by way of hi-Life-mobile application in order to provide convenience in living, communications with our customers through various channels like the Company's website, telephone, direct mail, marketing materials and social media. For construction, the Group also works for the clients to provide quality and value-added customer services at construction services.

ENVIRONMENTAL POLICIES

We are committed to building an environmentally-friendly workplace that pays close attention to conserving natural resources. We strive to minimize our environmental impact by saving water supplies, electricity and encouraging recycle of office supplies and other construction materials.

COMPLIANCE WITH LAWS AND REGULATIONS

The Group's operations are mainly carried out by the Company's subsidiaries in Singapore and Hong Kong while the Company itself is listed on the Stock Exchange. During the Reporting Period, the Company continued to strictly comply with the applicable laws, rules and regulations such as, in relation to environment protection, construction labour, health and safety in Hong Kong and Singapore; the building control act and regulations set out the requirements for licensing of builders in Singapore; the housing developers act and rules set out the requirements for licensing of a housing developer in Singapore; the contractor licensing regime in Hong Kong and the relevant regulatory requirements of regulatory authorities such as BCA, Urban Redevelopment Authority of Singapore, Development Bureau and Housing Authority of Hong Kong, and regulatory and compliance requirements imposed by the Stock Exchange and Securities and Futures Commission in Hong Kong. During the year ended 31 December 2018 and up to the date of this report, there is no material non-compliance with any of the prevailing laws and regulations in Singapore and Hong Kong.

On behalf of the Board

Cheng Wing On, Michael
Chairman

Hong Kong, 28 March 2019

DIRECTOR

Executive Director

Mr. Cheng Wing On, Michael (鄭永安), aged 62, is and executive Director and the Chairman of the Board .He was appointed as a Director on 15 April 2011, and was the Chief Executive Officer from 11 September 2012 to 26 January 2016. He was appointed as the Chairman of the Board on 26 January 2016. He was appointed as the chairman of the nomination committee of the Company (the "**Nomination Committee**") on 26 January 2016 and the chairman of the strategy and investment committee of the Company (the "**Strategy and Investment Committee**") on 22 March 2016. Mr. Cheng is also a director of certain subsidiaries of the Company.

He has over 30 years of experience in the engineering and construction industry. Prior to establishing Sunnic Engineering Limited in May 1993, he served as a structural engineer in Sun Hung Kai Engineering Company Limited, a company principally engaged in the design business and engineering, from August 1980 to January 1982 and Leung Kee Holdings Limited, now known as Up Energy Development Group Limited (stock code: 307), a company listed on the Main Board of the Stock Exchange and principally engaged in the development and construction of coal mining and coke processing facilities from January 1983 to December 1993 with his last position serving as a managing director. He obtained his bachelor's degree of Applied Science from the University of Toronto in Toronto, Canada in June 1980.

Save as disclosed above, Mr. Cheng has not served in any public companies the securities of which are listed on any securities market in Hong Kong or overseas in the past three years.

Mr. Wang Congyuan (王從遠), aged 44, is an executive Director and Chief Executive Officer of the Company. He was appointed as an executive Director and Chief Executive Officer on 26 January 2016. He was appointed as a member of the Remuneration Committee of the Company (the "**Remuneration Committee**") on 26 January 2016 and a member of the Strategy and Investment Committee on 22 March 2016.Mr. Wang is also a director of certain subsidiaries of the Company.

He has over 20 years of experience in the engineering and construction industry. From September 2007 to October 2015, Mr. Wang Congyuan took the positions of secretary to the board of directors, assistant to the president, the vice president and the joint chairman of 青建集團股份公司 (Qingjian Group Co., Ltd.*) ("**Qingjian**") and from December 2012 to October 2015, he was the vice president and the executive vice president of Guotsing PRC. During the period from August 2012 to December 2013, he served as the president of 青建國際集團有限公司 (Qingjian International Group Co., Ltd.*). Mr. Wang Congyuan, was also the chairman and the chief executive officer of 青島青建地產集團有限公司 (Qingdao Qingjian Real Estate Group Co.,Ltd.*) during the period from July 2014 to August 2015. He is a director and vice chairman of Guotsing PRC. He is also a director of CNQC Development Limited and Guotsing Holdings (South Pacific) Investment Pte. Ltd .

Mr. Wang Congyuan holds a master's degree in finance from PBC School of Finance ("**五道口金融學院**") of Tsinghua University ,the People's Republic of China (the "**PRC**")and holds a bachelor's degree in thermal engineering from The University of Science and Technology Beijing, PRC. He is a senior engineer and a member of the Chartered Institute of Building. Mr. Wang Congyuan was accredited as 青島市最具成長性企業家 (The Entrepreneur with Highest Potential in Qingdao*) in December 2012, and was awarded 山東省富民興魯勞動獎章 (The Award for Improvement of Living Standard in Shandong Province*) in April 2014.

Save as disclosed above, Mr. Wang has not served in any public companies the securities of which are listed on any securities market in Hong Kong or overseas in the past three years.

BIOGRAPHIES OF THE DIRECTORS AND SENIOR MANAGEMENT

Mr. Zhang Yuqiang (張玉強), aged 57, is an executive Director of the Company. He was appointed as an executive Director on 11 April 2014 and a general manager of the Company on 22 April 2014. Mr. Zhang joined the Company on 11 April 2014 and is responsible for assisting the Chief Executive Officer in the overall operations and management of the Group. He was appointed as a member of the Remuneration Committee of the Company and a member of the Strategy and Investment Committee on 22 March 2016.Mr. Zhang is also a director of certain subsidiaries of the Company.

Prior to joining the Group, Mr. Zhang acted as the deputy general manager of international business division of Qingjian from 2001 to 2007. During 2007 to 2012, he consecutively acted as the assistant to president of Qingjian, vice president and general manager of 青建集團股份公司阿爾及利亞分公司 (Algeria Branch Company of Qingjian*), and deputy president of the international business department and property department of Qingjian. and the vice-president of the Guotsing Holding Group Limited. He is a director of Guotsing Holding (South Pacific) Investment Pte. Ltd. Mr. Zhang has more than 30 years' experience in the property construction industry.

Mr. Zhang graduated from 山東建築工程學院 (Shandong Construction Engineering Institute*), the PRC, with a Bachelor's degree in Engineering in 1984. He obtained a Master's degree in Business Administration from Nankai University (南開大學), the PRC, in June 2010. Mr. Zhang qualified as a certified constructor of the Ministry of Construction of the PRC in November 2007.

Save as disclosed above, Mr. Zhang has not served in any public companies the securities of which are listed on any securities market in Hong Kong or overseas in the past three years.

Non-Executive Director

Mr. Chen Anhua (陳安華), aged 51, is a non-executive Director of the Company. He was appointed as a non-executive Director on 27 November 2017 and was appointed as a member of the Strategy and Investment Committee on 11 January 2019. He is a senior economist, graduated from Fudan University (復旦大學) and obtained a bachelor degree in economics in 1989. He then obtained a master degree in business management from the Central South University (中南大學) in 1997. Mr. Chen was awarded the post-experience certificate in engineering business management by the University of Warwick in 2006.

Between January 2002 and September 2015, Mr. Chen worked in the Changsha office ("GW Changsha Office") of China Great Wall Asset Management Co., Ltd. (中國長城資產管理股份有限公司) ("**China Great Wall**"). He served as the project manager and section head of the asset operation department and investment banking department of GW Changsha Office between January 2002 and January 2006. Between February 2006 and September 2015, Mr. Chen served as the senior/senior deputy manager of different departments in GW Changsha Office. From October 2015 to September 2016, he served in the asset operation department (Division I) of the head office of China Great Wall.

Since November 2016, Mr. Chen serves as the deputy general manager of China Great Wall AMC (International) Holdings Company Limited (中國長城資產(國際)控股有限公司) ("**Great Wall AMC**"). Prior to joining China Great Wall, he worked in the Agricultural Bank of China, taking up various positions including the deputy head of branch office in Changsha. Mr. Chen is also a non-executive director of Modern Land (China) Co., Limited (Stock Code: 1107), a company listed on the Main Board of the Stock Exchange, since January 2017.

Save as disclosed above, Mr. Chen has not served in any public companies the securities of which are listed on any securities market in Hong Kong or overseas in the past three years.

Independence Non-executive Director

Mr. Ching Kwok Hoo, Pedro (程國灝), aged 75, joined the Company on 11 September 2012 as an independent non-executive Director, and was at the same time appointed a member of the Audit Committee, the Remuneration Committee and the Nomination Committee. Mr. Ching was appointed as the chairman of the Remuneration Committee on 11 January 2019. Mr. Ching was appointed a Member of the Most Excellent Order of the British Empire on the 1997 Birthday Honours List in June 1997, and was promoted to Commander of the Most Venerable Order of the Hospital of St John of Jerusalem in March 2017.

He worked in the Hong Kong Police Force for approximately 34 years until January 1998 with his last position as the director of management services. After his retirement from the Hong Kong Police Force, Mr. Ching has taken senior management role in the commercial field.

Save as disclosed above, Mr. Ching has not served in any public companies the securities of which are listed on any securities market in Hong Kong or overseas in the past three years.

Mr. Tam Tak Kei, Raymond (譚德機), aged 55, was appointed as an independent non-executive Director, the chairman of the Audit Committee and a member of the Nomination Committee on 11 September 2012. Mr. Tam was appointed as a member of the Remuneration Committee on 11 January 2019. Mr. Tam joined the Company on 11 September 2012. Mr. Tam obtained a Bachelor of Arts degree in Accounting with Computing from University of Kent at Canterbury, the United Kingdom in July 1985. He has been a member of The Institute of Chartered Accountants in England and Wales since August 1990 and an associate of the Hong Kong Society of Accountants since January 1995.

Mr. Tam acted as the financial controller at international law firms for nine years and has over 30 years of professional accounting experience and is currently the finance director of a Hong Kong-based auction company of Branding China Group Limited (stock code: 0863), a company listed on the Main Board of the Stock Exchange.

Mr. Tam has also acted as an independent non-executive director of, MEIGU Technology Holding Group Limited (stock code: 8349) since December 2016, companies listed on the Growth Enterprise Market of Stock Exchange; Li Bao Ge Group Limited (stock code: 1869) since June 2016, Vision Fame International Holding Limited (stock code: 1315) since December 2011, with both companies listed on the Growth Enterprise Market of Stock Exchange.

Save as disclosed above, Mr. Tam has not served in any public companies the securities of which are listed on any securities market in Hong Kong or overseas in the past three years.

Mr. Chan Kok Chung, Johnny (陳覺忠) , aged 59, is an independent non-executive Director. He was appointed as an independent non-executive Director on 26 January 2016. He was appointed as a member of the Audit Committee, a member of the Nomination Committee, a member of the Remuneration Committee and a member of Strategy and Investment Committee on 22 March 2016.

He has over 34 years of experience in investment banking and investment management industry. He is Acting CIO of the Cyberport Macro Fund of the Hong Kong Cyberport Management Company.

He is a co-founder and director of Techpacific Capital Limited, and was the chairman and chief executive officer of Crosby Asset Management (Hong Kong) Limited from 2004 to 2015 and Chairman and founder of Crosby Wealth Management from 2004 to 2012. Mr. Chan is the President of the Hong Kong Venture Capital and Private Equity Association Limited. He is also the founder and Secretary General of the Asian Venture Capital and Private Equity Council Limited. Mr. Chan is Member of the Advisory Committee of the Innovation and Technology Commission of the HKSAR Government as well as a Member of the ICT Advisory Committee and Service Promotion Programme Committee of the Hong Kong Trade Development Council. He is a member of the Choate Rosemary Hall Parent Advisory Council. He is a director of Repton International (Asia Pacific) Limited. Mr. Chan holds a Master of Business Administration degree from City University Business School in the United Kingdom, a postgraduate diploma from The Securities Institute of Australia and a Bachelor of Arts (Hons) degree in Economics from the London Metropolitan University.

Mr. Chan is currently an independent non-executive director of SOUTH SHORE HOLDINGS LIMITED (stock code: 577), a company listed on the Main Board of the Stock Exchange. Mr. Chan is a responsible officer of Mason Investment Management Limited and Mason Global Capital Limited.

Save as disclosed above, Mr. Chan has not served in any public companies the securities of which are listed on any securities market in Hong Kong or overseas in the past three years.

BIOGRAPHIES OF THE DIRECTORS AND SENIOR MANAGEMENT

SENIOR MANAGEMENT

Mr. Wang Linxuan (王林宣), aged 46, executive director and president of CNQC (South Pacific) Holding Pte. Ltd. Mr. Wang Linxuan was the managing director of 高技工程私營有限公司 (Welltech Construction Pte Ltd*) from September 2011 to May 2015. He has more than 20 years of experience in construction and real estate development industries in Singapore and China. Mr. Wang Linxuan holds a bachelor's degree of Science in Architectural Engineering from Shandong Institute of Architecture and Engineering by the PRC, and a master's degree in business administration from National University of Singapore. Mr. Wang Linxuan is a senior engineer and also awarded the qualification of 國家一級註冊建造師 (Constructor of Registered Qualification Certificate*) by the PRC in August 2010.

Mr. Ho Chi Ling (何智凌), aged 54, joined our Group in July 1997. He is the managing director of Sunley Engineering & Construction Co., Limited. He holds a Bachelor's degree in Engineering in Civil and Environmental Engineering from the University of Newcastle upon Tyne (now known as Newcastle University) in the United Kingdom awarded in July 1992, a Master of Science in Project Management from the Hong Kong Polytechnic University which was completed largely via online course modules with degree awarded in December 2005 and a Master of Arts in Arbitration and Dispute Resolution from The City University of Hong Kong awarded in February 2009. He is a member of the Hong Kong Institution of Engineers and a Registered Professional Engineer (Civil discipline) in Hong Kong.

Mr. Ho is responsible for execution of the foundation projects of the Group. He has about 30 years' experience in the engineering and construction industry. Mr. Ho is also the director of certain subsidiaries of the Company. Prior to joining the Group in 1997, he had worked for major contractors and engineering consultants in Hong Kong for 12 years, involving in civil engineering and building projects including drainage, foundation, water mains, and site formation.

Mr. Li Jun (李軍), aged 42, joined the Group in December 2014, he is the vice president. Mr. Li holds a bachelor of Accountancy degree from Qingdao University, the PRC, a master of Accountancy degree from Tianjin University of Finance and Economic, the PRC.

Mr. Li has more than 20 years of experience in financial management and corporate finance. Prior to joining the Group, he worked at a several companies as an audit manager from 1999 to 2007, he was the deputy chief accountant and president assistant from Qingjian Group Co and Guosting Holding Group Company Limited during 2007 to 2015 . Mr. Li is a qualified accountant.

Mr. Xu ZhengPeng (徐正鵬), aged 45, joined the Group in April 2008, he is the vice president of CNQC (South Pacific) Holding Pte. Ltd. Mr. Xu holds a Bachelor's degree in finance management from Qingdao University of Science & Technology, the PRC, a master's degree in management from Shanghai Jiao Tong University, the PRC.

Mr. Xu has more than 20 years of experience in financial management and corporate finance. He worked at Qingdao Qingjian Holding Co* as a director of the finance department and at Qingjian Realty Pte. Ltd as a chief accountant during 2002 to 2012. Mr. Xu is a qualified accountant.

Mr. Yeong Chen Seng (楊振聲), aged 45, joined the Group in September 2012, he is the chief financial officer of CNQC (South Pacific) Holding Pte. Ltd. Mr. Yeong holds a Bachelor of Accountancy degree from Nanyang Technological University, Singapore.

Mr. Yeong has more than 20 years of experience in financial management and corporate finance. Prior to joining the Group, he worked at PricewaterhouseCoopers from 1997 to 2012. He was also the chief financial officer of Guotsing (South Pacific) Holding Pte Ltd from 2014 to 2015. Mr. Yeong is a Chartered Accountant of Singapore.

BIOGRAPHIES OF THE DIRECTORS AND SENIOR MANAGEMENT

Mr. Song Shang Feng (宋尚峰), aged 43, joined the Group in June 2017. Mr. Song is the executive president of CNQC (South Pacific) holding Pte. Ltd., executive director and general manager of CNQC Engineering & Construction Pte. Ltd. Mr. Song holds a joint master's degree in business administration from Shanghai Jiao Tong University & Nanyang Technological University. Beginning in 1999, Mr Song has 19 years of extensive experience with CNQC group in various countries, having been served in multiple cities in Lesotho, Libya, Singapore, Myanmar and China, covering a diverse range of jobs from assistant general manager, vice head of department, deputy general manager to now serving as both executive director and general manager in Singapore.

Mr. Sun Yong (孫湧), aged 47, joined the Group in December 2007, he is the vice present of CNQC (South Pacific) Holding Pte. Ltd. Mr. Sun holds a Bachelor's degree in civil engineering from Zhejiang University, the PRC, a master's degree in building science from University of Singapore.

Mr. Sun has more than 25 years of experience in engineering and construction industry. Prior to joining the Group, he worked at several large-scale construction and engineering companies serving as a quantity surveyor, project manager, deputy general manager during 1992 to 2007.

Mr. Li Jun (李俊), aged 43, joined the Group in April 2008, he is executive director and the general manager of Qingjian Realty (South Pacific) Group Pte Ltd. Mr.Li holds a Bachelor's degree in Construction engineering from Qingdao University of Science & Technology, the PRC.

Mr. Li has more than 20 years of experience in property development industry. His extensive international working experience makes him an expertise in the property development industry both in Singapore and China. He worked at Qingjian Realty Pte. Ltd as a deputy general manager during 2008 to 2012. Mr. Li qualified as a certified engineering of Qingdao of the PRC in 2004.

Mr. Gao Shigang (高士剛), aged 50, joined the Group in August 2001, he is the vice present of CNQC (South Pacific) Holding Pte. Ltd. Mr.Gao holds a Bachelor's degree in civil engineering (International contracting) from Chongqing University, the PRC.

Mr. Gao has more than 25 years of experience in engineering and construction industry. Prior to joining the Group, he worked Qingdao Construction Group as a Deputy General Manager during 1992 to 2001. Mr. Gao is a senior engineer.

Mr. Tsui Kwok Kin (崔國健), aged 70, joined the Group in June 2010 and is a director of Sunley Engineering & Construction Company Limited, Sunnic Engineering Limited and Full Gain Engineering Limited. He is responsible for coordinating the design and construction of foundation works for various projects and the management of in house design team. He has over 45 years of experience in the engineering and construction industry. Prior to joining Sunnic Engineering Limited in 1993, he has worked for Chau Lam Architect & Associates Limited for over 20 years, for which, he was a director from 1986 to 1992, involving in structural design and supervision of various types of building projects. He was an executive director of Leung Kee Holdings Company Limited (now known as Up Energy Development Group Limited (stock code 307, the shares of which are listed on the Main Board of the Stock Exchange), a construction company specialised in substructure and site formation works at the material time, from 1992 to 1993. Mr. Tsui has not served in any public companies the securities of which are listed on any securities market in Hong Kong or overseas in the past three years.

He holds a diploma in civil engineering from the Hong Kong Baptist College (now known as the Hong Kong Baptist University) awarded in July 1969 and an associateship in civil and structural engineering from the Hong Kong Polytechnic (now known as The Hong Kong Polytechnic University) awarded in November 1985. He is an Authorised (Architect) Person and a Registered Structural Engineer under the Buildings Ordinance, a Chartered Engineer registered under the Institution of Structural Engineers and Institutions of Civil Engineers in the United Kingdom, a registered Architect in Hong Kong under the Architects Registration Board, and a registered Professional Engineer in Hong Kong under the Engineer Registration Board. He is also a member of the Hong Kong Institution of Engineers, Hong Kong Institution of Architect, a member of the Institution of Structural Engineers in the United Kingdom, and a member of the Institution of Civil Engineers in the United Kingdom. He also has the recognized qualification for First Class Registered Structural Engineer in China.

BIOGRAPHIES OF THE DIRECTORS AND SENIOR MANAGEMENT

Mr. Ho Chun Chuen (何振全), aged 67, joined the Group in May 2015 and is a director of Sunnic Engineering Limited responsible for general manager and supervise for superstructure department. He has over 46 years of experience in the construction industry.

Prior to joining Sunnic Engineering Limited, he was a project manager of John Lok & Partners Ltd , a project director of Sanfield Building Contractors Ltd, a director of New House Construction Co., Ltd, a general manager (Construction) of Kowloon Development Ltd, a director of WLS construction Limited, a deputy general manager of project management department (II) of Henderson Land Development Co. Ltd .

He is a member of Australian Institute of Building (MOAIB), a member of Chartered Institute of Building(MIOB), a member of Hong Kong Institute of Construction Manager (MHKICM), a member of Hong Kong Institute of Project Management (MHKIPM).

Mr. Tan Huat Ping (陳法彬), aged 45, joined the Group in May 2010, he is the executive director and general manager of Welltech Construction Pte Ltd. Mr. Tan holds a Bachelor's degree in Civil Engineering from Coventry University in United Kingdom.

Mr. Tan has more than 19 years of experience in civil engineering and construction industry. Prior to joining the Group, he worked at several large-scale construction and engineering companies serving as a project engineer to senior project manager, during 1999 to 2010. He worked at Welltech Construction Pte. Ltd as a deputy general manager during 2011 to 2015.

Mr. Zhu Wenbo (朱文博), aged 34, joined the Group in September.2012, he is the executive director and chief executive officer of Welltech Construction Pte Ltd. Mr. Zhu holds a Bachelor's degree in Accounting from Qingdao University.

Mr. Zhu has more than 11 years of experience in financial management and corporate finance. He worked at Qingdao Bohai Construction Group Co., Ltd as a Manager of the finance department and at Welltech Construction Pte Ltd as a Deputy General Manager during 2007 to 2016. Mr. Zhu is a qualified accountant.

GROUP CHIEF FINANCIAL OFFICER AND COMPANY SECRETARY

Mr. Chan Tat Hung (陳達鴻), aged 46, joined the Group in May 2017. Mr. Chan holds a bachelor's degree in business administration with a major in professional accountancy from the Chinese University of Hong Kong. Mr. Chan has more than 20 years of experience in finance, auditing and accounting. Mr. Chan is an associate member of the Hong Kong Institute of Certified Public Accounts, the Association of Chartered Certified Accountants, the Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administrators and is a fellow member of the Association of Chartered Certified Accountants.

CORPORATE GOVERNANCE REPORT

The Group's corporate governance practices are based on the principles and the code provisions as set out in the Corporate Governance Code (the "**Code**") contained in Appendix 14 to the Listing Rules.

The Company had complied with all the applicable code provisions as set out in the Code during the Reporting Period.

The Group commits to continuously improving its corporate governance practices by periodic review to ensure that the Group continues to meet the requirements of the Code.

The key corporate governance practices of the Group are summarized as follows:

BOARD OF DIRECTORS

Composition

As at the date of this annual report, the Board currently comprises three executive Directors, one non-executive Director and three independent non-executive Directors.

Executive Directors

Mr. Cheng Wing On, Michael *(Chairman)*
Mr. Wang Congyuan
Mr. Ho Chi Ling (resigned as executive Director on 11 January 2019)
Mr. Zhang Yuqiang
Mr. Wang Linxuan (resigned as executive Director on 11 January 2019)

Mr. Cheng Wing On, Michael entered into a service contract for executive directorship with the Company effective from 11 August 2017 for a term of three years, unless terminated by not less than three months' notice in writing served by either party on the other or otherwise in accordance with the terms of the Director's service contract. Mr. Cheng Wing On, Michael was appointed as the Chairman on 26 January 2016.

Mr. Wang Congyuan renewed his service contract for executive directorship with the Company effective from 26 January 2019 for a term of three years, unless terminated by not less than three months' notice in writing served by either party on the other or otherwise in accordance with the terms of the Director's service contract. Mr. Wang Congyuan was appointed as the Chief Executive Officer on 26 January 2016.

Mr. Zhang Yuqiang entered into a service contract for executive directorship with the Company effective from 11 August 2017 for a term of three years, unless terminated by not less than three months' notice in writing served by either party on the other or otherwise in accordance with the terms of the Director's service contract.

Mr. Ho Chi Ling was an executive Director from 11 September 2012 and resigned as an executive Director on 11 January 2019. Mr. Wang Linxuan was an executive Director from 26 January 2016 and resigned as an executive Director on 11 January 2019.

Non-executive Directors

Dr. Sun Huiye (resigned as non-executive Director on 11 January 2019)
Mr. Wang Xianmao (resigned as non-executive Director on 11 January 2019)
Mr. Chen Anhua

Mr. Chen Anhua entered into a service contract for non-executive directorship with the Company effective from 27 November 2017 for a term of three years, unless terminated by not less than three months' notice in writing served by either party on the other or otherwise in accordance with the terms of the Director's service contract.

Dr. Sun Huiye was a non-executive Director from 26 January 2016 and resigned as a non-executive Director on 11 January 2019. Mr. Wang Xianmao was a non-executive Director from 16 January 2017 and resigned as a non-executive Director on 11 January 2019.

Independent Non-executive Directors

Mr. Chuck Winston Calptor (resigned as an independent non-executive Director on 11 January 2019)
Mr. Ching Kwok Hoo, Pedro
Mr. Tam Tak Kei, Raymond
Mr. Chan Kok Chung, Johnny

Mr. Ching Kwok Hoo, Pedro and Mr. Tam Tak Kei, Raymond respectively renewed their service contract for independent non-executive directorship with the Company effective from 12 September 2018 for a term of two years, unless terminated by not less than three months' notice in writing served by either party on the other or otherwise in accordance with the terms of the director's service contract.

Mr. Chan Kok Chung, Johnny renewed his service contract for independent non-executive directorship with the Company effective from 26 January 2018 for a term of two years, unless terminated by not less than three months' notice in writing served by either party on the other or otherwise in accordance with the terms of the director's service contract.

Mr. Chuck Winston Calptor was an independent non-executive Director from 11 September 2012 and resigned as an independent non-executive Director on 11 January 2019.

The Company has complied with rules 3.10(1) and 3.10A of the Listing Rules. During the Reporting Period, there were three independent non-executive Directors in the Board and the number of independent non-executive Directors represents one-third of the Board. As such, there exists a strong independent element in the Board, which can effectively exercise independent judgment. The Company has also complied with rule 3.10(2) of the Listing Rules which stipulates that one of the independent non-executive Directors must possess appropriate professional qualification or accounting or related financial management expertise. In compliance with the Code, the independent non-executive Directors are expressly identified as such in all corporate communications that disclose the names of the Directors.

The Directors are subject to retirement by rotation and re-election at the annual general meeting in accordance with the Articles.

At each following annual general meeting, one-third of the Directors are required to retire from office. Each Director shall retire from office once every three years. The Directors to retire in every year shall be those appointed by the Board during the year and those who have been longest in office since their last election or re-election. New Directors appointed by the Board during the year shall retire and submit themselves for re-election at the annual general meeting immediately following their appointments.

Mr. Cheng Wing On, Michael, Mr. Wang Congyuan, Mr. Zhang Yuqiang will retire from office as Directors at the forthcoming annual general meeting of the Company, being eligible, to offer themselves for re-election pursuant to Article 108(a) of the Articles. No Director proposed for re-election at the annual general meeting has a service contract with the Company, which is not determinable by the Company within one year other than statutory compensation.

The Company has received from each of its independent non-executive Directors an annual confirmation of his independence pursuant to rule 3.13 of the Listing Rules. The Group considers all independent non-executive Directors to be independent under the Listing Rules.

Save as disclosed in the section headed "Biographies of the Directors and Senior Management" in this annual report, there is no financial, business, family or other material/relevant relationship among the members of the Board, in particular, between the Chairman of the Board and the chief executive officer of the Company.

BOARD AND GENERAL MEETINGS

The Board meets regularly and, in addition to regular meetings, it meets as and when warranted by particular circumstances. Under code provision A.1.1 of the Code, the Board shall meet regularly and at least four times a year at approximately quarterly intervals. During the Reporting Period, 6 Board meetings and 1 general meeting were held up to the date of this report.

The Directors' attendance of the Board meetings and general meetings during the Reporting Period is set out as follows:

	Attendance/Number of meetings during the Reporting Period	
Name of Directors	**Board Meeting**	**General Meeting**
Executive Directors		
Mr. Cheng Wing On, Michael	6/6	0/1
Mr. Wang Congyuan	6/6	1/1
Mr. Ho Chi Ling *(Note 1)*	5/6	0/1
Mr. Zhang Yuqiang	6/6	1/1
Mr. Wang Linxuan *(Note 1)*	6/6	0/1
Non- executive Director		
Dr. Sun Huiye *(Note 2)*	6/6	0/1
Mr. Wang Xianmao *(Note 2)*	6/6	0/1
Mr. Chen Anhua	4/6	0/1
Independent Non-executive Directors		
Mr. Chuck Winston Calptor *(Note 3)*	6/6	1/1
Mr. Ching Kwok Hoo, Pedro	6/6	1/1
Mr. Tam Tak Kei, Raymond	5/6	1/1
Mr. Chan Kok Chung, Johnny	6/6	0/1

Notes:

(1) Mr. Ho Chi Ling and Mr. Wang Linxuan resigned as executive Directors on 11 January 2019.

(2) Dr. Sun Huiye and Mr. Wang Xianmao resigned as non-executive Directors on 11 January 2019.

(3) Mr. Chuck Winston Calptor resigned as independent non-executive Director on 11 January 2019.

CORPORATE GOVERNANCE REPORT

BOARD RESPONSIBILITIES AND DELEGATION

The Board is responsible to the shareholders for leadership and control of the Group and be collectively responsible for promoting the success of the Group by directing and supervising the Group's affairs. The Board focuses on formulating the Group's overall strategies, approving the annual development plan and budget; monitoring financial and operating performance; reviewing the effectiveness of the internal control system and supervising and managing management's performance.

Regarding the Group's corporate governance, during the Reporting Period, the Board has in accordance with the terms of reference performed the following duties:

- determined and reviewed the policies and practices on corporate governance of the Group and make recommendations;
- reviewed and monitored the training and continuous professional development of Directors and senior management;
- reviewed and monitored the Group's policies and practices on compliance with legal and regulatory requirements;
- developed, reviewed and monitored the code of conduct applicable to Directors and employees; and
- reviewed the Company's compliance with the Code and disclosure in this corporate governance report.

The Board delegates the day-to-day management, administration and operation of the Group to the management. The delegated functions are reviewed by the Board periodically to ensure they remain appropriate to the needs of the Group. The Board gives clear directions to the management as to the matters that must be approved by the Board before decisions are made on behalf of the Group by the management.

DIRECTORS' CONTINUING PROFESSIONAL DEVELOPMENT PROGRAMME

All Directors confirmed that they had complied with code provision A.6.5 of the Code during the Reporting Period, that all Directors had participated in continuous professional development to develop and refresh their knowledge and skills. The Company has arranged an in-house training on the Listing Rules in the form of a seminar during the Reporting Period and relevant training material has been distributed to all the Directors. The training covered topics including the Code, listed company regulations and disclosure obligations in Hong Kong, discloseable transactions and connected transactions etc..

Name of Directors	Reading seminar materials and updates relating to the latest development of the Listing Rules and other applicable regulatory requirements	Attending in-house training
Mr. Cheng Wing On, Michael	1	1
Mr. Wang Congyuan	1	1
Mr. Ho Chi Ling *(Note 1)*	1	1
Mr. Zhang Yuqiang	1	1
Mr. Wang Linxuan *(Note 1)*	1	1
Dr. Sun Huiye *(Note 2)*	1	1
Mr. Wang Xianmao *(Note 2)*	1	1
Mr. Chen Anhua	1	1
Mr. Chuck Winston Calptor *(Note 3)*	1	1
Mr. Ching Kwok Hoo, Pedro	1	1
Mr. Tam Tak Kei, Raymond	1	1
Mr. Chan Kok Chung, Johnny	1	1

Notes:

(1) Mr. Ho Chi Ling and Mr. Wang Linxuan resigned as executive Directors on 11 January 2019.

(2) Dr. Sun Huiye and Mr. Wang Xianmao resigned non-executive Directors on 11 January 2019.

(3) Mr. Chuck Winston Calptor resigned as independent non-executive Director on 11 January 2019.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Under code provision A.2.1 of the Code, the roles of chairman and chief executive officer should be separated and should not be performed by the same individual. In compliance with the Code, the Group had appointed a separate chairman and chief executive officer of the Company during the Reporting Period. In order to ensure that there is clear division of responsibilities between the chairman of the Board and the chief executive officer of the Company, the two positions are assumed by different individuals, the Chairman of the Board during the Reporting Period, Mr. Cheng Wing On, Michael, was responsible for the operation of the Board and the formulation of the Group's strategies and policies. Mr. Wang Congyuan, the Chief Executive Officer of the Company during the Reporting Period, with the assistance of other members of the Board and senior management, was responsible for the management of the Group's business, the implementation of significant policies, the daily operational decisions as well as the coordination of the overall operation. The Chairman of the Board had ensured that all Directors were properly briefed on issues arising at the Board meetings and received adequate, complete and reliable information in a timely manner.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Companies set out in Appendix 10 of the Listing Rules (the "**Model Code**") as the code of conduct of the Company regarding directors' transactions of the listed securities of the Company.

The Company has made specific enquiry to all Directors, and all Directors have confirmed that they had complied with the Model Code and its code of conduct during the Reporting Period.

REMUNERATION COMMITTEE

During the Reporting Period, the Remuneration Committee consisted of Mr. Wang Congyuan , Mr. Zhang Yuqiang and, two executive Director, and three independent non-executive Directors, namely Mr. Ching Kwok Hoo, Pedro, Mr. Tam Tak Kei, Raymond and Mr. Chan Kok Chung, Johnny, with Mr. Chuck Winston Calptor being the chairman of the Remuneration Committee. Mr. Chuck Winston Calptor resigned as chairman and member of the Remuneration Committee on 11 January 2019. Mr. Ching Kwok Hoo, Pedro was appointed as the chairman of the Remuneration Committee and Mr. Tam Tak Kei, Raymond was appointed as a member of the Remuneration Committee on 11 January 2019.

The written terms of reference of the Remuneration Committee adopted by the Board are in line with the Code and are available on the website of the Company and the Stock Exchange.

The principal responsibilities of the Remuneration Committee include making recommendations to the Board on the Group's policy and structure for the remuneration of all Directors and senior management, reviewing and approving the management's remuneration proposals with reference to the corporate goals and objectives of the Board from time to time. The Remuneration Committee made recommendations to the Board on the remuneration packages of individual executive Directors and senior management and the Board as a whole determined the remuneration policy and packages of the Directors. No individual Director was allowed to involve in deciding his own remuneration.

The Remuneration Committee has held one meeting during the Reporting Period to, inter alia, review the Group's remuneration policy and structure of the Company and the remuneration and performance of duties of the executive Directors and senior management. The committee members' attendance of the Remuneration Committee during the Reporting Period is set out as follows:

	Attendance/ Number of meetings during the Reporting Period
Mr. Ching Kwok Hoo, Pedro *(Chairman) (Note 1)*	1/1
Mr. Chan Kok Chung, Johnny	1/1
Mr. Wang Congyuan	1/1
Mr. Zhang Yuqiang	1/1
Mr. Chuck Winston Calptor *(Note 2)*	1/1
Mr. Tam Tak Kei, Raymond *(Note 3)*	0/1

Notes:

(1) Mr. Ching Kwok Hoo, Pedro was appointed as the chairman of the Remuneration Committee on 11 January 2019.

(2) Mr. Chuck Winston Calptor resigned as chairman and member of the Remuneration Committee on 11 January 2019.

(3) Mr. Tam Tak Kei, Raymond was appointed as member of the Remuneration Committee on 11 January 2019.

Under the terms of reference, members of the Remuneration Committee had performed the following duties:

- assessed the performance of executive Directors and consulted the chairman of the Board and the chief executive officer about their remuneration proposals for other executive Directors;
- made recommendations to the Board on the Company's policy and structure for all Directors' and senior management remuneration;
- reviewed and approved the management's remuneration proposals with reference to the Board's corporate goals and objectives;
- made recommendations to the Board on the remuneration packages of individual executive Directors and senior management;
- made recommendations to the Board on the remuneration of non-executive Directors;
- considered salaries paid by comparable companies, time commitment and responsibilities and employment conditions elsewhere in the Company and its subsidiaries; and
- ensured that no Director or any of his/her associates is involved in deciding his/her own remuneration.

CORPORATE GOVERNANCE REPORT

DIRECTORS' REMUNERATION

Directors' emoluments are determined with reference to Directors' duties, responsibilities and performance and the results of the Group. In addition, the Directors' remuneration is reviewed by the remuneration committee of the Company annually. Details of the Directors' remuneration are set out in note 10 of the financial statements.

REMUNERATION OF THE SENIOR MANAGEMENT

For the Reporting Period, the remuneration of senior management is listed as below by band:

Band of remuneration (HK$)	No. of person
HK$1,000,000 to HK$2,000,000	1
HK$2,000,001 to HK$3,000,000	5
HK$3,000,001 to HK$4,000,000	1
HK$4,000,001 to HK$5,000,000	2
HK$5,000,001 and above	3

Further details of the remuneration of the Directors and the 5 highest paid employees required to be disclosed under Appendix 16 of the Listing Rules have been set out in Note 10 to the financial statements.

AUDITOR'S REMUNERATION

During the Reporting Period, the fees incurred for recurring audit service, other audit services and non-audit services provided by the auditor of the Group was approximately HK$7,227,000, HK$2,433,000 and HK$101,000 respectively.

AUDIT COMMITTEE

During the Reporting Period, the Audit Committee consisted of a non-executive Director, namely, Mr. Wang Xianmao and four independent non-executive Directors, namely Mr. Tam Tak Kei, Raymond, Mr. Chuck Winston Calptor and Mr. Ching Kwok Hoo, Pedro and Mr. Chan Kok Chung, Johnny, with Mr. Tam Tak Kei, Raymond being the chairman of the Audit Committee. Mr. Wang Xianmao and Mr. Chuck Winston Calptor resigned as members of the Audit Committee on 11 January 2019.

The written terms of reference of the Audit Committee adopted by the Board are in line with the Code and are available on the website of the Company and the Stock Exchange.

The Audit Committee is primarily responsible for reviewing and supervising the financial reporting process, risk management and internal control systems of the Group as well as external auditor of the Group. Policies in relation to financial controls, internal controls, risk management systems of the Group, and the reappointment of the external auditor were reviewed by the Audit Committee at the meetings. During the Reporting Period, the Audit Committee has reviewed with the management of the Group's unaudited interim and audited results. The Audit Committee also reviewed this report and confirmed that this report is complete, accurate and complies with all applicable rules and regulations, including but not limited to the Listing Rules and the Code. There is no disagreement between the Board and the Audit Committee regarding the selection, appointment, resignation or dismissal of the external auditor.

The committee members' attendance of the Audit Committee during the Reporting Period is set out as follows:

	Attendance/ Number of meetings during the Reporting Period
Mr. Tam Tak Kei, Raymond *(Chairman)*	2/2
Mr. Chuck Winston Calptor *(Note)*	2/2
Mr. Ching Kwok Hoo, Pedro	2/2
Mr. Chan Kok Chung, Johnny	2/2
Mr. Wang Xianmao *(Note)*	2/2

Note: Mr. Chuck Winston Calptor and Wang Xianmao resigned as a member of the Audit Committee on 11 January 2019

Under the terms of reference, members of the Audit Committee have performed the following duties:

- made recommendations to the Board on the appointment and re-appointment of the Company's external auditor, and approved the audit and terms of engagement of the Company's external auditor;
- reviewed the Company's external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards;
- reviewed the integrity of the Company's financial statements and annual report and accounts, interim report and reviewed significant financial reporting judgments;
- discussed with the Company's external auditors questions and doubts arising in audit of annual accounts;
- reviewed the Group's internal control system and the statement about the Company's internal control system which included in this report prior to submission for the Board's approval;
- reviewed the Company's financial reporting, financial controls, internal control and risk management systems;
- discussed the internal control system with the Company's management to ensure that management has performed its duty to have an effective internal control system. The discussion included the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function;
- reviewed the financial and accounting policies and practices of the Group; and
- reviewed material queries raised by the auditor to management about accounting records, financial accounts and management's response.

CORPORATE GOVERNANCE REPORT

DIRECTORS' RESPONSIBILITY FOR FINANCIAL STATEMENTS

All Directors acknowledge their responsibility for preparing the financial statements for the year ended 31 December 2018. The statement by the auditor of the Company about their responsibilities for the financial statements is set out in the independent auditor's report. The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern, therefore the Directors continue to adopt the going concern approach in preparing the financial statements.

RISK MANAGEMENT AND INTERNAL CONTROLS

The Board is committed to manage business risks and to maintain a proper and effective system of internal control to safeguard the shareholders' investment and the Group's assets. Procedures have been set up for safeguarding assets against unauthorized use or disposition, controlling over capital expenditure, maintaining proper accounting records and ensuring the reliability of financial information used for business and publication. Qualified management of the Group maintains and monitors the internal control systems on an ongoing basis. The Board, through the Audit Committee, has conducted a review of the effectiveness of the internal control system of the Group covering all controls, including financial, operational and compliance controls, and risk management processes.

The processes used to identify, evaluate and manage significant risks by the Group are summarised as follows:

Risk Identification

- Identifies risks that may potentially affect the Group's business and operations.

Risk Assessment

- Assesses the risks identified by using the assessment criteria developed by the management; and
- Considers the impact and consequence on the business and the likelihood of their occurrence.

Risk Response

- Prioritises the risks by comparing the results of the risk assessment; and
- Determines the risk management strategies and internal control processes to prevent, avoid or mitigate the risks.

Risk Monitoring and Reporting

- Performs ongoing and periodic monitoring of the risk and ensures that appropriate internal control processes are in place;
- Revises the risk management strategies and internal control processes in case of any significant change of situation; and
- Reports the results of risk monitoring to the management and the Board regularly.

Control procedures have been designed to (i) safeguard assets against misappropriation and disposition; (ii) ensure compliance with relevant laws, rules and regulations; (iii) ensure proper maintenance of accounting records for provision of reliable financial information used within the business or for publication; and (iv) to provide reasonable assurance against material misstatement, loss or fraud.

The Board is responsible for the risk management and internal control systems of the Company and reviewing their effectiveness. The Board oversees the overall risk management of the Group and endeavours to identify, control impact of the identified risks and facilitate implementation of coordinated mitigating measures. The risk management and internal control systems of the Company are designed to manage rather than eliminate the risk of failures to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Company does not have an internal audit function and is currently of the view that there is no immediate need to set up an internal audit function within the Group in light of the size, nature and complexity of the Group's business. It was decided that the Board would be directly responsible for internal control of the Group and for reviewing its effectiveness.

The Board has engaged external consultant as its risk management and internal control review adviser to conduct the annual review of the risk management and internal control systems for the year ended 31 December 2018. Such review is conducted annually and cycles reviewed are under rotation basis. The scope of review was previously determined and approved by the Board. The external consultant has reported findings and areas for improvement to the Audit Committee and the management. The Board and the Audit Committee are of the view that there are no material internal control deficiencies noted. All recommendations from the external consultant are properly followed up by the Group to ensure that they are implemented within a reasonable period of time. The Board therefore considered that the risk management and internal control systems are effective and adequate.

An information disclosure policy is in place to ensure potential inside information being captured and confidentiality of such information being maintained until consistent and timely disclosure are made in accordance with the Listing Rules.

The policy regulates the handling and dissemination of inside information, which includes:

- Designated reporting channels from different operations informing any potential inside information to designated departments;

- Designated persons and departments to determine further escalation and disclosure as required; and

- Designated persons authorised to act as spokespersons and respond to external enquiries.

The Board is satisfied that the Group has fully complied with the Code in respect of internal controls and risk management during the year ended 31 December 2018.

NOMINATION COMMITTEE

During the Reporting Period, the Nomination Committee consisted of Mr. Cheng Wing On, Michael, the chairman of the Nomination Committee and executive Director, one non-executive Director, namely Dr. Sun Huiye, and three independent non-executive Directors, namely Mr. Ching Kwok Hoo, Pedro ,Mr. Tam Tak Kei, Raymond and Mr. Chan Kok Chung, Johnny. Dr. Sun Huiye resigned as a member of the Nomination Committee on 11 January 2019.

The written terms of reference of the Nomination Committee adopted by the Board are in line with the Code and are available on the website of the Company and the Stock Exchange.

The committee members' attendance of the Nomination Committee during the Reporting Period is set out as follows:

	Attendance/ Number of meetings during the Reporting Period
Mr. Cheng Wing On, Michael *(Chairman)*	1/1
Dr. Sun Huiye *(Note)*	1/1
Mr. Ching Kwok Hoo, Pedro	1/1
Mr. Tam Tak Kei, Raymond	1/1
Mr. Chan Kok Chung, Johnny	1/1

Note: Dr. Sun Huiye resigned as a member of the Nomination Committee on 11 January 2019

Under the terms of reference, the Nomination Committee had performed the following duties:

- reviewed the structure, size and composition (including the skills, knowledge and experience) of the Board and made recommendations on proposed changes if any to the Board to complement the Company's corporate strategy;
- reviewed the Company's board diversity policy and the progress on achieving the objectives set for implementing the said policy;
- determined the policy for the nomination of Directors;
- assessed the independence of independent non-executive Directors; and
- made 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.

The Board Diversity Policy

The board diversity policy of the Company sets out the approach to diversity on the Board. The Company recognizes and embraces the benefits of having a diverse Board to enhance the quality of its performance. All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board. Diversity of Board members can be achieved through consideration of a number of factors, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. In designing the Board's composition, the Company will also take into account factors based on its own business model and specific needs from time to time.

The Nomination Committee will monitor the implementation of this Policy and report annually, in the Corporate Governance Report, on the Board's composition under diversified perspectives. The Nomination Committee will review this Policy, as appropriate, to ensure the effectiveness of this Policy. The Nomination Committee will also discuss any revisions that may be required, and recommend any such revisions to the Board for consideration and approval.

The Nomination Policy

The nomination policy of the Company sets out the criteria and procedures for nominating candidates for election as Directors. The Nomination Committee of the Company shall nominate suitable candidates to the board of directors of the Company for it to consider and make recommendations to shareholders of the Company for election as Directors at general meetings or appoint as Directors to fill casual vacancies.

The Nomination Committee in assessing the suitability of a proposed candidate would consider the factors, among others, reputation for integrity; experience in the industry; the perspectives and skills; commitment in respect of available time and relevant interest; diversity in all its aspects, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service; and any other factors that the Board deem appropriate.

STRATEGY AND INVESTMENT COMMITTEE

The Company has established the Strategy and Investment Committee with effect from 22 March 2016. During the Reporting Period, the Strategy and Investment Committee consisted of nine members, including five executive Directors namely, Mr. Cheng Wing On, Michael, Mr. Wang Congyuan, Mr. Zhang Yuqiang, Mr. Ho Chi Ling and Mr. Wang Linxuan, two non-executive Directors namely, Dr. Sun Huiye and Mr. Wang Xianmao, and one independent non-executive Director, namely Mr. Chan Kok Chung, Johnny, with Mr. Cheng Wing On, Michael being the chairman of the Strategy and Investment Committee. Mr. Ho Chi Ling, Mr. Wang Linxuan, Dr. Sun Huiye and Mr.Wang Xianmao resigned as members of the Strategy and Investment Committee on 11 January 2019. Mr. Chen Anhua was appointed as a member of the Strategy and Investment Committee on 11 January 2019.

The terms of reference of the Strategy and Investment Committee has been adopted by the Company pursuant to the Board's resolutions passed on 22 March 2016 and are available on the website of the Company and the Stock Exchange.

DIVIDEND POLICY

The dividend distribution policy of the Company is to distribute dividend to its shareholders when the Group is profitable and without affecting the normal operations of the Group for a financial period.

The dividend yield to be distributed to shareholders will be determined based on, among others, the Group's actual and expected financial performance; retained earnings and distributable reserves; financial position; liquidity position; capital requirement and any other factors that the Board deem appropriate.

The Board will continually review the dividend policy and reserves the right to update, amend, modify and/or cancel the Dividend Policy at any time. There can be no assurance from the Company that a dividend will be proposed or declared in any particular amount for any given periods.

COMMUNICATION WITH SHAREHOLDERS

The Board and senior management recognise the responsibility of safeguarding the interest of shareholders of the Company and provide transparent and real-time information on the Company so as to keep the shareholders and investors abreast of the Company's position and help them to make the best investment decision. The Company believes that maintaining good and effective communication with shareholders can facilitate the shareholders' understanding of the business performance and strategies of the Group. The Board and senior management also recognise the responsibility of safeguarding the interest of shareholders of the Company. In order to safeguard the shareholders' interest, information of the Company and the Group are delivered to the shareholders through a number of channels, which includes annual report, interim report, announcements and circulars. The latest information of the Company and the Group together with the published documents are also available on the Company's website.

CORPORATE GOVERNANCE REPORT

The Company will hold annual general meeting every year as an appropriate media for direct communication between the Board and shareholders. Shareholders can raise questions directly to the Board in respect of the business performance and future development of the Group at such annual general meetings.

During the Reporting Period, there had been no significant change in the Company's constitutional documents.

PROCEDURES FOR DIRECTING SHAREHOLDERS' ENQUIRIES TO THE BOARD

Shareholders may at any time send their enquiries and concerns to the Board in writing through the Company Secretary whose contact details are as follows:

Attention: Mr. Chan Tat Hung
CNQC International Holdings Limited
Unit 601, 6/F, Exchange Tower, 33 Wang Chiu Road, Kowloon Bay, Hong Kong

Shareholders' enquiries and concerns are forwarded to the Board and/or relevant Board committees of the Company, where appropriate, to answer the shareholders' enquiries.

PROCEDURES FOR PUTTING FORWARD PROPOSALS AT GENERAL MEETINGS BY SHAREHOLDERS

Pursuant to Article 64 of the Articles, the Board may, whenever it thinks fit, convene an extraordinary general meeting. Extraordinary general meetings shall also be convened on the requisition of 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 having the right of voting at general meetings. Such requisition shall be made in writing to the Board or the secretary for the purpose of requiring an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition. Such meeting shall be held within 2 months after the deposit of such requisition. If within 21 days of such deposit, the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Pursuant to Article 123 of the Articles, no person, other than a retiring Director, shall, unless recommended by the Board for election, be eligible for election to the office of Director at any general meeting, unless notice in writing of the intention to propose that person for election as a Director and notice in writing by that person of his willingness to be elected shall have been lodged at the head office or at the registration office. The period for lodgment of the notices required under Article 123 of the Articles will commence no earlier than the day after the despatch of the notice of the general meeting appointed for such election and end no later than 7 days prior to the date of such general meeting and the minimum length of the period during which such notices to the Company may be given will be at least 7 days.

INDEPENDENT AUDITOR'S REPORT

pwc

羅兵咸永道

To the Shareholders of CNQC International Holdings Limited

(incorporated in the Cayman Islands with limited liability)

OPINION

What we have audited

The consolidated financial statements of CNQC International Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 58 to 163, which comprise:

- the consolidated statement of financial position as at 31 December 2018;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

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

Independence

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

PricewaterhouseCoopers, 22/F, Prince's Building, Central, Hong Kong
T: +852 2289 8888, F: +852 2810 9888

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters identified in our audit are summarised as follows:

- Recognition of construction contract revenue, costs and provision of foreseeable losses
- Impairment of goodwill

Key Audit Matters	How our audit addressed the Key Audit Matters
Recognition of construction contract revenue, costs and provision of foreseeable losses	
Refer to Notes 4 and 6 to the consolidated financial statements. Revenue from construction contracts recognised for the year ended 31 December 2018 amounted to HK$3,655,134,000. Contract revenue is recognised over the period of the contract by reference to the stage of completion, which is established by reference to the construction works certified by independent surveyors. The corresponding contract costs are recognised on actual basis and the forecasted costs to go as well as the potential losses of construction contract will be assessed.	We evaluated the design and implementation of controls over revenue recognition and cost budgeting on construction contracts. We also selected samples of construction contracts to assess the estimations made by management in respect of revenue and cost recognition under the stage of completion method as well as the provision of forecast contract losses. The following audit procedures have been performed by us on the sample of contracts selected: • Examined the terms and conditions of the contracts such as contract sum, construction period, performance obligations of the Group, payment schedule, retention and warranty clauses, etc. • Validated the stage of completion adopted by management to the position set out in the certificate issued by independent surveyors, including the certified contract work and variation orders, if any.

KEY AUDIT MATTERS (CONTINUED)

Key Audit Matters	How our audit addressed the Key Audit Matters
Recognition of construction contract revenue, costs and provision of foreseeable losses (Continued)	
This involves significant judgment and estimation when assessing the percentage of work performed, possible variation orders, claims and liquidated damages, and the reasonableness and accuracy of the forecasted costs to complete.	• Assessed the accuracy and reasonableness of total budgeted costs pertaining to the relevant construction works by (i) examining supplier quotations; (ii) benchmarking against the historical costs incurred in, and the historical profit margin of, construction projects completed in the past; and (iii) interviewing the project managers and assessing the reasonableness of the cost estimations prepared by them. • Tested the mathematical accuracy of the calculation of construction contract revenue and related receivables, and of forecasted costs to complete considering the provision of foreseeable losses. • Assessed the liquidated damages estimated by management by (i) reviewing correspondence with customers and the relevant contract terms; and (ii) comparing the completion status set out in the certificates issued by independent surveyors with the agreed construction period stated in the construction contracts to identify any potential claims from customers. Based upon the above, we found that the recognition of construction contract revenue and costs as well as the provision of foreseeable losses were properly supported by the available evidence.

KEY AUDIT MATTERS (CONTINUED)

Key Audit Matters	How our audit addressed the Key Audit Matters
Impairment of goodwill	
Refer to Notes 4 and 19 to the consolidated financial statements. The total goodwill recognised by the Group as of 31 December 2018 amounted to HK$563,327,000, of which HK$282,933,000 and HK$280,394,000 were allocated to the "Foundation and construction — Hong Kong and Macau" segment and "Construction — Singapore and Southeast Asia" segment respectively. Management consider that each of these operating segments constitutes a separate cash generating unit ("CGU") for the purpose of goodwill impairment assessment. No impairment of goodwill has been recognised as of 31 December 2018. The assessment of goodwill impairment is determined based on value-in-use calculations and it is inherently judgemental as it requires significant management judgments about future business performance and the discount rates applied to future cash flow forecasts, and accordingly, this is an area of audit focus.	We evaluated the future cash flow forecasts underlying the impairment assessment and the process by which they were drawn up, including confirming the accuracy and the underlying calculations and checking whether the forecasts were consistent with the latest budgets approved by the Board. We also assessed whether all relevant CGUs had been identified. We examined the results of management's sensitivity analysis around the key assumptions including revenue growth and discount rates to ascertain the extent of change in those assumptions that could result in impairment for individual CGUs. We evaluated the key business assumptions of the discounted cash flow forecasts by examining corroborating evidence including the terms and conditions of construction contracts already entered into, historical revenue growth rate and third party supplier quotations for construction cost estimation. We also evaluated the discount rates by assessing the cost of capital for the Group. Based upon the above, we found that the estimations and judgments made by management in respect of the assessment of goodwill impairment were supportable by the available evidence.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND THE AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Audit Committee is responsible for overseeing the Group's financial reporting process.

INDEPENDENT AUDITOR'S REPORT

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- 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, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Wong Kam Chin.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 28 March 2019

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2018

	Note	2018 HK$'000	2017 HK$'000
Revenue	5, 6	**7,507,891**	10,329,310
Cost of sales	9	**(6,607,041)**	(9,031,581)
Gross profit		**900,850**	1,297,729
Other income	7	**51,970**	116,894
Other losses — net	8	**(33,461)**	(38,549)
Selling and marketing expenses	9	**(93,867)**	(224,909)
General and administrative expenses	9	**(327,684)**	(332,086)
Operating profit		**497,808**	819,079
Finance income	11	**74,380**	51,199
Finance costs	11	**(110,209)**	(36,778)
Share of losses of associated companies	13	**(82,213)**	(25,801)
Share of profits of joint ventures	14	**12,772**	29
Profit before income tax		**392,538**	807,728
Income tax expense	15	**(87,328)**	(134,493)
Profit for the year		**305,210**	673,235
Other comprehensive (loss)/income			
Items that may be reclassified to profit or loss			
— Currency translation differences		**34,672**	130,746
— Fair value losses on available-for-sale financial assets		**–**	(70,176)
— Fair value losses on financial assets at fair value through other comprehensive income		**(17,514)**	–
		17,158	60,570
Total comprehensive income for the year		**322,368**	733,805

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2018

	Note	2018 HK$'000	2017 HK$'000
Profit for the year attributable to:			
Owners of the Company		**224,887**	512,050
Non-controlling interests		**80,323**	161,185
		305,210	673,235
Total comprehensive income for the year attributable to:			
Owners of the Company		**223,270**	566,197
Non-controlling interests		**99,098**	167,608
		322,368	733,805
Earnings per share for profit attributable to owners of the Company	*16*		
Basic earnings per share			
— ordinary shares (HK$)		**0.135**	0.306
— convertible preference shares (HK$)		**0.135**	0.306
Diluted earnings per share			
— ordinary shares (HK$)		**0.135**	0.306
— convertible preference shares (HK$)		**0.135**	0.306

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2018

	Note	2018 HK$'000	2017 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	*17*	**331,481**	414,202
Investment properties under development	*18*	**561,012**	518,546
Goodwill	*19*	**563,327**	565,755
Other intangible assets	*20*	**38,475**	44,708
Financial assets at fair value through profit or loss	*21*	**340,568**	230,696
Investments in associated companies	*13*	**25,523**	21,081
Investments in joint ventures	*14*	**13,049**	415
Deferred income tax assets	*23*	**33,646**	61,354
Available-for-sale financial assets	*24*	**–**	28,489
Financial assets at fair value through other comprehensive income	*25*	**8,914**	–
Prepayments and other receivables	*22*	**915,709**	973,127
		2,831,704	2,858,373
Current assets			
Development properties for sale	*27*	**2,102,129**	4,375,337
Trade and other receivables, prepayments and deposits	*22*	**2,147,891**	1,798,183
Contract assets		**843,682**	–
Amounts due from customers for contract work	*28*	**–**	37,852
Tax recoverable		**27,534**	25,981
Pledged bank deposits	*29(b)*	**188,314**	247,889
Cash and cash equivalents	*29(a)*	**1,511,833**	3,168,184
		6,821,383	9,653,426
Total assets		**9,653,087**	12,511,799
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital — ordinary shares	*30*	**14,559**	14,852
Share capital — convertible preference shares	*30*	**1,879**	1,879
Share premium		**3,262,361**	3,317,938
Treasury shares	*30*	**(1,142)**	–
Other reserves	*31*	**(1,133,277)**	(1,149,943)
Retained earnings		**1,054,224**	1,111,747
		3,198,604	3,296,473
Non-controlling interests		**123,832**	197,060
Total equity		**3,322,436**	3,493,533

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2018

	Note	2018 HK$'000	2017 HK$'000
LIABILITIES			
Non-current liabilities			
Borrowings	*32, 33*	**2,268,331**	2,566,405
Derivative financial instruments	*26*	**1,146**	5,298
Deferred income tax liabilities	*23*	**61,494**	55,150
		2,330,971	2,626,853
Current liabilities			
Trade and other payables	*34*	**2,038,087**	3,801,074
Contract liabilities		**63,118**	–
Tax payables		**71,718**	148,244
Borrowings	*32, 33*	**1,824,714**	2,438,880
Derivative financial instruments	*26*	**2,043**	3,215
		3,999,680	6,391,413
Total liabilities		**6,330,651**	9,018,266
Total equity and liabilities		**9,653,087**	12,511,799

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

The financial statements on pages 58 to 163 were approved by the Board of Directors on 28 March 2019 and were signed on its behalf.

Cheng Wing On, Michael
Director

Wang Congyuan
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2017

	Note	Share capital – ordinary shares HK$'000 (Note 30)	Share capital – convertible preference shares HK$'000 (Note 30)	Share premium HK$'000	Other reserves HK$'000 (Note 31)	Retained earnings HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
Balance as at 1 January 2017		14,294	2,437	3,317,938	(1,235,529)	881,275	2,980,415	81,658	3,062,073
Comprehensive income									
Profit for the year		–	–	–	–	512,050	512,050	161,185	673,235
Other comprehensive income/(loss)									
Currency translation differences		–	–	–	124,323	–	124,323	6,423	130,746
Fair value change on available-for-sale financial assets		–	–	–	(70,176)	–	(70,176)	–	(70,176)
Total comprehensive income		–	–	–	54,147	512,050	566,197	167,608	733,805
Transactions with owners in their capacity as owners									
Conversion of convertible preference shares	30	558	(558)	–	–	–	–	–	–
Changes in ownership interests in subsidiaries without change of control	41	–	–	–	–	2,845	2,845	1,260	4,105
Dividends provided for or paid	35	–	–	–	–	(284,423)	(284,423)	(53,466)	(337,889)
Employee share option scheme — share-based compensation benefits	36	–	–	–	31,439	–	31,439	–	31,439
Total transactions with owners in their capacity as owners		558	(558)	–	31,439	(281,578)	(250,139)	(52,206)	(302,345)
Balance as at 31 December 2017		14,852	1,879	3,317,938	(1,149,943)	1,111,747	3,296,473	197,060	3,493,533

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2018

	Note	Share capital – ordinary shares HK$'000 (Note 30)	Share capital – convertible preference shares HK$'000 (Note 30)	Share premium HK$'000	Treasury shares HK$'000 (Note 30)	Other reserves HK$'000 (Note 31)	Retained earnings HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
Balance as at 1 January 2018		**14,852**	**1,879**	**3,317,938**	**–**	**(1,149,943)**	**1,111,747**	**3,296,473**	**197,060**	**3,493,533**
Adjustment on adoption of HKFRS 15, net of tax (note 2(a))		**–**	**–**	**–**	**–**	**–**	**(15,317)**	**(15,317)**	**8,645**	**(6,672)**
Restated balance at 1 January 2018		**14,852**	**1,879**	**3,317,938**	**–**	**(1,149,943)**	**1,096,430**	**3,281,156**	**205,705**	**3,486,861**
Comprehensive income										
Profit for the year		**–**	**–**	**–**	**–**	**–**	**224,887**	**224,887**	**80,323**	**305,210**
Other comprehensive income/(loss)										
Currency translation differences		**–**	**–**	**–**	**–**	**15,897**	**–**	**15,897**	**18,775**	**34,672**
Fair value change on financial assets at fair value through other comprehensive income		**–**	**–**	**–**	**–**	**(17,514)**	**–**	**(17,514)**	**–**	**(17,514)**
Total comprehensive income		**–**	**–**	**–**	**–**	**(1,617)**	**224,887**	**223,270**	**99,098**	**332,368**
Transactions with owners in their capacity as owners										
Contribution from non-controlling shareholders of subsidiaries		**–**	**–**	**–**	**–**	**–**	**–**	**–**	**19,075**	**19,075**
Dividend provided for or paid	*35*	**–**	**–**	**–**	**–**	**–**	**(267,093)**	**(267,093)**	**(200,046)**	**(467,139)**
Employee share option scheme share-based compensation benefits	*36*	**–**	**–**	**–**	**–**	**18,283**	**–**	**18,283**	**–**	**18,283**
Shares repurchase		**–**	**–**	**–**	**(57,012)**	**–**	**–**	**(57,012)**	**–**	**(57,012)**
Cancellation of shares		**(293)**	**–**	**(55,577)**	**55,870**	**–**	**–**	**–**	**–**	**–**
Total transactions with owners in their capacity as owners		**(293)**	**–**	**(55,577)**	**(1,142)**	**18,283**	**(267,093)**	**(305,822)**	**(180,971)**	**(486,793)**
Balance as at 31 December 2018		**14,559**	**1,879**	**3,262,361**	**(1,142)**	**(1,133,277)**	**1,054,224**	**3,198,604**	**123,832**	**3,322,436**

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2018

	Note	2018 HK$'000	2017 HK$'000
Cash flows from operating activities			
Net cash generated from operations	37(a)	**278,516**	4,644,117
Interest paid		**(168,027)**	(188,146)
Income tax paid		**(54,829)**	(206,119)
Net cash generated from operations		**55,660**	4,249,852
Cash flows from investing activities			
Purchase of property, plant and equipment		**(25,804)**	(29,146)
Proceeds from disposal of property, plant and equipment		**17,192**	2,486
Addition of investment properties		**(52,420)**	(40,435)
Addition of associated companies		**(17,040)**	–
Addition of intangible assets		**–**	(119)
Loans to related parties		**(211,787)**	(244,010)
Interest received		**74,380**	20,029
Dividends received		**45,600**	92,237
Settlement of derivative financial instruments		**3,064**	(875)
Net cash outflows from the deemed disposal of subsidiaries		**–**	(22,800)
Decrease/(increase) in pledged bank deposits for derivative financial instruments		**62,641**	(4,950)
Addition of financial assets at fair value through profit or loss		**(114,000)**	(225,330)
Net cash used in investing activities		**(218,174)**	(452,913)
Cash flows from financing activities			
Contribution from non-controlling shareholders of subsidiaries		**19,075**	4,105
Dividends paid		**(467,139)**	(337,889)
Proceeds received from issuance of medium term notes		**–**	567,863
Drawdown on borrowings		**1,108,185**	1,608,453
Repayment of borrowings		**(2,022,587)**	(4,358,921)
Repayment of finance leases		**(12,559)**	(30,990)
(Increase)/decrease in pledged bank deposits for bank borrowings		**(2,972)**	270
Shares repurchase		**(57,012)**	–
Net cash used in financing activities		**(1,435,009)**	(2,547,109)
Net (decrease)/increase in cash and cash equivalents		**(1,597,523)**	1,249,830
Cash and cash equivalents at beginning of the financial year		**3,168,184**	1,792,639
Exchange (losses)/gains on cash and cash equivalents		**(58,828)**	125,715
Cash and cash equivalents at end of the financial year	29(a)	**1,511,833**	3,168,184

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 GENERAL INFORMATION

CNQC International Holdings Limited (the "**Company**") is an investment holding company. The Company and its subsidiaries (together, the "**Group**") are principally engaged in property development, foundation and construction business in Singapore and Southeast Asia, Hong Kong and Macau.

The Company is a limited liability company incorporated in the Cayman Islands. The address of the Company's registered office is Clifton House, 75 Fort Street, PO Box 1350, Grand Cayman, KY1-1108, Cayman Islands.

The Company has its primary listing on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

These consolidated financial statements are presented in thousands of units of Hong Kong dollars ("**HK$'000**"), unless otherwise stated.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Basis of preparation

(i) Compliance with HKFRS and HKCO

The consolidated financial statements of the Company have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRS**") and disclosure requirements of the Hong Kong Companies Ordinance ("**HKCO**") Cap. 622.

(ii) Historical cost convention

The consolidated financial statements have been prepared on a historical cost basis, except for the financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income and derivative financial assets and liabilities , which are measured at fair value.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation (Continued)

(iii) New standards, amendments to standards and new interpretation adopted by the Group

The following new standards, amendments to standards and new interpretation have been adopted by the Group for the first time for the Group's accounting period, beginning on 1 January 2018.

		Effective for annual periods beginning on or after
HKAS 28 (Amendment)	Investment in associate and joint ventures	1 January 2018
HKAS 40 (Amendments)	Transfer of investment property	1 January 2018
HKFRS 1 (Amendment)	First time adoption of HKFRS	1 January 2018
HKFRS 2 (Amendments)	Classification and measurement of share-based payment transactions	1 January 2018
HKFRS 4 (Amendment)	Applying HKFRS 9 Financial Instruments with HKFRS 4 insurance	1 January 2018
HKFRS 9	Financial Instruments	1 January 2018
HKFRS 15	Revenue from Contracts with Customers	1 January 2018
HKFRS 15 (Amendments)	Clarifications to HKFRS 15	1 January 2018
Annual improvement project	Annual improvements 2014–2016 Cycle (Amendment)	1 January 2018
HK (IFRIC) 22	Foreign currency transactions and advance consideration	1 January 2018

This note explains the impact of the adoption of HKFRS 9 Financial Instruments and HKFRS 15 Revenue from Contracts with Customers on the Group's consolidated financial statements and also disclose the new accounting policies that have been applied from 1 January 2018, where they are different to those applied in prior periods. The other standards and interpretation did not have material impact on the Group's accounting policies and did not require retrospective adjustments.

(a) Impact on the financial statements

As a result of the changes in the Group accounting policies, prior year financial statements had to be restated. As explained in (b) below, HKFRS 9 was generally adopted without restating the comparative information with the exception of certain aspects of hedge accounting. The reclassifications and the adjustments arising from the new impairment rules are therefore recognised in the opening of the statement of consolidated statement of financial position on 1 January 2018.

The following tables show the adjustments recognised for each individual line item. Line items that were not affected by the changes have not been included. As a result, the subtotal and totals disclosed cannot be recalculated from the number provided. The adjustments are explained in more detail below.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation (Continued)

(iii) New standards, amendments to standards and new interpretation adopted by the Group (Continued)

(a) Impact on the financial statements (Continued)

	As at 1 January 2018			
	As previously stated HK$'000	Impact of HKFRS 9 HK$'000	Impact of HKFRS 15 HK$'000	Restated HK$'000
Consolidated statement of financial position (extract)				
Available-for-sale financial assets	28,489	(28,489)	–	–
Financial assets at fair value through other comprehensive income	–	28,489	–	28,489
Development properties for sale	4,375,337	–	(180,005)	4,195,332
Deferred income tax assets	61,354	–	(6,656)	54,698
Trade and other receivables, prepayments and deposits	1,798,183	–	(618,098)	1,180,085
Contract assets	–	–	607,939	607,939
Amounts due from customers for contract work	37,852	–	(37,852)	–
Trade and other payables	3,801,074	–	(1,412,419)	2,388,655
Contract liabilities	–	–	1,190,407	1,190,407
Tax payables	148,244	–	(5,988)	142,256
Retained earnings	1,111,747	–	(15,317)	1,096,430
Non-controlling interests	197,060	–	8,645	205,705

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation (Continued)

(iii) New standards, amendments to standards and new interpretation adopted by the Group (Continued)

(b) HKFRS 9 Financial Instruments — Impact of adoption

HKFRS 9 replaces the provision of HKAS 39 that related to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The adoption of HKFRS 9 Financial Instruments from 1 January 2018 resulted in changes in accounting policies and adjustments to the amount recognised in the financial statements. The new accounting policies are set out in note below. In accordance with the transitional provisions in HKFRS 9 (7.2.15) and (7.2.26), comparative figures have not been restated with the exception of certain aspects of hedge accounting.

(i) Classification and measurement

On 1 January 2018 (the date of the initial application of HKFRS 9), the management of the Group has assessed which business models apply to the financial assets held by the Group and has classified its financial instruments into the appropriate HKFRS 9 categories. The main effects resulting from this reclassification are as follows:

	AFS HK$'000	FVOCI HK$'000
Financial assets — 1 January 2018		
Closing balance 31 December 2017 — HKAS 39	**28,489**	**–**
Reclassify non-trading equities from AFS to FVOCI	**(28,489)**	**28,489**
Opening balance 1 January 2018 — HKFRS 9	**–**	**28,489**

The closing balances as at 31 December 2017 show available-for-sale ("AFS") financial assets under fair value through other comprehensive income ("FVOCI"). The reclassification have no impact on the measurement categories. The financial assets at amortised cost are after reclassifications and adjustments arising from the adoption of HKFRS 15 and include trade receivables and other financial assets at amortised cost, but exclude cash and cash equivalents.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation (Continued)

(iii) New standards, amendments to standards and new interpretation adopted by the Group (Continued)

(b) HKFRS 9 Financial Instruments — Impact of adoption (Continued)

(i) Classification and measurement (Continued)

The impact of these changes on the equity of the Group is as follows:

	Notes	**Effect on AFS reserve HK$'000**	**Effect on FVOCI reserve HK$'000**
Closing balance 31 December 2017 — HKAS 39		13,509	–
Reclassify non-trading equities from AFS to FVOCI	*(a)*	(13,509)	13,509
Opening balance 1 January 2018 — HKFRS 9		–	13,509

The Group elected to present in other comprehensive income ("OCI") changes in the fair value of all its equity investments previously classified as AFS, because these investments are held as long-term strategy investments that are not expected to be sold in the short to medium term. As a result, assets with a fair value of HK$28,489,000 were reclassified from AFS to FVOCI and the fair value change were reclassified from the AFS reserve to the FVOCI reserve on 1 January 2018.

(ii) Impairment of financial assets

The Group has the following types of financial assets that are subject to HKFRS 9's new expected credit loss model:

— Trade receivables;

— Contract assets; and

— Other financial assets at amortised cost

The Group were required to revised its impairment methodology under HKFRS 9 for each of these classes of assets. The impact of the change in impairment methodology on the retained earnings and equity of the Company and its subsidiaries are disclosed in the table in (a) above.

While cash and cash equivalents are also subject to the impairment requirement of HKFRS 9, the identified impairment loss was immaterial.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation (Continued)

(iii) New standards, amendments to standards and new interpretation adopted by the Group (Continued)

(b) HKFRS 9 Financial Instruments — Impact of adoption (Continued)

(ii) Impairment of financial assets (Continued)

Trade receivables and contract assets

The Group applies the HKFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets.

To measure the expected credit losses, trade receivables and contract assets have been grouped based on share credit risk characteristics and the days past due. The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same types of contracts. The Company and its subsidiaries have therefore concluded that the expected credit loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

In calculating the expected credit loss rates, the Group considers historical loss rate for each category of debtors, and adjust for forward looking macroeconomic data.

Since the customers are primarily Singaporean Government's related entities and financially sound properties developers, the directors consider that the expected credit risk is minimal.

Trade receivables and contract assets are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Company and its subsidiaries, and a failure to make contractual payments for a period of greater than 90 days past due.

Other financial assets at amortised cost

All of the Group's other financial assets at amortised cost are considered to have low credit risk, and the loss allowance recognised during the period was therefore limited to 12 months expected losses.

Significant estimates and judgments

The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Group uses judgment in making these assumptions and selecting the inputs to the impairment calculation, based on the past history, existing market conditions as well as forward looking estimates of the Group at the end of each reporting period.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation (Continued)

(iii) New standards, amendments to standards and new interpretation adopted by the Group (Continued)

(c) HKFRS 9 Financial Instruments — Accounting policies applied from 1 January 2018

Classification

From 1 January 2018, the Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI, or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For financial assets that are not held for trading, this will depend on whether the Company and its subsidiaries have made an irrevocable election at the time of initial recognition to account for the equity investment at FVOCI.

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss ("**FVPL**"), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Equity instruments

The Company and its subsidiaries subsequently measure all equity investments at fair value. Where the management of the Group has elected to present fair value gains and losses on equity investment in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continued to be recognised in profit or loss as other income when the right of the Group to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognised in "other losses — net" in the statement of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investment measured at FVOCI are not prepared separately from other changes in fair value.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation (Continued)

(iii) New standards, amendments to standards and new interpretation adopted by the Group (Continued)

(c) HKFRS 9 Financial Instruments — Accounting policies applied from 1 January 2018 (Continued)

Impairment

From 1 January 2018, the Group assess on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables and contract assets, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

(d) HKFRS 15 Revenue from Contracts with Customers — Impact of adoption

The Group has adopted HKFRS 15 Revenue from Contract with Customers from 1 January 2018 which resulted in changes in accounting policies and adjustments to the amounts recognised in the consolidated financial statements. In accordance with the transition provisions in HKFRS 15, the Group elected to apply the practical expedient for completed contracts and did not restate the contracts completed before 1 January 2018, thus the comparative figures have not been restated.

In summary, the following adjustments were made to the accounts recognised in the consolidated statement of financial position at the date of the initial application (at 1 January 2018) with reference made to (a) above.

	HKAS 18 carrying amount * 31 December 2017 HK$'000	Impact of HKFRS 15 HK$'000	**HKFRS 15 carrying amount 1 January 2018 HK$'000**
Development properties for sale	4,375,337	(180,005)	**4,195,332**
Deferred income tax assets	61,354	(6,656)	**54,698**
Trade and other receivables, prepayments and deposits	1,798,183	(618,098)	**1,180,085**
Contract assets	–	607,939	**607,939**
Amounts due from customers for contract work	37,852	(37,852)	**–**
Trade and other payables	3,801,074	(1,412,419)	**2,388,655**
Contract liabilities	–	1,190,407	**1,190,407**
Tax payables	148,244	(5,988)	**142,256**
Retained earnings	1,111,747	(15,317)	**1,096,430**
Non-controlling interests	197,060	8,645	**205,705**

* The amounts in this column are before the adjustment from the adoption of HKFRS 9.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation (Continued)

(iii) New standards, amendments to standards and new interpretation adopted by the Group (Continued)

(d) HKFRS 15 Revenue from Contracts with Customers — Impact of adoption (Continued)

The impact of the Group's retained earnings as at 1 January 2018 is as follows:

	HK$'000
Closing retained earnings 31 December 2017 — After HKFRS 15 restatement	1,111,747
Recognition of revenue and cost over time	(18,455)
Increase in tax effect	3,138
Adjustment to retained earnings from adoption of HKFRS 15 on 1 January 2018	(15,317)
Opening retained earnings 1 January 2018 — HKFRS 9 and HKFRS 15	1,096,430

Presentation for contract assets and contract liabilities

Reclassifications were made as at 1 January 2018 to be consistent with the terminology used under HKFRS 15.

Contract assets recognised in relation to construction contracts were previously presented as trade and other receivables — amounts due from customers for contract work.

Contract liabilities for the progress billing recognised in relation to property development were previously presented as advanced proceeds received from customers.

Details of contract assets are as follows:

	31 December 2018 HK$'000	1 January 2018 HK$'000
Contract assets related to sale of properties	**773,146**	605,619
Contract assets related to construction contracts	**70,536**	2,320
Total contract assets	**843,682**	607,939

Contract assets consist of unbilled amount resulting from sale of properties and construction when the revenue recognised exceeds the amount billed to the customers. Increase in contract assets during the period was in line with the continuous recognition of sale of properties over time.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation (Continued)

(iii) New standards, amendments to standards and new interpretation adopted by the Group (Continued)

(d) HKFRS 15 Revenue from Contracts with Customers — Impact of adoption (Continued)

The impact of the Group's retained earnings as at 1 January 2018 is as follows:

Details of contract liabilities are as follows:

	31 December 2018 HK$'000	1 January 2018 HK$'000
Contract liabilities	**63,118**	1,190,407

The Group receives payment from customers based on billing schedule as established in contracts. Payments are usually received in advance of the performance under the contracts which are mainly from sale of properties.

(e) HKFRS 15 Revenue from Contracts with Customers — Accounting policies applied from 1 January 2018

Accounting for revenue recognition

Revenue are recognised when or as the control of the assets is transferred to the customers. Depending on the terms of the contract and the laws that apply to the contract, control of the asset may be transferred over time or at a point in time. Control of the assets is transferred over time if the Group's performance:

- Provides all of the benefits received and consumed simultaneously by the customer;
- Create and enhances an assets that the customer controls as the Group performs;
- Do not create an assets with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

In control of the asset transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the asset.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation (Continued)

(iii) New standards, amendments to standards and new interpretation adopted by the Group (Continued)

(e) HKFRS 15 Revenue from Contracts with Customers — Accounting policies applied from 1 January 2018 (Continued)

The progress towards complete satisfaction of the performance obligation is measured based on one of the following methods that best depict the Group's performance in satisfying the performance obligation:

- Direct measurements of the value transferred by the Group to the customer; or
- The Group's effort or inputs to the satisfaction of the performance obligation.

(i) Property development

When property development and sales contracts for which the control of the property is transferred at a point in time, revenue is recognised when the customer obtains the physical possession or the legal title of the completed property and the Group has present right to payment and the collection of the consideration is probable.

For property development which has no alternative use to the Group due to contractual reasons and when the Group has an enforceable right to payment from the customers for performance completed to date. The Group recognise revenue as the performance obligation is satisfied over time in accordance with the input method for measuring progress.

The excess of cumulative revenue recognised in profit or loss over the cumulative billings to purchasers of properties is recognised as contract assets. The excess of cumulative billings to purchasers of properties over the cumulative revenue recognised in profit or loss is recognised as contract liabilities.

(ii) Construction Contract

For construction contract which works directly on the customers' land, being eligible for recognition of revenue over time with creation and enhancement for the asset that customers controlled as the Group performs its performance obligation. The Group measures the progress of the project with reference to construction works certified by independent surveyors.

(iii) Judgments and Estimates

The preparation of the consolidated financial statement requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing the consolidated financial statement, in addition to the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty applied to the consolidated financial statements of the Company for the year ended 31 December 2018. The following judgments and estimates were applied:

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation (Continued)

(iii) New standards, amendments to standards and new interpretation adopted by the Group (Continued)

(e) HKFRS 15 Revenue from Contracts with Customers — Accounting policies applied from 1 January 2018 (Continued)

(iii) Judgments and Estimates (Continued)

Judgments and estimates in revenue recognition for property development activities

The Group develops and sells residential and mixed-use development properties in Singapore. Revenue is recognised over time when the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date. Otherwise, revenue is recognised at a point in time when the purchaser obtains control of the completed property. The properties have generally no alternative use for the Group due to the contractual restrictions. However, whether there is an enforceable right to payment and hence the related contract revenue is recognised over time, depends on the terms of each contract and the relevant laws that apply to that contract. To assess the enforceability of the right to payment, the Group has reviewed the terms of its contracts, the relevant local law, the local regulators' views and obtained legal advice, when necessary.

The Group recognised property development revenue over time by reference to the progress towards complete satisfaction of that performance obligation at the reporting date. This is measured based on the Group's efforts or budgeted inputs to the satisfaction of the performance obligation. Significant judgment and estimation are required in determining the completeness and accuracy of the budgets and the extent of the costs incurred and the allocation of cost to that property unit. Changes in cost estimates in future periods can have effect on Group's revenue recognised. In making the above estimation, the Group relies on past experience and work of contractors and surveyors.

For property development and sales contracts for which the control of the property is transferred at a point in time, revenue is recognised when the purchaser obtains the legal title of the completed properties and the consideration amount is collected.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation (Continued)

(iv) New standards, amendments to standards and new interpretation that have been issued but not yet effective and not yet adopted by the Group

The following are new standards, amendments to standards and new interpretation that have been published and are not mandatory for the Group's accounting periods beginning on or after 1 January 2018, but have not been early adopted by the Group:

		Effective for annual periods beginning on or after
Annual Improvement projects	Annual improvements 2015–2017 Cycle (Amendments)	1 January 2019
HKAS 19 (Amendments)	Plan amendment, curtailment or settlement	1 January 2019
HKAS 28 (Amendments)	Long-term interests in associates and joint ventures	1 January 2019
HKFRS 9 (Amendments)	Prepayment features with negative compensation	1 January 2019
HKFRS 16	Leases	1 January 2019
HK(IFRIC)-Int 23	Uncertainty over income tax treatments	1 January 2019
HKAS 1 and HKAS 8 (Amendments)	Definition of material	1 January 2020
HKFRS 3 (Amendments)	Definition of business	1 January 2020
Conceptual Framework for Financial Reporting 2018	Revised conceptual framework for financial reporting	1 January 2020
HKFRS 17	Insurance contracts	1 January 2021
HKFRS 10 and HKAS 28 (Amendments)	Sale or contribution of assets between an investor and its associate or joint venture	To be announced

Management is in the process of making an assessment of the financial impact of adoption of these new standards, amendments to standards and new interpretation. The management will adopt the new standards, amendments to standards and new interpretation when they become effective.

Impact of HKFRS 16 Leases

HKFRS 16, "Leases" was issued in January 2016. It will result in almost all leases being recognised on the statement of financial position, as distinction between operating and finance leases is removed. Under the new standard, as asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

The accounting for lessors will not significantly change.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(a) Basis of preparation (Continued)

(iv) New standards, amendments to standards and new interpretation that have been issued but not yet effective and not yet adopted by the Group (Continued)

The standard will affect primarily the accounting for the operating lease of the Group for various properties. As at 31 December 2018, the Group have non-cancellable operating lease commitments of HK$90,188,000 (31 December 2017: HK$102,090,000). However, the Group have not yet determined to what extent these commitments will result in the recognition of an assets and a liability for future payments and how this will affect profit or loss of the Group and classification of cash flows.

Some of the commitments may be covered by the exception for short-term and low-value lease and some commitments may related to arrangement that will not qualify as leases under HKFRS 16.

The standard is mandatory for first annual reporting periods beginning on or after 1 January 2019.

(b) Accounting policies applied until 31 December 2017

Until 31 December 2017 the Group classifies its financial assets in the following categories:

(i) Financial Assets

Classification applied until 31 December 2017

The Group classifies its financial assets in the following categories: financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial assets. The classification depends on the purposes for which the assets were acquired. Management determines the classification of its financial assets at initial recognition.

(a) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are presented as current assets, except for those expected to be realised later than 12 months after the reporting date which are presented as non-current assets. Loans and receivables are presented as "trade and other receivables" and "cash and bank balances" in the consolidated statement of financial position.

(b) Available-for-sale financial assets

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Accounting policies applied until 31 December 2017 (Continued)

(i) Financial Assets (Continued)

Classification applied until 31 December 2017 (Continued)

(c) Financial assets at fair value through profit or loss

The Group classifies financial assets at fair value through profit or loss if they are acquired principally for the purpose of selling in the short term, ie are held for trading. They are presented as current assets if they are expected to be sold within 12 months after the end of the reporting period; otherwise they are presented as non-current assets.

A financial asset other than a financial asset held for trading may be designated as at financial assets at fair value through profit or loss upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 "Financial instruments: Recognition and measurement" permits the entire combined contract (asset or liability) to be designated as financial assets at fair value through profit or loss.

Recognition and measurement applied until 31 December 2017

Regular way purchases and sales of financial assets are recognised on trade date — the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets are subsequently carried at fair value. Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured shall be measured at cost. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Changes in the fair value of monetary and non-monetary securities classified as available-for-sale are recognised in other comprehensive income.

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in profit or loss.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Accounting policies applied until 31 December 2017 (Continued)

(i) Financial Assets (Continued)

Impairment applied until 31 December 2017

Assets carried at amortised cost
The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial asset is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in profit or loss.

Assets classified as available-for-sale
The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired.

For equity investments, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists the cumulative loss — measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss — is removed from equity and recognised in profit or loss. Impairment losses recognised in profit or loss on equity instruments are not reversed through profit or loss.

Offsetting financial instruments applied until 31 December 2017
Financial assets and liabilities are offset and the net amount is reported in the consolidated statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Accounting policies applied until 31 December 2017 (Continued)

(ii) Revenue and income recognition

Revenue is measured at the fair value of the consideration received or receivables for the sale of services and goods in the ordinary course of the Group's activities. The Group recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Group's activities, as described below. Revenue is shown after eliminating sales within the Group.

(a) *Construction contracts income*

Contract costs are recognised when incurred. When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable. When the outcome of a construction contract can be estimated reliably and it is probable that the contract will be profitable, contract revenue is recognised over the period of the contract. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Variations in contract work, claims and incentive payments are included in contract revenue to the extent that they have been agreed with the customer and are capable of being reliably measured.

Revenue from contract work is recognised based on the stage of completion of the contracts, provided that the stage of contract completion and the gross billing value of contracting work can be measured reliably. The stage of completion of a contract is established by reference to the construction works certified by independent surveyors.

(b) *Sale of development properties*

Revenue from sales of development properties is recognised when the risks and rewards of properties are transferred to the purchasers, which is when the construction of relevant properties has been completed and the properties have been delivered to the purchasers and collectability of related receivables is reasonably assured. Deposits and instalments received on properties sold prior to the date of revenue recognition are included in the consolidated statement of financial position as advanced proceeds received from customers under trade and other payables.

(c) *Income from loaning labour to other contractors*

Revenue from loaning labour to other constructors is recognised when the labour services are rendered.

(d) *Rental of equipment*

Operating lease rental income is recognised on a straight-line basis over the term of the lease.

(e) *Interest income*

Interest income is recognised on a time proportion basis using the effective interest method.

(f) *Dividend income*

Dividend income is recognised when the right to receive payment is established.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Consolidation and combination

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

(i) Business combinations

The Group applies the acquisition method to account for business combinations, other than entities under common control. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis. Non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured at either fair value or the present ownership interests' proportionate share in the recognised amounts of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by HKFRS.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with HKAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in profit or loss.

Intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Consolidation and combination (Continued)

(ii) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in a loss of control are accounted for as equity transactions — that is, as transactions with the owners of the subsidiary in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying amount of net assets of the subsidiary is recorded in equity. Gains or losses on disposal to non-controlling interests are also recorded in equity.

(iii) Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequent accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

(iv) Put option exercisable by non-controlling shareholder of the subsidiaries

Where the Group enters into a contract that contains an obligation to acquire shares in a partially-owned subsidiary from the non-controlling interest, which is not part of a business combination, the Group initially recognises a financial liability at the present value of the redemption amount and the amount is reclassified from equity. The financial liability is subsequently measured at amortised costs using the effective interest method. Changes to the value of the financial liability are recognised in the profit or loss within finance costs.

(d) Associated companies

Associated companies are entities over which the Group has significant influence, but not control, generally accompanied by a shareholding of between 20% and 50% of the voting rights. Investments in associated companies are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investments in associated companies include goodwill identified on acquisition. Upon the acquisition of the ownership interest in associated companies, any difference between the cost of the associated companies and the Group's share of the net fair value of the associated companies' identifiable assets and liabilities is accounted for as goodwill.

If the ownership interest in the associated companies is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

The Group's share of post-acquisition profit or loss is recognised in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in the associated companies equals or exceeds its interest in the associated companies, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associated companies.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Associated companies (Continued)

The Group determines at each reporting date whether there is any objective evidence that the investments in the associated companies are impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associated companies and their carrying value and recognises the amount adjacent to "share of losses of associated companies" in profit or loss.

Profits and losses resulting from upstream and downstream transactions between the Group and its associated companies are recognised in the consolidated financial statements only to the extent of unrelated investor's interests in the associated companies. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associated companies have been changed where necessary to ensure consistency with the policies adopted by the Group.

Gain or losses on dilution of equity interest in associated companies are recognised in profit or loss.

(e) Joint arrangements

The Group has applied HKFRS 11 to all joint arrangements. Under HKFRS 11, investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. The Group has assessed the nature of its joint arrangements and determined them to be joint ventures. Joint ventures are accounted for using the equity method.

Under the equity method of accounting, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses and movements in other comprehensive income. The Group's investments in joint ventures include goodwill identified on acquisition. Upon the acquisition of the ownership interest in a joint venture, any difference between the cost of the joint venture and the Group's share of the net fair value of the joint venture's identifiable assets and liabilities is accounted for as goodwill. When the Group's share of losses in a joint venture equals or exceeds its interests in the joint ventures, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint ventures.

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

(f) Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors that makes strategic decisions.

(h) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the group entities are measured using the currency of the primary economic environment in which the entity operates ("**functional currency**"). The consolidated financial statements are presented in Hong Kong dollars, which is functional currency of the Company and the presentation currency of the Group.

(ii) Transactions and balances

Transactions in a currency other than the functional currency ("**foreign currency**") are translated into functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented within "finance (costs)/income — net". All other foreign exchange gains and losses impacting profit or loss are presented within "other losses — net".

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets, such as equities classified as available for sale, are included in other comprehensive income.

(iii) Group companies

The results and financial position of the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of the statement of financial position;

(ii) income and expenses for each statement of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

(iii) all resulting currency translation differences are recognised in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Currency translation differences arising are recognised in other comprehensive income.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance costs are charged to profit or loss during the financial year in which they are incurred.

Depreciation is calculated using the straight-line method to allocate depreciable amounts over their estimated useful lives. The estimated useful lives are as follows:

Office equipment	3 to 5 years
Motor vehicles	3 to 5 years
Plant and machinery	3 to 10 years
Furniture and fixtures	5 years
Leasehold improvements	3 years
Leasehold land and buildings	Lower of 60 years and lease terms

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposal are determined by comparing the proceeds with the carrying amount and are recognised within "other losses — net" in profit or loss.

(j) Investment properties under development

Investment properties are defined as properties held to earn rentals or capital appreciation or both. Properties under development for future use as investment properties are classified as investment properties under development. The Group has applied the cost model to its investment properties under development. The investment properties under development are initially recognised at cost and subsequently carried at cost less accumulated depreciation and accumulated impairment losses. The cost of investment properties under development comprises its purchase price and any directly attributable expenditure. Once the construction is completed, depreciation is calculated using a straight-line method to allocate the depreciable amounts over the estimated useful lives of 50 years, or remaining lease term, whichever is shorter. The residual values and useful lives of investment properties are reviewed, and adjusted as appropriate, at the end of each reporting period. The effects of any revision are included in profit or loss when the changes arise. Any gain or loss arising from derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year in which the item is derecognised.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Goodwill

Goodwill arises on the acquisition of subsidiaries represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identified net assets acquired.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units ("**CGUs**"), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

(l) Intangible assets

(i) Unfinished construction contracts and construction license

Unfinished construction contracts and construction license acquired in business combination are recognised at fair value at the acquisition date. The unfinished construction contracts have a finite useful life and are carried at cost less accumulated amortisation. Amortisation of unfinished construction contract is calculated based on the estimated realisation of the unfinished sales contracts. Costs of construction license are amortised to profit or loss using the straight-line method over their estimated useful lives of five to ten years.

(ii) Computer software licenses

Computer software licenses are initially capitalised at cost which includes the purchase price (net of any discounts and rebates) and other directly attributable cost of preparing the asset for its intended use. Costs associated with maintaining the computer software are recognised as an expense as incurred.

Computer software licenses are subsequently carried at cost less accumulated amortisation and accumulated impairment losses. These costs are amortised to profit or loss using the straight-line method over their estimated useful lives of three to five years.

(iii) Club membership

Club membership are initially recognised at cost and are subsequently carried at cost less accumulated amortisation and accumulated impairment losses. These costs are amortised to profit or loss using the straight-line method over 10 years.

The amortisation period and amortisation method of the intangible assets are reviewed at least at each statement of financial position date. The effects of any revision are recognised in profit or loss when the changes arise.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Impairment of non-financial assets

Non-financial assets that have indefinite useful life are not subject to amortisation and are tested annually for impairment. Non-financial assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, non-financial assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

(n) Leases and hire purchase contracts

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

(i) The Group as lessee

The Group leases motor vehicles and certain plant and machinery under finance leases and office under operating leases from non-related parties.

Assets held under hire purchase contracts are recognised as assets of the Group at their fair values at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as an obligation under finance lease. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to profit or loss, unless they are directly attributable to the acquisition, construction or production of qualifying assets, in which case they are capitalised in accordance with the policy below.

When a sale and leaseback results in a finance lease, any gain on sale is deferred and recognised as an income over the lease term. Any loss on sale is immediately recognised as an impairment loss when the sale occurs.

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease. Benefits received and receivables as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight-line basis.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Leases and hire purchase contracts (Continued)

(ii) The Group as lessor

The Group leases equipment under operating leases to related and third parties.

Leases of equipment where the Group retains substantially all risks and rewards incidental to ownership are classified as operating leases. Rental income from operating leases (net of any incentives given to the lessees) is recognised in profit or loss on a straight-line basis over the lease term.

Initial direct costs incurred by the Group in negotiating and arranging operating leases are added to the carrying amount of the leased assets and recognised as an expense in profit or loss over the lease term on the same basis as the lease income.

Contingent rents are recognised as income in profit or loss when earned.

(o) Construction contracts in progress and trade and other receivables

(i) Construction contracts in progress

A construction contract is defined in HKAS 11 as a contract specifically negotiated for the construction of an asset or a combination of assets that are closely interrelated or interdependent in terms of their design, technology and functions or their ultimate purpose or use.

When the outcome of a construction contract can be estimated reliably and it is probable that the contract will be profitable, contract revenue is recognised over the period of the contract by reference to the stage of completion. Contract costs are recognised as expenses by reference to the stage of completion of the contract activity at the end of the reporting period. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable.

Variations in contract work, claims and incentive payments are included in contract revenue to the extent that may have been agreed with the customer and are capable of being reliably measured.

The Group uses the "percentage of completion method" to determine the appropriate amount to recognise in a given period. The stage of completion of a contract is established by reference to the construction works certified by independent surveyors.

The Group presents as an asset the gross amount due from customers for contract work for all contracts in progress for which costs incurred plus recognised profits (less recognised losses) exceed progress billings. Progress billings not yet paid by customers and retention are included within "trade and other receivables".

The Group presents as a liability the gross amount due to customers for contract work for all contracts in progress for which progress billings exceed costs incurred plus recognised profits (less recognised losses).

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Construction contracts in progress and trade and other receivables (Continued)

(ii) Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment.

(p) Development properties for sale

Development properties refer to properties developed for sale.

Development properties that are unsold are carried at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less cost to complete the development and selling expenses.

Development cost of property comprises cost of leasehold land, construction costs, depreciation of machinery and equipment, borrowing costs capitalised for qualifying assets and professional fees incurred during the development period.

Sales of development properties in respect of sale and purchase agreements entered into prior to completion of construction are recognised when the development properties are delivered to the buyers, upon such time as the issuance of Temporary Occupation Permit ("**TOP**") by the Building and Construction Authority of Singapore.

(q) Derivative financial instruments

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. Changes in fair value of the derivative financial instruments which do not qualify for hedge account as at end of reporting period are recognised immediately in profit or loss.

(r) Cash and cash equivalents

In the consolidated statements of cash flows, cash and cash equivalents include cash on hand, deposits with financial institutions which are subject to an insignificant risk of change in value, and bank overdrafts. Bank overdrafts are presented as current borrowings in the consolidated statement of financial position. For cash subject to restriction, assessment is made on the economic substance of the restriction and whether they meet the definition of cash and cash equivalents.

(s) Share capital

Ordinary shares are classified as equity. Non-redeemable convertible preference shares for which distribution of dividend is at the discretion of the Company are classified as equity. Incremental costs directly attributable to the issuance of new ordinary shares, preference shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(t) Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade and other payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business, if longer). If not, they are presented as non-current liabilities.

Trade and other payables are initially recognised at fair value, and subsequently carried at amortised cost using the effective interest method.

(u) Borrowings

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

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

(v) Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

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

(w) Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

(i) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of each reporting period in the countries where the Group operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities. The Group accounts for investment tax credits (for example, productivity and innovative credit) similar to accounting for other tax credit.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(w) Current and deferred income tax (Continued)

(ii) Deferred income tax

Inside basis differences

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of each reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred taxation liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Outside basis differences

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries and associated companies, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Generally the Group is unable to control the reversal of the temporary difference for associated companies. Only where there is an agreement in place that gives the Group the ability to control the reversal of the temporary difference in the foreseeable future, deferred tax liability in relation to taxable temporary differences arising from the associated companies' undistributed profits (if any) is not recognised.

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries and associated companies only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

(iii) Offsetting

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(x) Employee compensation

(i) Employee leave entitlements

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

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

(ii) Retirement benefits

The Group operates defined contribution plans and pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expenses when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(iii) Termination benefits

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

(iv) Bonus plans

The Group recognises a liability and an expense for bonuses when the Group has a contractual or constructive obligation as a result of services rendered by employees and a reliable estimate of such obligation can be made.

(y) Provisions

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

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

Provisions are measured at the present value of the expenditure expected to be required to settle the obligation using a pre-tax discount rate that reflects the current market assessment of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised in profit or loss as finance costs.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(z) Contingent liabilities and contingent assets

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resource will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the note to the financial statements. When a change in the probability of an outflow occurs so that outflow is probable, it will then be recognised as a provision.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain events not wholly within the control of the Group.

Contingent assets are not recognised but are disclosed in the notes to the financial statements when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognised.

Financial guarantee

A financial guarantee (a kind of insurance contract) is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the original or modified terms of a debt instrument. The Group does not recognise liabilities for financial guarantees at inception, but perform a liability adequacy test at each reporting date by comparing its carrying amount of the net liability regarding the financial guarantee with its present legal or constructive obligation amount. If the carrying amount of the net liability is less than its present legal or constructive obligation amount, the entire difference is recognised as an expense immediately.

(aa) Share-based payment

(i) Equity-settled share-based payment transactions

The Group operates certain equity-settled, share-based compensation plans, under which the entity receives services from employees as consideration for equity instruments (options) of the Group. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted:

- including any market performance conditions (for example, an entity's share price);
- excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period); and
- including the impact of any non-vesting conditions (for example, the requirement for employees to save or holding shares for a specified period of time).

At the end of each reporting period, the Group revises its estimates of the number of options that are expected to vest based on the non-market performance and service conditions. It recognises the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(aa) Share-based payment (Continued)

(i) Equity-settled share-based payment transactions (Continued)

In addition, in some circumstances employees may provide services in advance of the grant date and therefore the grant date fair value is estimated for the purposes of recognising the expense during the period between service commencement period and grant date. When the options are exercised, the Company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital (and share premium).

If the terms of an equity-settled award are modified, at a minimum an expense is recognised as if the terms had not been modified. An additional expense is recognised for any modification that increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee, as measured at the date of modification.

If an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

(ii) Share-based payment transactions among group entities

The grant by the Company of options over its equity instruments to the employees of subsidiary undertakings in the Group is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investments in subsidiary undertakings, with a corresponding credit to equity in the parent entity accounts.

(ab) Dividends distribution

Dividends distribution to the shareholders is recognised as a liability in the Group's and the Company's financial statements in the period in which the dividends are declared by the directors in case of interim dividends or approved by the Company's shareholders in case of final dividends.

(ac) Sales commission

Sales commission paid to third parties for securing pre-sales contracts is charged to profit or loss upon the recognition of sales of development properties. Prior to that, the amount paid is recognised as an asset in the consolidated financial statements.

(ad) Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the group will comply with all attached conditions.

3 FINANCIAL RISK MANAGEMENT

Financial risk factors

The Group's activities expose it to market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management strategy seeks to minimise any adverse effects from the unpredictability of financial markets on the Group's financial performance.

The Board of Directors is responsible for setting the objectives and underlying principles of financial risk management for the Group. The finance personnel measures actual exposures against the limits set and prepares regular reports for the review of the management team and the Board of Directors. The information presented below is based on information received by the management team.

(a) Market risk

(i) Currency risk

The Group operates in Asia with dominant operation in Hong Kong and Singapore.

Currency risk arises within entities in the Group when transactions are denominated in currencies other than their respective functional currencies.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

Financial risk factors (Continued)

(a) Market risk (Continued)

(i) Currency risk (Continued)

The Group's currency exposure based on the information provided to key management is as follows:

	Hong Kong dollars HK$'000	Singapore dollars HK$'000	Renminbi HK$'000	United States dollars HK$'000	Indonesian Rupiah HK$'000	Macau Pataca HK$'000	Vietnamese Dong HK$'000	Malaysia Ringgit HK$'000	Others HK$'000	Total HK$'000
At 31 December 2018										
Non-derivative financial assets										
Financial assets at fair value through OCI	–	8,914	–	–	–	–	–	–	–	8,914
Cash and cash equivalents	463,857	1,001,656	256	18,111	4,280	7,594	3,247	12,245	587	1,511,833
Pledged bank deposits	12,036	5,559	170,625	–	–	–	–	94	–	188,314
Financial assets at fair value through profit or loss	–	340,568	–	–	–	–	–	–	–	340,568
Contract assets	834,283	9,399	–	–	–	–	–	–	–	843,682
Trade and other receivables excluding non-financial assets	379,699	2,144,655	11,531	7,145	4,192	20,167	41,251	231,793	–	2,840,433
	1,689,875	3,510,751	182,412	25,256	8,472	27,761	44,498	244,132	587	5,733,744
Non-derivative financial liabilities										
Trade and other payables excluding non-financial liabilities	345,995	1,353,451	1,747	5,196	16,337	7,473	30,942	164,258	–	1,925,399
Borrowings	775,249	2,761,478	170,564	381,420	–	–	4,334	–	–	4,093,045
	1,121,244	4,114,929	172,311	386,616	16,337	7,473	35,276	164,258	–	6,018,444
Net non-derivative financial assets/ (liabilities)	568,631	(604,178)	10,101	(361,360)	(7,865)	20,288	9,222	79,874	587	(284,700)
Currency exposure of non-derivative financial (liabilities)/assets net of those denominated in the functional currencies of the respective group entities	360,917	(382,492)	10,101	(361,360)	(7,865)	20,288	1,071	(481)	587	(359,234)

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

Financial risk factors (Continued)

(a) Market risk (Continued)

(i) Currency risk (Continued)

	Hong Kong dollars HK$'000	Singapore dollars HK$'000	Renminbi HK$'000	United States dollars HK$'000	Indonesian Rupiah HK$'000	Macau Pataca HK$'000	Vietnamese Dong HK$'000	Others HK$'000	Total HK$'000
At 31 December 2017									
Non-derivative financial assets									
Available-for-sale financial assets	–	28,489	–	–	–	–	–	–	28,489
Cash and cash equivalents	375,668	2,543,289	1,932	220,209	2,912	10,639	13,485	50	3,168,184
Pledged bank deposits	–	48,256	179,689	19,944	–	–	–	–	247,889
Financial assets at fair value through profit or loss	–	–	–	230,696	–	–	–	–	230,696
Trade and other receivables excluding non-financial assets	519,863	2,059,090	3,945	40,448	2,725	34,370	2,172	–	2,662,613
	895,531	4,679,124	185,566	511,297	5,637	45,009	15,657	50	6,337,871
Non-derivative financial liabilities									
Trade and other payables excluding non-financial liabilities	346,368	1,893,305	1,231	71,646	2,183	16,514	3,221	–	2,334,468
Borrowings	191,524	3,807,065	179,624	827,072	–	–	–	–	5,005,285
	537,892	5,700,370	180,855	898,718	2,183	16,514	3,221	–	7,339,753
Net non-derivative financial assets/(liabilities)	357,639	(1,021,246)	4,711	(387,421)	3,454	28,495	12,436	50	(1,001,882)
Currency exposure of non-derivative financial (liabilities)/assets net of those denominated in the functional currencies of the respective group entities	(160,779)	(7,605)	4,711	(387,421)	3,454	11	–	50	(547,579)

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

Financial risk factors (Continued)

(a) Market risk (Continued)

(i) Currency risk (Continued)

If each of Hong Kong dollars ("**HK$**") and United States dollars ("**US$**") fluctuate against Singapore dollars ("**SGD**") by 5% respectively, with all other variables including tax rate being held constant, the effects on profit after income tax will be as follows:

	Increase/(decrease) in profit after income tax	
	2018 HK$'000	2017 HK$'000
HK$ against SGD *(Note)*		
— Strengthened	**(14,978)**	(6,672)
— Weakened	**14,978**	6,672
US$ against SGD *(Note)*		
— Strengthened	**(14,968)**	(16,078)
— Weakened	**14,968**	16,078

Note:

As at 31 December 2018, the Group has certain foreign currency forward contracts in respect of SGD against HK$ with total notional principal amount of HK$102,900,000. If HK$ fluctuates against SGD by 5%, these contracts would reduce the effect on profit after income tax by HK$4,270,000.

(ii) Price risk

The Group has insignificant exposure to equity price risk.

(iii) Interest rate risk

Other than bank balances which are carried at variable interest rates, the Group has no other significant interest-bearing assets. Management does not anticipate significant impact to interest-bearing assets resulted from the changes in interest rates, because the interest rates of bank balances are not expected to change significantly.

The Group's interest rate risk arises from borrowings. Borrowings carried at variable rates expose the Group to cash flow interest rate risk which is partially offset by cash held at variable rates. The Group has not hedged its cash flow interest rate risk.

As at 31 December 2018, the Group's borrowings at variable rates are denominated mainly in HK$, US$ and SGD. If the interest rates had increased/decreased by 50 basis points with all other variables including tax rate being held constant, profit after income tax would have been HK$10,850,000 (2017: HK$6,993,000) lower/higher by as a result of higher/lower interest expense on these borrowings.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

Financial risk factors (Continued)

(b) Credit risk

The Group adopts the policy of dealing only with customers of appropriate credit history, and obtaining sufficient security where appropriate to mitigate credit risk. For other financial assets, the Group adopts the policy of dealing with financial institutions and other counterparties with high credit ratings.

Credit exposure to an individual customer is restricted by the credit limit approved by the credit controller. Customers' payment profile and credit exposure are continuously monitored by the credit controller and reported to the management and Board of Directors.

The Group's trade receivables other than those of the property development segment include two (2017: two) debtors that individually represented 19%–28% (2017: 23%–35%) of such total trade receivables as at 31 December 2018.

The maximum exposure to credit risk for each class of financial assets is the carrying amount of that class of financial instruments presented in the consolidated statement of financial position. The Group's major classes of financial assets are bank deposits and trade and other receivables.

The Group's bank deposits are mainly deposits placed with banks which have high credit-ratings as determined by international credit-rating agencies.

Trade and other receivables that are neither past due nor impaired are substantially receivables from customers with a good collection track records with the Group or receivables from fellow subsidiaries and related parties.

(c) Liquidity risk

The Group's policy is to regularly monitor current and expected liquidity requirements and its compliance with debt covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from banks and other financial institutions to meet their liquidity requirements in the shorter and longer term. Management believes there is no significant liquidity risk as the Group has sufficient committed facilities to fund their operations.

The following table details the remaining contractual maturities at the year end date of the Group's financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the year end date) and the earliest date the Group may be required to pay:

	On demand HK$'000	Within one year HK$'000	Between one and two years HK$'000	Between two and five years HK$'000	Over five years HK$'000	Total HK$'000
At 31 December 2018						
Trade and other payables excluding non-financial liabilities	–	4,935,677	34,795	20,163	–	4,990,635
Borrowings	3,187,444	206,161	932,447	558,598	31,186	4,915,836
	3,187,444	5,141,838	967,242	578,761	31,186	9,906,471

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

Financial risk factors (Continued)

(c) Liquidity risk (Continued)

	On demand HK$'000	Within one year HK$'000	Between one and two years HK$'000	Between two and five years HK$'000	Over five years HK$'000	Total HK$'000
At 31 December 2017						
Trade and other payables excluding non-financial liabilities	–	2,321,190	–	13,278	–	2,334,468
Borrowings	370,568	2,882,343	528,479	1,697,799	10,905	5,490,094
	370,568	5,203,533	528,479	1,711,077	10,905	7,824,562

(d) Capital risk

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders, to support the Group's stability and growth; to earn a margin commensurate with the level of business and market risks in the Group's operation and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Board of Directors monitors the Group's capital based on net debt and total equity. Net debt is calculated as borrowings less cash and cash equivalents and pledged bank deposits. Total capital is calculated as total equity plus net debt. The Group monitors capital on the basis of the net debt to total capital ratio. This ratio is calculated as the net debt as at each year end divided by the total capital as at each year end.

The gearing ratios at the year end dates are as follows:

	2018 HK$'000	2017 HK$'000
Net debt	**2,392,898**	1,589,212
Total equity	**3,322,436**	3,493,533
Total capital	**5,715,334**	5,082,745
Net debt to total capital ratio	**42%**	31%

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

Financial risk factors (Continued)

(e) Fair value measurements

The table below analyses the Group's financial instruments carried at fair value as at 31 December 2018 by level of the inputs to valuation techniques used to measure fair value. Such inputs are categorised into three levels within a fair value hierarchy as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

(i) The following table shows an analysis of financial instruments carried at fair value by level of fair value hierarchy.

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
31 December 2018				
Assets				
Financial assets at fair value through OCI	–	–	8,914	8,914
Financial assets at fair value through profit or loss	114,000	–	226,568	340,568
Liabilities				
Derivative financial instruments:				
— Foreign exchange forward contracts	–	3,189	–	3,189

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

Financial risk factors (Continued)

(e) Fair value measurements (Continued)

(i) The following table shows an analysis of financial instruments carried at fair value by level of fair value hierarchy. (Continued)

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
31 December 2017				
Assets				
Available-for-sale financial assets	–	–	28,489	28,489
Financial assets at fair value through profit or loss	–	–	230,696	230,696
Liabilities				
Derivative financial instruments:				
— Foreign exchange forward contracts	–	8,513	–	8,513

The fair values of derivative financial instruments that are not traded in an active market are determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2. The fair value of forward foreign exchange contracts is determined using forward exchange rates at the balance sheet date, with the resulting value discounted back to present value.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

Financial risk factors (Continued)

(e) Fair value measurements (Continued)

(i) (Continued)

The investments in unquoted financial assets at fair value through other comprehensive income held by the Group as at 31 December 2018 are equity investments in property development companies that are not traded in an active market. The fair value of these investments is determined by using a dividend discount model for which the assumptions are based on the estimated future dividend plans of the underlying investments. The key assumptions used are disclosed in Note 25. These investments are classified as Level 3.

Financial assets at fair value through profit or loss held by the Group as at 31 December 2018 are investment fund established for property development project in Singapore that are not traded in an active market. The fair value of these investments is determined by using a discounted cash flow model for which the assumptions are based on the estimated distribution of return of the underlying investments. These investments are classified as Level 3.

(ii) The following table presents the changes in Level 3 instruments:

	Available-for-sale financial assets HK$'000	**Financial assets at fair value through OCI** HK$'000	**Financial assets at Fair value through profit or loss** HK$'000
At 1 January 2017	92,329	–	–
Addition	–	–	225,330
Fair value change recognised in other comprehensive income	(70,176)	–	–
Exchange differences	6,336	–	5,366
31 December 2017	28,489	–	230,696
Adoption of HKFRS 9	(28,489)	28,489	–
Addition	–	–	114,000
Fair value change recognised in other comprehensive income	–	(17,514)	–
Exchange differences	–	(2,061)	(4,128)
31 December 2018	–	8,914	340,568

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

Financial risk factors (Continued)

(e) Fair value measurements (Continued)

(ii) (Continued)

During the year ended 31 December 2018, there were no transfers of financial assets and liabilities between level 1, level 2 and level 3.

The fair value of financial assets at fair value through OCI is determined by using a dividend discount model. The unobservable inputs used in the fair value measurement include forecast dividend earnings and discount rate. Should the forecast dividend earnings be increased/decreased by 5%, other comprehensive income would have been HK$2,613,000 (2017: HK$1,334,000) higher/lower. Should the discount rate be increased/decreased by 1%, other comprehensive income would have been HK$619,000 (2017: HK$335,000) lower/higher.

The fair value of financial assets at fair value through profit or loss is determined by using a discounted cash flow model. The unobservable inputs used in the fair value measurement include rate of return and discount rate. Should the rate of return be increased/decreased by 1%, profit for the year would have been HK$10,986,000 higher/lower. Should the discount rate be increased/decreased by 1%, profit for the year would have been HK$16,037,000 lower/higher.

(iii) Fair value of financial instruments by classes that are not carried at fair value and whose carrying amounts are at reasonable approximation of fair value

Management has determined that the carrying amount of cash and cash equivalents, pledged bank deposits, trade and other receivables, loan receivables, trade and other payables, current borrowings and borrowings with variable interest rates, reasonably approximate their fair values because these are mostly short-term in nature or are re-priced frequently.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

Financial risk factors (Continued)

(f) Financial instruments by category

	Loans and receivables HK$'000	Financial assets at fair value through the profit & loss HK$'000	Financial assets at fair value through OCI HK$'000	Total HK$'000
At 31 December 2018				
Assets as per balance sheet				
Financial assets at fair value through OCI	–	–	8,914	8,914
Financial assets at fair value through profit or loss	–	340,568	–	340,568
Trade and other receivables excluding non-financial assets	2,840,433	–	–	2,840,433
Contract assets	843,682	–	–	843,682
Pledged bank deposits	188,314	–	–	188,314
Cash and cash equivalents	1,511,833	–	–	1,511,833
Total	5,384,262	340,568	8,914	5,733,744

	Derivatives financial instruments HK$'000	Other financial liabilities at amortised cost HK$'000	Total HK$'000
At 31 December 2018			
Liabilities as per balance sheet			
Derivative financial instruments	3,189	–	3,189
Trade and other payables excluding non-financial liabilities	–	1,925,399	1,925,399
Borrowings	–	4,093,045	4,093,045
Total	3,189	6,018,444	6,021,633

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

Financial risk factors (Continued)

(f) Financial instruments by category (Continued)

	Loans and receivables HK$'000	Financial assets at fair value through the profit & loss HK$'000	Available-for-sale financial assets HK$'000	Total HK$'000
At 31 December 2017				
Assets as per balance sheet				
Available-for-sale financial assets	–	–	28,489	28,489
Financial assets at fair value through profit or loss	–	230,696	–	230,696
Trade and other receivables excluding non-financial assets	2,662,613	–	–	2,662,613
Pledged bank deposits	247,889	–	–	247,889
Cash and cash equivalents	3,168,184	–	–	3,168,184
Total	6,078,686	230,696	28,489	6,337,871

	Derivatives financial instruments HK$'000	Other financial liabilities at amortised cost HK$'000	Total HK$'000
At 31 December 2017			
Liabilities as per balance sheet			
Derivative financial instruments	8,513	–	8,513
Trade and other payables excluding non-financial liabilities	–	2,334,468	2,334,468
Borrowings	–	5,005,285	5,005,285
Total	8,513	7,339,753	7,348,266

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

Financial risk factors (Continued)

(g) Fair values of financial assets and liabilities measured at amortised cost

The fair values of the following financial assets and liabilities approximate their carrying amounts:

- Trade receivables
- Contract assets
- Deposits and other receivables
- Cash and cash equivalents
- Pledged bank deposits
- Trade payables
- Accruals and other payables
- Borrowings

4 CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS AND JUDGMENTS

Estimates and judgments used in preparing the financial statements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(a) Construction contracts

Revenue recognition on a project is dependent on management's estimation of the total outcome of the construction contract, with reference to the construction works certified by an independent surveyor. The Group reviews and revises the estimates of contract revenue, contract costs, variation orders and provision for claims, provision for foreseeable contract losses, prepared for each construction contract as the contract progresses. Budgeted construction costs are prepared by the management on the basis of quotations from time to time provided by the major contractors, suppliers or vendors involved and the experience of the management. In order to keep the budget accurate and up-to-date, the management conducts periodic reviews of the management budgets by comparing the budgeted amounts to the actual amounts incurred. The provision for claims is determined on the basis of the delay in the number of work days to complete of the construction works which is highly subjective and is subject to negotiation with the customers. The provision for foreseeable contract losses is determined on the basis of comparison of remaining lost and revenue forecasted. Management conducts periodic reviews of the above provisions.

Significant judgment is required in estimating the contract revenue, contract costs, variation works, provision for claims and provision for foreseeable losses which may have an impact in terms of percentage of completion and profit taken. Management estimates the contract costs and revenues based on the latest available information, which includes detailed contract valuations. In many cases the results reflect the expected outcome of long-term contractual obligations which span more than one reporting period. Contract costs and revenues are affected by a variety of uncertainties that depend on the outcome of future events and often need to be revised as events unfold and uncertainties are resolved. The estimates of contract costs and revenue are updated regularly and significant changes are highlighted through established internal review procedures. In particular, the internal reviews focus on the timing and recognition of payments and the age and recoverability of any unagreed income from variations to the contract scope or claims. The impact of the changes in accounting estimates is then reflected in the ongoing results.

4 CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS AND JUDGMENTS (CONTINUED)

(b) Deferred income tax assets

The Group recognises deferred income tax assets on carried forward tax losses to the extent there are sufficient estimated future taxable profits and/or taxable temporary differences against which the tax losses can be utilised and that the Group is able to satisfy the continuing ownership test in Singapore, on unrealised profit arising from transactions among companies within the Group, and on certain accrued operating expenses.

As at 31 December 2018, the Group recognised such deferred income tax assets amounting to HK$33,646,000 (2017: HK$61,367,000) substantially related to entities incorporated and operating in Singapore based on the anticipated future use of tax losses and other timing differences carried forward by those entities as at 31 December 2018. If the tax authority regards these group entities as not satisfying the continuing ownership test, the deferred income tax asset will have to be written off as income tax expense.

(c) Net realisable value of development properties for sale

The Group writes down development properties for sale based on assessment of the realisability of the development properties for sale which takes into account costs to completion based on management's experience and net sales value based on prevailing market conditions. If there is an increase in costs to completion or a decrease in net sales value, the net realisable value will decrease which may result in writing down development properties for sale to net realisable value. Write-downs are recorded where events or changes in circumstances indicate that the balance may not be realised. The identification of write-downs requires the use of judgment and estimates. Where the expectation is different from the original estimate, the carrying amounts of the development properties for sale are adjusted in the period in which such estimate is changed.

(d) Provision for impairment of trade and other receivables

The Group makes provision for impairment of trade and other receivables based on an assessment of the recoverability of trade and other receivables. Provisions are applied where events or changes in circumstances indicate that the balances may not be collectible. The identification of doubtful debts requires the use of judgment and estimates. Where the expectation is different from the original estimate, such difference will impact the carrying amounts of trade and other receivables and impairment is recognised in the period in which such estimate has been changed.

(e) Impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment. For the purpose of impairment reviews, the recoverable amount of goodwill is determined based on value-in-use calculations. The value-in-use calculations primarily use cash flow projections based on five-year financial budgets approved by management and estimated terminal value at the end of the five-year period. There are a number of assumptions and estimates involved in the preparation of cash flow projections for the period covered by the approved budgets. Key assumptions include the growth rates and selection of discount rates to reflect the risks involved. Management prepares the financial budgets reflecting actual and prior year performance and market development expectations. Judgment is required to determine key assumptions adopted in the cash flow projections and changes to key assumptions could affect these cash flow projections and therefore the results of the impairment reviews.

5 SEGMENT INFORMATION

The chief operating decision-maker ("**CODM**") has been identified as the executive directors of the Company.

The CODM reviews the performance of the Group's operations mainly from a business operation perspective. The Group is organised into four main business segments, namely (i) Foundation and construction — Hong Kong and Macau; (ii) Property development — Hong Kong; (iii) Construction — Singapore and Southeast Asia and (iv) Property development — Singapore and Southeast Asia.

The "Foundation and construction — Hong Kong and Macau" segment mainly represents provision of foundation and construction work to property developers, loaning of labour and rental of machinery in Hong Kong and Macau. The "Property development — Singapore and Southeast Asia" and "Property development — Hong Kong" segment represents the sales of completed property units in Singapore and Southeast Asia and Hong Kong. The "Construction — Singapore and Southeast Asia" segment mainly represents provision of construction work to property developers, sales of goods, loaning of labour and rental of machinery in Singapore and Southeast Asia.

Segment performance is evaluated based on reportable segment results, which is a measure of adjusted profit before income tax. The adjusted profit before income tax is measured consistently with the Group's profit before income tax except that finance income, finance costs, inter-segment transactions as well as head office and corporate expenses are excluded from such measurement.

Segment assets and liabilities exclude intra-group balances and other unallocated head office and corporate assets and liabilities as these assets and liabilities are managed on a group basis.

Inter-segment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

Information regarding the above segments is reported below.

	Foundation and construction – Hong Kong and Macau HK$'000	Property development – Hong Kong HK$'000	Construction – Singapore and Southeast Asia HK$'000	Property development – Singapore and Southeast Asia HK$'000	Total HK$'000
Year ended 31 December 2018					
Sales					
Sales to external parties	1,103,925	–	2,560,417	3,843,549	7,507,891
Inter-segment sales	–	–	417,312	–	417,312
Total segment sales	1,103,925	–	2,977,729	3,843,549	7,925,203
Adjusted segment (loss)/profit	(106,417)	(2,330)	100,136	425,992	417,381
Depreciation	56,388	–	20,196	1,450	78,034
Amortisation	–	–	5,828	–	5,828
Share-based payment expenses	3,847	–	13,254	1,182	18,283

5 SEGMENT INFORMATION (CONTINUED)

	Foundation and construction – Hong Kong and Macau HK$'000	Construction – Singapore HK$'000	Property development – Singapore HK$'000	Total HK$'000
Year ended 31 December 2017				
Sales				
Sales to external parties	1,623,049	1,972,661	6,733,600	10,329,310
Inter-segment sales	–	529,747	16,711	546,458
Total segment sales	1,623,049	2,502,408	6,750,311	10,875,768
Adjusted segment (loss)/profit	(32,616)	127,479	663,495	758,358
Depreciation	62,033	20,174	2,411	84,618
Amortisation	–	14,130	–	14,130
Share-based payment expenses	4,460	9,060	1,962	15,482

During the year ended 31 December 2018, revenue of approximately HK$886,924,000 (2017: HK$1,459,313,000) representing 12% (2017: 14%) of the Group's total revenue was derived from a single external customer within the "Construction — Singapore and Southeast Asia" (2017: Construction — Singapore) segment.

The following tables present segment assets and liabilities as at 31 December 2018 and 2017 respectively.

	Foundation and construction – Hong Kong and Macau HK$'000	Property development – Hong Kong HK$'000	Construction– Singapore and Southeast Asia HK$'000	Property development – Singapore and Southeast Asia HK$'000	Total HK$'000
As at 31 December 2018					
Segment assets	**698,483**	**2,002,214**	**3,696,481**	**4,428,557**	**10,825,735**
Segment liabilities	**513,698**	**344,664**	**2,730,784**	**3,658,839**	**7,247,985**
Segment assets include:					
Additions to property, plant and equipment	**11,362**	**–**	**14,442**	**–**	**25,804**
Additions to investment properties	**–**	**–**	**–**	**52,420**	**52,420**
Investments in associated companies	**–**	**–**	**12,581**	**12,942**	**25,523**

5 SEGMENT INFORMATION (CONTINUED)

	Foundation and construction – Hong Kong and Macau HK$'000	Construction – Singapore HK$'000	Property development – Singapore HK$'000	Total HK$'000
As at 31 December 2017				
Segment assets	1,564,151	3,461,540	6,841,392	11,867,083
Segment liabilities	472,353	1,918,934	6,014,983	8,406,270
Segment assets include:				
Additions to property, plant and equipment	21,176	5,872	2,098	29,146
Additions to investment properties	–	–	53,537	53,537
Additions to intangible assets	–	119	–	119
Investments in associated companies	–	21,081	–	21,081

A reconciliation of segment results to profit before income tax is as follows:

	2018 HK$'000	2017 HK$'000
Adjusted segment profit for reportable segments	**417,381**	758,358
Unallocated expenses *(Note)*	**(28,923)**	(28,706)
Elimination	**109,350**	89,427
Finance income	**74,380**	51,199
Finance costs	**(110,209)**	(36,778)
Share of losses of associated companies	**(82,213)**	(25,801)
Share of profits of joint ventures	**12,772**	29
Profit before income tax	**392,538**	807,728

Note:

During the years ended 31 December 2017 and 2018, the majority of unallocated expenses related to share-based payment expenses recognised for services rendered by certain management members at corporate level.

5 SEGMENT INFORMATION (CONTINUED)

A reconciliation of segment assets to total assets is as follows:

	2018 HK$'000	2017 HK$'000
Segment assets	**10,825,735**	11,867,083
Unallocated	**835,198**	1,422,475
Elimination	**(2,007,846)**	(777,759)
Total assets	**9,653,087**	12,511,799

A reconciliation of segment liabilities to total liabilities is as follows:

	2018 HK$'000	2017 HK$'000
Segment liabilities	**7,247,985**	8,406,270
Unallocated	**598,770**	1,221,107
Elimination	**(1,516,104)**	(609,111)
Total liabilities	**6,330,651**	9,018,266

6 REVENUE

	2018 HK$'000	2017 HK$'000
Construction contracts income	**3,655,134**	3,593,926
Sales of development properties	**3,838,886**	6,733,600
Sales of goods	**6,583**	–
Income from loaning labour to other contractors	**1,360**	961
Rental of equipment	**5,049**	823
Service income	**879**	–
	7,507,891	10,329,310

6 REVENUE (CONTINUED)

The Group primarily operates in Singapore, Southeast Asia, Hong Kong and Macau, and its revenue by geographical area is as follows:

	2018 HK$'000	2017 HK$'000
Singapore	**5,985,372**	8,706,261
Hong Kong	**955,225**	1,593,503
Macau	**146,608**	29,546
Southeast Asia	**420,686**	–
	7,507,891	10,329,310

7 OTHER INCOME

	2018 HK$'000	2017 HK$'000
Dividend income from available-for-sale financial assets	**–**	87,677
Dividend income from financial assets at fair value through other comprehensive income	**23,538**	–
Income from default payments of development properties	**–**	9,749
Government grant	**2,253**	6,647
Management fee income	**15,488**	3,965
Rental income from temporary staff quarters	**2,930**	2,166
Scrap sales	**1,850**	509
Sundry income	**5,911**	6,181
	51,970	116,894

8 OTHER LOSSES — NET

	2018 HK$'000	2017 HK$'000
(Losses)/gains on disposal of property, plant and equipment	**(10,838)**	1,126
Foreign exchange forward contracts		
— fair value losses	**–**	(8,315)
— gains/(losses) on settlement, net	**2,260**	(22,468)
Cross currency swap contracts		
— losses on settlement, net	**–**	(13,375)
Gain on deemed disposal of subsidiaries *(Note 40)*	**–**	4,442
Provision for foreseeable losses on certain construction contracts	**(28,284)**	–
Others	**3,401**	41
Other losses — net	**(33,461)**	(38,549)

9 EXPENSES BY NATURE

	2018 HK$'000	2017 HK$'000
Contractor and material costs included in "Cost of sales"	**3,057,639**	2,888,125
Property development costs included in "Cost of sales"	**3,047,578**	5,579,632
Sales commissions	**70,540**	170,165
Show flat costs	**6,832**	26,927
Marketing expenses	**16,495**	27,817
Travel and entertainment expenses	**11,538**	8,970
Depreciation of owned assets	**73,432**	62,255
Depreciation of assets under finance leases	**4,602**	22,363
Amortisation of intangible assets	**5,828**	14,130
Auditors' remuneration		
— recurring audit services	**7,227**	6,977
— other audit services	**2,433**	1,132
— non-audit services	**101**	233
Staff costs, including directors' emoluments *(Note 10)*	**595,463**	699,347
Rental expenses on operating leases	**69,349**	48,600
Other legal and professional fees	**14,732**	8,123
Other expenses	**44,803**	23,780
Total cost of sales, selling and marketing expenses, general and administrative expenses	**7,028,592**	9,588,576

10 EMPLOYEE BENEFIT EXPENSES

	2018 HK$'000	2017 HK$'000
Directors' fees, employees' salaries, wages and allowances	**497,270**	569,554
Performance bonuses	**32,565**	62,905
Employers' contributions to defined contribution plans	**36,557**	23,500
Share-based payment expenses *(Note 36)*	**18,283**	31,439
Other staff benefits	**10,788**	11,949
	595,463	699,347

Five highest paid individuals

During the year, the five individuals whose emoluments were the highest in the Group include 3 directors (2017: 2), whose emoluments are reflected in the analysis shown in Note 44. The emoluments payable to the remaining individuals during the years ended 31 December 2018 and 2017 were as follows:

	2018 HK$'000	2017 HK$'000
Salaries, wages and allowances	**4,562**	3,732
Performance bonuses	**8,770**	25,420
Employers' contributions to defined contribution plans	**191**	251
Share-based payment expenses	**1,277**	5,388
Other staff benefits	**–**	407
	14,800	35,198

The emoluments of the individuals fell within the following bands:

	Number of individuals 2018	Number of individuals 2017
Emolument bands (in HK$)		
HK6,000,001–HK$6,500,000	**1**	–
HK$8,000,001–HK$8,500,000	**1**	–
HK$9,500,001–HK$10,000,000	**–**	2
HK$16,500,001–HK$17,000,000	**–**	1

11 FINANCE (COSTS)/INCOME — NET

	2018 HK$'000	2017 HK$'000
Finance income		
Interest income from bank deposits	**19,255**	14,838
Interest income from loans to associated companies	**55,125**	35,158
Interest income from loans to other related parties	**–**	1,203
	74,380	51,199
Finance costs		
Interest expenses on finance leases	**(562)**	(1,187)
Interest expenses on bank borrowings and arrangement fee amortised in respect of bank facilities	**(125,900)**	(171,091)
Interest expenses on medium term notes	**(29,144)**	(4,290)
Interest expenses on loans from non-controlling shareholders of the subsidiaries	**(14,012)**	(28,095)
	(169,618)	(204,663)
Less: Interest expenses capitalised	**78,116**	130,465
	(91,502)	(74,198)
Net foreign exchange (losses)/gains	**(18,707)**	37,420
	(110,209)	(36,778)
Finance (costs)/income — net	**(35,829)**	14,421

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

12 SUBSIDIARIES

The following is a list of the principal subsidiaries as at 31 December 2018:

Name of companies	Principal activities	Country of operation/ incorporation	Particulars of share capital	Effective interest held as at 31 December 2018	Effective interest held as at 31 December 2017
Directly held by the Company:					
One Million International Limited	Investment holding	The British Virgin Islands	US$3	**100%**	100%
Wang Bao Development Limited	Investment holding	The British Virgin Islands	US$0.02	**100%**	100%
New Chic International Limited	Investment holding	The British Virgin Islands	US$100	**100%**	100%
Indirectly held by the Company:					
Sunley Engineering & Construction Company Limited	General contracting, building and civil engineering and rental of machinery in Hong Kong	Hong Kong	HK$39,193,000	**100%**	100%
Sunnic Engineering Limited	General contracting, building and civil engineering and rental of machinery in Hong Kong	Hong Kong	HK$9,300,000	**100%**	100%
Full Gain Engineering Limited	General contracting, building and civil engineering and rental of machinery in Hong Kong	Hong Kong	HK$100	**100%**	100%
Global Glory Development & Property Limited	Property development	Hong Kong	HK$1	**99.75%**	–
Sunley Foundation Engineering (Macau) Company Limited	General contracting, building and civil engineering in Macau	Macau	MOP100,000	**100%**	100%
Sunnic Engineering (Macau) Limited	General contracting, building and civil engineering in Macau	Macau	MOP25,000	**100%**	100%
CNQC (South Pacific) Holdings Pte. Ltd.	Investment holding	Singapore	SGD25,500,000	**100%**	100%
Qingjian International (South Pacific) Group Development Co., Pte. Ltd.	General construction	Singapore	SGD45,000,000	**100%**	100%
CNQC Engineering & Construction Pte. Ltd.	General construction	Singapore	SGD15,000,000	**100%**	100%
Qingjian Realty (South Pacific) Group Pte. Ltd.	Investment holding	Singapore	SGD2,000,000	**100%**	100%
Max Marine International Trading Pte. Ltd.	General wholesale trade	Singapore	SGD6,000,000	**100%**	100%
Qingjian Realty (Serangoon) Pte. Ltd.	Property development	Singapore	SGD1,000,000	**81%**	81%
Qingjian Realty (Punggol) Pte. Ltd.	Property development	Singapore	SGD1,000,000	**60%**	60%
Qingjian Realty (Sengkang) Pte. Ltd.	Property development	Singapore	SGD1,000,000	**77%**	77%
Qingjian Realty (Punggol Central) Pte. Ltd.	Property development	Singapore	SGD1,000,000	**95%**	95%
Qingjian Realty (Punggol Way) Pte. Ltd.	Property development	Singapore	SGD1,000,000	**85%**	85%
Qingjian Realty (Edgefield Plains) Pte. Ltd.	Property development	Singapore	SGD1,000,000	**95%**	95%
Qingjian Realty (Woodlands) Pte. Ltd.	Property development	Singapore	SGD1,000,000	**75%**	75%
Qingjian Realty (Anchorvale) Pte. Ltd.	Property development	Singapore	SGD1,000,000	**63%**	63%
Qingjian Realty (Tuas Bay) Pte. Ltd.	Investment holding	Singapore	SGD10	**100%**	100%

12 SUBSIDIARIES (CONTINUED)

Name of companies	Principal activities	Country of operation/ incorporation	Particulars of share capital	Effective interest held as at 31 December 2018	Effective interest held as at 31 December 2017
Indirectly held by the Company: (Continued)					
Chong Lee Heng Builder Pte. Ltd.	Building and constructions, leasing of construction equipment	Singapore	SGD616,692	**100%**	100%
Qingjian Realty (Sembawang) Pte. Ltd.	Property development	Singapore	SGD1,000,000	**77%**	77%
Hilife Interactive Pte. Ltd.	Provision of information technology services	Singapore	SGD1,500,000	**63%**	63%
Qingjian Realty (BBC) Pte. Ltd.	Property development	Singapore	SGD4,000,000	**73%**	73%
Qingjian Realty (BBR) Pte. Ltd.	Property development	Singapore	SGD4,000,000	**73%**	73%
Qingjian Realty (Marymount) Pte. Ltd.	Property development	Singapore	SGD4,000,000	**45%**	45%
Welltech Construction Pte. Ltd.	General construction	Singapore	SGD35,000,000	**100%**	100%
Welltech Trading Pte. Ltd.	Trading and letting of tools and equipment	Singapore	SGD100,000	**70%**	70%
Bohai Service Pte. Ltd.	Lease of workers dormitory	Singapore	SGD100,000	**100%**	100%
BH-ZACD (Tuas Bay) Development Pte. Ltd.	Property development	Singapore	SGD1,000,000	**60%**	60%
Qingjian Perennial (Bukit Timah) Pte. Ltd.	Property development	Singapore	SGD100	**51%**	–
CNQC Development Company Limited	General construction	Vietnam	US$100	**100%**	100%
SV investment Limited	Property development	Vietnam	US$100	**100%**	100%
CNQC Engineering & Construction (Malaysia Sdn Bhd)	General contracting, building and civil engineering in Malaysia	Malaysia	MYR1,000,000	**100%**	–

Material non-controlling interests

The total non-controlling interests as at 31 December 2018 represent net aggregate non-controlling interests of HK$123,832,000 (2017: HK$197,060,000), of which non-controlling interests of HK$39,241,000 (2017: deficits shared by non-controlling interests of HK$11,698,000) and non-controlling interests of HK$37,909,000 (2017: deficits shared by non-controlling interests of HK$1,947,000) were attributable to Qingjian Realty (Sembawang) Pte. Ltd. and Qingjian Realty (BBR) Pte. Ltd. respectively. The directors are of the opinion that other non-controlling interests are not material to the Group as at 31 December 2018.

Summarised financial information on subsidiaries with material non-controlling interests

Set out below are the summarised financial information for each subsidiary that has non-controlling interests that are material to the Group.

12 SUBSIDIARIES (CONTINUED)

Summarised statements of financial position

	Qingjian Realty (Sembawang) Pte. Ltd.		Qingjian Realty (BBR) Pte. Ltd.	
	2018 HK$'000	2017 HK$'000	**2018 HK$'000**	2017 HK$'000
Current				
Assets	**543,242**	2,655,088	**1,695,747**	1,858,946
Liabilities	**(377,390)**	(2,707,047)	**(234,629)**	(529,000)
Total current net assets/(liabilities)	**165,852**	(51,959)	**1,461,118**	1,329,946
Non-current				
Assets	**3,571**	9,186	**–**	6,593
Liabilities	**–**	–	**(1,318,155)**	(1,343,922)
Total non-current net assets/(liabilities)	**3,571**	9,186	**(1,318,155)**	(1,337,329)
Net assets/(liabilities)	**169,423**	(42,773)	**142,963**	(7,383)

Summarised statements of comprehensive income

	Qingjian Realty (Sembawang) Pte. Ltd.		Qingjian Realty (BBR) Pte. Ltd.	
	2018 HK$'000	2017 HK$'000	**2018 HK$'000**	2017 HK$'000
Revenue	**2,969,902**	–	**–**	–
Profit/(loss) before income tax	**712,144**	(5,721)	**115,411**	(29,853)
Income tax expense	**(504,883)**	–	**–**	–
Post-tax profit/(loss) from continuing operations	**207,261**	(5,721)	**115,411**	(29,853)
Other comprehensive income/(loss)	**4,936**	(3,082)	**5,318**	1,138
Total comprehensive income/(loss)	**212,197**	(8,803)	**120,729**	(28,715)
Total comprehensive income/(loss) allocated to non-controlling interests	**4,936**	(3,082)	**5,318**	1,138
Dividends paid to non-controlling interests	**–**	–	**–**	–

12 SUBSIDIARIES (CONTINUED)

Summarised statements of cash flows

	Qingjian Realty (Sembawang) Pte. Ltd.		Qingjian Realty (BBR) Pte. Ltd.	
	2018	2017	**2018**	2017
	HK$'000	HK$'000	**HK$'000**	HK$'000
Cash flows from operating activities				
Cash generated from operations	**1,309,417**	154,973	**36,150**	275,996
Interest paid	**–**	–	**–**	–
Net cash generated from operating activities	**1,309,417**	154,973	**36,150**	275,996
Net cash used in investing activities	**–**	–	**–**	–
Net cash used in financing activities	**(1,333,687)**	(188,499)	**(84,970)**	(195,276)
Net (decrease)/increase in cash and cash equivalents	**(24,270)**	(33,526)	**(48,820)**	80,720
Cash and cash equivalents at beginning of year	**61,679**	95,205	**92,112**	11,392
Exchange differences on cash and cash equivalents	**206**	1,468	**238**	2,194
Cash and cash equivalents at end of year	**37,615**	63,147	**43,530**	94,306

The information above is the amount before inter-company eliminations.

13 INVESTMENTS IN ASSOCIATED COMPANIES

The movements of the carrying amounts of associated companies are as follows:

	2018	2017
	HK$'000	HK$'000
At 1 January	**21,081**	19,682
Additions	**17,040**	–
Additions from deemed disposal of subsidiaries *(Note 40)*	**–**	1,165
Share of (losses)/profits of associated companies	**(4,741)**	3,094
Dividends received	**(9,304)**	(4,560)
Exchange difference	**1,447**	1,700
At 31 December	**25,523**	21,081

13 INVESTMENTS IN ASSOCIATED COMPANIES (CONTINUED)

The amounts recognised in profit or loss are as follows:

	2018 HK$'000	2017 HK$'000
Share of (losses)/profits of associated companies		
— Share of results of associated companies	**(3,210)**	6,218
— Unrealised gains on downstream transactions with associated companies	**(79,003)**	(32,019)
	(82,213)	(25,801)
Deferred unrealised gains on downstream transactions with associated companies *(Note)*	**77,472**	28,895
Share of (losses)/profits of associated companies recognised in investments in associated companies	**(4,741)**	3,094

Note:

As at 31 December 2018, deferred unrealised gains on downstream transactions with associated companies of HK$77,472,000 was recognised in "Trade and other payables" (Note 34).

The particulars of the Group's associated companies as at 31 December 2018 are as follows:

Name of companies	**Principal activities**	**Country of operation/ incorporation**	**Particulars of share capital**	**Effective interest held as at 31 December 2018**	Effective interest held as at 31 December 2017
BH-ZACD (Woodlands) Development Pte. Ltd. ("ZACD Woodlands")	Property development	Singapore	SGD40	**40%**	40%
Qingjian Realty (Choa Chu Kang) Pte. Ltd. ("QJR CCK")	Property development	Singapore	SGD1,000,000	**46%**	46%
Qingjian Realty (SF) Holding Pte. Ltd. ("QJR SF")	Investment holding	Singapore	SGD10,000	**42.11%**	42.11% *(Note (a))*
Qingjian Realty (Marymount) Pte. Ltd. ("QJR Marymount")	Property development	Singapore	SGD4,000,000	**45%**	45% *(Note (b))*

Note:

(a) The Group's equity interest in QJR SF and its subsidiaries was diluted from 100% to 42.11% (Note 40), which constituted a deemed disposal of subsidiaries. Upon the deemed disposal, QJR SF and its subsidiaries ceased to be subsidiaries of the Group and became associates of the Group.

(b) The Group directly holds 42.11% equity interests of QJR SF, which holds 95% equity interests in QJR Marymount. The Group also directly holds 5% equity interests in QJR Marymount.

Hence, the Group directly holds 5% equity interests of QJR Marymount and indirectly holds 40% equity interests through QJR SF, effectively, the Group holds 45% equity interests in QJR Marymount.

The material contingent liabilities or financial commitments relating to the Group's interests in associated companies as at 31 December 2018 and 2017 were disclosed in note 38.

13 INVESTMENTS IN ASSOCIATED COMPANIES (CONTINUED)

Summarised financial information for associates

Set out below are the summarised financial information for associates which, in the opinion of directors, are material to the Group and are accounted for using the equity method.

	QJR CCK		QJR SF		QJR Marymount		ZACD Woodlands	
	2018 HK$'000	2017 HK$'000	**2018 HK$'000**	2017 HK$'000	**2018 HK$'000**	2017 HK$'000	**2018 HK$'000**	2017 HK$'000
Current assets								
Cash and cash equivalents	**64,199**	27,567	**67,225**	162,700	**67,168**	162,700	**12,242**	28,766
Other current assets	**859,923**	1,118,500	**5,895,442**	5,147,230	**5,917,221**	5,147,172	**218**	54,462
Total current assets	**924,122**	1,146,067	**5,962,667**	5,309,930	**5,984,389**	5,309,872	**12,460**	83,228
Non-current assets	**6,958**	6,642	**6,460**	188	**6,460**	188	**–**	–
Current liabilities								
Financial liabilities (excluding trade payables)	**(101,822)**	(46,417)	**(168,205)**	(80,422)	**(168,041)**	(58,141)	**(4,308)**	(28,925)
Other current liabilities	**(80,723)**	(48,801)	**(145,219)**	(32)	**(145,219)**	(32)	**(5,649)**	(1,602)
Total current Liabilities	**(182,545)**	(95,218)	**(313,424)**	(80,454)	**(313,260)**	(58,173)	**(9,957)**	(30,527)
Non-current liabilities								
Financial liabilities (excluding trade payables)	**(780,250)**	(1,086,258)	**(5,687,653)**	(5,229,472)	**(5,687,653)**	(5,229,472)	**–**	–
Total non-current liabilities	**(780,250)**	(1,086,258)	**(5,687,653)**	(5,229,472)	**(5,687,653)**	(5,229,472)	**–**	–
Net (liabilities)/assets	**(31,715)**	(28,767)	**(31,950)**	192	**(10,064)**	22,415	**2,503**	52,701
Net (liabilities)/assets attributable to equity owners	**(31,715)**	(28,767)	**(31,950)**	(929)	**(10,064)**	22,415	**2,503**	52,701

13 INVESTMENTS IN ASSOCIATED COMPANIES (CONTINUED)

Summarised financial information for associates (Continued)

	QJR CCK		QJR SF		QJR Marymount		ZACD Woodlands	
	Year ended 31 December 2018 HK$'000	Year ended 31 December 2017 HK$'000	**Year ended 31 December 2018 HK$'000**	Period from 1 July 2017 (date of deemed disposal) to 31 December 2017 HK$'000	**Year ended 31 December 2018 HK$'000**	Period from 1 July 2017 (date of deemed disposal) to 31 December 2017 HK$'000	**Year ended 1 December 2018 HK$'000**	Year ended 31 December 2017 HK$'000
Reconciliation to carrying amounts of the Group's interests in associated companies:								
Opening net assets	**(28,766)**	(2,894)	**(871)**	(354)	**22,413**	21,206	**52,701**	16,851
Capital injection	**–**	–	**–**	57	**–**	–	**–**	–
(Loss)/profit for the year/period	**(3,508)**	(25,026)	**(30,989)**	(558)	**(31,902)**	(617)	**(2,013)**	44,987
Other comprehensive (loss)/income	**560**	(847)	**413**	(16)	**(576)**	1,826	**6,969**	2,263
Dividends paid	**–**	–	**–**	–	**–**	–	**(55,155)**	(11,400)
Closing net (liabilities)/assets	**(31,714)**	(28,767)	**(31,447)**	(871)	**(10,065)**	22,415	**2,502**	52,701
Interests in associates	**1,490**	–	**–**	–	**–**	1,121	**1,000**	21,081
Adjustment	**–**	18,597	**–**	–	**–**	–	**–**	–
Cumulative unrealised gains on downstream transactions with associated companies	**(44,237)**	(4,989)	**–**	–	**–**	(920)	**–**	–
Cumulative share of results of associated companies	**(8,811)**	(13,608)	**–**	–	**–**	(201)	**–**	–
Carrying amounts of the Group's interests in associated companies	**(51,558)**	–	**–**	–	**–**	–	**1,000**	21,081
Revenue	**–**	–	**198,030**	–	**194,421**	–	**2,451**	28,199
(Loss)/profit after tax	**(3,508)**	(25,026)	**(32,556)**	(589)	**(31,902)**	(617)	**(2,013)**	44,987
Other comprehensive (loss)/income	**560**	(847)	**413**	(17)	**(576)**	1,826	**6,969**	2,263
Total comprehensive (loss)/income	**(2,948)**	(25,873)	**(32,143)**	(606)	**(32,478)**	1,209	**4,956**	47,250
(Loss)/profit after tax attributable to the equity owners	**(3,444)**	(25,026)	**(30,425)**	(558)	**(31,902)**	(617)	**5,164**	44,987
Other comprehensive (loss)/income attributable to the equity owners	**560**	(847)	**413**	(16)	**(576)**	1,826	**6,969**	2,263
Total comprehensive (loss)/income attributable to the equity owners	**(2,884)**	(25,873)	**(30,012)**	(574)	**(32,478)**	1,209	**12,133**	47,250
Dividend received from associated companies	**–**	–	**–**	–	**–**	–	**21,660**	4,560

14 INVESTMENTS IN JOINT VENTURES

	2018 HK$'000	2017 HK$'000
At 1 January	**415**	355
Share of profits	**12,772**	29
Exchange difference	**(138)**	31
At 31 December	**13,049**	415

The particulars of the Group's investments in joint ventures as at 31 December 2018 and 2017 are as follows:

Name of companies	**Principal activities**	**Country of operation/ Incorporation**	**Measurement method**	**Effective interest held as at 31 December 2018**	Effective interest held as at 31 December 2017
BUT Qingjian International (South Pacific) Group Development Co., Pte. Ltd — PT. Nusa Konstruksi Enjinring Tbk., Joint Operation	Building construction	Indonesia	Equity	**60%**	60%
Welltech Construction Pte. Ltd. and Capital Trust Pte. Ltd.	Building construction	Singapore	Equity	**51%**	51%
CNQC & Sambo Company Limited	Investment holding in property development	Hong Kong	Equity	**50%**	–

The directors are of the opinion that the investments in joint ventures are not material to the Group as at 31 December 2018 (2017: same).

There were no material contingent liabilities and financial commitments relating to the Group's interests in joint ventures as at 31 December 2018 (2017: Nil).

15 INCOME TAX EXPENSE

Hong Kong profits tax, Macau profits tax, Singapore income tax and Malaysia income tax have been provided for at the rate of 16.5%, 12%, 17% and 24% respectively for the years ended 31 December 2018 and 2017 on the estimated assessable profit in the respective jurisdictions, adjusted for those items which are not assessable or deductible for income tax purpose.

	2018 **HK$'000**	2017 HK$'000
Current income tax		
— Hong Kong profits tax	**2,049**	1,071
— Macau profits tax	**548**	80
— Singapore income tax	**54,819**	130,563
— Malaysia income tax	**1,802**	–
Under/(over)-provision in prior years		
— Hong Kong profits tax	**(30)**	(40)
— Macau profits tax	**–**	(79)
— Singapore income tax	**2,154**	4,036
Deferred income tax *(Note 23)*	**25,986**	(1,138)
	87,328	134,493

The tax on profit before income tax differs from the theoretical amount that would arise using domestic tax rates applicable to profits in the respective countries as follows:

	2018 **HK$'000**	2017 HK$'000
Profit before income tax	**392,538**	807,728
Tax calculated at domestic tax rates applicable to profits in the respective countries	**64,934**	136,140
Effects of:		
— Associates' and joint ventures' results reported net of tax	**(339)**	2,786
— Statutory stepped income exemption in Singapore	**(1,529)**	(2,087)
— Further deduction under productivity and innovation credit scheme in Singapore	**–**	(2,565)
— Income exempted under partial tax rebate scheme in Singapore	**(544)**	(984)
— Income not subject to tax	**(7,000)**	(15,901)
— Expenses not deductible for tax purposes	**29,801**	13,137
— Utilisation of tax loss previously not recognised	**(119)**	–
— Tax losses and other temporary difference not recognised	**–**	50
— Under-provision in prior years	**2,124**	3,917
Income tax expense	**87,328**	134,493

16 EARNINGS PER SHARE

Basic

	2018 HK$'000	2017 HK$'000
Profit attributable to ordinary shares	**199,491**	437,978
Profit attributable to convertible preference shares ("CPS")	**25,396**	74,072
Profit attributable to owners of the Company	**224,887**	512,050

	2018 Ordinary shares	2018 CPS	2017 Ordinary shares	2017 CPS
Weighted average number of issued shares for the purpose of calculating basic earnings per share (in thousands)	**1,478,490**	**187,837**	1,431,237	241,838
Basic earnings per share (HK$)	**0.135**	**0.135**	0.306	0.306

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares and convertible preference shares ("**CPS**") outstanding for each of the years presented.

In addition to a non-cumulative preferred distribution from the date of the issue of the CPS at a rate of 0.01% per annum on the issue price of HK$2.75 per CPS payable annually in arrears, each CPS is entitled to any dividend pari passu with the holders of the ordinary shares. In addition, the holders of the CPS shall have priority over the holders of ordinary shares on the assets and funds of the Company available for distribution in a distribution of assets on liquidation, winding-up or dissolution of the Company up to an amount equal to the aggregate nominal amounts of the CPS issued (i.e. HK$9,519,000). Distributions beyond this amount are to be made on a pari passu basis among the holders of any class of shares including the CPS. Hence, the rights of the CPS to the entitlements of dividend and distribution of assets are substantially the same as those of the ordinary shares of the Company. Accordingly, the CPS is accounted for as an equity instrument and is included in the calculation of earnings per share.

16 EARNINGS PER SHARE (CONTINUED)

Diluted

	2018		2017	
	Ordinary shares	**CPS**	Ordinary shares	CPS
Weighted average number of issued shares for the purpose of calculating basic earnings per share (in thousands)	**1,478,490**	**187,837**	1,431,237	241,838
Adjustments for outstanding share options (in thousands)	**–**	**–**	129	–
	1,478,490	**187,837**	1,431,366	241,838
Diluted earnings per share (HK$)	**0.135**	**0.135**	0.306	0.306

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares and CPS outstanding to assume conversion of all dilutive potential ordinary shares relating to the outstanding share options issued by the Company as at year end dates. The number of shares that would have been issued assuming the exercise of the share options less the number of shares that could have been issued at fair value (determined as the average market price of the Company's share for the year) for the same total proceeds is the number of shares issued for no consideration. The resulting number of shares issued for no consideration is included in the weighted average number of ordinary shares as the denominator for calculating diluted earnings per share.

17 PROPERTY, PLANT AND EQUIPMENT

	Office equipment HKD'000	Motor vehicles HKD'000	Plant and Machinery HKD'000	Furniture & Fixtures HKD'000	Leasehold improvements HKD'000	Leasehold land and buildings HKD'000	Total HKD'000
At 1 January 2017							
Cost	35,170	16,278	514,621	1,859	18,826	92,206	678,960
Accumulated Depreciation	(26,333)	(8,081)	(185,839)	(775)	(7,858)	(8,359)	(237,245)
Net book value	8,837	8,197	328,782	1,084	10,968	83,847	441,715
Year ended 31 December 2017							
Opening net book amount	8,837	8,197	328,782	1,084	10,968	83,847	441,715
Addition	6,356	801	20,774	1,215	–	–	29,146
Transfer from development properties for sales	–	–	–	–	–	16,711	16,711
Disposal	–	–	(1,360)	–	–	–	(1,360)
Exchange Difference	834	317	3,029	–	859	7,569	12,608
Depreciation	(6,068)	(3,504)	(66,509)	(412)	(3,881)	(4,244)	(84,618)
Closing net book amount	9,959	5,811	284,716	1,887	7,946	103,883	414,202

17 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Office equipment HK$'000	Motor vehicles HK$'000	Plant and Machinery HK$'000	Furniture & Fixtures HK$'000	Leasehold improvements HK$'000	Leasehold land and buildings HK$'000	Total HK$'000
At 31 December 2017 and 1 January 2018							
Cost	42,452	17,374	538,233	3,074	20,458	117,312	738,903
Accumulated Depreciation	(32,493)	(11,563)	(253,517)	(1,187)	(12,512)	(13,429)	(324,701)
Net book value	9,959	5,811	284,716	1,887	7,946	103,883	414,202
Year ended 31 December 2018							
Opening net book amount	9,959	5,811	284,716	1,887	7,946	103,883	414,202
Addition	9,912	1,720	14,172	–	–	–	25,804
Written off	–	(251)	–	–	–	–	(251)
Disposal	(16)	(70)	(27,693)	–	–	–	(27,779)
Exchange Difference	(46)	(161)	(364)	–	(92)	(1,798)	(2,461)
Depreciation	(7,358)	(2,813)	(58,653)	(615)	(3,953)	(4,642)	(78,034)
Closing net book amount	12,451	4,236	212,178	1,272	3,901	97,443	331,481
Year ended 31 December 2018							
Cost	51,365	17,044	487,041	3,074	20,092	115,213	693,829
Accumulated Depreciation	(38,914)	(12,808)	(274,863)	(1,802)	(16,191)	(17,770)	(362,348)
Net book value	12,451	4,236	212,178	1,272	3,901	97,443	331,481

Note:

During the year ended 31 December 2018, there was no development properties for sale transferred to property, plant and equipment (2017: HK$16,711,000).

(a) Depreciation expense of HK$63,577,000 (2017: HK$70,394,000) and HK$14,457,000 (2017: HK$14,224,000) has been charged in "cost of sales" and "general and administrative expenses" respectively.

(b) The net book amount of property, plant and equipment where the Group was a lessee under finance leases as at 31 December 2018 is HK$6,498,000 (2017: HK$110,325,000) (Note 33).

(c) As at 31 December 2018, the Group's leasehold land and buildings with an aggregate net book value of HK$49,932,000 (2017: HK$51,992,000) were pledged as securities for bank borrowings (Note 32(b)).

(d) As at 31 December 2018, the Group's machinery with an aggregate net book value of HK$5,599,000 (2017: HK$14,298,000) was pledged as security for bank borrowings (Note 32(a)(i)).

(e) For the year ended 31 December 2018, rental income amounting to HK$5,049,000 (2017: HK$823,000) relating to the lease of machinery is included in profit or loss (Note 6).

18 INVESTMENT PROPERTIES UNDER DEVELOPMENT

	HK$'000
Cost	
At 1 January 2017	426,723
Additions	53,537
Exchange differences	38,286
At 31 December 2017	518,546
Additions	52,420
Exchange differences	(9,954)
At 31 December 2018	561,012
Accumulated depreciation	
At 1 January 2017, 31 December 2017 and 31 December 2018	–
Net book value	
At 1 January 2017	426,723
At 31 December 2017	518,546
At 31 December 2018	561,012

The Group's investment properties under development as at 31 December 2018 were valued at HK$609,008,000 (2017: HK$566,768,000) by an independent professionally qualified valuer who holds a recognised relevant professional qualification and has recent relevant experience of the investment properties being valued. The valuation was determined using the direct comparison approach with reference to the comparable properties in close proximity. The valuations take into account the characteristic of the properties which included the location, size and other factors collectively.

As at 31 December 2018, investment properties under development with net carrying amounts of HK$561,012,000 (2017: HK$518,546,000) were pledged as securities for certain bank loans of the Group.

19 GOODWILL

	Foundation and construction – Hong Kong and Macau *(Note (a))* HK$'000	Construction – Singapore and Southeast Asia (New Chic International Limited ("New Chic")) *(Note (b))* HK$'000	Total HK$'000
At 1 January 2017	282,933	279,021	561,954
Exchange differences	–	3,801	3,801
At 31 December 2017 and 1 January 2018	282,933	282,822	565,755
Exchange differences	–	(2,428)	(2,428)
At 31 December 2018	282,933	280,394	563,327

Notes:

(a) The amount represents goodwill arising from the acquisition of the "Foundation and construction — Hong Kong and Macau" segment deemed to be completed on 17 March 2014 as a result of the reverse acquisition completed on 15 October 2015.

(b) The amount represents goodwill arising from the acquisition of New Chic which is primarily engaged in the provision of construction services as main contractor in Singapore. The acquisition is expected to create synergy from combining the capabilities of the Group's other construction business in Singapore as a result of major acquisition completed on 13 July 2016.

Impairment test for goodwill

The recoverable amount of the CGU is determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated growth rates stated below. Management estimates the pre-tax discount rate that reflects market assessment of the time value of money and specific risk relating to the industry.

Key assumptions of the financial budgets covering the five-year period and other key assumptions used for value-in-use calculations are as follows:

Goodwill of Foundation and construction — Hong Kong and Macau

	2018	2017
Average growth rate *(Note (i))*	**10.0%**	5.0%
Terminal growth rate	**2.0%**	2.0%
Discount rate *(Note (ii))*	**15.0%**	15.0%

19 GOODWILL (CONTINUED)

Impairment test for goodwill (Continued)

Goodwill of Construction — Singapore and Southeast Asia (New Chic)

	2018	2017
Average growth rate *(Note (i))*	**4.0%**	5.0%
Terminal growth rate	**2.5%**	2.5%
Discount rate *(Note (ii))*	**10.9%**	10.9%

Notes:

(i) Average growth rate used in the budget is for the five-year period ending 31 December 2023.

(ii) The discount rate used is pre-tax and reflects specific risks relating to the relevant business.

(iii) Assuming that the growth rate decreases by 50 basis points and the discount rate increases by 50 basis points, there is still sufficient headroom and no impairment charge is required for goodwill as at 31 December 2018.

20 OTHER INTANGIBLE ASSETS

	Unfinished construction contracts HK$'000	Construction license HK$'000	Computer software, license and club membership HK$'000	Total HK$'000
Year ended 31 December 2017				
Opening net book amount	7,873	46,034	433	54,340
Addition	–	–	119	119
Amortisation charge *(Note 9)*	(8,359)	(5,701)	(70)	(14,130)
Exchange difference	486	3,857	36	4,379
Closing net book amount	–	44,190	518	44,708
At 31 December 2017				
Cost	24,564	58,364	649	83,577
Accumulated amortisation	(24,564)	(14,174)	(131)	(38,869)
	–	44,190	518	44,708

20 OTHER INTANGIBLE ASSETS (CONTINUED)

	Construction license HK$'000	Computer software, license and club membership HK$'000	Total HK$'000
Year ended 31 December 2018			
Opening net book amount	**44,190**	**518**	**44,708**
Amortisation charge *(Note 9)*	**(5,806)**	**(22)**	**(5,828)**
Exchange difference	**(395)**	**(10)**	**(405)**
Closing net book amount	**37,989**	**486**	**38,475**
At 31 December 2018			
Cost	**57,319**	**637**	**57,956**
Accumulated amortisation	**(19,330)**	**(151)**	**(19,481)**
	37,989	**486**	**38,475**

Amortisation of HK$5,806,000 (2017: HK$14,060,000) was included in "Cost of sales" and HK$22,000 (2017: HK$70,000) was included in "General and administrative expenses".

21 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial assets at fair value through profit or loss are all held for capital appreciation and include the following:

	2018 HK$'000	2017 HK$'000
Investment fund — unlisted *(Note)*	**340,568**	230,696

Note:

On 16 May 2017, a direct wholly-owned subsidiary of the Company entered into a Limited Partnership Agreement with Great Wall International Investment ("**Great Wall**") and Guotsing Asset Management Limited ("**Guotsing Asset Management**"), in relation to a formation of fund for the purpose of investment in a property development project in Singapore (the "**Fund**"). Guotsing Asset Management is an indirect wholly-owned subsidiary of a controlling shareholder of the Company. As at 31 December 2018, the balance of financial assets at fair value through profit or loss represents the Group's investment in the Fund and investment in portfolio fund.

The direct wholly-owned subsidiary of the Company also entered into the Subscription Agreement in relation to its capital commitment to the fund (Note 39).

Financial assets at fair value through profit or loss are presented with in "investing activities" in the consolidated statement of cash flows.

Changes in fair values of financial assets at fair value through profit or loss are recorded in "Other losses — net" in the consolidated statement of comprehensive income.

22 TRADE AND OTHER RECEIVABLES

	2018 HK$'000	2017 HK$'000
Current		
Trade receivables *(Note (b))*		
— An associated company	**224,538**	34,772
— Other related parties	**2,439**	5,787
— Third parties	**560,234**	611,802
	787,211	652,361
Retention receivables from customers for contract work *(Note (c))*		
— Other related parties	**656**	–
— Third parties	**280,729**	279,075
	281,385	279,075
Development properties — due from customers	**3,353**	605,619
Other receivables *(Note (d))*		
— Associated companies	**151,247**	81,318
— Joint venture	**112,204**	–
— Other related parties	**17,164**	8,986
— Third parties	**171,874**	33,893
Prepayments	**399,790**	85,808
Deposits	**48,380**	35,822
Staff advances	**3,410**	3,097
Goods and services tax receivable	**8,416**	12,204
	912,485	261,128
Loans receivables		
— An associated company *(Note (e))*	**163,457**	–
	2,147,891	1,798,183
Non-current		
Loans receivables		
— Associated companies *(Note (e))*	**858,835**	959,953
— Other related parties	**37,244**	–
Prepayments and other receivables	**19,630**	13,174
	915,709	973,127

22 TRADE AND OTHER RECEIVABLES (CONTINUED)

Notes:

(a) The credit periods granted to customers were 14 to 60 days. No interest was charged on the outstanding balance.

(b) The aging analysis of the trade receivables based on invoice date is as follows:

	2018 HK$'000	2017 HK$'000
1–30 days	**704,899**	509,089
31–60 days	**35,759**	18,409
61–90 days	**2,062**	1,754
Over 90 days	**44,491**	123,109
	787,211	652,361

As at 31 December 2018, trade receivables of HK$82,312,000 (2017: HK$143,818,000) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The aging analysis of trade receivables past due but not impaired by overdue date is as follows:

	2018 HK$'000	2017 HK$'000
1–30 days	**35,759**	284
31–60 days	**2,062**	18,558
61–90 days	**44,491**	2,731
Over 90 days	**–**	122,245
	82,312	143,818

(c) Retention receivables in respect of the construction and foundation businesses are settled in accordance with the terms of the respective contracts. Retention receivables held by customers for construction and foundation work amounting to approximately HK$9,039,000 (2017: HK$43,724,000) are expected to be recovered in more than twelve months from 31 December 2018.

(d) The other receivables due from associated companies, other related parties, and third parties were unsecured, interest-free and repayable on demand. The other receivables did not contain any impaired assets.

(e) Loans to associated companies were lent to companies in which the Group invested to develop properties in Singapore. The loans were made in proportion to the percentages of the Group's shareholdings in these companies. The loans were unsecured, and interest-bearing at a fixed rate 5% (2017: 5%) per annum as at 31 December 2018.

The carrying amounts of the Group's trade and other receivables (excluding prepayments) approximate their fair values. The Group did not hold any collateral as security for its trade and other receivables.

23 DEFERRED INCOME TAX (LIABILITIES)/ASSETS

Deferred income tax assets and liabilities are offset when there is a legal enforceable right to offset current income tax assets against current income tax liabilities and when the deferred income taxes related to the same fiscal authority. The amounts, determined after appropriate offsetting, are set out as follows:

	2018 HK$'000	2017 HK$'000
Deferred income tax assets		
— to be recovered within 12 months	**12,332**	11,818
— to be recovered after more than 12 months	**21,314**	49,536
	33,646	61,354

	2018 HK$'000	2017 HK$'000
Deferred income tax liabilities		
— to be settled within 12 months	**(1,050)**	(6,119)
— to be settled after more than 12 months	**(60,444)**	(49,031)
	(61,494)	(55,150)

The movements in the net deferred income tax (liabilities)/assets are as follows:

	2018 HK$'000	2017 HK$'000
1 January	**6,204**	(915)
Adoption of HKFRS 15	**(6,656)**	–
(Charged)/credited to profit or loss *(Note 15)*	**(25,986)**	1,138
Exchange difference	**(1,410)**	5,981
31 December	**(27,848)**	6,204

23 DEFERRED INCOME TAX ASSETS/(LIABILITIES) (CONTINUED)

	Fair value adjustments of identifiable assets arising from business combination HK$'000	Accelerated tax depreciation HK$'000	Unrealised profit HK$'000	Tax losses HK$'000	Accrued operating expenses HK$'000	Realised profit HK$'000	Total HK$'000
Year ended 31 December 2017							
At 1 January 2017	(34,840)	(43,560)	35,430	28,818	13,237	–	(915)
Credited/(charged) to profit or loss	17,627	5,346	(854)	(20,270)	(711)	–	1,138
Exchange difference	404	(140)	2,608	1,976	1,133	–	5,981
At 31 December 2017	(16,809)	(38,354)	37,184	10,524	13,659	–	6,204
Year ended 31 December 2018							
At 1 January 2018	**(16,809)**	**(38,354)**	**37,184**	**10,524**	**13,659**	**–**	**6,204**
Adoption of HKFRS 15	**–**	**–**	**–**	**(6,656)**	**–**	**–**	**(6,656)**
(Charged)/credited to profit or loss	**2,447**	**14,690**	**(16,368)**	**1,352**	**(4,197)**	**(23,910)**	**(25,986)**
Exchange difference	**208**	**24**	**(1,181)**	**(476)**	**(195)**	**210**	**(1,410)**
At 31 December 2018	**(14,154)**	**(23,640)**	**19,635**	**4,744**	**9,267**	**(23,700)**	**(27,848)**

24 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2018 HK$'000	2017 HK$'000
At 1 January	**28,489**	92,329
Adoption of HKFRS 9	**(28,489)**	–
Fair value change recognised in other comprehensive income	**–**	(70,176)
Exchange differences	**–**	6,336
At 31 December	**–**	28,489

	2018 HK$'000	2017 HK$'000
Unlisted equity investments	**–**	28,489

25 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2018 HK$'000	2017 HK$'000
At 1 January	**28,489**	–
Fair value change recognised in other comprehensive income	**(17,514)**	–
Exchange differences	**(2,061)**	–
At 31 December	**8,914**	–

	2018 HK$'000	2017 HK$'000
Unlisted equity investments	**8,914**	–

Unquoted investments which comprise equity investments in certain property development companies are carried at fair value at the end of each reporting period unless it cannot be reliably measured. As at 31 December 2018, fair value is determined using a dividend discount model for which the assumptions are based on the estimated future dividend plans of the underlying investments as disclosed in Note 3(e). Discount rates ranging from 6.4% to 13.1% (2017: 6.4% to 13.3%) for the year ended 31 December 2018 were used to discount the expected dividends.

26 DERIVATIVE FINANCIAL INSTRUMENTS

	2018 HK$'000	2017 HK$'000
Liabilities		
Current portion:		
Foreign exchange forward contracts	**2,043**	3,215
Non-current portion:		
Foreign exchange forward contracts	**1,146**	5,298
Total	**3,189**	8,513

Notes:

(a) The derivative financial instruments mainly consist of the following contracts:

	2018	2017
Foreign exchange forward contracts:		
— Notional principal amounts	**HK$102,900,000**	HK$173,800,000
— Maturities as at year end	**Range from 2 months to 14 months**	Range from 9 months to 15 months

(b) Derivative financial instruments are carried at fair values.

(c) As at 31 December 2018, the derivative financial instruments were secured by pledged bank deposits of HK$5,559,000 (2017: HK$68,200,000 (Note 29)).

27 DEVELOPMENT PROPERTIES FOR SALE

	2018 HK$'000	2017 HK$'000
Properties in the course of development		
Leasehold land at cost	**1,096,230**	2,834,435
Development costs	**860,671**	1,257,808
Overheads expenditure capitalised	**20,349**	29,576
Interest expenses capitalised	**124,879**	253,518
	2,102,129	4,375,337

Interest expenses on bank borrowings and loans from non-controlling shareholders of the subsidiaries were capitalised. The weighted average rates of capitalisation of the interest expenses were 1.4% (2017: 2.8%) per annum for bank borrowings and 2.9% (2017: 5.3%) per annum for loans from non-controlling shareholders of the subsidiaries for the year ended 31 December 2018.

As at 31 December 2018, development properties for sale with net carrying amounts of HK$2,100,107,000 (2017: HK$4,375,337,000) were pledged as securities for certain bank borrowings of the Group (Note 32(a)(iii)).

28 AMOUNTS DUE FROM CUSTOMERS FOR CONTRACT WORK

	2018 HK$'000	2017 HK$'000
Aggregate costs incurred and profits (less foreseeable losses) recognised to date on uncompleted construction contracts	**–**	10,111,912
Less: progress billings to date	**–**	(10,074,060)
Amounts due from customers for contract work	**–**	37,852

There were no advances received from customers for contract work as at 31 December 2018 and 2017. Progress billings to date include retention receivables of nil (2017: HK$121,407,000) as at 31 December 2018 (Note 22).

29 CASH AND CASH EQUIVALENTS AND PLEDGED BANK DEPOSITS

(a) Cash and cash equivalents

	2018 HK$'000	2017 HK$'000
Cash at banks and on hand	**1,186,521**	2,113,043
Short term bank deposits	**216,459**	514,026
Maintenance fund accounts *(Note (a))*	**4,783**	7,832
Project accounts *(Note (b))*	**104,070**	533,283
	1,511,833	3,168,184

Notes:

(a) The funds in the maintenance fund accounts can only be applied for the upkeep of the completed development properties.

(b) The funds in the project accounts can only be applied in accordance with the Housing Developers (Project Account) Rules (1997 Ed.) in Singapore.

(c) Cash at banks earned interest at floating rates based on daily bank deposit rates.

(b) Pledged bank deposits

As at 31 December 2018, deposits of HK$170,625,000 (2017: HK$179,689,000) were held at banks as pledge for certain of the Group's bank facilities (Note 32(a)(iv)), deposits of HK$5,559,000 (2017: HK$68,200,000) was held at banks as pledge for the Group's derivative financial instruments (Note 26), deposit of HK$12,036,000 was held at bank as pledge for the Group's banking facilities (2017: Nil) and deposit of HK$94,000 was held at bank as pledge for the Group's performance guarantee (2017: Nil). The carrying amounts of pledged bank deposits approximated their fair value.

30 SHARE CAPITAL

	Number of shares (thousands)	Share capital HK$'000	Treasury Shares HK$'000
Authorised:			
Ordinary shares			
At 1 January 2017, 31 December 2017 and 31 December 2018	6,000,000	60,000	–
CPS			
At 1 January 2017, 31 December 2017 and 31 December 2018 *(Note (a))*	1,000,000	10,000	–
Issued and fully paid:			
Ordinary shares			
At 1 January 2017	1,429,396	14,294	–
Conversion of CPS *(Note (c))*	55,843	558	–
At 31 December 2017 and 1 January 2018	1,485,239	14,852	–
Shares repurchase	–	–	(57,012)
Cancellation of shares	(29,298)	(293)	55,870
At 31 December 2018	1,455,941	14,559	(1,142)
CPS			
At 1 January 2017	243,680	2,437	–
Conversion during the year	(55,843)	(558)	–
At 31 December 2017, 1 January 2018 and 31 December 2018	187,837	1,879	–

The Group bought back a total of 29,880,000 shares during the year ended 31 December 2018 (2017: Nil). The total consideration paid to repurchase these shares was approximately HK$57,012,000 (2017: Nil), which has been deducted from equity attributable to the owners of the Company.

Note:

(a) The authorised share capital of the Company was HK$70,000,000 divided into (i) 6,000,000,000 ordinary shares of HK$0.01 each and (ii) 1,000,000,000 CPS of HK$0.01 each. Save for the rights set out below, each CPS has the same rights as each of the ordinary shares:

- CPS are convertible into fully-paid ordinary shares at the option of the CPS holders at any time after the issue date according to a fixed conversion ratio of one CPS for one ordinary share, subject to the condition that the Company is able to meet the requirement of public float under the relevant listing rules of the Stock Exchange and no shareholders of the Company trigger any mandatory general offer obligation under Rule 26 of the Takeovers Code (unless a waiver from compliance with such requirement has otherwise been obtained).

- The CPS are non-redeemable by the Company or their holders.

30 SHARE CAPITAL (CONTINUED)

Note: (Continued)
(a) (Continued)

- Each CPS shall confer on its holder the right to receive a non-cumulative preferred distribution from the date of the issue of the CPS at a rate of 0.01% per annum on the issue price of HK$2.75 per CPS, payable annually in arrears. The Company may, in its sole discretion, elect to defer or not pay a preferred distribution. No interest accrues on any unpaid preferred distribution. However, the Company shall not pay any dividends or distributions to the holders of ordinary shares of the Company unless at the same time it pays to the holders of the CPS any deferred or unpaid preferred distribution which was scheduled to be paid during the same financial year as such dividends or distributions were scheduled.

- Each CPS shall confer on its holder the right to receive, in addition to the above preferred distribution, any dividend pari passu with the holders of the ordinary shares.

- The holders of the CPS shall have priority over the holders of ordinary shares on the assets and funds of the Company available for distribution in a distribution of assets on liquidation, winding-up or dissolution of the Company up to an amount equal to the aggregate nominal amounts of the CPS issued (i.e. HK$9,519,000). Distributions beyond this amount are to be made on a pari passu basis among the holders of any class of shares including the CPS.

- The CPS do not confer on their holders the right to vote at a general meeting of the Company, unless a resolution is to be proposed at a general meeting for the winding-up of the Company or a resolution is to be proposed which if passed would vary or abrogate the rights or privileges of the CPS or vary the restrictions to which the CPS are subject.

Based on the terms of the CPS, it is accounted for as an equity instrument of the Company.

31 OTHER RESERVES

	Merger reserves HK$'000	Capital reserve HK$'000	Exchange reserve HK$'000	Available-for-sale financial assets reserve HK$'000	Financial assets at fair value through other comprehensive income reserve HK$'000	Share-based payment reserve HK$'000	Total HK$'000
Balance as at 1 January 2017	(10,771)	(1,229,584)	(72,858)	56,667	–	21,017	(1,235,529)
Other comprehensive income/(loss)							
Currency translation differences	–	–	124,323	–	–	–	124,323
Fair value change on available-for-sale financial assets	–	–	–	(70,176)	–	–	(70,176)
Total comprehensive (loss)/income	–	–	124,323	(70,176)	–	–	54,147
Transactions with owners in their capacity as owners							
Employee share option schemes — share-based compensation benefits *(Note 36)*	–	25,730	–	–	–	5,709	31,439
Total transactions with owners in their capacity as owners	–	25,730	–	–	–	5,709	31,439
Balance as at 31 December 2017 and 1 January 2018	**(10,771)**	**(1,203,854)**	**51,465**	**(13,509)**	**–**	**26,726**	**(1,149,943)**
Adjustment on adoption of HKFRS 9	**–**	**–**	**–**	**13,509**	**(13,509)**	**–**	**–**
Restated balance at 1 January 2018	**(10,771)**	**(1,203,854)**	**51,465**	**–**	**(13,509)**	**26,726**	**(1,149,943)**
Other comprehensive (loss)/income							
Currency translation differences	**–**	**–**	**15,897**	**–**	**–**	**–**	**15,897**
Fair value change on financial assets at fair value through other comprehensive income	**–**	**–**	**–**	**–**	**(17,514)**	**–**	**(17,514)**
Total comprehensive (loss)/income	**–**	**–**	**15,897**	**–**	**(17,514)**	**–**	**(1,617)**
Transactions with owners in their capacity as owners							
Employee share option scheme — share-based compensation benefits *(Note 36)*	**–**	**14,436**	**–**	**–**	**–**	**3,847**	**18,283**
Total transactions with owners in their capacity as owners	**–**	**14,436**	**–**	**–**	**–**	**3,847**	**18,283**
Balance as at 31 December 2018	**(10,771)**	**(1,189,418)**	**67,362**	**–**	**(31,023)**	**30,573**	**(1,133,277)**

32 BORROWINGS

	2018 HK$'000	2017 HK$'000
Current		
Bank borrowings — secured *(Note (a))*	**1,763,097**	2,288,304
Bank borrowings — mortgage *(Note (b))*	**18,394**	20,464
Loans from non-controlling shareholders of subsidiaries — unsecured *(Note (c))*	**40,099**	117,591
Finance lease liabilities *(Note 33)*	**3,124**	12,521
	1,824,714	2,438,880
Non-current		
Bank borrowings — secured *(Note (a))*	**1,336,889**	1,780,380
Bank borrowings — mortgage *(Note (b))*	**9,444**	9,174
Medium term notes *(Note (d))*	**571,768**	567,963
Loans from non-controlling shareholders of subsidiaries — unsecured *(Note (c))*	**347,694**	204,770
Finance lease liabilities *(Note 33)*	**2,536**	4,118
	2,268,331	2,566,405
Total borrowings	**4,093,045**	5,005,285

The exposure of the borrowings of the Group as at 31 December 2018 and 2017 to interest rate changes and the contractual re-pricing dates were as follows:

	2018 HK$'000	2017 HK$'000
Within 1 year	**3,031,744**	3,985,605
Between 1 and 2 years	**712,817**	143,129
Between 2 and 5 years	**348,380**	876,529
Later than 5 years	**104**	22
Total	**4,093,045**	5,005,285

According to the repayment schedule of the borrowings, without considering the repayable on demand clause, the Group's borrowings were repayable as follows:

	2018 HK$'000	2017 HK$'000
Within 1 year	**1,612,714**	2,382,456
Between 1 and 2 years	**1,857,419**	325,303
Between 2 and 5 years	**616,056**	2,289,761
Later than 5 years	**6,856**	7,765
Total	**4,093,045**	5,005,285

32 BORROWINGS (CONTINUED)

(a) The details of secured bank borrowings are as follows:

	Note	2018 HK$'000	2017 HK$'000
Secured by:			
Machinery and equipment *(Note 17(d))*	*(i)*	**1,593**	9,091
Interests in construction contracts	*(ii)*	**418,385**	151,730
Development properties for sale, investment properties under development and joint guarantee from directors of certain subsidiaries	*(iii)*	**1,300,947**	2,195,160
Fixed bank deposits *(Note 29(b))*	*(iv)*	**160,476**	353,646
Interests in construction contracts and corporate guarantee from an intermediate holding company	*(v)*	**1,218,585**	1,359,057
		3,099,986	4,068,684
Represented by:			
— Current portion		**1,763,097**	2,288,304
— Non-current portion		**1,336,889**	1,780,380

Notes:

(i) As at 31 December 2018, the amount comprises bank borrowings of HK$1,593,000 (2017: HK$9,091,000) bearing interest rates at 2.5% (2017: 2.5%) above the Hong Kong Interbank Offered Rate ("**HIBOR**") per annum.

(ii) As at 31 December 2018, the bank borrowings bore interest at a fixed rate of 3.5% (2017: 2.9%) per annum or 1.8% (2017: 1.8%) over 3-months Singapore Interbank Offered Rate ("**SIBOR**") per annum.

(iii) As at 31 December 2018, the amounts comprise land and development loans of HK$1,300,947,000 (2017: HK$2,195,160,000), and bore interest at rates from 1.8% over the relevant bank's one month SGD Cost of Funds ("**COF**") and 1.5% above the Hong Kong Interbank Offered Rate ("**HIBOR**") per annum (2017: 1.8% over the relevant bank's one month SGD COF) per annum. The loans were secured by mortgages over the Group's development properties for sale (Note 27), investment properties under development (Note 18) and legal assignment of all rights, title and interests in the construction contracts, insurance policies, performance bonds (if any), tenancy agreements and sale and purchase agreements in respect of the development properties for sale and personal and joint guarantee of the directors of certain subsidiaries.

(iv) As at 31 December 2018, the bank borrowings were secured by a fixed deposit of RMB150,000,000 (approximately HK$170,625,000) (2017: same (approximately HK$179,689,000)), and bore interest at 1.1% over 3 month SIBOR (2017: 0.5% over 1-month SIBOR) calculated daily based on a 365-day year.

(v) As at 31 December 2018, the bank borrowings bore interest at fixed rate ranged from 2.9% to 7.75% per annum (2017: 2.9% to 3.8% per annum) and at floating rates included 3.2% over the 6-months London Interbank Offered Rate ("**LIBOR**") per annum, from 1.2% to 2.5% over 1-month HIBOR per annum, and 2.0% over the relevant bank's COF per annum (2017: 3.2% over the 6 months LIBOR per annum, 2.5% over 1-month HIBOR per annum, and 2.0% over the relevant bank's COF per annum).

32 BORROWINGS (CONTINUED)

(b) As at 31 December 2018, bank borrowings of HK$27,838,000 (2017: HK$29,638,000) were secured by a mortgage over part of the Group's leasehold land and buildings (Note 17(c)). The effective interest rate of the loan were between 1.7% to 5.3% (2017: 1.7% to 5.3%) per annum as at 31 December 2018. The loans will be repaid by fixed monthly payment over 10 years to 20 years.

(c) The loans from non-controlling shareholders of the subsidiaries were unsecured and not expected to be repaid within 1 year, except for the current portions which were expected to be repaid within 1 year. The loans are subject to variable interest rates which contractually re-price within 12 months from the financial reporting date. The effective interest rate was 5.0% as at 31 December 2018 (2017: 5.0%).

(d) On 7 November 2017, the Company issued medium term notes with nominal value of SGD100,000,000 at coupon of 4.9% per annum for a period of 3 years under a medium term note programme established during the year. The interest is payable semi-annually in arrears. The net proceeds, after deducting the direct issuance costs, amounted to approximately SGD99,625,000. The medium term notes due 2020 will mature on 7 November 2020. The notes are listed on Singapore Exchange Securities Trading Limited. The carrying amount approximates its fair value.

(e) The fair values of the bank borrowings and the loans from related parties approximated their respective carrying values as at 31 December 2018 and 2017, as these borrowings were charged at market interest rates.

(f) These committed banking facilities are subject to annual review. As at 31 December 2018, the undrawn banking facilities amounted to HK$451,943,000 (2017: HK$850,900,000).

33 FINANCE LEASE LIABILITIES

The Group leased certain plant and machinery and motor vehicles from third parties under finance leases. The lease agreements do not have renewal clauses but provide the Group with options to purchase the leased assets at nominal values at the end of the lease terms.

	2018 HK$'000	2017 HK$'000
Minimum lease payments due		
— Within 1 year	**3,255**	12,981
— Between 1 and 2 years	**1,840**	2,418
— Between 2 and 5 years	**797**	1,943
— Later than 5 years	**125**	89
	6,017	17,431
Less: future finance charges	**(357)**	(792)
Present value of finance lease liabilities	**5,660**	16,639

33 FINANCE LEASE LIABILITIES (CONTINUED)

The present values of finance lease liabilities are analysed as follows:

	2018 HK$'000	2017 HK$'000
Within 1 year	**3,124**	12,521
Between 1 and 2 years	**1,768**	2,298
Between 2 and 5 years	**663**	1,758
Later than 5 years	**105**	62
	5,660	16,639

These finance leases were secured by the Group's property, plant and equipment (Note 17(b)).

34 TRADE AND OTHER PAYABLES

	2018 HK$'000	2017 HK$'000
Current		
Trade payables to:		
— Other related parties	**29,643**	68,145
— Third parties	**1,609,003**	1,794,412
	1,638,646	1,862,557
Non-trade payables to:		
— Non-controlling shareholders of the subsidiaries	**44,184**	120,722
— Other related parties	**18,742**	26,913
— Third parties	**42,362**	96,027
— Goods and services tax payable	**9,401**	2,355
	114,689	246,017
Accruals for operating expenses	**129,016**	171,409
Accruals for construction costs	**6,568**	65,596
Advanced proceeds received from customers	**–**	1,412,419
Deferred gain	**107,270**	29,798
Put option exercisable by non-controlling shareholder of the subsidiaries	**13,614**	13,278
Provision for foreseeable losses on certain construction contracts	**28,284**	–
	284,752	1,692,500
Total trade and other payables	**2,038,087**	3,801,074

34 TRADE AND OTHER PAYABLES (CONTINUED)

The credit terms granted by the suppliers were usually within 14 to 60 days.

The aging analysis of trade payables (including amounts due to related parties and a fellow subsidiary of trading in nature) based on invoice date was as follows:

	2018 **HK$'000**	2017 HK$'000
1–30 days	**1,583,570**	1,784,567
31–60 days	**24,822**	44,593
61–90 days	**3,965**	15,218
Over 90 days	**26,289**	18,179
	1,638,646	1,862,557

The amounts due to non-controlling shareholders of the subsidiaries, other related parties, and third parties were unsecured, interest-free and repayable on demand. The carrying amounts of trade and other payables approximated their fair values.

35 DIVIDENDS

A final dividend in respect of the year ended 31 December 2018 of HK$0.05 per share, amounting to a total dividend of HK$82,160,000, is to be proposed at the 2019 annual general meeting. These financial statements do not reflect this final dividend payable but will be reflected as an appropriation of retained earnings for the year ending 31 December 2019 once approved at the annual general meeting.

	2018 **HK$'000**	2017 HK$'000
Interim dividend of HK$0.06 (2017: HK$0.06) per ordinary share and per CPS	**99,793**	100,385
Proposed final dividend of HK$0.05 (2017: HK$ 0.10) per ordinary share and per CPS	**82,160**	167,307

36 SHARE-BASED PAYMENTS

(a) Share option scheme ("Share Option Scheme")

Pursuant to a resolution passed by the shareholders at the general meeting of the Company on 11 September 2012, the Company adopted the Share Option Scheme, under which the board of directors, at its absolute discretion and on such terms as it may think fit, may grant any employee (full-time or part-time), director, consultant or advisor of the Group, or any substantial shareholder of the Group, or any distributor, contractor, supplier, agent, customer, business partner or service provider of the Group, options to subscribe for ordinary shares of the Company.

36 SHARE-BASED PAYMENTS (CONTINUED)

(a) Share option scheme ("Share Option Scheme") (Continued)

(i) Details of the share options outstanding at the end of the year are as follows:

Grant date	Exercisable period	Exercise price per option	Number of outstanding options as at 31 December	
		HK$	2018	2017
27 June 2014	27 June 2015 to 26 June 2020	2.70	**3,900,000**	3,900,000
	27 June 2016 to 26 June 2020	2.70	**3,900,000**	3,900,000
	27 June 2017 to 26 June 2020	2.70	**3,900,000**	3,900,000
	27 June 2018 to 26 June 2020	2.70	**3,900,000**	3,900,000
	27 June 2019 to 26 June 2020	2.70	**3,900,000**	3,900,000
28 April 2016	28 April 2017 to 27 April 2022	3.02	**2,100,000**	2,100,000
	28 April 2018 to 27 April 2022	3.02	**2,100,000**	2,100,000
	28 April 2019 to 27 April 2022	3.02	**2,100,000**	2,100,000
	28 April 2020 to 27 April 2022	3.02	**2,100,000**	2,100,000
	28 April 2021 to 27 April 2022	3.02	**2,100,000**	2,100,000
			30,000,000	30,000,000

The Group has no legal or constructive obligation to repurchase or settle the options in cash.

(ii) Movements in the number of share options outstanding and their related weighted average exercise prices are as follows:

	2018		2017	
	Weighted average exercise price HK$	Number of options '000	Weighted average exercise price HK$	Number of options '000
Outstanding at the beginning and the end of the year	**2.81**	**30,000**	2.81	30,000
Exercisable at the end of the year	**2.81**	**13,800**	2.81	13,800

During the year ended 31 December 2018, share-based payment expenses in respect of the Share Option Scheme charged to profit or loss amounted to HK$3,847,000 (2017: HK$5,709,000).

36 SHARE-BASED PAYMENTS (CONTINUED)

(b) Management Share Scheme

On 10 April 2015, CNQC (South Pacific) Holding Pte. Ltd. ("**CNQC (South Pacific)**") granted share options to certain selected participants including senior management and employees of the Group and other subsidiaries of Guotsing Holding Group Co. Ltd not within the Group to subscribe for up to 6,873,000 shares and 5,127,000 shares of CNQC (South Pacific) respectively at a subscription price of SGD2.43 per share (the then existing management share scheme). 20% of these share options shall vest over 5 years on each 1 April commencing from 1 April 2016.

The fair value of the share options under the then existing management share scheme at grant date amounted to SGD129.8 million (HK$735.0 million). The weighted average fair value of these share options determined using the Binomial Option Pricing Model was SGD10.81 per share option.

In accordance with the share purchase agreement entered into by the Group on 23 May 2015 and upon completion of the reverse acquisition on 15 October 2015, the management share scheme ("**Management Share Scheme**") was adopted to replace and supersede the then existing management share scheme. Under the Management Share Scheme, share options were granted to the selected participants to purchase from a trust established by Guotsing Holding (South Pacific) Investment Pte. Ltd., a related company, up to a total of 304,599,273 CPS at HK$0.56 per share. As at 31 December 2018, 95,694,938 (2017: 84,016,633) and 208,904,335 (2017: 220,582,640) CPS were attributable to personnel rendering services to the Group and outside the Group respectively. 20% of these share options shall vest over 5 years on each 1 April commencing from 1 April 2016.

During the year ended 31 December 2018, share-based payment expenses in respect of the above equity-settled award arrangement charged to profit or loss amounted to HK$14,436,000 (2017: HK$25,730,000).

Movements in the number of share options outstanding and the exercise price during the years ended 31 December 2018 and 2017 are as follows:

	Management Share Scheme	
	Weighted average exercise price HK$	**Number of options**
Outstanding at 1 January 2017	0.56	243,679,421
Converted during the year	0.56	(55,843,197)
Outstanding at 31 December 2017, 1 January 2018 and 31 December 2018	0.56	187,836,224
Exercisable at 31 December 2018		5,076,655

37 NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Reconciliation of profit before income tax to cash generated from operations

	2018 HK$'000	2017 HK$'000
Profit before income tax	**392,538**	807,728
Adjustments for:		
Depreciation	**78,034**	84,618
Amortisation	**5,828**	14,130
Losses/(gains) on disposal of property, plant and equipment	**10,838**	(1,126)
Gain on deemed disposal of subsidiaries	**–**	(4,442)
Dividend income from available-for-sale financial assets	**–**	(87,677)
Dividend income from FVOCI	**(23,538)**	–
Share-based payment expenses	**18,283**	31,439
Interest income	**(74,380)**	(51,199)
Interest expenses	**91,502**	74,198
Fair value (gains)/losses on derivative financial instruments	**(5,239)**	44,158
Fair value gain on financial assets at fair value through profit or loss	**4,128**	–
Share of profits of joint ventures	**(12,772)**	(29)
Share of losses of associated companies	**82,213**	25,801
Operating profit before working capital changes	**567,435**	937,599
Decrease in development properties for sale	**2,738,111**	5,119,163
Increase in trade and other receivables	**(13,222)**	(126,801)
Decrease in amounts due from customers for contract work	**37,852**	28,665
Increase in contract assets	**(843,682)**	–
Increase in contract liabilities	**63,118**	–
Decrease in trade and other payables	**(2,271,096)**	(1,314,509)
Net cash generated from operations	**278,516**	4,644,117

37 NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

(a) Reconciliation of profit before income tax to cash generated from operations (Continued)

In the consolidated statement of cash flow, proceeds from disposal of property, plant and equipment comprise:

	2018 HK$'000	2017 HK$'000
Net book amount *(Note 17)*	**28,030**	1,360
(Losses)/gains on disposal of property, plant and equipment *(Note 8)*	**(10,838)**	1,126
Proceeds from disposal of property, plant and equipment	**17,192**	2,486

(b) Major non-cash transactions

During the year ended 31 December 2018, there is no significant non-cash transactions. (2017: Property, plant and equipment with carrying amount of HK$16,711,000 were transferred from "Development properties for sales".)

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

	Liabilities from financing activities			
	Medium term notes HK$'000 *(Note 32)*	Bank and other borrowings HK$'000 *(Note 32)*	Finance leases HK$'000 *(Note 33)*	Total HK$'000
As at 1 January 2017	–	6,660,365	46,683	6,707,048
Cash flows:				
— Proceeds received from issuance of medium term notes	567,863	–	–	567,863
— Drawdown on borrowings	–	1,608,453	–	1,608,453
— Repayment on borrowings	–	(4,358,921)	–	(4,358,921)
— Repayment on finance leases	–	–	(30,990)	(30,990)
Other non-cash movements				
— Finance costs	100	2,918	–	3,018
— Foreign exchange adjustments	–	507,868	946	508,814
As at 31 December 2017	567,963	4,420,683	16,639	5,005,285

37 NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

(c) (Continued)

	Liabilities from financing activities			
	Medium term notes HK$'000 *(Note 32)*	Bank and other borrowings HK$'000 *(Note 32)*	Finance leases HK$'000 *(Note 33)*	Total HK$'000
As at 1 January 2018	**567,963**	**4,420,683**	**16,639**	**5,005,285**
Cash flows:				
— Drawdown on borrowings	**–**	**1,108,185**	**–**	**1,108,185**
— Repayment on borrowings	**–**	**(2,022,587)**	**–**	**(2,022,587)**
— Repayment on finance leases	**–**	**–**	**(12,559)**	**(12,559)**
Other non-cash movements				
— Finance costs	**1,214**	**1,022**	**–**	**2,236**
— Foreign exchange adjustments	**2,591**	**8,314**	**1,580**	**12,485**
As at 31 December 2018	**571,768**	**3,515,617**	**5,660**	**4,093,045**

38 CONTINGENT LIABILITIES

(a) At each statement of financial position date, the Group had the following contingent liabilities:

	2018 HK$'000	2017 HK$'000
Guarantees on performance bonds in respect of construction contracts	**157,393**	124,973

Subsidiaries of the Group also issued corporate guarantees to banks for borrowings of the Group's associated companies and related companies in which subsidiaries of the Company are non-controlling shareholders. As at 31 December 2018, these bank borrowings amounted to HK$2,774,170,000 (2017: HK$2,410,290,000).

(b) Pending litigation

In the ordinary course of the Group's contract works business, the Group has been subject to a number of claims due to personal injuries suffered by employees of the Group or the Group's subcontractors in accidents arising out of and in the course of their employment. The directors are of the opinion that such claims are well covered by insurance and will not result in any material adverse impact on the financial position or results and operations of the Group. No provision has been made in respect of these claims in the consolidated financial statements.

39 COMMITMENTS

(a) Operating lease commitments — Group as lessee

The Group leases land, offices, warehouse and construction equipment under non-cancellable operating lease agreements. The leases have varying terms, escalation clauses and renewal rights.

The future minimum lease payables under non-cancellable operating leases contracted for but not recognised as liabilities as at 31 December 2018 and 2017 were as follows:

	2018 **HK$'000**	2017 HK$'000
Not later than one year	**48,482**	44,617
Between one and five years	**15,903**	27,423
Later than five years	**25,803**	30,050
	90,188	102,090

(b) Capital commitments

Capital expenditures contracted but not recognised in the consolidated financial statements as at 31 December 2018 and 2017, excluding those relating to investments in associated companies and joint ventures, were as follows:

	2018 **HK$'000**	2017 HK$'000
Contracted but not provided for:		
Development expenditure	**7,495**	19,857
Investment in the Fund	**478,268**	471,641
	485,763	491,498

40 DEEMED DISPOSAL OF SUBSIDIARIES

During the year ended 31 December 2018, there are no deemed disposal of subsidiaries within the Group.

In July 2017, a wholly owned subsidiary of the Company entered into a shareholder agreement with GW & CNQC (Singapore) Holdings Pte. Limited ("**GW&CNQC**"), ZACD (Shunfu) Ltd. and ZACD (Shunfu2) Ltd. The Group's equity interest in Qingjian Realty (SF) Holding Pte. Ltd. ("SF Holding") and its subsidiaries ("**SF Group**") was diluted from 100% to approximately 42.1% as a result of share allotment. Such dilution of shareholding of SF Group held by the Group from 100% to 42.1% constituted a deemed disposal of the Group's equity interest in SF Group. The investment in SF Group was derecognised as subsidiaries and SF Holding became an associate of the Group, and the difference of approximately HK$4,442,000 between the fair value of SF Holding's equity shares held by the Group and the carrying value of SF Group's net assets at deemed disposal date was recognised in the consolidated statement of comprehensive income (Note 8).

41 CHANGES IN OWNERSHIP INTERESTS IN SUBSIDIARIES WITHOUT CHANGE OF CONTROL

In November 2017, non-controlling shareholders injected capital amounting to HK$4,105,000 into Hilife Interactive Pte. Ltd ("**Hilife**"), a non-wholly-owned controlling subsidiary of the Group. The non-controlling shareholders subscribed 10% of the equity interests in Hilife. After the transaction, the Group's equity interest in Hilife was diluted from 70% to 63%.

The carrying amount of the non-controlling interests disposed and consideration paid in excess of carrying value recognised within equity as a result of the transaction with non-controlling shareholders were as follows:

	HK$'000
Carrying amount of non-controlling interests disposed	1,260
Consideration received from the non-controlling shareholders	(4,105)
Consideration received in excess of carrying value recognised within equity	(2,845)

42 RELATED PARTY TRANSACTIONS

Related parties are those parties that have the ability to control, jointly control or exert significant influence over the other party in making financial or operational decisions. Parties are also considered to be related if they are subject to common control or joint control. The ultimate holding company of the Company is Hui Long Enterprise Limited.

(a) During the years ended 31 December 2018 and 2017, the related parties that had transactions with the Group were as follows:

Name of related parties	Relationship with the Group
Qingjian International (Myanmar) Group Development Co. Ltd.	A related company controlled by a controlling shareholder of the ultimate holding company
Great Wall Technology Aluminium Industry Pte. Ltd.	A related company controlled by a controlling shareholder of the ultimate holding company
Elite Concrete Pte. Ltd.	A related company in which a controlling shareholder of the ultimate holding company has an interest
Sinstar Precast Pte. Ltd.	A related company in which a controlling shareholder of the ultimate holding company has an interest
Qingjian Holding Group (M) Sdn. Bhd.	A related company in which a controlling shareholder of the ultimate holding company has an interest
SLP International Property Consultants Pte. Ltd.	A related company controlled by shareholders of subsidiaries
Qingjian Realty (Choa Chu Kang) Pte. Ltd.	Associated company
Qingjian Realty (Marymount) Pte. Ltd	Associated company
BH-ZACD (Woodlands) Development Pte. Ltd.	Associated company
HLY Investments (Anchorvale) Pte. Ltd.	A non-controlling shareholder of a subsidiary
HLY Investments (Sembawang) Pte. Ltd.	A non-controlling shareholder of a subsidiary
OSS Property Investments Pte. Ltd.	A non-controlling shareholder of subsidiaries
Shun Kang Development & Investment Pte. Ltd.	A non-controlling shareholder of a subsidiary
Suntec Property Ventures Pte. Ltd.	A non-controlling shareholder of a subsidiary
Yongli He Development Pte. Ltd.	A non-controlling shareholder of a subsidiary
ZACD (Anchorvale) Pte. Ltd.	A non-controlling shareholder of a subsidiary
ZACD (Canberra) Pte. Ltd.	A non-controlling shareholder of a subsidiary
ZACD (Sennett) Pte. Ltd.	A non-controlling shareholder of a subsidiary
ZACD (Tuas Bay) Pte. Ltd.	A non-controlling shareholder of a subsidiary
ZACD (Woodlands3) Pte. Ltd.	A non-controlling shareholder of a subsidiary
ZACD (BBW6) Pte. Ltd.	A non-controlling shareholder of subsidiaries
ZACD Investments Pte. Ltd.	A non-controlling shareholder of a subsidiary
Zuo Hai Bin	A non-controlling shareholder of a subsidiary
ZACD International Pte. Ltd.	A related company controlled by non-controlling shareholder of a subsidiary

42 RELATED PARTY TRANSACTIONS (CONTINUED)

(b) The following is a summary of significant related party transactions, in addition to those disclosed elsewhere in the financial statements, which were carried out in accordance with the terms agreed between the Group and the related parties and in the ordinary and usual course of business:

	2018 HK$'000	2017 HK$'000
Construction revenue from other related parties	**23,499**	2,417
Construction revenue from associated companies	**474,418**	301,982
Purchase of materials from other related parties	**1,844**	28,036
Construction service provided by other related parties	**52,672**	44,708
Dividends received from associated companies	**22,062**	4,560
Dividends received from other related parties	**19,921**	87,677
Dividend paid to related parties	**174,575**	53,466
Sales commission paid to a related party	**13,668**	21,795
Sales income from associated company	**6,583**	–
Interest income from a related party	**–**	1,203
Interest income from associated companies	**54,278**	35,158
Interest charged by non-controlling shareholders of subsidiaries	**17,984**	28,095
Management fee income from an associated company	**15,488**	3,544

Outstanding balances as at the year-end dates arising from sale/purchase of goods and services, were unsecured and receivable/payable within 12 months from year-end dates, and were disclosed in Note 22 and Note 33.

(c) Key management compensation

Key management includes directors of the Company and two key operating subsidiaries, CNQC (South Pacific) Holdings Pte. Ltd. and Welltech Construction Pte. Ltd.. The compensation paid or payable to key management for employee services is shown below:

	2018 HK$'000	2017 HK$'000
Salaries and other short-term employee benefits	**31,374**	65,683
Contribution to retirement benefit scheme	**1,445**	280
Share-based payments	**447**	12,116
Total	**33,266**	78,079

43 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY

	2018 HK$'000	2017 HK$'000
ASSETS		
Non-current assets		
Investments in subsidiaries	**3,104,175**	3,094,237
Loans to subsidiaries	**175,000**	203,000
Prepayments	**12,179**	7,572
	3,291,354	3,304,809
Current assets		
Other receivables	**19,458**	1,639
Amounts due from subsidiaries	**750,289**	174,082
Cash and cash equivalents	**299,408**	688,003
	1,069,155	863,724
Total assets	**4,360,509**	4,168,533
EQUITY		
Capital and reserves		
Share capital — ordinary shares	**14,559**	14,852
Share capital — convertible preference shares	**1,879**	1,879
Share premium	**3,315,219**	3,375,258
Treasury shares	**(1,142)**	–
Share-based payment reserve *(Note (a))*	**30,573**	26,726
Capital reserve *(Note (a))*	**275,406**	260,970
Accumulated losses *(Note (a))*	**(201,863)**	(137,158)
Total equity	**3,434,631**	3,542,527
LIABILITIES		
Non-current liability		
Borrowing	**571,768**	567,963
Current liabilities		
Other payables	**16,440**	5,145
Amounts due to subsidiaries	**284,691**	–
Loan from a subsidiary	**52,979**	52,898
	354,110	58,043
Total liabilities	**925,878**	626,006
Total equity and liabilities	**4,360,509**	4,168,533

43 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY (CONTINUED)

Note:

(a) Reserve movement of the Company

	Share-based payment reserve HK$'000	Capital reserve HK$'000	Accumulated losses HK$'000
As at 1 January 2017	21,017	235,240	(115,726)
Profit for the year	–	–	262,991
Dividend paid	–	–	(284,423)
Share-based compensation benefits	5,709	25,730	–
As at 31 December 2017	26,726	260,970	(137,158)
As at 1 January 2018	**26,726**	**260,970**	**(137,158)**
Profit for the year	**–**	**–**	**202,388**
Dividend paid	**–**	**–**	**(267,093)**
Share-based compensation benefits	**3,847**	**14,436**	**–**
As at 31 December 2018	**30,573**	**275,406**	**(201,863)**

44 BENEFITS AND INTEREST OF DIRECTORS

(a) Directors' emoluments

For the year ended 31 December 2018

	As director (Note (ii))									
	Directors' fees HK$'000	Salaries HK$'000	Discretionary bonuses HK$'000	Housing allowance HK$'000	Equity settled share-based payments HK$'000	Estimated money value of other benefits HK$'000	Employers' contributions to retirement benefit schemes HK$'000	Remunerations paid or receivable in respect of accepting office as director HK$'000	As management *(Note (iii))* HK$'000	Total HK$'000
Executive directors										
Mr. Cheng Wing On, Michael (Note (i))	–	2,724	10,908	–	697	–	18	–	–	14,347
Mr. Ho Chi Ling	–	2,368	789	–	558	–	18	–	–	3,733
Mr. Zhang Yuqiang	279	1,571	692	207	507	–	18	–	–	3,274
Mr. Wang Congyuan	418	2,020	2,275	204	1,335	–	18	–	–	6,270
Mr. Wang Linxuan	523	1,811	2,183	–	3,024	–	168	–	–	7,709
Independent non-executive directors										
Mr. Chuck Winston Calptor	240	–	–	–	–	–	–	–	–	240
Mr. Ching Kwok Hoo, Pedro	240	–	–	–	–	–	–	–	–	240
Mr. Tam Tak Kei, Raymond	240	–	–	–	–	–	–	–	–	240
Mr. Chan Kok Chung, Johnny	240	–	–	–	–	–	–	–	–	240
Non-executive directors										
Mr. Wang Xianmao	379	1,393	89	–	–	–	–	–	–	1,861
Mr. Sun Huiye	60	993	99	–	138	–	–	–	–	1,290
Mr. Chen Anhua	263	–	–	–	–	–	–	–	–	263
	2,882	12,880	17,035	411	6,259	–	240	–	–	39,707

44 BENEFITS AND INTEREST OF DIRECTORS (CONTINUED)

(a) Directors' emoluments (Continued)

For the year ended 31 December 2017

	As director (Note (ii))									
	Directors' fees HK$'000	Salaries HK$'000	Discretionary bonuses HK$'000	Housing allowance HK$'000	Equity settled share-based payments HK$'000	Estimated money value of other benefits HK$'000	Employers' contributions to retirement benefit schemes HK$'000	Remunerations paid or receivable in respect of accepting office as director HK$'000	As management *(Note (iii))* HK$'000	Total HK$'000
Executive directors										
Mr. Cheng Wing On, Michael	–	2,724	10,108	–	1,245	–	18	–	–	14,095
Mr. Ho Chi Ling	–	2,368	789	–	996	–	18	–	–	4,171
Mr. Zhang Yuqiang	80	1,500	957	192	890	–	18	–	–	3,637
Mr. Wang Congyuan	411	2,006	5,000	204	2,249	–	18	–	–	9,888
Mr. Wang Linxuan	770	1,778	4,432	–	5,072	–	207	–	–	12,259
Independent non-executive directors										
Mr. Chuck Winston Calptor	240	–	–	–	–	–	–	–	–	240
Mr. Ching Kwok Hoo, Pedro	240	–	–	–	–	–	–	–	–	240
Mr. Tam Tak Kei, Raymond	240	–	–	–	–	–	–	–	–	240
Mr. Chan Kok Chung, Johnny	240	–	–	–	–	–	–	–	–	240
Non-executive directors	–	–	–	–	–	–	–	–		
Mr. Wang Xianmao	491	–	1,060	–	–	–	–	–	–	1,551
Mr. Zhang Zhihua	–	240	3,472	–	872	–	–	–	–	4,584
Mr. Sun Huiye	368	1,231	246	–	239	–	–	–	–	2,084
Mr. Chen Anhua	23	–	–	–	–	–	–	–	–	23
	3,103	11,847	26,064	396	11,563	–	279	–	–	53,252

44 BENEFITS AND INTEREST OF DIRECTORS (CONTINUED)

(a) Directors' emoluments (Continued)

Notes:

(i) For the year ended 31 December 2018, Mr. Cheng Wing On, Michael remained to be the Chairman.

(ii) The amounts represented emoluments paid or receivable in respect of a person's services as a director, whether of the Company or subsidiary undertaking of the Company.

(iii) The amounts represented emoluments paid or receivable in respect of a person's other services in connection with the management of the affairs of the Company or its subsidiary undertakings and included salaries, discretionary bonuses, employer's contributions to retirement benefit schemes and housing allowance.

(iv) During the year, no emoluments were paid by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office.

(b) Directors' retirement benefits and termination benefits

None of the directors received or will receive any retirement benefits or termination benefits for the years ended 31 December 2018 and 2017.

(c) Consideration provided to third parties for making available directors' services

During the years ended 31 December 2018 and 2017, the Company did not pay consideration to any third parties for making available directors' services.

(d) Information about loans, quasi-loans and other dealings entered into by the Company or subsidiary undertaking of the Company

No loans, quasi-loans and other dealings made available in favour of directors, controlled bodies corporate by and connected entities with such directors subsisted at the end of the year or at any time during the year.

(e) Directors materials interests in transactions, arrangements or contracts

Save as disclosed in Note 42, no significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

45 SUBSEQUENT EVENT

On 25 February 2019, the Bohai Investments (Sengkang) Pte. Ltd ("**Bohai**"), the indirectly wholly-owned subsidiary of the Company has entered into a sales and purchase agreement ("**S&P agreement**") with HLY Investments (CCK) Pte. Ltd. ("**HLY**"). Pursuant to the S&P agreement, the Group has conditional agreed to subscribe and HLY has conditionally agreed to sell 5% of equity interest in QJR CCK for consideration of SGD2,500,000 (equivalent to approximately HK$14,328,000) ("**Transaction**"). As at 31 December 2018, the Group indirectly own 46% of equity interest in QJR CCK, and accounted it as an investment in associated company. Upon completion of the Transaction, the Group would indirectly own 51% of equity interest in QJR CCK and being eligible to control relevant activities of QJR CCK. Thus, the investment would be accounted as an investment in subsidiary.

FIVE YEAR FINANCIAL SUMMARY

	1.1.2018 to 31.12.2018 HK$'000	1.1.2017 to 31.12.2017 HK$'000	1.1.2016 to 31.12.2016 HK$'000	1.1.2015 to 31.12.2015 HK$'000	1.1.2014 to 31.12.2014 HK$'000 (Restated)
Consolidated Results					
Revenue	**7,507,891**	10,329,310	8,605,716	11,053,456	7,302,293
Profit before tax	**392,538**	807,728	826,916	981,664	487,770
Income tax expense	**(87,328)**	(134,493)	(157,776)	(240,945)	(77,087)
Profit for the year	**305,210**	673,235	669,140	740,719	410,683
Profit for the year attributable to Owners of the Company	**224,887**	512,050	585,385	577,317	276,299
Consolidated Assets and liabilities					
Total assets	**9,653,087**	12,511,799	14,771,672	14,926,672	16,215,913
Total liabilities	**(6,330,651)**	(9,018,266)	(11,709,599)	(13,445,879)	(15,439,560)
Net assets	**3,322,436**	3,493,533	3,062,073	1,480,793	776,353

The Group has applied the principles of reverse acquisition accounting to account for the reverse acquisition in 2015. Accordingly, the financial information for the year ended 31 December 2014 had been restated.