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

2019 Annual Report

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. Zhang Yuqiang

Non-executive Director

Mr. Chen Anhua

Independent Non-executive Directors

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. Ching Kwok Hoo, Pedro
Mr. Chan Kok Chung, Johnny

REMUNERATION COMMITTEE

Mr. Ching Kwok Hoo, Pedro
(Chairman of the Remuneration Committee)
Mr. Zhang Yuqiang
Mr. Wang Congyuan
Mr. Chan Kok Chung, Johnny
Mr. Tam Tak Kei, Raymond

NOMINATION COMMITTEE

Mr. Cheng Wing On, Michael
(Chairman of the Nomination Committee)
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 the Strategy and Investment Committee)*
Mr. Wang Congyuan
Mr. Zhang Yuqiang
Mr. Chan Kok Chung, Johnny
Mr. Chen Anhua

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

8/F, Enterprise Square Three,
39 Wang Chiu Road
Kowloon Bay, Hong Kong

LEGAL ADVISERS AS TO HONG KONG LAWS

Norton Rose Fulbright Hong Kong

AUDITOR

PricewaterhouseCoopers
Certified Public Accountants
Registered Public Interest Entity Auditor*

Note: Subsequent to the approval of this report by the Board, on 31 March 2020: (i) Dr. Du Bo was appointed as an executive Director and a member of the Nomination Committee and the Strategy and Investment Committee; (ii) Mr. Cheng Wing On, Michael resigned as the chairman of the Strategy and Investment Committee but will remain as a member of the committee; and (iii) Mr. Wang Congyuan was appointed as the chairman of the Strategy and Investment Committee. Details of Dr. Du Bo's appointment and change in the composition of the Nomination Committee and the Strategy and Investment Committee are set out in the announcement of the Company dated 31 March 2020.

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

PRINCIPAL BANKERS

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

STOCK CODE

1240

WEBSITE

www.cnqc.com.hk

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 2019 (the "**Reporting Period**" or "**Year**").

BUSINESS REVIEW

In 2019, the turnover of the Group was approximately HK$7.9 billion (2018: approximately HK$7.5 billion). Profit attributable to the owners of the Company was approximately HK$238.8 million (2018: approximately HK$225.3 million). Profit attributable to the shareholders per share was HK$0.145 (2018: HK$0.135).

DIVIDENDS

The Board recommended payment of final dividend of approximately HK$65.7 million for the year ended 31 December 2019, representing payment of HK$0.04 per ordinary share and convertible preference share of the Company. The proposed final dividend will be payable on or around 22 June 2020, subject to the shareholders' approval at the Annual General Meeting of the Company, to those persons registered as shareholders of the Company on 1 June 2020, 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$0.10 per share (2018: HK$0.11 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

As the market anticipated, the market rates discontinued to rise after the end of 2018. The United States trimmed interest rates three times during 2019, a total reduction of 0.75%. By the end of October 2019, Hong Kong followed the United States' lead to cut interest rates for the first time in the past eleven years. Major banks in Hong Kong including HSBC reduced their prime rates by 0.125% to the current 5%. In March 2020, the Federal Reserve cut interest rates twice with a total reduction of 150 basis points and the market generally expected that market rates would be at relatively low level for a period of time in the future, which would be favorable to the global economy, especially the real estate industry.

However, as the global economy is subject to uncertainties such as the future development of the economic and trade relations between China and the United States, the geopolitical risks in the Middle East and the variables in the Brexit negotiations, the global financial market may be severely affected and it slows down the pace of recovery. Particularly, the current global outbreak of Coronavirus Disease 2019 (COVID-19) constitutes a further shock to the global economy. Therefore, the IMF has recently lowered its economic growth forecast for mainland China and the world for the year, but it remains positive to the economic development in the medium to long term.

According to the 2020-21 Budget of Hong Kong, the Hong Kong government stayed positive towards the economic prospects in the medium to long term and considered the development in mainland China, Hong Kong and Asia would still choreograph the global growth. We believe that by leveraging on the huge market potential in mainland China, the opportunities brought by the Belt and Road Initiative and the construction of the Guangdong-Hong Kong-Macao Greater Bay Area, the Company is capable of exploring its established and technological advantages for the broader development space. With the synergy generated from operating the three major business segments, namely construction, property development and smart home, the Group can effectively lower costs and improve product quality to stabilize the Company's development.

In terms of the property development, it is mainly positioned in residential units with higher rigid demand, which provide property purchase or replacement opportunities for the general public. We are of view that the global uncertainties have limited influence on such properties with the rigid demand. Therefore, the Group will continue to source suitable lands in the Guangdong-Hong Kong-Macao Greater Bay Area and the regions along the Belt and Road for the land reserves or property projects expansion as appropriate every year, enabling the Group to achieve its long-term development.

CHAIRMAN'S STATEMENT

In respect of the construction works, the Group targets the prefabricated construction, and actively expands it into the Hong Kong and mainland China market leveraging on its extensive experience in the prefabricated prefinished volumetric construction technology (PPVC) in Singapore. The Modular Integrated Construction (MiC) technique has recently been intensively promoted by the Construction Industry Council in Hong Kong. The Group also intends to introduce the technique into its business segments in Hong Kong. We have already communicated with and gained positive preliminary response from the construction industry and individual mega developers. The Group is planning to establish component plants in Hong Kong and mainland China to shape up the Group's construction segment in HK.

In order to increase its investment return, the Group will flag further opportunities in the emerging industries and actively expand into countries and areas along the Belt and Road, including Malaysia, Indonesia, Vietnam, Myanmar and Cambodia, as well as new markets and projects in the Guangdong-Hong Kong-Macao Greater Bay Area.

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 clients, shareholders, business associates and investors, amongst others, for their continued support to the Group.

CNQC International Holdings Limited
Cheng Wing On, Michael
Chairman

30 March 2020

MANAGEMENT DISCUSSION AND ANALYSIS

SINGAPORE PROPERTY MARKET REVIEW

With the impact of the Sino-US Trade Dispute on its export-oriented economy, Singapore's Gross Domestic Product (GDP) in 2019 grew by 0.7%, lower than the increase of 3.1% in 2018, representing the slowest annual growth since 2009. During the Reporting Period, the new private residential price index of Singapore's property market decreased in the first quarter of 2019 compared with the fourth quarter of 2018, and then recorded a continuous slight increase during the second quarter to the fourth quarter of 2019. During 2019, the new private residential price index grew by 2.7%, which was lower than that of last year but maintained a growth momentum. In 2019, the trading volume of new properties in Singapore was 9,912 units, higher than that of last year, demonstrating the property market in Singapore during 2019 maintained sound development despite the economic downturn.

SINGAPORE CONSTRUCTION MARKET REVIEW

In 2019, the construction market in Singapore recorded a growth of 4.3% from the negative growth of 3.4% in 2018, indicating the recovery of the property market in Singapore after a 3-year period of downturn. Projects from the public and private sectors both showed growth. According to the BCA of Singapore, the construction demand from the public and private sectors in 2019 was SGD19 billion and SGD14.4 billion, respectively.

HONG KONG PROPERTY MARKET REVIEW

During the first half of 2019, driven by the stable external environment, the prices of local properties recovered and the private residential price index issued by the Rating and Valuation Department in Hong Kong increased by 7.1% from 368.3 for the fourth quarter of 2018 to 394.3 for the second quarter of 2019, with the trading volume increasing as well. During the second half of 2019, under the influence of local social events and external uncertainties, adjustments were made to the local property market, resulting in the decline in the price and trading volume of properties.

In 2019, local developers marketed first-hand residential projects at prices closer to second-hand transaction prices and received satisfactory market response. During 2019, the trading volume of first-hand residential properties exceed 21,000, hitting a record high and representing the present rigid demand for residential properties.

In October 2019, the Hong Kong government announced a relaxation of the Mortgage Insurance Programme, according to which purchasers of residential properties worth of HK$6 million to HK$10 million may apply for higher mortgage amounts than before. Market participants are of a view that small to medium sized properties within this range could possibly outperform the general market.

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 in the third quarter of 2019 was HK$58,435,000,000, an overall decrease of 5% as compared with the same period of last year (excluding the effects of price changes). Projects from the public sector experienced the largest drop of 13.2% as compared with the same period of last year. Accordingly, the construction industry in Hong Kong, especially that serving the public projects, remained in a relative recession in 2019.

In December 2019, the Group took part in the four-day Construction Innovation Expo 2019, jointly held by institutions including the Development Bureau of the Hong Kong government and the Construction Industry Council, at the Hong Kong Convention and Exhibition Centre in Wanchai with a total of over 200 institutions from Hong Kong and 15 countries and regions participating in. It shared its Modular Integrated Construction (MiC) technique and experiences, attracting attention of many participants in the industry, and even received cooperation recommendations from some developers.

The Group has adopted similar construction technique in Singapore for years. The technique is referred to as "Prefabricated Prefinished Volumetric Construction" (PPVC) technique in Singapore. With this technique, the Group is able to significantly enhance product quality, construction efficiency and the safety at the construction site, and support the sustainable development of the environment and the society, which has gained high recognition from the local government. The Group plans to introduce the MiC technique to its construction business segment in Hong Kong and establish component plants in Hong Kong and mainland China.

BUSINESS REVIEW

Property Development Business

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

By the end of 2019, the Group's comprehensive property development located at Butik Batok, Le Quest, recorded a cumulative contracted sales rate of over 74% and a sales volume of over 380 units.

In July 2019, the Group's private condominium project located at Shunfu Road, Jadescape, launched its second phase of units and received satisfactory market response, with its annual sales volume exceeding 180 units.

During the Reporting Period, the Group won numerous industry awards, including the Top Ten Singapore Developers 2019 (2019年新加坡十大知名開發商) from BCI Asia and the Sustainable Singapore Developer Special Award 2019 (新加坡2019年可持續發展商特別獎) from PropertyGuru.

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

Projects		Sales Revenue 2019 *(HK$' billion)*	ASP 2019 *(HK$/sq.m.)*
I	iNz Residence	2.42	48,849
II	Le Quest	1.29	83,401

The Group started to hand over units at the iNz Residence, an executive condominium ("**EC**") development, which obtained its Temporary Occupation Permit ("**TOP**") in April 2019, and recognised sales revenue of approximately HK$2.42 billion during the Reporting Period.

Le Quest is a private mixed development project under development and it recognised pre-sales revenue of approximately HK$1.29 billion during the Reporting period, based on its percentage of construction completion.

As at 31 December 2019, the Group's current portfolio of property projects under development with significant interest consists of 3 private condominium development projects across Singapore with a total saleable floor area ("**SFA**") of over 190,000 sq.m.. As at 31 December 2019, the unsold SFA of these properties was over 124,000 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 2019	Estimated year of construction completion	Ownership interest
Le Quest	Bukit Batok West Avenue 6, Singapore	Residential, Private and Retail Space	14,697	37,562	27,950	2.26	97.7%	Mar 2020	73%
Jadescape	314–319 Shunfu Road, Singapore	Residential, Private and Retail Space	37,991	106,955	39,269	4.04	30.9%	May 2021	45%
Forett at Bukit Timah	32–46 Toh Tuck Road, Singapore	Residential, Private and Retail Space	33,457	46,840	N/A	N/A	0%	Dec 2022	51%

Le Quest (73% owned by the Group)

Le Quest is a private mixed development project comprising a 4-storey podium (consisting of retail spaces, carparks and kindergarten), 5 blocks of 12-storey apartments (with total 516 units) and communal facilities. 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 74.4% as at 31 December 2019. The construction is scheduled to be completed in March 2020.

Jadescape (45% owned by the Group)

Jadescape is a private condominium project consisting of 7 blocks of 21 to 23-storey apartments with 1,200 residential units and 6 retail shops, basement carparks and communal facilities. The project is located at 314–319 Shunfu Road.

The total SFA of this project is 106,955 sq.m. and the percentage of saleable area sold was 36.7% as at 31 December 2019. The construction is scheduled to be completed in May 2021.

Forett at Bukit Timah (51% owned by the Group)

In June 2019, the Group completed the land acquisition of Goodluck Garden and the new project name is Forett at Bukit Timah. It is a private condominium project on a freehold land. The total land site area is approximately 33,457 sq.m. and the total gross floor area is approximately 46,840 sq.m.. It is intended to be developed into 4 blocks of 9-story apartments and 9 blocks of 5-storey apartments with a total of 633 residential units and 2 retail shops with basement carparks and communal facilities. The project is located at the even numbers of 32–46 Toh Tuck Road in Bukit Timah Planning Area.

Land bank status

(1) Phoenix Heights project, Singapore

On 25 July 2019, the Group's tender to purchase Phoenix Heights (situated at Phoenix Road) at a total consideration of SDG42.6 million (equivalent to approximately HK$243.8 million) was accepted by the vendor. The project has a land site area of approximately 5,853 sq.m. and the total estimated gross floor area is 8,194 sq.m.. After completion of the acquisition, the land site is intended to be developed into private condominiums with 100 units.

(2) Yau Tong project, Hong Kong

The Group acquired the land parcels at Yau Tong Marine Lot No. 58 and 59 and the extensions thereto for a total consideration of HK$530.0 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. Planning application to facilitate the redevelopment is undergoing.

(3) Sham Shui Po project, Hong Kong

The Group 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. Application for Compulsory Sales for Redevelopment has been submitted to Lands Tribunal.

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

The construction projects undertaken by the Group can be broadly divided into two major geographical segments, namely "Singapore & other Southeast Asia" and "Hong Kong & Macau". In Singapore & Southeast Asia, the Group tenders for public construction works, external private construction works and being engaged in the Group's property development projects whereas in Hong Kong & 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 the Singapore and other Southeast Asia countries construction contracts for the Reporting Period was approximately HK$3,075.9 million (year ended 31 December 2018: approximately HK$2,560.4 million). The revenue attributable from Hong Kong & Macau segment is approximately HK$935.7 million (year ended 31 December 2018: approximately HK$1,103.9 million).

During the Reporting Period, for the Singapore segment, the Group completed 4 construction projects including 2 public residential projects, 1 temple project and 1 owned property development project. In 2019, the Group obtained 1 new HDB project, 4 private construction projects, 1 factory construction project and 1 owned property development project with aggregated contract sum of approximately HK$3.93 billion. There are 2 PPVC projects out of the 7 new projects. Benefiting from the Group's competitive advantages in PPVC technology and management in Singapore market, these new projects inject new blood to the Group's sustainable development in PPVC industry. As at 31 December 2019, there were 21 external construction projects on hand and the outstanding contract sums were approximately HK$6.8 billion.

During the Reporting Period, the Group officially entered 2 new markets in South East Asia including Cambodia and Myanmar. The Group was awarded 3 new construction contracts in Malaysia, Cambodia and Myanmar with aggregated contract sums of approximately HK$787.0 million. As at 31 December 2019, the outstanding contract sums of the 6 projects on hand were approximately HK$973.0 million. In addition, the Group's joint ventures obtained 3 new constructions projects in Indonesia with total contract sums of approximately HK$106.0 million.

As for the Hong Kong & Macau segment, the Group was awarded 13 new foundation and superstructure construction projects with aggregated contract sums of approximately HK$1.33 billion. As at 31 December 2019, the outstanding contract sums of the 19 projects on hand were approximately HK$1.17 billion.

FINANCIAL REVIEW

Revenue

The Group's total revenue for the Reporting Period was approximately HK$7.9 billion (2018: approximately HK$7.5 billion), representing an increase of 4.9% as compared with last year. The increase is mainly attributable to more construction revenue in Singapore and Southeast Asia being recognized in 2019. During the Reporting Period, the revenue derived from the projects in Singapore and South East Asia was approximately HK$6.9 billion (2018: approximately HK$6.4 billion) whereas those in Hong Kong and Macau were approximately HK$0.9 billion (2018: approximately HK$1.1 billion).

Out of the HK$6.9 billion revenue derived from the Singapore and Southeast Asia segment, the aggregate contracted sales of properties amounted to HK$3.9 billion, representing an increase of 0.5% over that of last year.

Gross Profit Margin

The Group's gross profit margin during the Reporting Period was approximately 6.7% (2018: approximately 12.5%). The decrease was mainly due to the lower gross profit margin from the property development project in Singapore due to the accounting treatment of a step up acquisition. During the Reporting Period, the Group had a step up acquisition which increased it's equity interest in QJR CCK from 46% to 51% and QJR CCK changed from an associated company to a subsidiary of the Group. QJR CCK holds a property development project namely "iNz Residence" in Singapore. From the step up acquisition, the carrying value of the net assets of QJR CCK, including the iNz Residence project, has been fair valued up which resulted in a lower gross profit margin recognised when the project's relevant properties were sold. The fair value up from the step up acquisition has resulted in a deemed disposal gain of approximately HK$168.7 million which was recognised in "Other gains/(losses) — net". The Group's gross profit margin for the Reporting Period would be 9.7% if excluding the above project.

Selling and Marketing Expenses

The Group's selling and marketing expenses for the Reporting Period were approximately HK$92.3 million (2018: approximately HK$93.9 million), which was approximately 1.2% (2018: approximately 1.3%) of the Group's total revenue. The decrease was due to the lower sales commission rate paid for the development projects recognized during the Reporting Period.

General and Administrative Expenses

The Group's general and administrative expenses for the Reporting Period were approximately HK$308.4 million (2018: approximately HK$327.7 million), which was approximately 3.9% (2018: approximately 4.4%) of the Group's total revenue. The decrease was mainly attributable to the decrease in share based payment and staff costs recognized during the Reporting Period.

Net Profit

During the Reporting Period, the Group reported a net profit of approximately HK$243.3 million (2018: approximately HK$301.9 million), representing a decrease of 19.4% as compared with last year. The profit attributable to owners of the Company was HK$238.8 million (2018: approximately HK$225.3 million, representing an increase of approximately 6.0% over the last year. Basic earnings per share was HK$0.145 (2018: HK$0.135).

NON-COMPETITION DEED

To minimize the potential competition, the Group and Guotsing PRC, New Guotsing Holdco (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.

MANAGEMENT DISCUSSION AND ANALYSIS

PROSPECTS

Looking forward to 2020, in light of the impacts from the Coronavirus Disease (COVID-19), the Ministry of Trade and Industry of Singapore predicts that the GDP of Singapore will grow at minus 0.5%–1.5% and the annual economic growth will be approximately 0.5%, a median of the forecasted range. As affected by the epidemic, the property market of Singapore might see short-term decline in demand, together with the existing huge new property supply in market during 2020, posing challenges to the sales of the Group's projects.

In order to counter the shock from the epidemic, the 2020 Budget of Singapore introduced a number of measures to stimulate economic development, and the Singapore Land Authority eased the restrictions on the Qualifying Certificate (QC) for developers in February, both of which may be beneficial to certain developers and the sales of certain local collective sales projects. From a long-term perspective, though the general economy of Singapore may slow down, it remains stable as a whole. According to the IMD World Competitiveness Ranking, Singapore ranked first among the most competitive economies in 2019. Meanwhile, the property market of Singapore still presented investment prospects. According to the Emerging Trends in Real Estate® Asia Pacific 2020 jointly released by PricewaterhouseCoopers and the Urban Land Institute, Singapore scored 6.31 on City Investment Prospects for 2020, ranking first among the 22 cities in Asia-Pacific region. The Singapore market will continue to provide long-term growth opportunities and expansion room for the Group. The Group will remain its root in the Singapore market to locate quality projects and capitalise upon its leading strengths in the property development business for consolidating 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 SGD28 billion to SGD33 billion in 2020, with the public sector and the private sector accounting for 60% and 40%, respectively. Driven by the continuous construction demand from the public sector, the total construction demand is expected to remain strong. Impacted by the epidemic, materials and labour may become the major factors affecting the progress of projects. Accordingly, the Group need to closely coordinate and cooperate with peers and governmental agencies to prevent risks and overcome the present difficulties. In addition, the Group will continue to further expand its existing presence in Southeast Asian markets, including Malaysia, Indonesia, Vietnams, Myanmar and Cambodia.

In terms of Hong Kong property market, the 2020/21 Land Sale Programme comprises 15 residential sites, which is estimated to be available to build approximately 7,500 units, the lowest over the past decade. Together with projects of railway property development, private development and redevelopment, it is estimated that the potential land supply for the whole year is available to build approximately 15,700 units. The Land Sale Programme also includes six commercial sites, which are expected to provide a GFA of approximately 830,000 sq.m., reflecting that the Hong Kong government will adjust the land supply based on market demand. Presently, the Hong Kong government is not intended to ease the "harsh measures" for the property market, so as to enable the property market to regulate automatically and make the properties more easily to be affordable for local citizens. The Group believes that the medium to long term property market in Hong Kong, especially those medium to large sized residential units with rigid demand, will remain stable growth.

The Hong Kong government estimates that the annual construction volume of the overall construction industry will grow to HK$300 billion, which covers many public and private housing construction, hospital development and redevelopment, and development and expansion of new towns. The Government will continue to take a lead in promoting "Construction 2.0" in the sector in order to enhance the sector's carrying ability and promote its sustainability through innovation, specialisation and rejuvenation. In July of last year, the Government established the Centre of Excellence for Major Project Leaders to improve the implementation abilities of leaders in government and public institutions. The Group believes that the above measures are beneficial to the construction segment in Hong Kong.

DEBTS AND CHARGE ON ASSETS

The total interest bearing borrowings of the Group, including bank loans, finance leases and lease liabilities, increased from approximately HK$4.1 billion as at 31 December 2018 to approximately HK$7.2 billion as at 31 December 2019. 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 and development properties for sale with net carrying amounts of HK$265,127,000 (2018: HK$62,029,000) and HK$4,539,629,000 (2018: HK$2,085,163,000), 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 2019, the Group had cash and cash equivalents of approximately HK$1.3 billion (2018: approximately HK$1.5 billion) of which approximately 61.3% was held in Singapore Dollar, 30.7% was held in Hong Kong dollar, 0.1% was held in Renminbi, 3.2% was held in US Dollars, 3.8% was held in Malaysian Ringgit and the remaining was mainly held in Macau Patacas and Indonesian Rupiah. The gearing ratio of the Group as at 31 December 2019 (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 62.6% (2018: approximately 41.9%). The increase was mainly due to the approximately SGD427 million (equivalent to HK$2,464 million) bank loan drawn down for settlement of outstanding consideration to the vendors of Goodluck Garden during the Reporting Period.

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

Save as disclosed in note 6 of the financial information in this report, there was no significant investment, material acquisition and disposal of subsidiaries and associated companies by the Company.

CAPITAL COMMITMENTS

As at 31 December 2019, the Group had capital commitments of approximately HK$24.4 million (2018: HK$7.5 million) for development expenditure, HK$472.3 million (2018: HK$478.3 million) for investment in Great Wall and CNQC Fund and HK$2.3 million (2018: Nil) for purchase of machineries.

MANAGEMENT DISCUSSION AND ANALYSIS

CONTINGENT LIABILITIES

Save as disclosed in note 37 to the financial information in this report, the Group had no other contingent liabilities as at 31 December 2019 and 31 December 2018.

EVENT AFTER THE REPORTING PERIOD

Since the outbreak of Coronavirus Disease (COVID-19) in early 2020, the Group has been closely monitoring the development and evaluating its impact on the Group. As at the date on this report, the Group was not aware of any material impact on the Group's business operating activities and consolidated financial position arising from the COVID-19 outbreak.

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

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2019, the Group had 2,223 full-time employees (2018:1,846 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$637.4 million (2018: approximately HK$595.5 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 the date of this report, the maximum number of options issuable under the Scheme was 66,020,250 Shares, which represented 4.35% 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, 62,961,027 CPS were transferred to the Selected Participants and were converted into Ordinary Shares and 124,875,197 CPS remain under the trust.

PURCHASE, SALE AND REDEMPTION OF THE COMPANY'S SECURITIES

Save for a total of 582,500 Shares which were repurchased by the Company in the financial year ended 31 December 2018 which were subsequently cancelled during the Reporting Period, neither the Company nor any of the subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the Reporting Period.

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 13 to the consolidated 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 57 and 58 of this annual report. The payment of a final dividend of HK$0.04 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 1 June 2020 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 22 June 2020.

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 18 to the consolidated financial statements.

SHARE CAPITAL

Details of movements during the Reporting Period in the share capital of the Company are set out in note 29 to the consolidated 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 62.

As at 31 December 2019, the Company had reserves amounted to HK$3,044.6 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 (2018: HK3,113.4 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 161 of this annual report.

REPORT OF THE DIRECTORS

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. Ching Kwok Hoo, Pedro , Mr. Tam Tak Kei, Raymond and Mr. Chan Kok Chung, Johnny 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 renewed a service contract as an independent non-executive Director on 24 January 2020 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 EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2019, 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 executive 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	0.198%
	Beneficial owner *(note 3)*	3,000,000	0.198%
Mr. Wang Congyuan	Beneficial owner *(note 3)*	2,100,000	0.139%
	Beneficiary of a trust *(note 2)*	6,189,663	0.409%
	Beneficial owner	1,944,916	0.128%
Mr. Zhang Yuqiang	Beneficial owner *(note 1)*	2,400,000	0.162%
	Beneficiary of a trust *(note 2)*	2,010,540	0.133%
	Beneficial owner	502,635	0.033%

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 "Share Option Scheme — 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.

Save as disclosed above, as at 31 December 2019, 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 2019, 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)*	1,019,662,028	67.16%
	Beneficiary of a trust *(Note 4)*	45,689,892	3.01%
	Beneficial owner	12,504,972	0.82%
Hui Long Enterprises Limited	Interest in controlled corporation *(Note 1)*	1,019,662,028	67.16%
Bliss Wave Holding Investments Limited	Interest in controlled corporation *(Note 1)*	1,019,662,028	67.16%
Top Elate Investments Limited	Interest in controlled corporation *(Note 1)*	1,019,662,028	67.16%
Hao Bo Investments Limited	Interest in controlled corporation *(Note 1)*	1,019,662,028	67.16%
Guotsing Holding Company Limited	Beneficial owner *(Note 1)*	756,421,520	49.82%
	Interest in controlled corporation *(Notes 1, 2 and 3)*	263,240,508	17.34%
Trustee	Trustee *(Note 5)*	124,875,197	8.22%
Qingdao Qingjian Holding Co Staff Shareholding Union	Interest in controlled corporation *(Note 1)*	1,019,662,028	67.16%
Qingdao Qingjian Holdings Co	Interest in controlled corporation *(Note 1)*	1,019,662,028	67.16%
CNQC Development Limited	Beneficial owner *(Note 1)*	224,145,000	14.76%
Guotsing Finance Holding Limited	Interest in controlled corporation *(Note 3)*	39,095,508	2.57%
Guotsing Asset Management Limited	Interest in controlled corporation *(Note 3)*	39,095,508	2.57%
Guotsing Growth Fund LP I	Beneficial owner	39,095,508	2.57%
China Great Wall AMC (International) Holdings Company Limited	Beneficial owner	142,000,000	9.35%
Sino Concord Ventures Limited	Beneficial owner	100,000,000	6.59%
Sun East Development Limited	Interest in controlled corporation *(Note 6)*	100,000,000	6.59%

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 Investments 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 2019. 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 2019, 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 "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 Executives' 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:

	2019 %	2018 %
Percentage of construction material purchases:		
From the largest supplier	**4.8%**	2.1%
From the five largest suppliers	**14.1%**	9.1%
Percentage of turnover:		
From the largest customer	**21.4%**	11.8%
From the five largest customers	**41.4%**	31.2%

During the Reporting Period, there are 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 nor 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 chairman of Guotsing Holding Group Co. Ltd. ("**Guotsing PRC**"), Mr. Wang Xianmao , the former non-executive director, served as a director and vice chairman 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 th 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 report, the total number of securities available for issue under the Scheme was 66,020,250 Shares, which represented 4.35% 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 2019 is as follows:

Grantees	Date of Grant	Exercise price per share	As at 01/01/2019	Number of options Granted during the period	Exercised during the period	Lapsed during the period	Cancelled during the period	As at 31/12/2019	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
Zhang Yuqiang	27/6/2014	HK$2.70	2,400,000	–	–	–	–	2,400,000	27/06/2015	27/6/2015–27/6/2020
Employees of the Group in aggregate	27/6/2014	HK$2.70	3,900,000	–	–	–	–	3,900,000	27/06/2015	27/6/2015–27/6/2020
	28/04/2016	HK$3.022	5,400,000	–	–	–	–	5,400,000	28/04/2017	28/04/2017–27/04/2022
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		

Save as disclosed above, as at 31 December 2019, 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, a total of 62,961,027 CPS were transferred to the Selected Participants and were converted into Ordinary Shares and 124,875,197 CPS remain under the trust.

CONVERTIBLE SECURITIES

Currently the Company has two classes of shares, being the ordinary Shares and the convertible reference 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 Holding Company Limited and 304,599,273 CPS to the trustee of the Trust as settlement of the consideration for the Acquisition. During the Reporting Period, a total of 62,961,027 CPS were transferred to the Selected Participants and were converted into Ordinary Shares. Therefore, as at the date of this report, there are 124,875,197 CPS remained in issue.

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 transaction set out below which was entered into between the Group and either Guotsing PRC or its subsidiaries (being connected persons of the Company) constitutes continuing connected transactions of the Company and was 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 is 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 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 2019 was 26.4 million RM (equivalent to HK$49.8 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 2019 was SGD1.9 million (equivalent to HK$10.9 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.

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 39 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 were entered into in the manners stated above 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 2019 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$111,000 (2018: HK$88,000).

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 some of the permits and licenses will expire in July 2020, and the Group will renew those after the Reporting Period. 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, and the Group's success in the operations depends on the Group's ability to attract, hire, retain and motivate suitable skilled employees. The Group provides competitive remuneration package to attract and motivate the employees. The Group regularly reviews the competitiveness of our compensation and benefits 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 suppliers 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.

REPORT OF THE DIRECTORS

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 2019 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, 30 March 2020

DIRECTOR

Executive Director

Mr. Cheng Wing On, Michael (鄭永安), aged 63, 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 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 45, 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 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.*) 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 currently a director and chairman of Guotsing PRC, and a director of CNQC Development Limited, Guotsing Finance Holding Ltd and Guotsing Asset Management Limited.

Mr. Wang Congyuan holds a master's degree in finance from PBC School of Finance ("五道口金融学院") 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.

Mr. Zhang Yuqiang (張玉強), aged 58, 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

Mr. Zhang has more than 30 years' experience in the property construction industry. 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.

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 52, 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 ("**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) since January 2017 ; S. Culture International Holdings Limited (Stock Code: 1255) since January 2020, ,with both companies listed on the Main Board of Stock Exchange.

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.

Independent Non-executive Director

Mr. Ching Kwok Hoo, Pedro (程國灝), aged 76, 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.

BIOGRAPHIES OF THE DIRECTORS AND SENIOR MANAGEMENT

Mr. Tam Tak Kei, Raymond (譚德機), aged 57, 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 the member of 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 and the company secretary of China Tian Lun Gas Holdings Limited (stock code: 1600). Mr. Tam also acted as the company secretary of Branding China Group Limited (stock code: 0863) during the period from April 2012 to April 2018, and was an independent non-executive director of Li Bao Ge Group Limited (stock code: 1869) during period from June 2016 to February 2020. The shares of the above-mentioned three companies are 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, a company listed on the Growth Enterprise Market of Stock Exchange, Vision Fame International Holding Limited (stock code: 1315) since December 2011, a company listed on the Main Board 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 60, 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 36 years of experience in investment banking and investment management industry. He is 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 (Chairman 2007-2011). He is also the founder and Secretary General of the Asian Venture Capital and Private Equity Council Limited. He is a director of Repton International (Asia Pacific) Limited. Mr. Chan holds a Master of Business Administration degree from CASS, City University of London 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.

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 47, he is the executive director and president of CNQC (South Pacific) Holding Pte. Ltd from May 2015. He 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. Mr. Wang Linxuan 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. Li Jun (李軍), aged 43, 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 46, 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 46, 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.

Mr. Song Shang Feng (宋尚峰), aged 44, 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. Li Jian Xiao (李建晓), aged 38, joined the Group in September 2014. Mr. Li is the Vice President of CNQC (South Pacific) Holding Pte. Ltd., Director and General Manager of Qingjian International (South Pacific) Group Development Co., Pte Ltd. Mr. Li holds a Master's Degree in Science (Project Management) from National University of Singapore in 2011, and a Bachelor's Degree in Civil Engineering from Tianjin University in 2005. Mr. Li has more than 15 years of experience in engineering and construction industry from 2005, especially in PPVC Construction. Prior to joining Qingjian International (South Pacific) Group Development Co., Pte Ltd. He worked in a few large scale construction companies in Singapore with positions such as Site Engineer, Construction Manager, and Project Manager.

Mr. Li Jun (李俊), aged 44, 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.

BIOGRAPHIES OF THE DIRECTORS AND SENIOR MANAGEMENT

Mr. Tan Huat Ping (陳法彬), aged 46, 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 35, 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.

Mr. Ho Chi Ling (何智凌), aged 55, 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. Tsui Kwok Kin (崔國健), aged 71, 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 68, 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).

GROUP CHIEF FINANCIAL OFFICER AND COMPANY SECRETARY

Mr. Chan Tat Hung (陳達鴻), aged 47, 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 on 11 January 2019)
Mr. Zhang Yuqiang
Mr. Wang Linxuan (resigned 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 on 11 January 2019)
Mr. Wang Xianmao (resigned 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 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 24 January 2020 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. Ching Kwok Hoo, Pedro , Mr. Tam Tak Kei, Raymond and Mr. Chan Kok Chung, Johnny 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, five Board meetings and one general meeting were held up to the date of this report.

The Directors' attendance of the Board meetings and general meeting 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	5	1
Mr. Wang Congyuan	5	1
Mr. Ho Chi Ling *(Note 1)*	–	–
Mr. Zhang Yuqiang	5	1
Mr. Wang Linxuan *(Note 1)*	–	–
Non- executive Directors		
Dr. Sun Huiye *(Note 2)*	–	–
Mr. Wang Xianmao *(Note 2)*	–	–
Mr. Chen Anhua	4	0
Independent Non-executive Directors		
Mr. Chuck Winston Calptor *(Note 3)*	–	–
Mr. Ching Kwok Hoo, Pedro	4	1
Mr. Tam Tak Kei, Raymond	4	1
Mr. Chan Kok Chung, Johnny	3	0

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)*	–	–
Mr. Zhang Yuqiang	1	1
Mr. Wang Linxuan *(Note 1)*	–	–
Dr. Sun Huiye *(Note 2)*	–	–
Mr. Wang Xianmao *(Note 2)*	–	–
Mr. Chen Anhua	1	1
Mr. Chuck Winston Calptor *(Note 3)*	–	–
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 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

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)*	–
Mr. Tam Tak Kei, Raymond *(Note 3)*	1/1

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.

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 11 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$2,000,000 and below	4
HK$2,000,001 to HK$3,000,000	4
HK$3,000,001 to HK$4,000,000	4
HK$4,000,001 and above	1

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 11 to the financial statements.

AUDITOR'S REMUNERATION

During the Reporting Period, the fees incurred for audit service and non-audit services provided by the auditor of the Group was approximately HK$7,431,000 and HK$888,000 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

Notes: 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 judgements;
- 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.

DIRECTORS' RESPONSIBILITY FOR FINANCIAL STATEMENTS

All Directors acknowledge their responsibility for preparing the financial statements for the year ended 31 December 2019. 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 2019. 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 2019.

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)*	–
Mr. Ching Kwok Hoo, Pedro	1/1
Mr. Tam Tak Kei, Raymond	1/1
Mr. Chan Kok Chung, Johnny	1/1

Notes: 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 policy adopted by 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.

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
8/F, Enterprise Square Three, 39 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.

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 57 to 159, which comprise:

- the consolidated statement of financial position as at 31 December 2019;
- 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 2019, 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.

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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, cost and provision of foreseeable losses
- Impairment of goodwill

Key Audit Matters	How our audit addressed the Key Audit Matters
Recognition of construction contract revenue, cost and provision of foreseeable losses	
Refer to Notes 4 and 7 to the consolidated financial statements. Revenue from construction contracts recognised for the year ended 31 December 2019 amounted to HK$4,034,355,000. 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 an actual basis and the forecasted costs to go as well as the potential losses of construction contracts 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 the provision of forecasted 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, cost and provision of foreseeable losses (Continued)	
This involves significant judgement 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 management's calculation of the construction contract revenue, cost, contract assets and forecasted costs to complete in considering the provision of foreseeable losses of the selected construction contracts. • 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 certificate 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 20 to the consolidated financial statements. The total goodwill recognised by the Group as of 31 December 2019 amounted to HK$568,298,000, of which HK$282,933,000 and HK$285,365,000 were allocated to the "Foundation and construction — Hong Kong and Macau" segment and "Construction — Singapore and Southeast Asia" 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 2019. The assessment of goodwill impairment is determined based on value-in-use calculations and it is inherently judgemental as it requires significant management judgements 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 have 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 respective CGUs. Based upon the above, we found that the estimations and judgements 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.

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 judgement and maintain professional scepticism throughout the audit. We also:

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

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

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

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

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

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, 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, 30 March 2020

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2019

	Note	2019 HK$'000	2018 (Restated) (Note 2(a)(iii)) HK$'000
Revenue	*5, 7*	**7,873,375**	7,507,891
Cost of sales	*10*	**(7,344,321)**	(6,571,383)
Gross profit		**529,054**	936,508
Other income	*8*	**37,585**	51,970
Other gains/(losses) — net	*9*	**185,175**	(33,461)
Selling and marketing expenses	*10*	**(92,263)**	(93,867)
General and administrative expenses	*10*	**(308,418)**	(327,684)
Operating profit		**351,133**	533,466
Finance income	*12*	**56,957**	74,380
Finance costs	*12*	**(111,668)**	(167,488)
Share of net losses of associated companies	*14*	**(7,497)**	(65,799)
Share of net profits of joint ventures	*15*	**30,283**	12,772
Profit before income tax		**319,208**	387,331
Income tax expense	*16*	**(75,941)**	(85,474)
Profit for the year		**243,267**	301,857
Other comprehensive (loss)/income			
Item that may be reclassified to profit or loss			
— Currency translation differences		**(26,682)**	34,607
Item that will not be reclassified to profit or loss			
— Fair value gains/(losses) on financial assets at fair value through other comprehensive income		**1,024**	(17,514)
		(25,658)	17,093
Total comprehensive income for the year		**217,609**	318,950

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2019

	Note	2019 HK$'000	2018 (Restated) (Note 2(a)(iii)) HK$'000
Profit for the year attributable to:			
Owners of the Company		**238,842**	225,298
Non-controlling interests		**4,425**	76,559
		243,267	301,857
Total comprehensive income for the year attributable to:			
Owners of the Company		**214,080**	223,616
Non-controlling interests		**3,529**	95,334
		217,609	318,950
Earnings per share for profit attributable to owners of the Company	*17*		
Basic earnings per share			
— ordinary shares (HK$)		**0.145**	0.135
— convertible preference shares (HK$)		**0.145**	0.135
Diluted earnings per share			
— ordinary shares (HK$)		**0.145**	0.135
— convertible preference shares (HK$)		**0.145**	0.135

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 2019

	Note	**31 December 2019 HK$'000**	31 December 2018 (Restated) (Note 2(a)(iii)) HK$'000	1 January 2018 (Restated) (Note 2(a)(iii)) HK$'000
ASSETS				
Non-current assets				
Property, plant and equipment	18	**528,399**	331,481	414,202
Right-of-use assets	18	**80,094**	–	–
Investment properties under development	19	**613,632**	561,012	518,546
Goodwill	20	**568,298**	563,327	565,755
Other intangible assets	21	**32,634**	38,475	44,708
Financial assets at fair value through profit or loss	22	**259,432**	340,568	230,696
Investments in associated companies	14	**2,899**	25,523	21,081
Investments in joint ventures	15	**30,092**	13,049	415
Deferred income tax assets	24	**24,216**	38,788	54,698
Financial assets at fair value through other comprehensive income	25	**9,991**	8,914	28,489
Prepayments and other receivables	23	**924,183**	915,709	973,127
		3,073,870	2,836,846	2,851,717
Current assets				
Development properties for sale	27	**5,162,395**	2,087,185	4,192,404
Inventories		**13,967**	–	–
Trade and other receivables, prepayments and deposits	23	**1,709,788**	2,135,144	1,180,085
Contract assets	5	**1,504,861**	843,682	607,939
Tax recoverable		**3,265**	27,534	25,981
Pledged bank deposits	28(b)	**199,106**	188,314	247,889
Cash and cash equivalents	28(a)	**1,271,199**	1,511,833	3,168,184
		9,864,581	6,793,692	9,422,482
Total assets		**12,938,451**	9,630,538	12,274,199
EQUITY AND LIABILITIES				
Equity attributable to owners of the Company				
Share capital — ordinary shares	29	**15,183**	14,559	14,852
Share capital — convertible preference shares	29	**1,249**	1,879	1,879
Share premium		**3,261,225**	3,262,361	3,317,938
Treasury shares	29	**–**	(1,142)	–
Other reserves	30	**(1,149,765)**	(1,133,342)	(1,149,943)
Retained earnings		**1,101,957**	1,051,707	1,093,502
		3,229,849	3,196,022	3,278,228
Non-controlling interests		**210,559**	120,068	205,705
Total equity		**3,440,408**	3,316,090	3,483,933

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

	Note	31 December 2019 HK$'000	31 December 2018 (Restated) (Note 2(a)(iii)) HK$'000	1 January 2018 (Restated) (Note 2(a)(iii)) HK$'000
LIABILITIES				
Non-current liabilities				
Borrowings	*31, 32*	**3,978,257**	2,268,331	2,566,405
Lease liabilities	*18a*	**58,988**	–	–
Derivative financial instruments	*26*	**–**	1,146	5,298
Deferred income tax liabilities	*24*	**100,262**	61,494	55,150
		4,137,507	2,330,971	2,626,853
Current liabilities				
Trade and other payables	*33*	**2,008,119**	2,021,884	2,388,655
Contract liabilities	*5*	**54,277**	63,118	1,190,407
Tax payables		**102,291**	71,718	142,256
Borrowings	*31, 32*	**3,170,190**	1,824,714	2,438,880
Lease liabilities	*18a*	**23,804**	–	–
Derivative financial instruments	*26*	**1,855**	2,043	3,215
		5,360,536	3,983,477	6,163,413
Total liabilities		**9,498,043**	6,314,448	8,790,266
Total equity and liabilities		**12,938,451**	9,630,538	12,274,199

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

The consolidated financial statements on pages 57 to 159 were approved by the Board of Directors on 30 March 2020 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 2018

	Note	Share capital — ordinary shares HK$'000 (Note 29)	Share capital — convertible preference shares HK$'000 (Note 29)	Share premium HK$'000	Treasury shares HK$'000 (Note 29)	Other reserves HK$'000 (Note 30)	Retained earnings HK$'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
Change in accounting policies for interest capitalisation	*2(a)(iii)*	–	–	–	–	–	(2,928)	(2,928)	–	(2,928)
Adjustment on adoption of HKFRS 15, net of tax		–	–	–	–	–	(15,317)	(15,317)	8,645	(6,672)
Balance at 1 January 2018, as restated		14,852	1,879	3,317,938	–	(1,149,943)	1,093,502	3,278,228	205,705	3,483,933
Comprehensive income										
Profit for the year		–	–	–	–	–	225,298	225,298	76,559	301,857
Other comprehensive income/(loss)										
Currency translation differences		–	–	–	–	15,832	–	15,832	18,775	34,607
Fair value change on financial assets at fair value through other comprehensive income		–	–	–	–	(17,514)	–	(17,514)	–	(17,514)
Total comprehensive (loss)/income		–	–	–	–	(1,682)	225,298	223,616	95,334	318,950
Transactions with owners in their capacity as owners										
Contribution from non-controlling shareholders of subsidiaries		–	–	–	–	–	–	–	19,075	19,075
Dividend provided for or paid	*34*	–	–	–	–	–	(267,093)	(267,093)	(200,046)	(467,139)
Employee share option scheme share-based compensation benefits	*35*	–	–	–	–	18,283	–	18,283	–	18,283
Shares repurchase	*29*	–	–	–	(57,012)	–	–	(57,012)	–	(57,012)
Cancellation of shares	*29*	(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, as restated		14,559	1,879	3,262,361	(1,142)	(1,133,342)	1,051,707	3,196,022	120,068	3,316,090

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2019

	Note	Share capital — ordinary shares HK$'000 (Note 29)	Share capital — convertible preference shares HK$'000 (Note 29)	Share premium HK$'000	Treasury shares HK$'000 (Note 29)	Other reserves HK$'000 (Note 30)	Retained earnings HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
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
Change in accounting policies for interest capitalisation	2(a)(iii)	–	–	–	–	(65)	(2,517)	(2,582)	(3,764)	(6,346)
Balance as at 31 December 2018, as restated		14,559	1,879	3,262,361	(1,142)	(1,133,342)	1,051,707	3,196,022	120,068	3,316,090
Adoption of HKFRS 16	2(a)(iii)	–	–	–	–	–	(7,841)	(7,841)	–	(7,841)
Balance at 1 January 2019, as restated		14,559	1,879	3,262,361	(1,142)	(1,133,342)	1,043,866	3,188,181	120,068	3,308,249
Comprehensive income										
Profit for the year		–	–	–	–	–	238,842	238,842	4,425	243,267
Other comprehensive (loss)/income										
Currency translation differences		–	–	–	–	(25,786)	–	(25,786)	(896)	(26,682)
Fair value change on financial assets at fair value through other comprehensive income		–	–	–	–	1,024	–	1,024	–	1,024
Total comprehensive income		–	–	–	–	(24,762)	238,842	214,080	3,529	217,609
Transactions with owners in their capacity as owners										
Conversion of convertible preference shares	29	630	(630)	–	–	–	–	–	–	–
Non-controlling interests arising on a business combination	6	–	–	–	–	–	–	–	165,719	165,719
Dividend provided for or paid	34	–	–	–	–	–	(180,751)	(180,751)	(78,757)	(259,508)
Employee share option scheme share-based compensation benefits	35	–	–	–	–	8,339	–	8,339	–	8,339
Cancellation of shares	29	(6)	–	(1,136)	1,142	–	–	–	–	–
Total transactions with owners in their capacity as owners		624	(630)	(1,136)	1,142	8,339	(180,751)	(172,412)	86,962	(85,450)
Balance as at 31 December 2019		15,183	1,249	3,261,225	–	(1,149,765)	1,101,957	3,229,849	210,559	3,440,408

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 2019

	Note	2019 HK$'000	2018 HK$'000
Cash flows from operating activities			
Net cash (used in)/generated from operations	*36(a)*	**(2,017,732)**	278,516
Interest paid		**(248,940)**	(168,027)
Income tax paid		**(45,404)**	(54,829)
Net cash (used in)/generated from operations		**(2,312,076)**	55,660
Cash flows from investing activities			
Step acquisition of subsidiary, net of cash acquired	*6*	**115,688**	–
Purchase of property, plant and equipment		**(279,818)**	(25,804)
Proceeds from disposal of property, plant and equipment		**1,561**	17,192
Addition of investment properties		**(49,927)**	(52,420)
Addition of associated companies		**–**	(17,040)
Addition of intangible assets		**(132)**	–
Repayment from/(loan to) related parties		**137,331**	(211,787)
Interest received		**54,201**	74,380
Dividends received		**25,609**	45,600
Settlement of derivative financial instruments		**(410)**	3,064
(Increase)/decrease in pledged bank deposits for derivative financial instruments		**(439)**	62,641
Addition of financial assets at fair value through profit or loss		**–**	(114,000)
Proceeds from disposal of financial assets at fair value through profit or loss		**115,188**	–
Net cash generated from/(used in) investing activities		**118,852**	(218,174)
Cash flows from financing activities			
Contribution from non-controlling shareholders of subsidiaries		**–**	19,075
Dividends paid		**(259,508)**	(467,139)
Drawdown on borrowings		**3,847,668**	1,108,185
Repayment of borrowings		**(1,593,735)**	(2,022,587)
Repayment of finance leases		**–**	(12,559)
Repayment on principal element of lease liabilities		**(32,223)**	–
Repayment on interest element of lease liabilities		**(2,836)**	–
Increase in pledged bank deposits for bank borrowings		**(10,353)**	(2,972)
Shares repurchase		**–**	(57,012)
Net cash generated from/(used in) financing activities		**1,949,013**	(1,435,009)
Net decrease in cash and cash equivalents		**(244,211)**	(1,597,523)
Cash and cash equivalents at beginning of the financial year		**1,511,833**	3,168,184
Exchange gains/(losses) on cash and cash equivalents		**3,577**	(58,828)
Cash and cash equivalents at end of the financial year	*28(a)*	**1,271,199**	1,511,833

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 instruments, 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 2019.

HKAS 19 (Amendments)	Employee Benefits
HKAS 28 (Amendments)	Long-term investment in associate and joint ventures
HKFRS 9 (Amendments)	Prepayment features with negative compensation
HKFRS 16	Leases
Annual improvement projects	Annual improvements 2015–2017 Cycle (Amendments)
HK (IFRIC)-Int 23	Uncertainty over income tax treatments

This note explains the impact of the adoption of HKFRS 16 "Leases" on the Group's consolidated financial statements and also disclose the new accounting policies that have been applied from 1 January 2019, where they are different to those applied in prior periods.

The Group has adopted HKFRS 16 retrospectively from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening consolidated statement of financial position on 1 January 2019. The new accounting policies are disclosed in note 2(n).

(a) Adjustments recognised on adoption of HKFRS 16

On adoption of HKFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as "operating leases" under the principles of HKAS 17 "Leases". These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was ranging from 2.6% to 5.8%.

For leases previously classified as finance leases, the entity recognised the carrying amount of the lease asset and lease liability immediately before transition as the carrying amount of the right-of-use asset and the lease liability at the date of initial application. The measurement principles of HKFRS 16 are only applied after that date. The remeasurements to the lease liabilities were recognised as adjustments to the related right-of-use assets immediately after the date of initial application.

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) Adjustments recognised on adoption of HKFRS 16 (Continued)

	HK$'000
Operating lease commitments disclosed as at 31 December 2018	90,188
Discounted using the lessee's incremental borrowing rate of at the date of initial application	84,208
Add: finance lease liabilities recognised as at 31 December 2018	5,660
(Less): short-term leases recognised on a straight-line basis as expenses	(32,465)
Lease liabilities recognised as at 1 January 2019	57,403
Of which are:	
Current lease liabilities	9,864
Non-current lease liabilities	47,539
	57,403

The associated right-of-use assets for property leases were measured on a retrospective basis as if the new rules had always been applied, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position as at 31 December 2018. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

The recognised right-of-use assets relate to the following types of assets:

	31 December 2019 HK$'000	1 January 2019 HK$'000
Leasehold land	**2,971**	–
Properties	**51,496**	43,902
Machineries	**22,955**	5,405
Motor vehicles	**2,672**	1,093
Total right-of-use assets	**80,094**	50,400

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) Adjustments recognised on adoption of HKFRS 16 (Continued)

(i) Practical expedients applied

In applying HKFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases; and
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying HKAS 17 and HK(IFRIC)-Int 4 "Determining whether an Arrangement contains a Lease".

(ii) The Group's leasing activities and how these are accounted for

The Group leases various leasehold land, offices, warehouses, machineries and motor vehicles. The rental contracts are typically made for fixed periods of 1 to 5 years. The lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but the leased assets may not be used as a security for any borrowing purposes.

Until the year ended 31 December 2018, the leases of property, plant and equipment were classified as either the finance or operating leases. Payments made under the operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option;

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) Adjustments recognised on adoption of HKFRS 16 (Continued)

(ii) The Group's leasing activities and how these are accounted for (Continued)

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee should use its incremental borrowing rate, ie, the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

The payments associated with short-term leases are recognised on a straight-line basis as expense in profit or loss. The short-term leases are leases with a lease term of 12 months or less.

(b) The changes of accounting policies of interest capitalisation of development properties for sale

During the year ended 31 December 2019, the International Financial Reporting Standard Interpretation Committee ("IFRIC") has finalised an agenda decision on the capitalisation of borrowing costs in relation to the construction of a residential multi-unit estate development. For the entities which revenue recognised overtime under International Financial Reporting Standard ("IFRS") 15 for sales of residential units in the development, no borrowing cost should be capitalised due to the lack of qualifying assets. The HKFRS follows the aforementioned agenda decision.

The following table shows the adjustments in relation to the change in accounting policy of the interest capitalisation of development properties for sale and the adoption of HKFRS 16 "Leases" recognised for each individual line item in the consolidated statement of financial position as at 31 December 2018 and 1 January 2019, respectively:

	As at 31 December 2018, as originally presented HK$'000	Effect of the change in accounting policy of interest capitalisation of development properties for sale HK$'000	As at 31 December 2018, as restated HK$'000	Effect of the adoption of HKFRS 16 HK$'000	As at 1 January 2019, as restated HK$'000
Consolidated statement of financial position					
Property, plant and equipment	331,481	–	331,481	(6,498)	324,983
Right-of-use assets	–	–	–	50,400	50,400
Deferred income tax assets	33,646	5,142	38,788	–	38,788
Development properties for sale	2,102,129	(14,944)	2,087,185	–	2,087,185
Trade and other receivables, prepayments and deposits	3,063,600	(12,747)	3,050,853	–	3,050,853
Trade and other payables	2,038,087	(16,203)	2,021,884	–	2,021,884
Lease liabilities	–	–	–	57,403	57,403
Borrowings	4,093,045	–	4,093,045	(5,660)	4,087,385
Other reserves	1,133,277	65	1,133,342	–	1,133,342
Retained earnings	1,054,224	(2,517)	1,051,707	(7,841)	1,043,866
Non-controlling interests	123,832	(3,764)	120,068	–	120,068

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation (Continued)

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

The following are new standards and amendments to standards that have been published and are not mandatory for the Group's accounting periods beginning on or after 1 January 2019 and have not been early adopted by the Group:

		Effective for annual periods beginning on or after
Amendment to HKAS 1 and HKAS 8	Definition of material	1 January 2020
Amendment to HKAS 39, HKFRS 7 and HKFRS 9	Hedge accounting	1 January 2020
Amendment to HKFRS 3	Definition of a 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
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate and joint venture	To be determined

* The HKICPA will start using the revised Conceptual Framework immediately when revising or developing Standards or Accounting Guidelines. The revised Conceptual Framework has an effective date of 1 January 2020 for companies that use the Conceptual Framework to develop accounting policies when no Standards or Accounting Guidelines applies to a particular transaction. Earlier application is permitted.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) 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)

(b) 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.

(c) 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)

(c) 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.

(d) 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.

(e) 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)

(f) 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.

(g) 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)

(h) 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	Shorter of 10 years or over the lease terms
Leasehold land and buildings	Shorter of 60 years or over the 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.

(i) 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)

(j) 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.

(k) 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)

(l) 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.

(m) Financial assets

(i) Classification

The Group classifies its financial assets in the following measurement categories:

— those to be measured subsequently at fair value (either through other comprehensive income, 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 other comprehensive income. 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 fair value through other comprehensive income.

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

(ii) Recognition and derecognition

Regular purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. 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 the risks and rewards of ownership.

(iii) 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Financial assets (Continued)

(iii) Measurement (Continued)

Equity instrument

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.

Debt instruments

Subsequent measurement of debt instruments depends on the Groups business model for managing the asset and the cash flow characteristics of the asset. The Group classifies its debt instruments as amortised cost.

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in "other losses — net" together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the profit or loss.

(iv) Impairment

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

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

Trade receivables, retention 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Financial assets (Continued)

(iv) Impairment (Continued)

Trade receivables, retention receivables and contract assets (Continued)

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 judgements

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.

(n) Leases

As explained in Note 2(a)(iii) above, the Group has changed its accounting policy for leases where the group is the lessee. The new policy is described below and the impact of the change in Note 2(a)(iii).

Until 31 December 2018, leases of property, plant and equipment where the group, as lessee, had substantially all the risks and rewards of ownership were classified as finance leases (Note 32). Finance leases were capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, were included in other short-term and long-term payables. Each lease payment was allocated between the liability and finance cost. The finance cost was charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases was depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the group will obtain ownership at the end of the lease term.

Leases in which a significant portion of the risks and rewards of ownership were not transferred to the group as lessee were classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of real estate for which the Group is a lessee, it has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Leases (Continued)

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date
- amounts expected to be payable by the group under residual value guarantees
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the lessee, which does not have recent third party financing, and
- makes adjustments specific to the lease, eg term, country, currency and security.

The Group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Leases (Continued)

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT equipment and small items of office furniture.

Lease income from operating leases where the group is a lessor is recognised in income on a straight-line basis over the lease term. Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of the underlying asset and recognised as expense over the lease term on the same basis as lease income. The respective leased assets are included in the consolidated statement of financial position based on their nature. The Group did not need to make any adjustments to the accounting for assets held as lessor as a result of adopting the new leasing standard.

(o) 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, after the issuance of Temporary Occupation Permit ("**TOP**") by the Building and Construction Authority of Singapore.

(p) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated on the weighted average basis. Net realisable value is determined on the basis of anticipated sales proceeds less estimated selling expenses.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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) Trade and retention receivables, and deposits and other receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. They are generally due for settlement within 60 days and therefore are all classified as current. If not, they are presented as non-current assets.

Trade and retention receivables, and deposits and other receivables are recognised initially at the amount of the unconditional consideration unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method. Retention receivables are included in current assets as the Group expects to realise these within its normal operating cycle.

See Note 23 for further information about the Group's accounting for trade and retention receivables and deposits and other receivables, and Note 2 (m) (iv) for a description of the Group's impairment policies.

(t) Contract assets and liabilities

Upon entering into a contract with a customer, the Group obtains rights to receive consideration from the customer and assumes performance obligations to transfer goods or provide services to the customer.

The combination of those rights and performance obligations gives rise to a net contract asset or a net contract liability depending on the relationship between the remaining rights and the performance obligations. The contract is an asset and recognised as contract assets if the cumulative revenue recognised in the consolidated income statement exceeds cumulative payments made by customers. Conversely, the contract is a liability and recognised as contract liabilities if the cumulative payments made by customers exceeds the revenue recognised in the profit or loss.

Contract assets are assessed for impairment under the same approach adopted for impairment assessment of financial assets carried at amortised cost. Contract liabilities are recognised as revenue when the Group transfers the goods or services to the customers and therefore satisfies its performance obligation.

The incremental costs of obtaining a contract with a customer are capitalised and presented as contract related assets, if the Group expects to recover those costs, and are subsequently amortised on a systematic basis that is consistent with the transfer to the customers of the goods or services to which the assets relate. The Group recognises an impairment loss in the consolidated income statement to the extent that the carrying amount of the contract related assets recognised exceeds the remaining amounts of consideration that the Group expects to receive less the costs that directly relate to those goods or services and have not been recognised as expenses. Details of impairment of contract assets are disclosed in note 2(m) (iv).

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(u) 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.

(v) 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.

(w) 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.

(x) 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.

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(x) Revenue recognition (Continued)

(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.

The Group construct buildings for customers and provides builder related services (structural, architecture and alteration works) through fixed-price contracts. Revenue is recognized when the control over the contract works has been transferred to the customer or the services has been provided to the customer. At contract inception, the Group assesses whether the Group transfers control of the contract work over time or at a point in time by determining if (a) its performance does not create an asset with an alternative use to the Group; and (b) the Group has an enforceable right to payment for performance completed to date.

The contract work has no alternative use for the Group due to contractual restriction, and the Group has enforceable rights to payment arising from the contractual terms. For these contracts, revenue is recognised over time by reference to the Group's progress towards completing the construction of the building or completing the builder related services. The measure of progress is determined based on the proportion of construction contract works certified by independent surveyors to date to the total contract price. When the outcome of a performance obligation cannot be reasonably measured, but the Group expects to recover the costs incurred in satisfying the performance obligation, the Group shall recognize revenue only to the extent of the costs incurred until such time that it can reasonably measure the outcome of the performance obligation.

(iii) Sale of goods

Sales of goods are recognised when a group entity has delivered products to the customer, the customer has full discretion over channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs until the products have been shipped to the specified location, the risk of obsolescence and loss have been transferred to the customers, and either the customers have accepted the products in accordance with sales contracts, and there is no unfulfilled obligation that could affect the customers' acceptance of the products.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(y) 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.

(z) 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.

(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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(z) Current and deferred income tax (Continued)

(ii) Deferred income tax (Continued)

Outside basis differences (Continued)

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.

(aa) 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(ab) 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.

(ac) 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(ad) 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.

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(ae) 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.

(af) 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 2019										
Non-derivative financial assets										
Financial assets at fair value through other comprehensive income	–	9,991	–	–	–	–	–	–	–	9,991
Cash and cash equivalents	390,523	779,140	1,193	40,633	1,070	6,826	3,321	47,906	587	1,271,199
Pledged bank deposits	–	20,809	178,155	–	–	–	–	142	–	199,106
Financial assets at fair value through profit or loss	–	259,432	–	–	–	–	–	–	–	259,432
Trade and other receivables excluding non-financial assets	574,067	1,658,092	15	15,866	1,578	19,980	5,069	146,566	–	2,421,233
	964,590	2,727,464	179,363	56,499	2,648	26,806	8,390	194,614	587	4,160,961
Non-derivative financial liabilities										
Trade and other payables excluding non-financial liabilities	289,075	1,305,280	572	11,486	25,879	5,988	28,907	189,391	–	1,856,578
Borrowings	858,973	5,739,126	167,020	379,228	–	–	4,100	–	–	7,148,447
	1,148,048	7,044,406	167,592	390,714	25,879	5,988	33,007	189,391	–	9,005,025
Net non-derivative financial (liabilities)/assets	(183,458)	(4,316,942)	11,771	(334,215)	(23,231)	20,818	(24,617)	5,223	587	(4,844,064)
Currency exposure of non-derivative financial (liabilities)/assets net of those denominated in the functional currencies of the respective group entities	(218,943)	(536,612)	11,771	(334,215)	(23,231)	11	1,071	(684)	587	(1,100,245)

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$'000	Malaysia Ringgit HK$'000	Others HK$'000	Total HK$'000
At 31 December 2018										
Non-derivative financial assets										
Financial assets at fair value through other comprehensive income	–	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
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
	855,592	3,501,352	182,412	25,256	8,472	27,761	44,498	244,132	587	4,890,062
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)	(265,652)	(613,577)	10,101	(361,360)	(7,865)	20,288	9,222	79,874	587	(1,128,382)
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)

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	
	2019	2018
	HK$'000	HK$'000
HK$ against SGD *(Note)*		
— Strengthened	**(9,086)**	(14,978)
— Weakened	**9,086**	14,978
US$ against SGD *(Note)*		
— Strengthened	**(13,870)**	(14,968)
— Weakened	**13,870**	14,968

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.

The aggregate net foreign exchange gains/losses recognised in profit or loss were:

	2019	2018
	HK$'000	HK$000
Net foreign exchange (loss)/gain included in other gains/(losses)	**(924)**	2,260
Exchange gain/(loss) on foreign currency borrowing included in finance costs	**5,235**	(18,707)
Total net foreign exchange gain/(loss) recognised in profit before income tax for the year	**4,311**	(16,447)

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

Financial risk factors (Continued)

(a) Market risk (Continued)

(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 2019, 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$21,055,000 (2018: HK$10,850,000) lower/higher by as a result of higher/lower interest expense on these borrowings.

(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 (2018: two) debtors that individually represented 18%–20% (2018: 19%–28%) of such total trade receivables as at 31 December 2019.

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.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

Financial risk factors (Continued)

(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 2019						
Trade and other payables excluding non-financial liabilities	**–**	**1,856,578**	**–**	**–**	**–**	**1,856,578**
Borrowings	**3,264,601**	**830,865**	**384,704**	**3,204,234**	**6,986**	**7,691,390**
Lease liabilities	**–**	**24,637**	**18,845**	**13,046**	**29,500**	**86,028**
Derivative financial instruments	**–**	**1,855**	**–**	**–**	**–**	**1,855**
	1,116,514	**3,923,901**	**768,556**	**3,245,712**	**34,989**	**9,089,672**

	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 including finance leases	3,187,444	206,161	932,447	558,598	31,186	4,915,836
Derivative financial instruments	–	2,043	1,146	–	–	3,189
	3,187,444	5,143,881	968,388	578,761	31,186	9,909,660

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

Financial risk factors (Continued)

(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:

	2019 **HK$'000**	2018 (Restated) (Note 2(a)(ii)) HK$'000
Net debt	**5,760,934**	2,392,898
Total equity	**3,440,408**	3,316,090
Total capital	**9,201,342**	5,708,988
Net debt to total capital ratio	**63%**	42%

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 2019 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 2019				
Assets				
Financial assets at fair value through other comprehensive income	–	–	9,991	9,991
Financial assets at fair value through profit or loss				
— Unlisted investment fund	–	–	259,432	259,432
Liabilities				
Derivative financial instruments:				
— Foreign exchange forward contracts	–	1,855	–	1,855

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 2018				
Assets				
Financial assets at fair value through other comprehensive income	–	–	8,914	8,914
Financial assets at fair value through profit or loss:				
— Unlisted investment fund	–	–	226,568	226,568
— Listed equity securities	114,000	–	–	114,000
Liabilities				
Derivative financial instruments:				
— Foreign exchange forward contracts	–	3,189	–	3,189

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 consolidated statement of financial position, with the resulting value discounted back to present value.

The investments in unquoted financial assets at fair value through other comprehensive income held by the Group as at 31 December 2019 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 2019 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.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

Financial risk factors (Continued)

(e) Fair value measurements (Continued)

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

	Available-for-sale financial assets HK$'000	Financial assets at fair value through other comprehensive income HK$'000	Financial assets at fair value through profit or loss HK$'000
At 1 January 2018	28,489	–	230,696
Adoption of HKFRS 9	(28,489)	28,489	–
Addition	–	–	114,000
Fair value changes recognised in other comprehensive income	–	(17,514)	–
Exchange difference	–	(2,061)	(4,128)
31 December 2018	–	8,914	340,568
Disposal	–	–	(114,000)
Fair value changes recognised in profit or loss	–	–	35,139
Fair value changes recognised in other comprehensive income	–	1,024	–
Exchange difference	–	53	(2,275)
31 December 2019	–	9,991	259,432

During the year ended 31 December 2019, 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 other comprehensive income 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$109,000 (2018: HK$2,613,000) higher/lower. Should the discount rate be increased/decreased by 1%, other comprehensive income would have been HK$14,000 (2018: HK$619,000) 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 discount rate. Should the discount rate be increased/decreased by 1%, profit for the year would have been HK$6,981,000 (2018: 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

	Financial asset at amortised cost HK$'000	Financial assets at fair value through the profit & loss HK$'000	Financial assets at fair value through other comprehensive income HK$'000	Total HK$'000
At 31 December 2019				
Assets as per consolidated statement of financial position				
Financial assets at fair value through other comprehensive income	–	–	9,991	9,991
Financial assets at fair value through profit or loss	–	259,432	–	259,432
Trade and other receivables excluding non-financial assets	2,421,233	–	–	2,421,233
Pledged bank deposits	199,106	–	–	199,106
Cash and cash equivalents	1,271,199	–	–	1,271,199
Total	3,891,538	259,432	9,991	4,160,961

	Derivatives financial instruments HK$'000	Other financial liabilities at amortised cost HK$'000	Lease liabilities HK$'000	Total HK$'000
At 31 December 2019				
Liabilities as per consolidated statement of financial position				
Derivative financial instruments	1,855	–	–	1,855
Trade and other payables excluding non-financial liabilities	–	1,856,578	–	1,856,578
Borrowings	–	7,148,447	–	7,148,447
Lease liabilities	–	–	82,792	82,792
Total	1,855	9,005,025	82,792	9,089,672

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

Financial risk factors (Continued)

(f) Financial instruments by category (Continued)

	Financial asset at amortised cost HK$'000	Financial assets at fair value through the profit & loss HK$'000	Financial assets at fair value through other comprehensive income HK$'000	Total HK$'000
At 31 December 2018				
Assets as per consolidated statement of financial position				
Financial assets at fair value through other comprehensive income	–	–	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
Pledged bank deposits	188,314	–	–	188,314
Cash and cash equivalents	1,511,833	–	–	1,511,833
Total	4,540,580	340,568	8,914	4,890,062

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

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
- 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 judgements 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 cost and revenue forecasted. Management conducts periodic reviews of the above provisions.

Significant judgement 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 income and cost derived 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 2019, the Group recognised such deferred income tax assets amounting to approximately HK$24,216,000 (2018: HK$38,788,000) 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, other receivables and contract assets

The Group makes provision for impairment of trade, other receivables and contract assets based on an assessment of the recoverability of trade, other receivables and contract assets. 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 judgement 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.

4 CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS AND JUDGMENTS (CONTINUED)

(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 sales 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. Judgement 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.

(f) Judgements and estimates

The preparation of the consolidated financial statement requires management to make judgements, 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.

Judgements 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.

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 equipment in Hong Kong and Macau. The "Property development — Singapore and Southeast Asia" and "Property development — Hong Kong" segment represent 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 equipment 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 the head office and corporate expenses are excluded from such measurement.

Segment assets and liabilities exclude 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 2019					
Sales					
Sales to external parties	935,705	–	3,075,924	3,861,746	7,873,375
Inter-segment sales	–	–	368,569	–	368,569
Total segment sales	935,705	–	3,444,493	3,861,746	8,241,944
Adjusted segment (loss)/profit	(45,747)	(3,666)	157,158	368,433	476,178
Depreciation of right-of-use assets	3,251	–	22,313	2,066	27,630
Depreciation of owned assets	53,685	–	19,633	190	73,508
Amortisation	–	–	5,902	–	5,902
Share-based payment expenses	852	–	7,005	576	8,433

5 SEGMENT INFORMATION (CONTINUED)

	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, as restated					
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	461,650	453,039
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

During the year ended 31 December 2019, revenue of approximately HK$1,681,770,000 (2018: HK$886,924,000) representing 21% (2018: 12%) of the Group's total revenue was derived from a single external customer within the "Construction — Singapore and Southeast Asia" (2018: Construction — Singapore and Southeast Asia) segment.

The following tables present segment assets and liabilities as at 31 December 2019 and 2018 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 2019					
Segment assets	**971,789**	**644,631**	**3,548,908**	**8,432,040**	**13,597,368**
Segment liabilities	**560,397**	**222,511**	**2,640,058**	**7,243,315**	**10,666,281**
Segment assets include:					
Additions to right-of-use assets	**22,457**	**–**	**31,840**	**3,570**	**57,867**
Additions to property, plant and equipment	**271,077**	**–**	**8,709**	**32**	**279,818**
Additions to investment properties	**–**	**–**	**–**	**49,927**	**49,927**
Investments in associated companies	**–**	**–**	**2,899**	**–**	**2,899**
Investments in joint ventures	**–**	**–**	**30,092**	**–**	**30,092**

5 SEGMENT INFORMATION (CONTINUED)

	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, as restated					
Segment assets	698,483	644,017	3,696,481	4,406,008	9,444,989
Segment liabilities	513,698	216,713	2,730,784	3,642,636	7,103,831
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
Investments in joint ventures	–	–	13,049	–	13,049

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

	2019 **HK$'000**	2018 (Restated) *(Note 2(a)(iii))* HK$'000
Adjusted segment profit for reportable segments	**476,178**	453,039
Unallocated expenses *(Note)*	**(29,655)**	(28,923)
Elimination	**(95,390)**	109,350
Finance income	**56,957**	74,380
Finance costs	**(111,668)**	(167,488)
Share of net losses of associated companies	**(7,497)**	(65,799)
Share of net profits of joint ventures	**30,283**	12,772
Profit before income tax	**319,208**	387,331

Note:

During the years ended 31 December 2018 and 2019, 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:

	2019 HK$'000	2018 (Restated) (Note 2(a)(iii)) HK$'000
Segment assets	**13,597,368**	9,444,989
Unallocated	**2,744,722**	2,193,395
Elimination	**(3,403,639)**	(2,007,846)
Total assets	**12,938,451**	9,630,538

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

	2019 HK$'000	2018 (Restated) (Note 2(a)(iii)) HK$'000
Segment liabilities	**10,666,281**	7,103,831
Unallocated	**2,238,540**	726,721
Elimination	**(3,406,778)**	(1,516,104)
Total liabilities	**9,498,043**	6,314,448

(a) Assets and liabilities related to contracts with customers

The Group receives payments from customers based on billing schedules as established in contracts. Payments under sales of property contracts are usually received in advance of the performance.

Details of contract assets are as follows:

	2019 HK$'000	2018 HK$'000
Contract assets related to sale of properties	**1,349,127**	773,146
Contract assets related to construction contracts	**155,734**	70,536
Total contract assets	**1,504,861**	843,682

Contract assets consist of unbilled amount resulting from sale of properties and construction when the revenue recognised exceeds the amount billed to the customers.

5 SEGMENT INFORMATION (CONTINUED)

(a) Assets and liabilities related to contracts with customers (Continued)

(i) Revenue recognised in relation to contract liabilities

	2019 HK$'000	2018 HK$'000
Revenue recognised that was included in contract liability balance at the beginning of the year		
Sale of properties	**63,118**	1,190,407

(ii) Unsatisfied contracts related to sale of properties

	31 Dec 2019 HK$'000	31 Dec 2018 HK$'000
Revenue expected to be recognised within one year	**54,277**	63,118
Revenue expected to be recognised after one year	**–**	–
Total transaction price allocated to unsatisfied contract	**54,277**	63,118

6 BUSINESS COMBINATION

On 25 February 2019, Bohai Investments (Sengkang) Pte. Ltd ("**Bohai**"), an indirectly wholly-owned subsidiary of the Company, acquired 5% of equity interest in Qingjian Realty (Choa Chu Kang) Pte. Ltd. ("**QJR CCK**") for a consideration of SGD2,500,000 (equivalent to approximately HK$14,531,000). After the acquisition, the Group's interest in QJR CCK increased from 46% to 51% equity interest and QJR CCK changed from an associated company to a subsidiary of the Group. As a result, a gain on deemed disposal of previously owned interest in QJRCCK of HK$168,671,000 was recognised in "other gains/(losses) — net" (Note 9).

The following table summarises the consideration paid for QJR CCK, the fair value of assets acquired and liabilities assumed at the acquisition date.

	HK$'000
Consideration:	
Cash	14,531
Fair value of existing shares held by the Group	155,573
Total considerations	170,104
Recognised amounts of identifiable assets acquired and liabilities assumed	
Cash and cash equivalents	130,219
Trade and other receivables and prepayments	54,763
Development properties for sale	2,437,048
Deferred income tax assets	7,057
Trade and other payables	(158,184)
Contract liabilities	(1,267,573)
Borrowings	(431,544)
Loan due to non-controlling interests	(360,681)
Deferred income tax liabilities	(75,282)
Total identifiable net assets	335,823
Non-controlling interests	(165,719)
	170,104

	HK$'000
Cash consideration	14,531
Cash and cash equivalents in subsidiary acquired	(130,219)
Outflow of cash to acquire business, net of cash acquired	(115,688)

Acquisition-related costs are insignificant and had been included in administrative expenses in the profit or loss for the year ended 31 December 2019.

Revenue and profit contribution

The acquired business contributed revenue of approximately HK$2,422,584,000 and net loss of approximately HK$67,753,000 to the Group for the period from 25 February 2019 to 31 December 2019. If the acquisition had occurred on 1 January 2019, consolidated revenue and consolidated profit after tax for the year ended 31 December 2019 would have been approximately HK$7,873,375,000 and approximately HK$242,948,000, respectively.

7 REVENUE

	2019 HK$'000	2018 HK$'000
Construction contracts income	**4,006,143**	3,655,134
Sales of development properties	**3,836,776**	3,838,886
Sales of goods	**19,673**	6,583
Income from loaning labour to other contractors	**9,348**	1,360
Rental of equipment	**211**	5,049
Service income	**1,224**	879
	7,873,375	7,507,891
Revenues from contracts with customers		
— recognised at a point in time	**3,659,680**	3,083,657
— recognised over time	**4,213,484**	4,419,185
	7,873,164	7,502,842
Revenue from other sources		
— rental of equipment	**211**	5,049
	7,873,375	7,507,891

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

	2019 HK$'000	2018 HK$'000
Singapore	**6,251,673**	5,985,372
Hong Kong	**923,503**	955,225
Macau	**12,202**	146,608
Southeast Asia	**685,997**	420,686
	7,873,375	7,507,891

8 OTHER INCOME

	2019 HK$'000	2018 HK$'000
Dividend income from financial assets at fair value through other comprehensive income	**8,692**	23,538
Forfeited customer deposits	**5,743**	–
Government grant	**1,717**	2,253
Management fee income	**14,066**	15,488
Rental income from temporary staff quarters	**1,171**	2,930
Scrap sales	**4,511**	1,850
Sundry income	**1,685**	5,911
	37,585	51,970

9 OTHER GAINS/(LOSSES) — NET

	2019 HK$'000	2018 HK$'000
Losses on disposal of property, plant and equipment	**(1,129)**	(10,838)
Foreign exchange forward contracts		
— fair value gains	**1,345**	–
— (losses)/gains on settlement, net	**(2,269)**	2,260
Provision for foreseeable losses on certain construction contracts	**(11,205)**	(28,284)
Fair value gains on financial assets at fair value through profit and loss	**35,139**	–
Gain on deemed disposal of previously owned interest in an associated company *(Note 6)*	**168,671**	–
Gain on disposal of right of use assets	**465**	–
Others	**(5,842)**	3,401
Other gains/(losses) — net	**185,175**	(33,461)

10 EXPENSES BY NATURE

	2019 HK$'000	2018 (Restated) *(Note 2(a)(iii))* HK$'000
Contractor and material costs included in "Cost of sales"	**3,340,055**	3,057,639
Property development costs included in "Cost of sales"	**3,438,214**	3,011,920
Sales commissions	**74,317**	70,540
Show flat costs	**4,249**	6,832
Marketing expenses	**13,256**	16,495
Travel and entertainment expenses	**10,101**	11,538
Depreciation of owned assets	**73,508**	73,432
Depreciation of assets under finance leases	**–**	4,602
Depreciation of right-of-use assets	**27,630**	–
Amortisation of intangible assets	**5,902**	5,828
Auditors' remuneration		
— audit and audit related services	**7,431**	7,227
— non-audit services	**888**	2,534
Staff costs, including directors' emoluments *(Note 11)*	**637,423**	595,463
Rental expenses on operating leases	**56,815**	69,349
Other legal and professional fees	**18,843**	14,732
Other expenses	**36,370**	44,803
Total cost of sales, selling and marketing expenses, general and administrative expenses	**7,745,002**	6,992,934

11 EMPLOYEE BENEFIT EXPENSES

	2019 HK$'000	2018 HK$'000
Directors' fees, employees' salaries, wages and allowances	**538,477**	497,270
Performance bonuses	**42,180**	32,565
Employers' contributions to defined contribution plans	**28,740**	36,557
Share-based payment expenses *(Note 35)*	**8,433**	18,283
Other staff benefits	**19,593**	10,788
	637,423	595,463

Five highest paid individuals

During the year, the five individuals whose emoluments were the highest in the Group include two directors (2018: 3), whose emoluments are reflected in the analysis shown in Note 41. The emoluments payable to the remaining individuals during the years ended 31 December 2019 and 2018 were as follows:

	2019 HK$'000	2018 HK$'000
Salaries, wages and allowances	**6,787**	4,562
Performance bonuses	**4,017**	8,770
Employers' contributions to defined contribution plans	**86**	191
Share-based payment expenses	**640**	1,277
Other staff benefits	**199**	–
	11,729	14,800

The emoluments of the individuals fell within the following bands:

	Number of individuals 2019	Number of individuals 2018
Emolument bands (in HK$)		
HK$3,000,001–HK$3,500,000	**1**	–
HK$3,500,001–HK$4,000,000	**1**	–
HK$4,000,001–HK$4,500,000	**1**	–
HK$6,000,001–HK$6,500,000	**–**	1
HK$8,000,001–HK$8,500,000	**–**	1

12 FINANCE (COSTS)/INCOME — NET

	2019 HK$'000	2018 (Restated) *(Note 2(a)(iii))* HK$'000
Finance income		
Interest income from bank deposits	**10,969**	19,255
Interest income from loans to associated companies	**43,785**	55,125
Interest income from loans to other related parties	**767**	–
Others	**1,436**	–
	56,957	74,380
Finance costs		
Interest expenses on lease liabilities	**(2,836)**	–
Interest expenses on finance leases	**–**	(562)
Interest expenses on bank borrowings and arrangement fee amortised in respect of bank facilities	**(187,861)**	(125,900)
Interest expenses on medium term notes	**(28,849)**	(29,144)
Interest expenses on loans from non-controlling interests of subsidiaries	**(34,986)**	(14,012)
	(254,532)	(169,618)
Less: Interest expenses capitalised	**137,629**	20,837
	(116,903)	(148,781)
Net foreign exchange gains/(losses)	**5,235**	(18,707)
	(111,668)	(167,488)
Finance (costs)/income — net	**(54,711)**	(93,108)

13 SUBSIDIARIES

The following is a list of the principal subsidiaries as at 31 December 2019:

Name of companies	Principal activities	Country of operation/ incorporation	Particulars of share capital	Effective interest held as at 31 December 2019	Effective interest held as at 31 December 2018
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%
CNQC International Asset Management Ltd	Investment Holding	Cayman Islands	US$1	**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%
CNQC Realty (Hong Kong) Limited	Investment Holding	Hong Kong	HK$2	**100%**	100%
Global Glory Development & Property Limited	Property development	Hong Kong	HK$1	**99.75%**	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%
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%
Qingjian Realty (South Pacific) Group Pte. Ltd.	Investment holding	Singapore	SGD2,000,000	**100%**	100%
Sunley M&E Engineering Pte. Ltd	General construction	Singapore	SGD1,500,000	**100%**	100%
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	**90%**	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%

13 SUBSIDIARIES (CONTINUED)

Name of companies	Principal activities	Country of operation/ incorporation	Particulars of share capital	Effective interest held as at 31 December 2019	Effective interest held as at 31 December 2018
Indirectly held by the Company: (Continued)					
Welltech Construction Pte. Ltd.	General construction	Singapore	SGD35,000,000	**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%**	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%**	100%
CNQC Development (Cambodia) Co. Ltd	General construction	Cambodia	USD4,000	**100%**	Nil
Qingjian Realty (Chao Chu Kong) Pte. Ltd.	Property development	Singapore	SGD100,000	**51%**	46%

Material non-controlling interests

The total non-controlling interests as at 31 December 2019 represent net aggregate non-controlling interests of HK$210,559,000 (2018: HK$120,068,000), of which non-controlling interests of HK$89,922,000 (2018: HK$37,909,000) and non-controlling interest of HK$52,598,000 (2018: nil) were attributable to Qingjian Realty (BBR) Pte. Ltd. and Qingjian Realty (Chao Chu Kong) Pte. Ltd. respectively. The directors are of the opinion that other non-controlling interests are not material to the Group as at 31 December 2019.

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.

Summarised statement of financial position

	Qingjian Realty (BBR) Pte. Ltd.		Qingjian Realty (Choa Chu Kang) Pte. Ltd.	
	2019 HK$'000	2018 HK$'000	**2019 HK$'000**	2018 HK$'000
Current				
Assets	**1,822,879**	1,695,747	**382,639**	924,122
Liabilities	**(950,855)**	(234,629)	**(281,509)**	(182,545)
Total current net assets	**872,024**	1,461,118	**101,130**	741,577
Non-current				
Assets	**–**	–	**4,111**	6,958
Liabilities	**(538,981)**	(1,318,155)	**–**	(780,250)
Total non-current net (liabilities)/assets	**(538,981)**	(1,318,155)	**4,111**	(773,292)
Net assets/(liabilities)	**333,043**	142,963	**105,241**	(31,715)

13 SUBSIDIARIES (CONTINUED)

Summarised statement of comprehensive income

	Qingjian Realty (BBR) Pte. Ltd.		Qingjian Realty (Choa Chu Kang) Pte. Ltd.	
	2019 HK$'000	2018 HK$'000	**From 25 February 2019 to 31 December 2019 HK$'000**	2018 HK$'000
Revenue	**1,292,964**	–	**2,422,584**	–
Profit/(loss) before income tax	**256,910**	115,411	**(81,359)**	(3,949)
Income tax (credit)/expense	**(43,674)**	–	**13,606**	441
Post-tax profit/(loss) from continuing operations	**213,236**	115,411	**(67,753)**	(3,508)
Other comprehensive income	**(1,390)**	5,318	**–**	–
Total comprehensive income	**211,846**	120,729	**(67,753)**	(3,508)
Total comprehensive income allocated to non-controlling interests	**57,198**	32,597	**(34,365)**	(1,719)
Dividends paid to non-controlling interests	**–**	–	**78,757**	–

Summarised statement of cash flows

	Qingjian Realty (BBR) Pte. Ltd.		Qingjian Realty (Choa Chu Kang) Pte. Ltd.	
	2019 HK$'000	2018 HK$'000	**From 25 February 2019 to 31 December 2019 HK$'000**	2018 HK$'000
Cash flows from operating activities				
Cash generated from/(used in) operations	**57,285**	36,150	**827,339**	327,457
Interest paid	**(29,156)**	–	**(75,056)**	–
Income tax (paid)/refunded	**–**	–	**–**	441
Net cash generated from/(used in) operating activities	**28,129**	36,150	**752,283**	327,898
Net cash used in investing activities	**–**	–	**36**	–
Net cash used in financing activities	**(45,587)**	(84,970)	**(781,475)**	(290,290)
Net (decrease)/increase in cash and cash equivalents	**(17,458)**	(48,820)	**(29,156)**	37,608
Cash, cash equivalents and bank overdrafts at beginning of year	**43,530**	92,112	**64,199**	27,567
Exchange gains/(losses) on cash and cash equivalents	**146**	238	**204**	(976)
Cash and cash equivalents at end of year	**26,218**	43,530	**35,247**	64,199

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

14 INVESTMENTS IN ASSOCIATED COMPANIES

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

	2019 HK$'000	2018 HK$'000
At 1 January	25,523	21,081
Additions	–	17,040
Deemed disposal of previously owned interest in an associated company	(22,727)	–
Share of net profits/(losses) of associated companies recognised in investments in associated companies	2,580	(4,741)
Dividends received	(2,526)	(9,304)
Exchange difference	49	1,447
At 31 December	2,899	25,523

The amounts recognised in profit or loss are as follows:

	2019 HK$'000	2018 (Restated) *(Note 2(a)(iii))* HK$'000
Share of results of associated companies	2,580	(3,210)
Unrealised gains on downstream transactions with associated companies	(12,025)	(62,589)
Realised gains on downstream transactions with associated companies	1,948	–
Share of net losses of associated companies recognised in profit or loss	(7,497)	(65,799)
Deferred unrealised gains on downstream transactions with associated companies *(Note)*	12,025	61,058
Realisation of deferred gains previously recognised	(1,948)	–
Share of net profits/(losses) of associated companies recognised in investments in associated companies	2,580	(4,741)

Note:

As at 31 December 2019, deferred unrealised gains on downstream transactions with associated companies of HK$12,025,000 (2018: HK$61,058,000) was recognised in "Trade and other payables" (Note 33).

14 INVESTMENTS IN ASSOCIATED COMPANIES (CONTINUED)

The particulars of the Group's associated companies as at 31 December 2019 are as follows:

Name of companies	**Principal activities**	**Country of operation/ incorporation**	**Particulars of share capital**	**Effective interest held as at 31 December 2019**	Effective interest held as at 31 December 2018
BH-ZACD (Woodlands) Development Pte. Ltd. ("ZACD Woodlands")	Property development	Singapore	SGD40	**40%**	40%
Qingjian Realty (SF) Holding Pte. Ltd. ("QJR SF")	Investment holding	Singapore	SGD10,000	**42.11%**	42.11%
Qingjian Realty (Marymount) Pte. Ltd. ("QJR Marymount")	Property development	Singapore	SGD4,000,000	**45%**	45%

Note:

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 2019 and 2018 were disclosed in Note 37.

14 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 SF		QJR Marymount		ZACD Woodlands	
	2019 HK$'000	2018 HK$'000	**2019 HK$'000**	2018 HK$'000	**2019 HK$'000**	2018 HK$'000
Current assets						
Cash and cash equivalents	**94,565**	67,225	**94,508**	67,168	**4,789**	12,242
Other current assets	**5,855,102**	5,895,442	**5,855,103**	5,917,221	**512**	217
Total current assets	**5,949,667**	5,962,667	**5,949,611**	5,984,389	**5,301**	12,459
Non-current assets	**25,927**	6,963	**25,927**	6,460	**–**	–
Current liabilities						
Financial liabilities (excluding trade payables)	**(3,679,123)**	(168,205)	**(3,682,298)**	(168,041)	**(3,640)**	(4,308)
Other current liabilities	**(460,198)**	(145,219)	**(434,921)**	(145,220)	**(12)**	(5,649)
Total current liabilities	**(4,139,321)**	(313,424)	**(4,117,219)**	(313,261)	**(3,652)**	(9,957)
Non-current liabilities						
Financial liabilities (excluding trade payables)	**(1,946,452)**	(5,687,653)	**(1,946,452)**	(5,687,653)	**–**	–
Total non-current liabilities	**(1,946,452)**	(5,687,653)	**(1,946,452)**	(5,687,653)	**–**	–
Net (liabilities)/assets	**(110,179)**	(31,447)	**(88,133)**	(10,065)	**1,649**	2,502
Net (liabilities)/assets attributable to equity owners	**(110,179)**	(31,447)	**(88,133)**	(10,065)	**1,649**	2,502
Direct equity interest held	**42.11%**	42.11%	**45%**	45%	**40%**	40%
Share of interest held by Group	**nil**	nil	**nil**	nil	**660**	1,001

The interest in QJR SF and QJR Marymount was initially measured at fair value. The carrying amount was increased or decreased to recognise the Group's share of profits or loss of the interest in QJR SF and QJR Marymount to the extent the carrying amount of the interest in QJR SF and QJR Marymount reduced to nil due to losses, after the initial recognition. As at 31 December 2019, the Group's share of loss of QJR SF and QJR Marymount exceeded its interest in the ordinary shares of QJR SF and QJR Marymount, there are no overall financial impact on the consolidated income statement from the investment for the current year. As at 31 December 2019, the unrecognised share of loss of the interest in QJR SF and QJR Marymount is approximate HK$100,481,000 (2018: HK$21,749,000), HK$100,313,000 (2018:HK$22,291,000), respectively.

14 INVESTMENTS IN ASSOCIATED COMPANIES (CONTINUED)

Summarised financial information for associates (Continued)

	QJR SF		QJR Marymount		ZACD Woodlands	
	Year ended 31 December 2019 HK$'000	Period from 1 July 2017 (date of deemed disposal) to 31 December 2018 HK$'000	**Year ended 31 December 2019 HK$'000**	Period from 1 July 2017 (date of deemed disposal) to 31 December 2018 HK$'000	**Year ended 1 December 2019 HK$'000**	Year ended 31 December 2018 HK$'000
Reconciliation to carrying amounts of the Group's interests in associated companies:						
Opening net assets	**(31,447)**	(871)	**(10,065)**	22,413	**2,502**	52,701
Change in accounting policies for interest capitalisation	**(74,512)**	–	**(74,512)**	–	**–**	–
Capital injection	**–**	–	**–**	–	**–**	–
(Loss)/profit for the year/period	**(3,616)**	(30,989)	**(3,556)**	(31,902)	**4,903**	(2,013)
Other comprehensive (loss)/income	**(604)**	413	**–**	(576)	**558**	6,969
Dividends paid	**–**	–	**–**	–	**(6,314)**	(55,155)
Closing net (liabilities)/assets	**(110,179)**	(31,447)	**(88,133)**	(10,065)	**1,649**	2,502
Interests in associates	**–**	–	**–**	–	**660**	1,001
Adjustment	**–**	–	**–**	–	**–**	–
Cumulative unrealised gains on downstream transactions with associated companies	**–**	–	**–**	–	**–**	–
Cumulative share of results of associated companies	**–**	–	**–**	–	**–**	–
Carrying amounts of the Group's interests in associated companies	**–**	–	**–**	–	**660**	1,001
Revenue	**1,059,068**	198,030	**1,059,068**	194,421	**–**	2,451
(Loss)/profit after tax	**(3,616)**	(32,556)	**(3,556)**	(31,902)	**4,903**	(2,013)
Other comprehensive (loss)/income	**(604)**	413	**–**	(576)	**558**	6,969
Total comprehensive (loss)/income	**(4,220)**	(32,143)	**(3,556)**	(32,478)	**5,461**	4,956
(Loss)/profit after tax attributable to the equity owners	**(3,616)**	(30,425)	**(3,556)**	(31,902)	**4,903**	5,164
Other comprehensive (loss)/income attributable to the equity owners	**(604)**	413	**–**	(576)	**558**	6,969
Total comprehensive (loss)/income attributable to the equity owners	**(4,220)**	(30,012)	**(3,556)**	(32,478)	**5,461**	12,133
Dividend received from associated companies	**–**	–	**–**	–	**2,526**	9,304

15 INVESTMENTS IN JOINT VENTURES

The movements of the carrying amounts of joint ventures are as follows:

	2019 HK$'000	2018 HK$'000
At 1 January	**13,049**	415
Share of profits of joint ventures recognised in investment in joint ventures	**31,337**	12,772
Dividends received	**(14,391)**	–
Exchange difference	**97**	(138)
At 31 December	**30,092**	13,049

The amounts recognised in profit or loss are as follows:

	2019 HK$'000	2018 HK$'000
Share of results of joint ventures recognised in profit or loss	**30,283**	12,772
Deferred gains recognised with joint ventures	**1,054**	–
Share of profits of joint ventures recognised in investment in joint ventures	**31,337**	12,772

Note:

As at 31 December 2019, deferred gains recognised with joint ventures of HK$1,054,000 was recognised in "Trade and other payables" (Note 33).

The particulars of the Group's investments in joint ventures as at 31 December 2019 and 2018 are as follows:

Name of companies	**Principal activities**	**Country of operation/ Incorporation**	**Measurement method**	**Effective interest held as at 31 December 2019**	Effective interest held as at 31 December 2018
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%**	50%
Apex Intelligence Limited	Property development	Hong Kong	Equity	**35%**	35%

The directors are of the opinion that the investments in joint ventures are not material to the Group as at 31 December 2019 (2018: same).

There were no material contingent liabilities and financial commitments relating to the Group's interests in joint ventures as at 31 December 2019 (2018: Nil).

16 INCOME TAX EXPENSE

Hong Kong profits tax, Macau profits tax, Singapore income tax, Malaysia income tax, Indonesia income tax and Cambodia income tax have been provided for at the rate of 16.5%, 12%, 17%, 24%, 25% and 20% respectively for the years ended 31 December 2019 and 2018 on the estimated assessable profit in the respective jurisdictions, adjusted for those items which are not assessable or deductible for income tax purpose.

	2019 **HK$'000**	2018 (Restated) *(Note 2(a)(iii))* HK$'000
Current income tax		
— Hong Kong profits tax	**1,382**	2,049
— Macau profits tax	**–**	548
— Singapore income tax	**75,248**	54,819
— Malaysia income tax	**2,686**	1,802
— Indonesia income tax	**4,701**	–
— Cambodia income tax	**1,074**	–
Under/(over)-provision in prior years		
— Hong Kong profits tax	**(185)**	(30)
— Macau profits tax	**4,147**	–
— Singapore income tax	**12,286**	2,154
— Malaysia income tax	**(1,193)**	–
— Indonesia income tax	**100**	–
Total current income tax	**100,246**	61,342
Deferred income tax *(Note 24)*	**(24,305)**	24,132
Income tax expense	**75,941**	85,474

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:

	2019 **HK$'000**	2018 (Restated) *(Note 2(a)(iii))* HK$'000
Profit before income tax	**319,208**	387,331
Tax calculated at domestic tax rates applicable to profits in the respective countries	**53,856**	63,080
Effects of:		
— Associates' and joint ventures' results reported net of tax	**(596)**	(339)
— Statutory stepped income exemption in Singapore	**(672)**	(1,529)
— Two-tier tax benefit in Hong Kong	**(165)**	–
— Income exempted under partial tax rebate scheme in Singapore	**(589)**	(544)
— Income not subject to tax	**(34,967)**	(7,000)
— Expenses not deductible for tax purposes	**24,929**	29,801
— Utilisation of tax loss previously not recognised	**(5,110)**	(119)
— Tax losses and other temporary difference not recognised	**24,100**	–
— Under-provision in prior years	**15,155**	2,124
Income tax expense	**75,941**	85,474

16 INCOME TAX EXPENSE (CONTINUED)

Deferred income tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefit through future taxable profits is probable. At 31 December 2019, the Company has unrecognised tax losses to be carried forward against future taxable income amounting to approximate HK$208,310,000 (2018: HK$95,971,000). The potential deferred income tax assets in respect of the unrecognised tax losses amounted to approximate HK$35,305,000 (2018: HK$16,315,000). Tax losses amounting to approximate HK$1,315,000 (2018: nil) will expire within 3 years from 31 December 2019. The remaining tax losses have no expiry date.

17 EARNINGS PER SHARE

Basic

	2019 **HK$'000**	2018 (Restated) *(Note 2(a)(iii))* HK$'000
Profit attributable to ordinary shares	**218,627**	199,856
Profit attributable to convertible preference shares ("**CPS**")	**20,215**	25,442
Profit attributable to owners of the Company	**238,842**	225,298

	2019		2018 (Restated) *(Note 2(a)(iii))*	
	Ordinary shares	**CPS**	Ordinary shares	CPS
Weighted average number of issued shares for the purpose of calculating basic earnings per share (in thousands)	**1,504,373**	**138,837**	1,478,490	187,837
Basic earnings per share (HK$)	**0.145**	**0.145**	0.135	0.135

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.

17 EARNINGS PER SHARE (CONTINUED)

Diluted

	2019		2018 (Restated) *(Note 2(a)(iii))*	
	Ordinary shares	**CPS**	Ordinary shares	CPS
Weighted average number of issued shares for the purpose of calculating basic earnings per share (in thousands)	**1,504,373**	**138,837**	1,478,490	187,837
Adjustments for outstanding share options (in thousands)	**–**	**–**	–	–
	1,504,373	**138,837**	1,478,490	187,837
Diluted earnings per share (HK$)	**0.145**	**0.145**	0.135	0.135

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.

18 PROPERTY, PLANT AND EQUIPMENT AND RIGHT-OF-USE ASSETS

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

18 PROPERTY, PLANT AND EQUIPMENT AND RIGHT-OF-USE ASSETS (CONTINUED)

	Leasehold land and buildings HK$'000	Leasehold improvements HK$'000	Plant and Machinery HK$'000	Office equipment HK$'000	Furniture & Fixtures HK$'000	Motor vehicles HK$'000	Property, plant and equipment total HK$'000	Right-of-use assets HK$'000
At 31 December 2018 and 1 January 2019								
Cost	115,213	20,092	487,041	51,365	3,074	17,044	693,829	–
Accumulated Depreciation	(17,770)	(16,191)	(274,863)	(38,914)	(1,802)	(12,808)	(362,348)	–
Net book value	97,443	3,901	212,178	12,451	1,272	4,236	331,481	–
Year ended 31 December 2019								
Opening net book amount	97,443	3,901	212,178	12,451	1,272	4,236	331,481	–
Adoption of HKFRS 16	–	–	(5,405)	–	–	(1,093)	(6,498)	50,400
Addition	218,103	10,432	44,250	4,391	–	2,642	279,818	57,867
Written off	–	–	–	–	(760)	–	(760)	–
Disposal	–	–	(176)	(2,219)	–	(295)	(2,690)	(461)
Early termination	–	–	–	–	–	–	–	(311)
Exchange Difference	486	10	10	41	–	9	556	229
Depreciation	(6,591)	(4,348)	(54,390)	(5,717)	(512)	(1,950)	(73,508)	(27,630)
Closing net book amount	309,441	9,995	196,467	8,947	–	3,549	528,399	80,094
Year ended 31 December 2019								
Cost	333,897	30,618	512,699	51,840	–	14,033	943,087	139,461
Accumulated Depreciation	(24,456)	(20,623)	(316,232)	(42,893)	–	(10,484)	(414,688)	(59,367)
Net book value	309,441	9,995	196,467	8,947	–	3,549	528,399	80,094

Note:

During the year ended 31 December 2019, there was no development properties for sale transferred to property, plant and equipment (2018: HK$nil).

(a) Depreciation expense of property, plant and equipment of HK$59,012,000 (2018: HK$63,577,000) and HK$14,496,000 (2018: HK$14,457,000) 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 (Note 32). Effective from 1 January 2019, leased assets are presented as a separate line item in the statement of financial position (Note 18(a)).

(c) As at 31 December 2019, the Group's leasehold land and buildings with an aggregate net book value of HK$265,127,000 (2018: HK$49,932,000) were pledged as securities for bank borrowings (Note 31(c)).

(d) As at 31 December 2019, there was no machinery pledged as security for bank borrowings for the Group (2018: HK$5,599,000) (Note 31(a)(i)).

(e) For the year ended 31 December 2019, rental income amounting to HK$211,000 (2018: HK$5,049,000) relating to the lease of machinery is included in profit or loss (Note 7).

18(a) LEASES

This note provides information for leases where the group is a lessee.

(i) Amounts recognised in the statement of financial position

The statement of financial position shows the following amounts relating to leases:

	2019 HK$'000	1 January 2019* HK$'000
Right-of-use assets		
Leasehold land	**2,971**	–
Properties	**51,496**	43,902
Machineries	**22,955**	5,405
Vehicles	**2,672**	1,093
	80,094	50,400
Lease liabilities		
Current	**23,804**	9,864
Non-current	**58,988**	47,539
	82,792	57,403

* In the previous year, the group only recognised lease assets and lease liabilities in relation to leases that were classified as 'finance leases' under HKAS 17 Leases. The assets were presented in property, plant and equipment and the liabilities as part of the group's borrowings. For adjustments recognised on adoption of HKFRS 16 on 1 January 2019, please refer to note 2(a)(iii).

Additions to the right-of-use assets during the year ended 31 December 2019 were HK$57,867,000 (2018: nil).

18(a) LEASES (CONTINUED)

(ii) Amounts recognised in the statement of comprehensive income

The statement of comprehensive income shows the following amounts relating to leases:

	Notes	**2019** **HK$'000**	2018 HK$'000
Depreciation charge of right-of-use assets			
Leasehold land		**243**	–
Properties		**15,515**	–
Machineries		**11,356**	–
Vehicles		**516**	–
	10	**27,630**	–
Interest expense (included in finance cost)	*12*	**2,836**	–
Expense relating to short-term leases (included in cost of goods sold and administrative expenses)	*10*	**56,815**	–

The total cash outflow for leases during the year ended 31 December 2019 was HK$32,224,000.

19 INVESTMENT PROPERTIES UNDER DEVELOPMENT

	HK$'000
Cost	
At 1 January 2018	518,546
Additions	52,420
Exchange differences	(9,954)
At 31 December 2018	561,012
Additions	49,927
Exchange differences	2,693
At 31 December 2019	613,632
Accumulated depreciation	
At 1 January 2018, 31 December 2018 and 31 December 2019	–
Net book value	
At 1 January 2018	518,546
At 31 December 2018	561,012
At 31 December 2019	613,632

The Group's investment properties under development as at 31 December 2019 were valued at HK$781,841,000 (2018: HK$609,008,000) 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 and 2019, no investment properties under development were pledged as securities for certain bank loans of the Group.

20 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 2018	282,933	282,822	565,755
Exchange differences	–	(2,428)	(2,428)
At 31 December 2018 and 1 January 2019	282,933	280,394	563,327
Exchange differences	–	4,971	4,971
At 31 December 2019	282,933	285,365	568,298

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

	2019	2018
Average growth rate *(Note (i))*	**11.8%**	10.0%
Terminal growth rate	**2.0%**	2.0%
Discount rate *(Note (ii))*	**13.0%**	15.0%

20 GOODWILL (CONTINUED)

Impairment test for goodwill (Continued)

Goodwill of Construction — Singapore and Southeast Asia (New Chic)

	2019	2018
Average growth rate *(Note (i))*	**6.1%**	4.0%
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 2024.

(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 100 basis points and the discount rate increases by 100 basis points, there is still sufficient headroom and no impairment charge is required for goodwill as at 31 December 2019.

21 OTHER INTANGIBLE ASSETS

	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 10)*	(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

21 OTHER INTANGIBLE ASSETS (CONTINUED)

	Construction license HK$'000	Computer software, license and club membership HK$'000	Total HK$'000
Year ended 31 December 2019			
Opening net book amount	37,989	486	38,475
Additions	–	132	132
Amortisation charge *(Note 10)*	(5,836)	(66)	(5,902)
Exchange difference	(73)	2	(71)
Closing net book amount	32,080	554	32,634
At 31 December 2019			
Cost	57,579	772	58,351
Accumulated amortisation	(25,499)	(218)	(25,717)
	32,080	554	32,634

Amortisation of HK$5,836,000 (2018: HK$5,806,000) was included in "Cost of sales" and HK$66,000 (2018: HK$22,000) was included in "General and administrative expenses".

22 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:

	2019 HK$'000	2018 HK$'000
At 1 January	**340,568**	230,696
Additions	**–**	114,000
Disposal	**(114,000)**	–
Fair value gains recognised in profit or loss	**35,139**	–
Exchange differences	**(2,275)**	(4,128)
At 31 December	**259,432**	340,568

	2019 HK$'000	2018 HK$'000
Unlisted equity investment fund *(Note)*	**259,432**	226,568
Listed equity securities	**–**	114,000
	259,432	340,568

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 2019, the balance of financial assets at fair value through profit or loss represents the Group's investment in the 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 38).

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.

23 TRADE AND OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS

	2019 HK$'000	2018 (Restated) *(Note 2(a)(iii))* HK$'000
Current		
Trade receivables *(Note (b))*		
— An associated company	**146,274**	224,538
— Other related parties	**–**	2,439
— Third parties	**594,609**	560,234
	740,883	787,211
Retention receivables from customers for contract work *(Note (c))*		
— Other related parties	**–**	656
— Third parties	**337,904**	280,729
	337,904	281,385
Development properties — due from customers	**–**	3,353
Other receivables *(Note (d))*		
— Associated companies	**173,850**	151,247
— Joint venture	**111,450**	112,204
— Other related parties	**890**	17,164
— Third parties	**141,409**	171,874
Prepayments	**144,248**	387,043
Deposits	**48,667**	48,380
Staff advances	**4,408**	3,410
Goods and services tax receivable	**5,215**	8,416
Dividend receivable	**864**	–
	631,001	899,738
Loans receivables		
— An associated company *(Note (e))*	**–**	163,457
	1,709,788	2,135,144
Non-current		
Loans receivables		
— Associated companies *(Note (e))*	**912,072**	858,835
— Other related parties	**10,133**	37,244
Prepayments and other receivables	**1,978**	19,630
	924,183	915,709

23 TRADE AND OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS (CONTINUED)

Notes:

(a) The credit periods granted to customers were 30 days. No interest was charged on the outstanding balance.

(b) The aging analysis of the trade receivables based on invoice date is as follows:

	2019 **HK$'000**	2018 HK$'000
1–30 days	**615,701**	704,899
31–60 days	**74,104**	35,759
61–90 days	**12,760**	2,062
Over 90 days	**38,318**	44,491
	740,883	787,211

(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$42,555,100 (2018: HK$9,039,000) are expected to be recovered in more than twelve months from 31 December 2019.

(d) The other receivables due from associated companies, joint venture, 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% (2018: 5%) per annum as at 31 December 2019.

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.

24 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:

	2019 HK$'000	2018 (Restated) *(Note 2(a)(iii))* HK$'000
Deferred income tax assets		
— to be recovered within 12 months	**669**	12,332
— to be recovered after more than 12 months	**23,547**	26,456
	24,216	38,788

	2019 HK$'000	2018 HK$'000
Deferred income tax liabilities		
— to be settled within 12 months	**(5,244)**	(1,050)
— to be settled after more than 12 months	**(95,018)**	(60,444)
	(100,262)	(61,494)

The movements in the net deferred income tax liabilities are as follows:

	2019 HK$'000	2018 (Restated) *(Note 2(a)(iii))* HK$'000
1 January	**(22,706)**	6,204
Change in accounting policies for interest capitalisation	**–**	5,142
Adoption of HKFRS 15	**–**	(8,510)
Additions from business combinations	**(77,525)**	–
Credited/(charged) to profit or loss *(Note 16)*	**24,305**	(24,132)
Exchange difference	**(120)**	(1,410)
31 December	**(76,046)**	(22,706)

24 DEFERRED INCOME TAX (LIABILITIES)/ASSETS (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 2018							
At 1 January 2018	(16,809)	(38,354)	37,184	10,524	13,659	–	6,204
Change in accounting policy of interest capitalisation of development properties for sale	–	–	(317)	4,685	–	774	5,142
Adoption of HKFRS 15	–	–	–	(8,510)	–	–	(8,510)
(Charged)/credited to profit or loss	2,447	13,916	(16,368)	3,980	(4,197)	(23,910)	(24,132)
Exchange difference	208	24	(1,181)	(476)	(195)	210	(1,410)
At 31 December 2018, as restated	(14,154)	(24,414)	19,318	10,203	9,267	(22,926)	(22,706)
Year ended 31 December 2019							
At 1 January 2019	**(14,154)**	**(24,414)**	**19,318**	**10,203**	**9,267**	**(22,926)**	**(22,706)**
Additions from business combinations	**(84,582)**	**–**	**–**	**7,057**	**–**	**–**	**(77,525)**
Credited/(charged) to profit or loss	**75,282**	**12,218**	**(17,683)**	**(1,853)**	**(2,194)**	**(41,465)**	**24,305**
Exchange difference	**–**	**(4)**	**48**	**12**	**41**	**(217)**	**(120)**
At 31 December 2019	**(23,454)**	**(12,200)**	**1,683**	**15,419**	**7,114**	**(64,608)**	**(76,046)**

25 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2019 HK$'000	2018 HK$'000
At 1 January	**8,914**	28,489
Fair value change recognised in other comprehensive income	**1,024**	(17,514)
Exchange differences	**53**	(2,061)
At 31 December	**9,991**	8,914

	2019 HK$'000	2018 HK$'000
Unlisted equity investments	**9,991**	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 2019, 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). No discount rates were used for the year ended 31 December 2019 as the expected dividends are within one year (2018: 6.4% to 13.1%).

26 DERIVATIVE FINANCIAL INSTRUMENTS

	2019 HK$'000	2018 HK$'000
Liabilities		
Current portion:		
Foreign exchange forward contracts	**1,855**	2,043
Non-current portion:		
Foreign exchange forward contracts	**–**	1,146
Total	**1,855**	3,189

Notes:

(a) The derivative financial instruments mainly consist of the following contracts:

	2019	2018
Foreign exchange forward contracts:		
— Notional principal amounts	**HK$115,800,000**	HK$102,900,000
— Maturities as at year end	**Range from 3 months to 12 months**	Range from 2 months to 14 months

(b) Derivative financial instruments are carried at fair values.

(c) As at 31 December 2019, the derivative financial instruments were secured by pledged bank deposits of HK$5,998,000 (2018: HK$5,559,000 (Note 28)).

27 DEVELOPMENT PROPERTIES FOR SALE

	2019 HK$'000	2018 (Restated) *(Note 2(a)(iii))* HK$'000
Properties in the course of development		
Leasehold land at cost	**4,131,090**	1,096,230
Development costs	**850,182**	860,671
Overheads expenditure capitalised	**18,256**	20,349
Interest expenses capitalised	**162,867**	109,935
	5,162,395	2,087,185

The capitalised interest rate applied to funds borrowed and used for the development of properties is between 3.2% and 5.0% per annum (2018: between 1.4% and 2.9% per annum).

As at 31 December 2019, development properties for sale with net carrying amounts of HK$4,539,629,000 (2018: HK$2,085,163,000) were pledged as securities for certain bank borrowings of the Group (Note 31(a)(iii)).

28 CASH AND CASH EQUIVALENTS AND PLEDGED BANK DEPOSITS

(a) Cash and cash equivalents

	2019 HK$'000	2018 HK$'000
Cash at banks and on hand	**1,123,794**	1,186,521
Short term bank deposits	**80,582**	216,459
Maintenance fund accounts *(Note (a))*	**3,488**	4,783
Project accounts *(Note (b))*	**63,335**	104,070
	1,271,199	1,511,833

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.

28 CASH AND CASH EQUIVALENTS AND PLEDGED BANK DEPOSITS (CONTINUED)

(b) Pledged bank deposits

As at 31 December 2019, deposits of HK$178,176,000 (2018: HK$170,625,000) were held at banks as pledge for certain of the Group's bank facilities (Note 31(a)(iv)), deposits of HK$5,998,000 (2018: HK$5,559,000) was held at banks as pledge for the Group's derivative financial instruments (Note 26), deposit of HK$2,699,000 (2018: HK$12,036,000) was held at bank as pledge for the Group's banking facilities and deposit of HK$12,233,000 (2018: HK$94,000) was held at bank as pledge for the Group's performance guarantee. The carrying amounts of pledged bank deposits approximated their fair value.

29 SHARE CAPITAL

	Number of shares (thousands)	Share capital HK$'000	Treasury Shares HK$'000
Authorised:			
Ordinary shares			
At 1 January 2018, 31 December 2018 and 31 December 2019	6,000,000	60,000	–
CPS			
At 1 January 2018, 31 December 2018 and 31 December 2019 *(Note (a))*	1,000,000	10,000	–
Issued and fully paid:			
Ordinary shares			
At 1 January 2018	1,485,239	14,852	–
Share Repurchase	–	–	(57,012)
Cancellation of shares	(29,298)	(293)	55,870
At 31 December 2018 and 1 January 2019	1,455,941	14,559	(1,142)
Conversion of CPS	62,961	630	–
Cancellation of shares	(582)	(6)	1,142
At 31 December 2019	1,518,320	15,183	–
CPS			
At 1 January 2018, 31 December 2018 and 1 January 2019	187,837	1,879	–
Conversion during the year	(62,961)	(630)	–
At 31 December 2019	124,876	1,249	–

The Group bought back a total of 29,880,000 shares during the year ended 31 December 2018. The total consideration paid to repurchase these shares was approximately HK$57,012,000, which has been deducted from equity attributable to the owners of the Company. There were no repurchase of shares during the year ended 31 December 2019.

29 SHARE CAPITAL (CONTINUED)

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.

- 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.

30 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 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 income/(loss)							
Currency translation differences	–	–	15,832	–	–	–	15,832
Fair value change on financial assets at fair value through other comprehensive income	–	–	–	–	(17,514)	–	(17,514)
Total comprehensive (loss)/income	–	–	15,832	–	(17,514)	–	(1,682)
Transactions with owners in their capacity as owners							
Employee share option scheme — share-based compensation benefits *(Note 35)*	–	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, as restated	(10,771)	(1,189,418)	67,297	–	(31,023)	30,573	(1,133,342)
Balance as at 31 December 2018	(10,771)	(1,189,418)	67,362	–	(31,023)	30,573	(1,133,277)
Change in accounting policies for interest capitalisation	–	–	(65)	–	–	–	(65)
Balance as at 31 December 2018, as restated	(10,771)	(1,189,418)	67,297	–	(31,023)	30,573	(1,133,342)
Other comprehensive (loss)/income							
Currency translation differences	**–**	**–**	**(25,786)**	**–**	**–**	**–**	**(25,786)**
Fair value change on financial assets at fair value through other comprehensive income	**–**	**–**	**–**	**–**	**1,024**	**–**	**1,024**
Total comprehensive (loss)/income	**–**	**–**	**(25,786)**	**–**	**1,024**	**–**	**(24,762)**
Transactions with owners in their capacity as owners							
Employee share option scheme — share-based compensation benefits *(Note 35)*	**–**	**7,272**	**–**	**–**	**–**	**1,067**	**8,339**
Total transactions with owners in their capacity as owners	**–**	**7,272**	**–**	**–**	**–**	**1,067**	**8,339**
Balance as at 31 December 2019	**(10,771)**	**(1,182,146)**	**41,511**	**–**	**(29,999)**	**31,640**	**(1,149,765)**

31 BORROWINGS

	2019 HK$'000	2018 HK$'000
Current		
Bank borrowings — secured *(Note (a))*	**753,396**	1,763,097
Bank borrowings — unsecured *(Note (b))*	**1,799,552**	–
Bank borrowings — mortgaged *(Note (c))*	**20,672**	18,394
Medium term notes *(Note (e))*	**575,081**	–
Loans from non-controlling interests of subsidiaries-unsecured *(Note (d))*	**21,489**	40,099
Finance lease liabilities	**–**	3,124
	3,170,190	1,824,714
Non-current		
Bank borrowings — secured *(Note (a))*	**2,632,656**	1,336,889
Bank borrowings — unsecured *(Note (b))*	**436,726**	–
Bank borrowings — mortgaged *(Note (c))*	**80,333**	9,444
Medium term notes *(Note (e))*	**–**	571,768
Loans from non-controlling interests of subsidiaries-unsecured *(Note (d))*	**828,542**	347,694
Finance lease liabilities	**–**	2,536
	3,978,257	2,268,331
Total borrowings	**7,148,447**	4,093,045

According to the repayment schedule of the borrowings, without considering the repayable on demand clause, the Group's borrowings were repayable as follows:

	2019 HK$'000	2018 HK$'000
Within 1 year	**3,170,190**	1,612,714
Between 1 and 2 years	**671,201**	1,857,419
Between 2 and 5 years	**3,246,421**	616,056
Later than 5 years	**60,635**	6,856
Total	**7,148,447**	4,093,045

31 BORROWINGS (CONTINUED)

(a) The details of secured bank borrowings are as follows:

	Note	2019 HK$'000	2018 HK$'000
Secured by:			
Property, machinery and equipment *(Note 18(d))*	*(i)*	–	1,593
Interests in construction contracts	*(ii)*	–	418,385
Development properties for sale, investment properties under development and joint guarantee from directors of certain subsidiaries	*(iii)*	**2,716,041**	1,300,947
Fixed bank deposits *(Note 28(b))*	*(iv)*	**74,615**	160,476
Interests in construction contracts and corporate guarantee from an intermediate holding company	*(v)*	**595,396**	1,218,585
		3,386,052	3,099,986
Represented by:			
— Current portion		**753,396**	1,763,097
— Non-current portion		**2,632,656**	1,336,889

Notes:

(i) As at 31 December 2018, the amount comprises bank borrowings of HK$1,593,000 bearing interest rates at 2.5% over 1-month 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% per annum 1.8% over 3-months Singapore Interbank Offered Rate ("**SIBOR**") per annum.

(iii) As at 31 December 2019, the amounts comprise land and development loans of HK$2,716,041,000 (2018: HK$1,300,947,000), and bare interest at rate from 2% over the relevant bank's one month SGD cost of funds ("COF") and 1.65% over Singapore Swap Offer Rate. (2018: 1.8% over the relevant bank's one month SGD COF and 1.5% above the HIBOR) per annum. The loans were secured by mortgages over the Group's development properties for sale (Note 27), investment properties under development (Note 19) 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 2019, the bank borrowings were secured by a fixed deposit of RMB160,000,000 (approximately HK$178,176,000) (2018: same (approximately HK$170,625,000)), and bore interest at 0.87% over one month SIBOR (2018: 1.1% over 3-month SIBOR) calculated daily based on a 365-day year.

(v) As at 31 December 2019, the bank borrowings bore interest rate of 3.5% (2018: 2.9% to 7.75%) and floating rate ranged from 1.6% over 6-months London Interbank Offered Rate ("LIBOR") per annum (2018: 3.2% over the 6 months LIBOR per annum).

31 BORROWINGS (CONTINUED)

(b) As at 31 December 2019, unsecured bank borrowings were guaranteed by the Company.

(c) As at 31 December 2019, bank borrowings of HK$101,005,000 (2018: HK$27,838,000) were secured by mortgages over part of the Group's leasehold land and buildings (Note 18(c)). The effective interest rate of the loan were between 2.8% to 3.7% (2018: 1.7% to 5.3%) per annum as at 31 December 2019. The loans will be repaid by fixed monthly payment over 15 years to 20 years (2018: 10 years to 20 years).

(d) The loans from non-controlling interests of 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 3.5% and 5.0% as at 31 December 2019 (2018: 5.0%).

(e) 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.

(f) The fair values of the bank borrowings and the loans from related parties approximated their respective carrying values as at 31 December 2019 and 2018, as these borrowings were charged at market interest rates.

(g) These committed banking facilities are subject to annual review. As at 31 December 2019, the undrawn banking facilities amounted to HK$393,916,000 (2018: HK$451,943,000).

32 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. The amount was reclassified to lease liabilities on 1 January 2019 in the proceeds of adopting new standard. See Note 2(a)(iii)(a) for further information about change in accounting policy.

	2019 **HK$'000**	2018 HK$'000
Minimum lease payments due		
— Within 1 year	–	3,255
— Between 1 and 2 years	–	1,840
— Between 2 and 5 years	–	797
— Later than 5 years	–	125
	–	6,017
Less: future finance charges	–	(357)
Present value of finance lease liabilities	–	5,660

32 FINANCE LEASE LIABILITIES (CONTINUED)

The present values of finance lease liabilities are analysed as follows:

	2019 HK$'000	2018 HK$'000
Within 1 year	–	3,124
Between 1 and 2 years	–	1,768
Between 2 and 5 years	–	663
Later than 5 years	–	105
	–	5,660

These finance leases were secured by the Group's property, plant and equipment (Note 18(b)).

33 TRADE AND OTHER PAYABLES

	2019 HK$'000	2018 (Restated) *(Note 2(a)(iii))* HK$'000
Current		
Trade payables to:		
— Other related parties	**3,296**	29,643
— Third parties	**701,133**	945,220
	704,429	974,863
Non-trade payables to:		
— Non-controlling interests of subsidiaries	**51,066**	44,184
— Other related parties	**47,676**	18,742
— An associated company	**18,696**	–
— Third parties	**100,912**	42,362
— Goods and services tax payable	**10,215**	9,401
	228,565	114,689
Accruals for operating expenses	**91,144**	129,016
Accruals for construction costs	**795,501**	670,351
Deposits received from customers	**5,787**	–
Deferred gain	**50,378**	91,067
Put option exercisable by non-controlling interests of subsidiaries	**14,278**	13,614
Provision for foreseeable losses on certain construction contracts	**39,047**	28,284
Dividend payable — non-controlling interests of subsidiaries	**78,990**	–
	1,075,125	932,332
Total trade and other payables	**2,008,119**	2,021,884

33 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:

	2019 **HK$'000**	2018 (Restated) *(Note 2(a)(iii))* HK$'000
1–30 days	**551,331**	919,787
31–60 days	**100,718**	24,822
61–90 days	**14,760**	3,965
Over 90 days	**37,620**	26,289
	704,429	974,863

The amounts due to non-controlling interests of 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.

34 DIVIDENDS

A final dividend in respect of the year ended 31 December 2019 of HK$0.04 per share, amounting to a total dividend of HK$65,728,000, is to be proposed at the 2020 annual general meeting. These consolidated 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 2020 once approved at the annual general meeting.

	2019 **HK$'000**	2018 HK$'000
Interim dividend of HK$0.06 (2018: HK$0.06) per ordinary share and per CPS	**98,592**	99,793
Proposed final dividend of HK$0.04 (2018: HK$ 0.05) per ordinary share and per CPS	**65,728**	82,160

35 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.

35 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$	**2019**	2018
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:

	2019		2018	
	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**	**25,800**	2.81	19,800

During the year ended 31 December 2019, share-based payment expenses in respect of the Share Option Scheme charged to profit or loss amounted to HK$1,067,000 (2018: HK$3,847,000).

35 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 2019, 140,115,666 (2018: 95,694,938) and 164,983,607 (2018: 208,904,335) 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 2019, share-based payment expenses in respect of the above equity-settled award arrangement charged to profit or loss amounted to HK$7,272,000 (2018: HK$14,436,000).

Movements in the number of share options outstanding and the exercise price during the years ended 31 December 2019 and 2018 are as follows:

	Management Share Scheme	
	Weighted average exercise price	**Number of options**
	HK$	
Outstanding at 1 January 2018, 31 December 2018 and 1 January 2019	0.56	187,836,224
Converted during the year	0.56	(62,961,027)
Outstanding at 31 December 2019	0.56	124,875,197
Exercisable at 31 December 2019		5,076,655

36 NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Reconciliation of profit before income tax to net cash (used in)/generated from operations

	2019 **HK$'000**	2018 HK$'000
Profit before income tax	**319,208**	392,538
Adjustments for:		
Depreciation of owned assets	**73,508**	78,034
Depreciation of right-of-use assets	**27,630**	–
Amortisation	**5,902**	5,828
Losses on disposal of property, plant and equipment	**1,129**	10,838
Gain on disposal of right-of-use assets	**(465)**	–
Gain on deemed disposal of previously owned interest in an associated company	**(168,671)**	–
Gain on disposal of financial assets at fair value through profit or loss	**(1,188)**	–
Dividend income from financial assets at fair value through other comprehensive income	**(8,692)**	(23,538)
Share-based payment expenses	**8,339**	18,283
Interest income	**(56,957)**	(74,380)
Interest expenses	**116,903**	91,502
Fair value gains on derivative financial instruments	**(924)**	(5,239)
Fair value (gains)/losses on financial assets at fair value through profit or loss	**(35,139)**	4,128
Share of net profits of joint ventures	**(30,283)**	(12,772)
Share of net losses of associated companies	**7,497**	82,213
Operating profit before working capital changes	**257,797**	567,435
(Increase)/decrease in development properties for sale	**(500,533)**	2,738,111
Increase in inventories	**(13,967)**	–
Decrease/(increase) in trade and other receivables	**334,314**	(13,222)
Decrease in amounts due from customers for contract work	**–**	37,852
Increase in contract assets	**(661,179)**	(843,682)
(Decrease)/increase in contract liabilities	**(1,276,414)**	63,118
Decrease in trade and other payables	**(157,750)**	(2,271,096)
Net cash (used in)/generated from operations	**(2,017,732)**	278,516

36 NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

(a) Reconciliation of profit before income tax to net cash (used in)/generated from operations (Continued)

In the consolidated statement of cash flow, proceeds from disposal of property, plant and equipment comprise:

	2019 HK$'000	2018 HK$'000
Net book amount *(Note 18)*	**2,690**	28,030
Losses on disposal of property, plant and equipment *(Note 9)*	**(1,129)**	(10,838)
Proceeds from disposal of property, plant and equipment	**1,561**	17,192

(b) Major non-cash transactions

During the year ended 31 December 2019 and 2018, there is no significant non-cash transactions.

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

	Liabilities from financing activities		
	Bank and other borrowings HK$'000 *(Note 31)*	Finance leases HK$'000 *(Note 32)*	Total HK$'000
As at 1 January 2018	4,988,646	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	2,236	–	2,236
— Foreign exchange adjustments	10,905	1,580	12,485
As at 31 December 2018	4,087,385	5,660	4,093,045

36 NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

(c) The reconciliation of liabilities arising from financing activities is as follow: (Continued)

	Liabilities from financing activities			
	Bank and other borrowings HKD'000 *(Note 31)*	Finance lease liabilities HKD'000 *(Note 32)*	Lease liabilities HKD'000 *(Note 18(a))*	Total HKD'000
As at 31 December 2018	4,087,385	5,660	–	4,093,045
Adoption of HKFRS16	–	(5,660)	57,403	51,743
As at 1 January 2019	4,087,385	–	57,403	4,144,788
Cash flows:				
— Drawdown on borrowings	3,847,668	–	–	3,847,668
— Repayment on borrowings	(1,593,735)	–	–	(1,593,735)
— Repayment on principal element of lease liabilities	–	–	(32,223)	(32,223)
— Repayment on interest element of lease liabilities	–	–	2,836	2,836
Other non-cash movements				
— Additions of business combinations	792,225	–	–	792,225
— Additions of right-of-use assets	–	–	57,867	57,867
— Finance costs	–	–	(2,836)	(2,836)
— Early termination of leases	–	–	(311)	(311)
— Foreign exchange adjustments	14,904	–	56	14,960
As at 31 December 2019	7,148,447	–	82,792	7,231,239

37 CONTINGENT LIABILITIES

At each statement of financial position date, the Group had the following contingent liabilities:

	2019 HK$'000	2018 HK$'000
Guarantees on performance bonds in respect of construction contracts	**241,940**	157,393

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 2019, these bank borrowings amounted to HK$3,686,387,000 (2018: HK$2,774,170,000).

38 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 2019 and 2018 were as follows:

	2019 HK$'000	2018 HK$'000
Not later than one year	**–**	48,482
Between one and five years	**–**	15,903
Later than five years	**–**	25,803
	–	90,188

(b) Capital commitments

Capital expenditures contracted but not recognised in the consolidated financial statements as at 31 December 2019 and 2018, excluding those relating to investments in associated companies and joint ventures, were as follows:

	2019 HK$'000	2018 HK$'000
Contracted but not provided for:		
Development expenditure	**24,371**	7,495
Investment in the Fund	**472,337**	478,268
Purchase of machineries	**2,304**	–
	499,012	485,763

39 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 2019 and 2018, the related parties that had transactions with the Group were as follows:

Name of related parties	Relationship with the Group
BH-ZACD (Woodlands) Development Pte. Ltd.	Associated company
Elite Concrete Pte. Ltd.	A related company in which a controlling shareholder of the ultimate holding company has an interest
GMB Capital Pte. Ltd.	A non-controlling interest of a subsidiary
Great Wall Technology Aluminium Industry Pte. Ltd.	A related company controlled by a controlling shareholder of the ultimate holding company
GW&CNQC (Singapore) Holding Pte. Ltd.	A related company controlled by a controlling shareholder of the ultimate holding company
HLY Investments (Anchorvale) Pte. Ltd.	A non-controlling interest of a subsidiary
HLY Investments (Bukit Timah) Pte. Ltd.	A non-controlling interest of a subsidiary
HLY Investments (CCK) Pte. Ltd.	A non-controlling interest of a subsidiary
HLY Investments (Sembawang) Pte. Ltd.	A non-controlling interest of a subsidiary
Neew Pte. Ltd.	A related company controlled by a controlling shareholder of the ultimate holding company
OSS Property Investments Pte. Ltd.	A non-controlling interest of subsidiaries
Pollux (CCK) Pte. Ltd.	A non-controlling interest of a subsidiary
Pre 9 Pte. Ltd.	A non-controlling interest of a subsidiary
Qingjian Holding Group (M) Sdn. Bhd.	A related company in which a controlling shareholder of the ultimate holding company has an interest
Qingjian International (Myanmar) Group Development Co. Ltd.	A related company controlled by a controlling shareholder of the ultimate holding company
Qingjian Realty (Choa Chu Kang) Pte. Ltd.	Associated company up to 24 February 2019
Qingjian Realty (Marymount) Pte. Ltd.	Associated company
Shun Kang Development & Investment Pte. Ltd.	A non-controlling interest of a subsidiary
Silver Concordia Property One (SG) Pte. Ltd.	A non-controlling interest of a subsidiary
Sinstar Precast Pte. Ltd.	A related company controlled by a controlling shareholder of the ultimate holding company
SLP International Property Consultants Pte. Ltd.	A related company controlled by a controlling shareholder of the ultimate holding company
Suntec Property Ventures Pte. Ltd.	A non-controlling interest of a subsidiary
Yongli He Development Pte. Ltd.	A non-controlling interest of a subsidiary
ZACD (Anchorvale) Pte. Ltd.	A non-controlling interest of a subsidiary
ZACD (BBW6) Ltd.	A non-controlling interest of a subsidiary
ZACD (Canberra) Pte. Ltd.	A non-controlling interest of a subsidiary
ZACD (CCK) Pte. Ltd.	A non-controlling interest of a subsidiary
ZACD (Sennett) Pte. Ltd.	A non-controlling interest of a subsidiary
ZACD (Tuas Bay) Pte. Ltd.	A non-controlling interest of a subsidiary
ZACD (Woodlands3) Pte. Ltd.	A non-controlling interest of a subsidiary
ZACD International Pte. Ltd.	A related company controlled by a controlling shareholder of the ultimate holding company
Zuo Hai Bin	A non-controlling interest of a subsidiary

39 RELATED PARTY TRANSACTIONS (CONTINUED)

(b) The following is a summary of significant related party transactions, in addition to those disclosed elsewhere in the consolidated 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:

	2019 HK$'000	2018 HK$'000
Construction revenue from other related parties	**49,847**	23,499
Construction revenue from associated company	**380,456**	474,418
Purchase of materials from other related parties	**–**	1,844
Construction service provided by related parties	**24,200**	52,672
Rental services provided by related parties	**3,499**	–
Dividend received from associated companies	**2,526**	22,062
Dividend received from other related parties	**–**	19,921
Dividend paid to related parties	**–**	174,575
Dividend paid to non-controlling shareholders in subsidiaries	**115,323**	–
Sales commission paid to a related party	**2,244**	13,668
Sales income from associated company	**–**	6,583
Interest income from associated companies	**43,781**	54,278
Interest charged by non-controlling interest shareholders in subsidiaries	**34,514**	17,984
Management fee income from associate company	**11,978**	15,488

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 23 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:

	2019 HK$'000	2018 HK$'000
Salaries and other short-term employee benefits	**36,164**	31,374
Contribution to retirement benefit scheme	**2,916**	1,445
Share-based payments	**293**	447
Total	**39,373**	33,266

40 STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY

	2019 HK$'000	2018 HK$'000
ASSETS		
Non-current assets		
Investments in subsidiaries	**3,110,868**	3,104,175
Loans to subsidiaries	**138,800**	175,000
Prepayments	**–**	12,179
	3,249,668	3,291,354
Current assets		
Other receivables	**53**	19,458
Amounts due from subsidiaries	**775,771**	750,289
Cash and cash equivalents	**183,952**	299,408
	959,776	1,069,155
Total assets	**4,209,444**	4,360,509
EQUITY		
Capital and reserves		
Share capital — ordinary shares	**15,183**	14,559
Share capital — convertible preference shares	**1,249**	1,879
Share premium	**3,314,085**	3,315,219
Treasury shares	**–**	(1,142)
Share-based payment reserve *(Note (a))*	**31,641**	30,573
Capital reserve *(Note (a))*	**282,677**	275,406
Accumulated losses *(Note (a))*	**(269,489)**	(201,863)
Total equity	**3,375,346**	3,434,631
LIABILITIES		
Non-current liability		
Borrowing	**–**	571,768
Current liabilities		
Other payables	**6,017**	16,440
Amounts due to subsidiaries	**253,000**	284,691
Loan from a subsidiary	**–**	52,979
Borrowing	**575,081**	–
	834,098	354,110
Total liabilities	**834,098**	925,878
Total equity and liabilities	**4,209,444**	4,360,509

The statement of financial position was approved by the Board of Directors on 30 March 2020 and was signed on its behalf.

Cheng Wing On, Michael
Director

Wang Congyuan
Director

40 STATEMENT OF FINANCIAL POSITION 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 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)
As at 1 January 2019	**30,573**	**275,406**	**(201,863)**
Profit for the year	**–**	**–**	**113,125**
Dividend paid	**–**	**–**	**(180,751)**
Share-based compensation benefits	**1,068**	**7,271**	**–**
As at 31 December 2019	**31,641**	**282,677**	**(269,489)**

41 BENEFITS AND INTEREST OF DIRECTORS

(a) Directors' emoluments

For the year ended 31 December 2019

	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	-	2,826	10,715	-	338	-	18	-	-	13,897
Mr. Zhang Yuqiang	345	1,748	781	210	212	-	18	-	-	3,314
Mr. Wang Congyuan	482	2,237	674	204	680	-	18	-	-	4,295
Independent non-executive directors										
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. Chen Anhua	240	-	-	-	-	-	-	-	-	240
	1,787	6,811	12,170	414	1,230	-	54	-	-	22,466

41 BENEFITS AND INTEREST OF DIRECTORS (CONTINUED)

(a) Directors' emoluments (Continued)

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	–	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

41 BENEFITS AND INTEREST OF DIRECTORS (CONTINUED)

(a) Directors' emoluments (Continued)

Notes:

(i) For the year ended 31 December 2019, 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 2019 and 2018.

(c) Consideration provided to third parties for making available directors' services

During the years ended 31 December 2019 and 2018, 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 39, 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.

42 SUBSEQUENT EVENTS

After the outbreak of Coronavirus Disease 2019 ("COVID-19 outbreak") in early 2020, a series of precautionary and control measures have been and continued to be implemented across Hong Kong Macau and Southeast Asia. The Group will pay close attention to the development of the COVID-19 outbreak and evaluate its impact on the financial position and operating results of the Group. As at the date on which this set of consolidated financial statements were authorised for issue, the Group was not aware of any material impact on the consolidated financial statements arising from the COVID-19 outbreak.

FIVE YEAR FINANCIAL SUMMARY

	1.1.2019 to 31.12.2019 HK$'000	1.1.2018 to 31.12.2018 (Restated) HK$'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
Consolidated Results					
Revenue	**7,873,375**	7,507,891	10,329,310	8,605,716	11,053,456
Profit before tax	**319,208**	387,331	807,728	826,916	981,664
Income tax expense	**(75,941)**	(85,474)	(134,493)	(157,776)	(240,945)
Profit for the year	**243,267**	301,857	673,235	669,140	740,719
Profit for the year attributable to					
Owners of the Company	**238,842**	225,298	512,050	585,385	577,317
Consolidated Assets and liabilities					
Total assets	**12,938,451**	9,630,538	12,511,799	14,771,672	14,926,672
Total liabilities	**(9,498,043)**	(6,314,448)	(9,018,266)	(11,709,599)	(13,445,879)
Net assets	**3,440,408**	3,316,090	3,493,533	3,062,073	1,480,793