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

2020

ANNUAL REPORT

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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)*
Dr. Du Bo (appointed on 31 March 2020)
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)
Dr. Du Bo (appointed on 31 March 2020)
Mr. Tam Tak Kei, Raymond
Mr. Ching Kwok Hoo, Pedro
Mr. Chan Kok Chung, Johnny

STRATEGY AND INVESTMENT COMMITTEE

Mr. Wang Congyuan (appointed as the Chairman of Strategy and Investment Committee on 31 March 2020)
Dr. Du Bo (appointed on 31 March 2020)
Mr. Cheng Wing On, Michael
(resigned as the Chairman of the Strategy and Investment Committee on 31 March 2020 but continues to serve as a member)
Mr. Zhang Yuqiang
Mr. Chan Kok Chung, Johnny
Mr. Chen Anhua

AUTHORIZED REPRESENTATIVES

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

REGISTERED OFFICE

Windward 3, Regatta Office Park
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

CORPORATE INFORMATION

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Estera Trust (Cayman) Limited
Windward 3, Regatta Office Park
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

Hang Seng Bank Limited
United Overseas Bank
The Hongkong and Shanghai Banking Corporation Limited
The Export-Import Bank Of China
China Development Bank
Hong Leong Finance Limited
China Minsheng Banking Corp., Ltd., Hong Kong Branch

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 2020 (the "**Reporting Period**" or "**Year**").

BUSINESS REVIEW

In 2020, the turnover of the Group was HK$5.1 billion (2019: approximately HK$7.9 billion). Profit attributable to the owners of the Company was approximately HK$ 218.1 million (2019: approximately HK$238.8 million). Profit attributable to the shareholders per share was HK$0.133 (2019: HK$0.145).

DIVIDENDS

The Board recommended the payment of the final dividend of approximately HK$131.5 million for the year ended 31 December 2020, representing the payment of HK$0.08 per ordinary share and convertible preference share of the Company. The proposed final dividend will be payable on or around 22 June 2021, subject to the shareholders' approval at the Annual General Meeting of the Company, to those persons registered as shareholders of the Company on 31 May 2021, being the record date for determining shareholders' entitlement to the proposed final dividend and the holders of the convertible preference shares. The full year dividend amounts to HK$0.08 per share (2019: HK$0.10 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

From the beginning of 2020, Coronavirus Disease 2019 (COVID-19) pandemic had swept the world. With the progress of the pandemic, some countries and regions constantly adopted the measures of lockdowns and reopening of the economy, which led to a serious blow to the economic activities in all sectors of the world and a high level of unemployment rate in a large number of economies. In order to fight against the pandemic, the high-income countries dedicated resources to vaccine development, and some countries and regions, including the UK and the EU, officially launched mass vaccination at the end of the year. As nations accelerated the approval to use vaccine, a glimmer of hope may appear for the global pandemic control, and the global economy is expected to steadily recover after the pandemic is under control.

In March 2020, the US Federal Reserve kept rates on hold after two interest rate cuts to tackle the threat of economic recession. It is widely expected that the market interest rate will remain at a low level in the days and months to come. The narrowed interest margins will drive up the asset value, which will be beneficial to the real estate industry and will also create a favorable environment for the global economic recovery. In January 2021, International Monetary Fund ("**IMF**") released the latest "World Economic Outlook", which estimated that the global economy would shrink by 3.5% in 2020, 0.9 percentage point less than the previous estimate. It also predicted that the global economy would grow by 5.5% and 4.2% in 2021 and 2022 respectively. Therefore, the global economic development in the medium and long-term is still optimistic. Nevertheless, the global economy is still confronted with uncertainties, including the future development of economic and trade relations between China and the US, global geopolitical risks and high unemployment rate, which might impact the global financial market or slow the recovery.

From April to June in 2020, the construction segment in Singapore was suspended and delayed because the local government adopted lockdowns in order to contain the pandemic. But in the second half of the year, work and production began to resume and returned to normal. The real estate segment in Singapore still maintained robust in the pandemic and ranked top in the local property sales market. Coupled with the Singapore government's policies of continuously following up the public infrastructure development, skill development of houses and workplace and the measures of enhancing building productivity growth, it is expected that these policies and measures will drive the development of construction market in Singapore and allow the Group to continue to deepen the arrangement of business in Singapore. In November 2020, the Group won the bid for a super high-rise building project in Kuala Lumpur. We continued to steadily develop the Southeast Asian market including Malaysia so as to realise the Group's development arrangement under the Belt and Road Initiative.

CHAIRMAN'S STATEMENT

According to the Hong Kong SAR Budget 2021/2022, the government is planning to build 310,000 public housing units in next decade, which will significantly underpin the construction market in Hong Kong. The Group is projected to continue to develop its business in Hong Kong market so as to capture more market shares. The Modular Integrated Construction ("**MiC**") technique, also called prefabricated prefinished volumetric construction technology ("**PPVC**") in Singapore and intensively promoted by Hong Kong government in recent years, primarily upgrades the traditional on-site construction to industrialised construction and controls quality through large and advanced production equipment and instruments so as to improve the construction productivity and shorten construction cycle; at the same time, the factory production can also reduce the construction loss and pollution in residential areas to achieve the environmental protection effect of reducing resource consumption. As one of the pioneers of PPVC construction technology in Singapore, the Group is actively introducing such technology and experience to the mainland China and Hong Kong, so as to promote green energy conservation and environmental protection. An associated company invested by the Group set up the prefabricated component factory and put it into operation in Shandong Province at the end of 2020. Meantime, the Group through its subsidiary established the first MiC plant in Tuen Mun, Hong Kong, which is expected to be put into operation in 2021. Green building marks the main trend of industry development in the future. We will still further improve the Group's business capabilities in different regions through innovative construction methods and technologies, and realise sustainable development of environmental protection and energy conservation to fulfill enterprise social responsibility.

Against the backdrop of quantitative easing monetary policy still generally adopted by global central banks, the housing prices in most countries and regions have not seen dramatic drop, but rather a rising trend of both price and volume in some areas recently in despite of suffering a heavy blow from the pandemic. In particular, the future development potential in Guangdong-Hong Kong-Macao Greater Bay Area and the "Belt and Road" area is still remarkable. For the long-term development of the Company, the Group will continue to actively make arrangements in various areas so as to identify suitable land and real estate projects.

After the COVID-19 pandemic, the demand for healthcare from general public is surging and the global attention on the medical and healthcare industries will rise robustly. It will play a huge role in the healthcare equipment industry supported by the development of modern technology. After careful consideration, the Group invested in a medical fund in the first half year of 2020 with a capital commitment of not more than HK$200 million. This fund mainly invests in pharmaceutical and biotechnology related business, including developing and manufacturing new medicines, medical devices and traditional medicines. This financial investment will create a new revenue source and diversify related investment risks for the Group.

For the long-term and steady development of the Group, we will continue to actively develop business in the countries and areas along the "Belt and Road", including Malaysia, Indonesia, Vietnam and Cambodia, and grasp the investment opportunities in the Guangdong-Hong Kong-Macao Greater Bay Area to enhance the market competitiveness of the Group and create higher-value returns for our shareholders.

APPRECIATION

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

CNQC International Holdings Limited
Cheng Wing On, Michael
Chairman

30 March 2021

MANAGEMENT DISCUSSION AND ANALYSIS

SINGAPORE PROPERTY MARKET REVIEW

In 2020, Singapore's economy was battered by the COVID-19 pandemic and a negative GDP growth of -5.4%, down from a positive growth of 0.7% in 2019, was recorded. During the Reporting Period, the new private residential price index in Singapore's property market declined in the first quarter of 2020 compared with the fourth quarter of 2019 and then recorded a continuous slight increase during the second quarter to the fourth quarter. During 2020, the new private residential price index increased by 2.2%, which was lower than that of last year but maintained a growth momentum. The trading volume of new properties in Singapore in 2020 was 9,982 units, slightly higher than that of last year, mainly due to the decrease in trading volume during a two-month semi-lockdown imposed by the local government to control the pandemic. Singapore's pandemic control efforts were effective, with a number of large projects achieving satisfactory sales results in the second half of 2020, thus driving a gradual recovery of the industry. It is evident that the Singapore's property market maintained sound development in 2020 despite the impact of the COVID-19 pandemic on the economy.

SINGAPORE CONSTRUCTION MARKET REVIEW

The Singapore construction industry was challenged by the COVID-19 pandemic in 2020. The closure of the border caused many logistical and import difficulties, resulting in a significant increase in the cost of key construction materials (such as steel, metal and aluminum profiles) due to the shortage of supply. The construction industry has also been experiencing a tight labor market. Since the restart of construction work in June 2020, Singapore has experienced severe labor shortages. Many existing workers chose to return to their home countries as soon as the authorities cleared all the workers' quarters. After the lockdown, the requirements for bringing in new workers became more stringent. The cost of foreign workers has increased due to more demands and less supplies. Facing shortages of materials and labor, construction works were delayed, which led to continued increases in operating costs.

At the beginning of 2020, the Building and Construction Authority of Singapore (the "**BCA**") predicted that Singapore's construction industry would continue to maintain a strong momentum with contract amount ranging from SGD28 billion to SGD33 billion. However, the construction industry was completely shut down in March 2020 due to the Singapore Government's lockdown measure as a result of the COVID-19 pandemic. Even after the reopening of Safety Phase I in June 2020, construction activities and productivity were still severely affected, resulting in a 28.5% year-on-year contraction in the construction sector in the fourth quarter and a 33.7% contraction for the year. As a result, the BCA slashed its previous demand forecast by SGD10 billion in September 2020.

MALAYSIA CONSTRUCTION MARKET REVIEW

In 2020, the COVID-19 pandemic had a significant impact on the Malaysia's labor-intensive construction industry. In 2020, Malaysia's GDP declined by 4.3%, with the construction sector contributing approximately MYR 53.8 billion to GDP in 2020 and recording a 18.7% contraction from 2019, representing a larger decline than other sectors.

HONG KONG PROPERTY MARKET REVIEW

In 2020, Hong Kong's economy suffered a heavy blow from the COVID-19 pandemic. The local economy grew at a negative rate of 6.1% in 2020 and the unemployment rate reached a new high in the past 16 years. All sectors in Hong Kong encountered operational difficulties to varying degrees, but residential property prices were not significantly affected throughout the year, with only narrow fluctuations. In 2020, the trading volume of new properties in Hong Kong was 14,217 units, representing a decrease of approximately 23.5% from 2019, but in terms of the quarterly trending, the trading volume of new properties in the fourth quarter of the year was still the highest in the last six quarters. According to the private residential price index (monthly) issued by the Rating and Valuation Department, the index for December 2020 was 379.5, basically flatting with 379.2 in December 2019. Hong Kong's property market still continued to be supported by favorable factors.

MANAGEMENT DISCUSSION AND ANALYSIS

HONG KONG CONSTRUCTION MARKET REVIEW

In 2020, the construction industry in Hong Kong was also impacted by the COVID-19 pandemic to a certain extent. According to the Census and Statistics Department, the total nominal value of construction projects completed by major contractors in Hong Kong in the third quarter of 2020 was HK$57,264 million, representing an overall decrease of 3.3% over the same period of last year after excluding the effect of price changes, which was mainly due to the obstructed construction progress caused by the pandemic. The private construction projects recorded the largest decline with a year-on-year drop of 21.9%, indicating that the construction industry in Hong Kong, especially in private construction projects, remained sluggish in 2020.

BUSINESS REVIEW

Property Development Business

The Group focused on the development and sale of quality residential projects in Singapore. During the Reporting Period, Le Quest, an mixed-use property development project of the Group in Bukit Batok, obtained the Temporary Occupation Permit ("**TOP**") from the BCA.

As at the end of 2020, the accumulative contracted sales rate of Le Quest exceeded 99%, with over 510 units sold.

As at the end of 2020, the accumulative contracted sales rate of Jadescape (a private condominium development project of the Group located at Shunfu Road) exceeded 66%, with approximately 860 units sold.

In July 2020, the Group's newly launched project, Forett at Bukit Timah, a private condominium development project on Toh Tuck Road, received good market response with accumulative contracted sales rate of over 31% and approximately 200 units sold for the year.

During the Reporting Period, the Group was granted a number of industrial awards, including the Green Mark Building Gold Plus Award (綠色建築超金獎) from BCA for projects Jadescape and Forett at Bukit Timah.

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

	Projects	**Sales Revenue 2020** *(HK$' million)*	**ASP 2020** *(HK$/sq.m.)*
I	Le Quest	838.1	83,836
II	Forett at Bukit Timah	88.3	116,802

The Group started to hand over units at Le Quest (73% owned by the Group), a mixed use development project, which obtained its TOP in March 2020. The project recognised the pre-sales money received as revenue based on percentage of construction completion. During the Reporting Period, it recognised sales revenue of approximately HK$838.1 million.

Forett at Bukit Timah is a private condominium project under development. The project recognised the pre-sales money received as revenue based on percentage of construction completion. During the Reporting Period, it recognised sales revenue of approximately HK$88.3 million.

As at 31 December 2020, the Group's current portfolio of property projects under development with significant interest consisted of 3 private condominium development projects across Singapore. 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 2020	Estimated year of construction completion	Ownership interest
Jadescape	314–319 Shunfu Road, Singapore	Residential, Private and Retail Space	37,991	106,955	71,412	7.31	66.4%	December 2021	45%
Forett at Bukit Timah	32–46 Toh Tuck Road, Singapore	Residential, Private and Retail Space	33,457	49,859	15,497	1.81	4.9%	April 2023	51%
Phoenix Road project	2/2A/2B–24/24A/24B Phoenix Road, Singapore	Residential, Private and Retail Space	5,938	8,313	0	0	0%	December 2024	63%

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 pre-sold was 66.8% as at 31 December 2020. The construction is scheduled to be completed in December 2021.

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

Forett at Bukit Timah is a private condominium project on a freehold land which consists of 4 blocks of 9-storey apartments, 9 blocks of 5-storey apartments (total 633 residential units and 2 retail shops), underground carparks and communal facilities. The project is located at the even numbers of 32–46 Toh Tuck Road in Bukit Timah Planning Area.

The total SFA of this project is 49,859 sq.m. and the percentage of saleable area pre-sold was 31.0% as at 31 December 2020. The construction is scheduled to be completed in April 2023.

Phoenix Road Project (63% owned by the Group)

The group completed the acquisition of the land transaction in mid-2020. The project is a private condominium development project on a leasehold land with a land use right of 99 years. The project has a land site area of approximately 5,938 sq.m. and the total estimated gross floor area is 8,313 sq.m.. It is planned to redevelop into 3 blocks of 5-storey apartments with about 100 residential units, underground carparks and communal facilities. The project is located at the even numbers of 2/2A/2B–24/24A/24B Phoenix Road. The construction is scheduled to be completed in December 2024.

Land bank status

(1) Yau Tong project, Hong Kong

The Group acquired the land parcels at Yau Tong Marine Lot No. 58 & 59 and their extensions thereto for a total consideration of HK$530 million. The site area of the lots and its extensions thereto are approximately 17,400 sq.ft. and 5,400 sq.ft. respectively. The maximum allowable plot ratio under the Approved Outline Zoning Plan is 5. Town Planning Board Application to redevelop the site into a residential development was approved in June 2020 and the lease modification procedures are currently in progress.

(2) Sham Shui Po project, Hong Kong

As at 31 December 2020, the Group and joint venture partners have acquired over 86% ownership in two blocks of residential buildings at 163–169 Yee Kuk Street, Sham Shui Po. It is intended to redevelop the site into a residential building with a commercial podium. Application for Compulsory Sales for Redevelopment is currently being handled by the Lands Tribunal. General Building Plan approval was granted by the Buildings Department in October 2020.

(3) Tai Po project, Hong Kong

In July 2020, Vanke Property (Hong Kong) Company Limited and the Group were awarded a land site at Ma Wo Road in New Territories, Hong Kong under Tai Po Town Lot No. 243 from the Government at a land premium of approximately HK$3.7 billion. The site area is approximately 243,353 sq.ft. and the maximum gross floor area is 781,897 sq.ft.. It is intended for residential redevelopment. As at 31 December 2020, preparatory site works and design planning are in progress.

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.

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.

After application, the Group has been granted the In-Principle Acceptance (or IPA) for MiC steel structures by the Hong Kong Buildings Department. Besides, the Group's application of the IPA for MiC concrete is under approval. The Group is qualified to tender for all MiC projects after obtaining both IPAs.

The Group's revenue from the Singapore and other Southeast Asia countries construction contracts for the Reporting Period was approximately HK$2,781.2 million (year ended 31 December 2019: approximately HK$3,075.9 million). The revenue attributable from Hong Kong & Macau segment was approximately HK$1,323.3 million (year ended 31 December 2019: approximately HK$935.7 million).

During the Reporting Period, for the Singapore segment, the Group completed 3 construction projects including 1 public residential project, 1 dormitory project and 1 private property development project. In 2020, the Group obtained 2 HDB dormitory projects, 1 HDB residential upgrading project and 1 private construction project with aggregated contract sum of approximately HK$707.4 million. As at 31 December 2020, there were 22 external construction projects on hand and the outstanding contract sums were approximately HK$5.39 billion.

During the Reporting Period, for the Southeast Asia construction market, the Group was awarded 4 new construction contracts in Malaysia and Myanmar with aggregated contract sums of approximately HK$908.8 million. As at 31 December 2020, the outstanding contract sums of the 7 construction projects on hand were approximately HK$1.26 billion.

As for the Hong Kong & Macau segment, the Group was awarded 22 new foundation and superstructure construction projects with aggregated contract sums of approximately HK$1.67 billion. As at 31 December 2020, the outstanding contract sums of the 23 projects on hand were approximately HK$1.52 billion.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue

The Group's total revenue for the Reporting Period was approximately HK$5.1 billion (2019: approximately HK$7.9 billion), representing a decrease of 35.4% as compared with last year. The decrease was mainly due to less revenue resulting from (i) a temporary suspension of both the construction and property sales activities of the Group and (ii) the impact on the recognition of revenue during the year for the Group's private condominium development projects which recognise pre-sales money received as revenue based on construction progress, due to the coronavirus lockdown measures imposed by the government of Singapore during the period from 7 April 2020 to the end of June 2020.

During the period, the revenue of the Hong Kong and Macau segment for the Reporting Period was approximately HK$1.3 billion (2019: HK$0.9 billion), representing an increase of approximately 44.4% over that of last year.

During the Reporting Period, the revenue derived from the projects in Singapore and South East Asia was approximately HK$3.8 billion (2019: approximately HK$6.9 billion).

Out of the HK$3.8 billion revenue derived from the Singapore and South East Asia segment, the aggregate contracted sales of properties amounted to HK$1.0 billion, representing a decrease of 73.5% over that of last year.

Gross Profit Margin

The Group's gross profit margin during the Reporting Period was approximately 4.9% (2019: approximately 6.7%). The decrease in margin was mainly due to the higher portion of sales revenue from construction segment which had a lower gross profit margin than property development segment in the Reporting Period.

Selling and Marketing Expenses

The Group's selling and marketing expenses for the Reporting Period were approximately HK$74.1 million (2019: approximately HK$92.3 million), which was approximately 1.4% (2019: approximately 1.2%) of the Group's total revenue. The decrease was due to the lower sales commission 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$247.9 million (2019: approximately HK$308.4 million), which was approximately 4.8% (2019: approximately 3.9%) 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$194.2 million (2019: approximately HK$243.3 million), representing a decrease of 20.2% as compared with last year. The profit attributable to owners of the Company was HK$218.1 million (2019: approximately HK$238.8 million, representing a decrease of approximately 8.7% over the last year. Basic earnings per share was HK$0.133 (2019: HK$0.145).

MANAGEMENT DISCUSSION AND ANALYSIS

NON-COMPETITION DEED

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

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

PROSPECTS

Looking ahead to 2021, the pandemic is expected to be contained gradually and the global economy is expected to recover steadily as the vaccine technology for COVID-19 is maturing and the number of global recipients is increasing. The Ministry of Trade and Industry of Singapore forecasted that the GDP growth in Singapore will range from 4% to 6% in 2021. As the economy is recovering and the pandemic is being controlled, buyers will be more confident to enter into the property market for trading and investment, which will help boost property prices. In 2021, Singapore property market is expected to keep the optimistic trend in the second half of 2020, which showed an upward trend in private residential price index. The abovementioned factors will create opportunities for the sales of the Group in property projects.

To meet the challenges of the post-pandemic era and as the economy reboots, Singapore's 2021 budget introduces numerous measures to stimulate economic development, and the government will shift its focus from mitigating the impact of the pandemic to restructuring the economy and continuing to provide support to the people, employees and businesses of the country. Previously, a joint announcement was released by the Ministry of National Development, Ministry of Finance, Ministry of Law and Ministry of Trade and Industry of Singapore on May 6, 2020, which announced a series of temporary relief measures, including an extension of the time frame for completion and divestment of developments to help developers and buyers cope with the impact of the pandemic. With remarkable results of the anti-epidemic efforts, Singapore's economic indicators such as unemployment rate and GDP have shown signs of stabilization, which has a relatively positive impact on the recovery timeline of the local economy. In the long run, Singapore's overall economy is likely to slow down but remain solid, as it was ranked as the world's most competitive economy for the second consecutive year in 2020 by IMD's World Competitiveness Ranking. At the same time, Singapore's real estate market still has a good investment background. According to the 2021 Emerging Trends in Asia Pacific Real Estate Market report jointly released by PricewaterhouseCoopers and the Urban Land Institute, Singapore was ranked first out of 22 Asia Pacific cities with a real estate investment outlook index score of 6.24 in 2020. The Singapore market continues to provide the Group with long-term growth opportunities and room for expansion as the global quantitative easing has boosted asset prices and made the local property market more active. The Group will continue to build on its roots in the Singapore market and seek out quality projects to capitalize on its leading position in property development and consolidate its position as a leading local developer.

The BCA has released a construction demand forecast for 2021 forecasting Singapore's construction demand to be in the range of SGD23 billion to SGD28 billion for 2021. About 65% of the construction demand will continue to come from public projects (including residential developments, renovation projects, development of Jurong Lake District, new healthcare facilities and various infrastructure projects), while 35% will come from private residential, commercial and industrial projects. The projected increase in construction demand in 2021 is mainly due to the resumption of tenders that were suspended or postponed in 2020 due to the pandemic. The resumption of construction and production after the outbreak is under control will also help accelerate the Group's projects.

MANAGEMENT DISCUSSION AND ANALYSIS

In the Southeast Asian market, the Group attaches great importance to the Malaysian market and has been steadily developing its construction business in Malaysia. According to the Economic Outlook for 2021 released by the Ministry of Finance of Malaysia in November 2020, Malaysia's economic growth rate is expected to be in the range of 6.5% to 7.5% in 2021. In particular, the construction sector is expected to contribute RM61.3 billion to GDP in 2021, which is higher than that of 2020, with a projected rebound of 13.9%. The Malaysian market has strong growth potential, which will help the Group leverage on its industry strengths to capture the local market opportunities.

For the Hong Kong property market, the 2021/2022 Land Sale Programme comprises 15 residential sites and 3 commercial sites, which are expected to provide about 6,000 residential units and 480,000 square metres of commercial floor area respectively. The residential sites in the Land Sale Programme, together with the railroad property development, private development and redevelopment and Urban Renewal Authority projects, are expected to provide a potential land supply of about 16,500 units for the year. After the impact of the pandemic, the residential property market remains stable, mainly due to the continued inflow of capital into Hong Kong and the low interest rate environment to boost the property market, so the Hong Kong government believes that there are no conditions for taking measures to relax the residential property market. To adjust the ratio of public and private housing supply, the government lowered the annual supply of private residential land from 18,000 units to 13,500 units, so the original shortage of supply of private housing supply has become more and more intense. At present, as the COVID-19 vaccine began to be available in the world, market participants believe that the pandemic will be gradually controlled, economic activity will be revived and will again promote the Hong Kong property market to climb. The Group believes that the medium-to-long-term property market in Hong Kong, especially for residential units with high rigid demand, will remain stable.

The Hong Kong government continues to invest in infrastructure, with basic works expenditure set to exceed HK$100 billion per year in the next few years, and the total value of construction works to increase to about HK$300 billion per year, creating over 300,000 jobs. The Government is actively promoting the "MiC", which advocates green construction. The Construction Industry Innovation and Technology Fund has so far granted over HK$75 million to support the industry to adopt this construction method. With the Group's years of experience and technology in Singapore, the management believes that the Hong Kong construction segment can seize these opportunities to enhance the business and profitability of the Company in the long run.

DEBTS AND CHARGE ON ASSETS

The total interest bearing bank borrowings of the Group, including bank loans and lease liabilities, decreased from approximately HK$7.2 billion as at 31 December 2019 to approximately HK$6.5 billion as at 31 December 2020. 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$256,408,000 (2019: HK$265,127,000), and HK$4,842,716,000 (2019: HK$4,539,629,000), 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 2020, the Group had cash and cash equivalents of approximately HK$1.2 billion (2019: approximately HK$1.3 billion) of which approximately 62.8% was held in Singapore Dollar, 32.1% was held in Hong Kong dollar, 2.2% was held in US Dollars, 2.1% 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 2020 (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 58.5% (2019: approximately 62.6%).

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

FOREIGN EXCHANGE

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

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

During the Reporting Period, the Group has entered into subscription agreements to subscribe for the limited partnership interests of Blissful Jade Medicine Fund LP (the "**Fund**"), at an aggregate subscription amount of up to US$25.64 million (equivalent to approximately HK$200 million), representing approximately 25.6% of the target size of the Fund (being US$100 million), for a subscription period of three years. Please refer to the announcement of the Company dated 21 May 2020 for further details.

The Fund is primarily engaged in the investment in healthcare and biotechnology related business including the development and manufacturing of new drugs and medicines, medical equipment and traditional medicine. The rate of return of the Fund is targeted to be no less than 20% per annum, subject to, among others, the availability and business nature of investment targets and the market conditions. The Fund charges a management fee of 1% per annum. The Fund shall run for eight years after the initial acceptance of subscriptions of the Fund by the General Partner (the "**GP**") on 20 February 2020. The ultimate beneficial owner of the GP is an independent third party of the Group, who has also established funds for investments in various other industries through his business networks which span to experts in different fields. During the Reporting Period, another independent investor subscribed for limited partnership interests in the Fund. As at 30 June 2020, the Fund has acquired a project company which, in turn, has entered into agreements with a Hong Kong listed leading contract research organisation ("**CRO**") to jointly research and develop certain new medicines including super antibiotics against super bacteria, and new drugs for the treatment of rheumatoid arthritis, chronic obstructive pulmonary disease, and atopic dermatitis, one of which has submitted application as an investigational new drug for clinical trial in the second half of 2020. After the Reporting Period, the application was formally approved in early March 2021.

MANAGEMENT DISCUSSION AND ANALYSIS

The GP's investment committee is responsible for the risk assessment, due diligence and decision making of the investment projects of the Fund. The investment committee currently comprises three experienced professionals and in view of their investment performance track record as set forth below, the Board considers that the members of the GP's investment committee possess relevant qualifications and experience for managing and making investment decisions of the Fund:

1. an expert in the biological and medical device industry who has experience in the operation of medical device companies and medical laboratory and has a strong knowledge of drugs good manufacture practice in the PRC, ISO13485 and European regulatory requirements, and has participated in the unannounced inspection of drugs at the national and state levels and CE qualification audits;

2. a fund manager who is currently managing four funds with an aggregate size of approximately RMB300 million and investing in 10 projects involving fields such as the manufacturing of Chinese patent medicine. The past track record includes the investment in a medicine manufacturer achieving returns on capital of 58% and a biological product manufacturer with expected returns of 500%; and

3. an expert who has proven track record in investments in biomedical sector, including an investment in a CRO which had achieved 300% return on capital within 1.5 years; investment in a start-up on development of small molecule oncology drugs in angel round, which the valuation is now in series C stage has been grown by 500% within three years; and investment in a start-up on development of vaccines in angel round, which the valuation is now in series C stage has been grown by 300% within three years.

Accordingly, the investments in the Fund provides an opportunity for the Group to become a financial investor in the healthcare and biotechnology related business and diversify the risk of the underlying investments whilst leveraging on the expertise and business network of the GP's investment committee to achieve reasonable returns for the Group.

Save as disclosed above, there was no significant investment, acquisition and disposal of subsidiaries and associated companies of the Company during the Reporting Period.

CAPITAL COMMITMENTS

As at 31 December 2020, the Group had capital commitments of approximately HK$16.6 million (2019: HK$24.4 million) for development expenditure and HK$560.1 million (2019: HK$472.3 million) for investment in unlisted investment funds accounted for as financial assets at fair value through profit or loss and HK$Nil (2019: HK$2.3 million) for purchase of property, plant and equipment.

CONTINGENT LIABILITIES

Save as disclosed in note 35 to the financial information in this report, the Group had no other contingent liabilities as at 31 December 2020 and 31 December 2019.

EVENT AFTER THE REPORTING PERIOD

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

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2020, the Group had 2,026 full-time employees (2019: 2,223 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$599.1 million (2019: approximately HK$637.4 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. The 2014 Share Options lapsed on 27 June 2020. None of the 2014 Grantees exercised any of the 2014 Share Options before the lapse of the 2014 Share Options.

On 28 April 2016, the Company offered to grant an aggregate of 10,500,000 (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.

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

On 29 April 2016, an ordinary resolution was passed by the Shareholders to approve the proposed refreshment of the 10% scheme mandate limit of the Share Option Scheme. Based on 660,202,500 Shares in issue as at the 2016 annual general meeting, the Directors are authorised to issue share options to subscribe for a total of 66,020,250 Shares, representing 10% of the total number of Shares in issue as at the date of refreshment. As at 31 December 2020, 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 dated 23 May 2015 entered into between the Company and Guotsing Holding (South Pacific) Investment Pte. Ltd., 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 (the "**CPS**") 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, no CPS were transferred to the Selected Participants and 124,875,197 CPS remain under the trust.

MANAGEMENT DISCUSSION AND ANALYSIS

PURCHASE, SALE AND REDEMPTION OF THE COMPANY'S SECURITIES

On 22 May 2020, the Company's shareholders granted a general mandate (the "**Repurchase Mandate**") to the Directors to repurchase shares of the Company at the 2019 annual general meeting (the "**2019 AGM**"). Pursuant to the Repurchase Mandate, the Company is allowed to repurchase up to 151,832,003 shares, being 10% of the total number of issued shares of the Company as at the date of the 2019 AGM, on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

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

CORPORATE GOVERNANCE

Corporate Governance Code

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

CODE OF CONDUCT REGARDING DIRECTORS' SECURITIES TRANSACTIONS

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

REPORT OF THE DIRECTORS

PRINCIPAL ACTIVITIES

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

BUSINESS REVIEW

In compliance with Schedule 5 to the Companies Ordinance, Chapter 622, a fair review of the business of the Company and further discussion and analysis of important events affecting the Group after the Reporting Period and future development of the Company's business are set out in Management Discussion and Analysis in pages 6 to 16 of this 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 59 and 60 of this report. The payment of a final dividend of HK$0.08 per ordinary share of the Company and CPS for the Reporting Period to shareholders whose names appear on the Register of Members of the Company on 31 May 2021 and the holders of the CPS 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 2021.

For further information on the dividend policy of the Group, please refer to page 51 of this report.

PROPERTY, PLANT AND EQUIPMENT

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

SHARE CAPITAL

Details of movements during the Reporting Period in the share capital of the Company are set out in note 28 to the financial statements.

RESERVES

Details of movements in the reserves of the Group during the Reporting Period are set out in the consolidated statement of changes in equity on page 64.

As at 31 December 2020, the Company had reserves amounted to HK$3,046.8 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 (2019: HK3,044.6 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 158 of this 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 *(Chief Executive Officer)*
Dr. Du Bo (appointed on 31 March 2020)
Mr. Zhang Yuqiang

Non-executive Directors

Mr. Chen Anhua

Independent Non-executive Directors

Mr. Ching Kwok Hoo, Pedro
Mr. Tam Tak Kei, Raymond
Mr. Chan Kok Chung, Johnny

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

DIRECTORS' SERVICE CONTRACT

Each of Mr. Cheng Wing On, Michael and Mr. Zhang Yuqiang respectively renewed a service contract as an executive Director on 11 August 2020 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. Dr. Du Bo entered a service contract as an executive Director on 31 March 2020 with the Company for a term of three years. The service contracts 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 renewed a service contract as a non-executive Director on 27 November 2020, 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.

Each of 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 2020 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 contracts can be terminated by not less than three months' notice in writing served by either party on the other. The Company has received annual confirmation of independence from all the independent non-executive Directors pursuant to Rule 3.13 of the Listing Rules, and considers them to be independent.

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

MANAGEMENT CONTRACTS

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

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

As at 31 December 2020, 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 *(Note 1)*	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%
Dr. Du Bo	Beneficial owner *(note 4)*	1,024,759,528	67.49%
	Beneficiary of a trust *(note 2)*	45,689,892	3.01%
	Beneficial owner	12,504,972	0.82%
Mr. Zhang Yuqiang *(Note 1)*	Beneficiary of a trust *(note 2)*	2,010,540	0.133%
	Beneficial owner	502,635	0.033%

Notes:

1. Mr. Cheng Wing On, Michael had 3,000,000 2014 Share Options and Mr. Zhang Yuqiang had 2,400,000 2014 Share Options in the underlying Shares pursuant to the Share Option Scheme. Those share options lapsed on 27 June 2020. Please refer to the paragraph headed "Share Option Scheme" in this report for more details.

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

3. This represents long position in the underlying Shares under 2016 Share Options pursuant to the Share Option Scheme.

4. The 1,024,759,528 Shares are deemed to be interest by Dr. Du Bo, as the Shares are held by Guotsing BVI, which is a company wholly owned by Hao Bo Investments Limited, which in turn is held as to 48.55% by Top Elate Investments Limited and 51.45% by Bliss Wave Holding Investments Limited. Bliss Wave Holding Investments Limited is a company held as to 74.53% by Hui Long Enterprises Limited, which is a company wholly-owned by Dr. Du Bo. Top Elate Investments Limited is a company wholly-owned by Qingdao Qingjian Holdings Co. which in turn is held as to 99.98% by the Qingdao ZhiXinDa Enterprise Management Partnership (Limited Partnership).

Save as disclosed above, as at 31 December 2020, none of the Directors nor chief executive 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 2020, 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
Hui Long Enterprises Limited	Interest in controlled corporation *(Note 1)*	1,024,759,528	67.49%
Bliss Wave Holding Investments Limited	Interest in controlled corporation *(Note 1)*	1,024,759,528	67.49%
Top Elate Investments Limited	Interest in controlled corporation *(Note 1)*	1,024,759,528	67.49%
Hao Bo Investments Limited	Interest in controlled corporation *(Note 1)*	1,024,759,528	67.49%
Guotsing Holding Company Limited	Beneficial owner *(Note 1)*	756,421,520	49.82%
	Interest in controlled corporation *(Notes 1, 2 and 3)*	268,338,008	17.67%
Trustee	Trustee *(Note 4)*	124,875,197	8.22%
Qingdao ZhiXinDa Enterprise Management Partnership (Limited Partnership)	Interest in controlled corporation *(Note 1)*	1,024,759,528	67.49%
Qingdao Qingjian Holdings Co	Interest in controlled corporation *(Note 1)*	1,024,759,528	67.49%
CNQC Development Limited	Beneficial owner *(Note 2)*	224,145,000	14.76%
Guotsing Finance Holding Limited	Interest in controlled corporation *(Note 3)*	44,193,008	2.91%
Guotsing Asset Management Limited	Interest in controlled corporation *(Note 3)*	44,193,008	2.91%
Guotsing Growth Fund LP I	Beneficial owner	44,193,008	2.91%
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 5)*	100,000,000	6.59%

Note:

(1) Guotsing BVI is a company wholly owned by Hao Bo Investments Limited, which in turn is held as to 48.55% by Top Elate Investments Limited and 51.45% by Bliss Wave Holding Investments Limited. Bliss Wave Holding Investments Limited is a company held as to 74.53% by Hui Long Enterprises Limited, which is a company wholly-owned by Dr. Du Bo. Top Elate Investments Limited is a company wholly-owned by Qingdao Qingjian Holdings Co. which in turn is held as 99.98% by the Qingdao ZhiXinDa Enterprise Management Partnership (Limited Partnership). Thus, Dr. Du Bo is deemed to be interested in the 1,024,759,528 Shares.

(2) The 224,145,000 Shares were held by CNQC Development Limited ("**CNQC Development**") as at 31 December 2020. 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 is wholly-owned by Guotsing BVI.

(4) 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.

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

Save as disclosed above, as at 31 December 2020, to the best information, knowledge and belief of the Directors, no person (other than the Directors and chief executive of the Company), had registered an interest or short position in the Shares or underlying Shares of the Company that was required to be recorded pursuant to section 336 of the SFO.

TRANSACTIONS, ARRANGEMENT OR CONTRACTS OF SIGNIFICANCE

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

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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

REPORT OF THE DIRECTORS

MAJOR CUSTOMERS AND SUPPLIERS

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

	2020	2019
	%	%
Percentage of construction material purchases:		
From the largest supplier	**2.7%**	4.8%
From the five largest suppliers	**9.6%**	14.1%
Percentage of turnover:		
From the largest customer	**21.7%**	21.4%
From the five largest customers	**50.8%**	41.4%

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 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 Congyuan, the executive Director, served as a director and chairman of Guotsing PRC and Dr. Du Bo, the executive Director, served as a director and honorary chairman 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.

SHARE OPTION SCHEME

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

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

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

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

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

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

As at 31 December 2020, the total number of securities available for issue under the Scheme was 66,020,250 Shares, which represented 4.53% of the issued share capital of the Company.

The outstanding share options granted entitled the relevant grantees to subscribe for an aggregate 30,000, 000 new shares of HK$0.01 each in the share capital of the Company. Detail of movements of the options granted under the Scheme for the year ended 31 December 2020 is as follows:

Grantees	Date of Grant	Exercise price per share	As at 01/01/2020	Granted during the period	Exercised during the period	Lapsed during the period	Cancelled during the period	As at 31/12/2020	Vesting Period	Exercise period
			Number of options							
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	–	–	19,500,000	–	10,50,000		

Save as disclosed above, as at 31 December 2020, 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.

CONVERTIBLE SECURITIES

Currently the Company has two classes of shares, being the ordinary Shares and 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, no CPS were transferred to the Selected Participants and 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:

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 2020 was 21.2 million RM (equivalent to HK$39.9 million).

Note: On 31 March 2021, both parties entered into a Supplemental Agreement to extend the expiry date of the Sub-contract Agreement and the expected completion date of the Construction Project, revise the contact sum and set the annual caps for years 2021 and 2022. Please refer to the continuing connected transaction announcement of the Company dated 31 March 2021 for details.

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 37 to the financial statements fall under the definition of "connected transaction" or "continuing connected transaction" (as the case may be) in Chapter 14A of the Listing Rules 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.

In accordance with Rule 14A.56 of the Listing Rules, the auditors of the Company has provided a letter to the Board, confirming that nothing has come to their attention that causes them to believe that the continuing connected transactions which took place during the year:

(i) have not been approved by the Board;

(ii) (for transaction involving the provision of goods or services by the Group) were not, in all material respects, in accordance with the pricing policies of the Group;

(iii) were not entered into, in all material respects, in accordance with the relevant agreement governing the transaction; and

(iv) have exceeded the annual cap.

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 report.

REPORT OF THE DIRECTORS

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$115,000 (2019: HK$111,000).

NON-COMPETITION UNDERTAKING

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

Guotsing PRC, Guotsing BVI and Dr. Du Bo (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 38 to page 52 of this report.

AUDITOR

PricewaterhouseCoopers ("**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 Building and Construction Authority ("**BCA**") and other regulatory bodies in Singapore. These regulatory bodies stipulate the various criteria that must be satisfied before permits and licenses are granted to, and/or renewed for, the construction business and the registration with the Contractors Registration System ("**CRS**") maintained by the BCA is a pre-requisite requirement for tendering construction projects in the public sector. The renewal of the permits and licenses of the Group is subject to compliance with the relevant regulations. The Group are currently operating under various construction requisite licenses, which will expire in July 2022. 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.

REPORT OF THE DIRECTORS

KEY RELATIONSHIPS

(i) Employees

The Group understands that employees are valuable assets. The Group provides competitive remuneration package to attract and motivate the employees. The Group regularly reviews the remuneration package of employees and makes necessary adjustments to conform to the market standard. The Group also places emphasis on the continuing education and training of staff. In particular, the Group focuses on training management and key personnel to develop their management and decision-making abilities to enhance their work performance. The Group encourages a culture of learning and education and sponsors the employees to attend external training programmes covering 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 takes great care to ensure that they share our commitment to quality and ethics. The Group carefully selects and requires them to satisfy certain assessment criteria including track record, experience, financial strength, reputation, ability to produce high-quality construction and quality control effectiveness. The potential risk from the sub-contractors and supplies is that they may not always meet quality standards or provide services in a timely manner. The Group may incur additional costs in respect of remedial action, such as the replacement of such contractors, as well as potential damage to reputation and additional financial losses as a result of delay in completion. Any of the above factors could have a material adverse effect on the business, financial condition and results of operations of the Group.

(iii) Customers

For property development, the Group is committed to offering 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 maintains by way of hi-Life-mobile application in order to provide convenience in living, communications with our customers through various channels like the Company's website, telephone, direct mail, marketing materials and social media. For construction, the Group also works for the clients to provide quality and value-added customer services at construction services.

ENVIRONMENTAL POLICIES

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

COMPLIANCE WITH LAWS AND REGULATIONS

The Group's operations are mainly carried out by the Company's subsidiaries in Singapore and Hong Kong while the Company itself is listed on the Stock Exchange. During the Reporting Period, the Company continued to strictly comply with the applicable laws, rules and regulations such as, in relation to environment protection, construction labour, health and safety in Hong Kong and Singapore; the building control act and regulations set out the requirements for licensing of builders in Singapore; the housing developers act and rules set out the requirements for licensing of a housing developer in Singapore; the contractor licensing regime in Hong Kong and the relevant regulatory requirements of regulatory authorities such as BCA, Urban Redevelopment Authority of Singapore, Development Bureau and Housing Authority of Hong Kong, and regulatory and compliance requirements imposed by the Stock Exchange and the Securities and Futures Commission in Hong Kong. During the year ended 31 December 2020 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 2021

BIOGRAPHIES OF THE DIRECTORS AND SENIOR MANAGEMENT

DIRECTOR

Executive Director

Mr. Cheng Wing On, Michael (鄭永安), aged 64, 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 resigned as the chairman of the Strategy and Investment Committee on 31 March 2020 but continue to serve as a member. 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 46, 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. He was appointed as the chairman of the Strategy and Investment Committee on 31 March 2020. 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 a president of Guotsing PRC, 國清金融控股有限公司 (Guotsing Finance Holding Company Ltd*), 青建集團財務有限責任公司（Qingjian Group Finance LLC*) and 海德邦和投資(上海)有限公司 (Haide Capital Investment (Shanghai) Co., Ltd). He is also a director of 青建集團股份公司 (Qingjian Group Co., Ltd.*), 青島青建控股有限公司 (Qingdao Qingjian Holding Ltd.*), Hyday (South Pacific) Investment Pte. Ltd, Guotsing Holdings (South Pacific) Investment Pte. Ltd, CNQC Development Limited, Guotsing Finance Holding Ltd and Guotsing Asset Management Limited.

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

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

Dr. Du Bo (杜波博士), aged 62, is an executive Director the Company. He was appointed as was appointed as the executive Director on 31 March 2020, and was at the same time appointed a member of the Nomination Committee and the Strategy and Investment Committee. Dr. Du is also a director of subsidiaries of the Company.

He has more than 40 years of extensive experience in the engineering and construction industry both in the PRC and overseas. Dr. Du had been appointed as the executive Director and the chairman of the Board of the Company from 11 April 2014 to 26 January 2016. Prior to joining the Group, he was appointed as the general manager of 青島建設集團公司 (Qingdao Construction Group Co., Ltd.*) in July 2001. He served as the chairman of the board of directors (from September 2007 to January 2013) and the chief executive officer (from September 2007 to December 2011) of 青建集團股份公司 (Qingjian Group Co., Ltd.*). Dr. Du has become the chairman of the board of directors of the Guotsing Holding Group Limited since November 2012, during which he also acted as the chief executive officer of the Guotsing Holding Group Limited from November 2012 to December 2013. He is currently the chairman of 青島青建控股有限公司 (Qingdao Qianjian Holding Company Limited*) and a director of Guotsing PRC, Guotsing Asset Management Limited, Guosting Finance Holding Limited and CNQC Development Limited.

Dr. Du also performed the following roles: vice chairman of 中國建築業協會建造師分會 (Branch of Constructors of the China Construction Industry Association*), vice-chairman of 山東省建築業協會 (Shandong Construction Industry Association*), vice-chairman of 山東省企業聯合會 (Shandong Enterprise Confederation*), 山東省企業家協會 (Shandong Enterprise Director Association*), 山東省工業經濟聯合會 (Shandong Federation of Industrial Economics*) and 山東省質量協會 (Shandong Quality Association*), vice-chairman of 青島市工商聯 (Qingdao General Chamber of Commerce*), and executive chairman of 青島市企業聯合會 (Qingdao Enterprise Federation*). Dr. Du was qualified as a research associate in engineering application in 2000, and was awarded a special subsidy by the State Council of the PRC for his contribution in engineering technology in 2001.

Dr. Du graduated from 山東建築工程學院 (Shandong Construction Engineering Institute*), now known as Shandong Jianzhu University (山東建築大學) with a bachelor's degree in Engineering in 1982, and he obtained a doctorate in Management Science, specialized in Management Science and Engineering, from Tongji University (同濟大學), the PRC, in 2004. Dr. Du is also a tutor or part-time professor of various tertiary educational institutions, among others, the doctoral tutor of Tongji University (同濟大學), the postgraduate tutor of Qingdao Technological University (青島理工大學), Shandong Jianzhu University (山東建築大學) and Qingdao University (青島大學), and part time professor of Shandong Jianzhu University (山東建築大學) and Qingdao University (青島大學).

Save as disclosed above, Dr. Du 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.

For further details of Dr. Du, please refer to the announcement of the Company dated 31 March 2020.

Mr. Zhang Yuqiang (張玉強), aged 59, 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 53, is the non-executive Director. He was appointed as a non-executive Director on 27 November 2017 and was appointed as a member of the Strategy and Investment Committee on 11 January 2019. He is a senior economist, graduated from Fudan University (復旦大學) and obtained a bachelor degree in economics in 1989. He then obtained a master degree in business management from the Central South University (中南大學) in 1997. Mr. Chen was awarded the post-experience certificate in engineering business management by the University of Warwick in 2006.

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

Since November 2016, Mr. Chen serves as the deputy general manager of China Great Wall AMC (International) Holdings Company Limited (中國長城資產(國際)控股有限公司) ("**Great Wall AMC**"). Prior to joining China Great Wall, he worked in the Agricultural Bank of China, taking up various positions including the deputy head of branch office in Changsha. Mr. Chen was a non-executive director of Modern Land (China) Co., Limited (Stock Code: 1107) from January 2017 to September 2019. He is a non-executive director of TATA Health International Holdings Limited (Stock Code: 1255) since January 2020. Both companies are listed on the Main Board of the 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 77, 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 of the Company (the "**Audit Committee**"), the Remuneration Committee and the Nomination Committee. Mr. Ching was appointed a Member of the Most Excellent Order of the British Empire on the 1997 Birthday Honours List in June 1997, and was promoted to Commander of the Most Venerable Order of the Hospital of St John of Jerusalem in March 2017.

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

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

Mr. Tam Tak Kei, Raymond (譚德機), aged 58, 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, and Kingland Group Holdings Limited (stock code: 1751) since May 2020, both companies 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 61, 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 was an independent non-executive director of SOUTH SHORE HOLDINGS LIMITED (stock code: 577) during the period from November 2014 to April 2020, a company listed on the Main Board of the Stock Exchange. Mr. Chan is an independent non-executive director of HSBC Provident Fund Trustee (Hong Kong) Limited, a member of HSBC Holdings plc. Mr. Chan is a member of the Listing Committee 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 48, director of CNQC (South Pacific) Holding Pte. Ltd. He was executive director and president of CNQC (South Pacific) Holding Pte. Ltd. from May 2015 to February 2020, and the managing director of Welltech Construction Pte Ltd from September 2011 to May 2015. Mr. Wang 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 44, 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 Zheng Peng (徐正鵬), aged 47, 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 47, 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. Li Jian Xiao (李建曉), aged 39, 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 45, joined the Group in April 2008, he is executive director and the general manager of Qingjian Realty (South Pacific) Group Pte Ltd. Mr. Li holds a Bachelor's degree in Construction engineering from Qingdao University of Science & Technology, the PRC. Mr. Li has more than 20 years of experience in property development industry. His extensive international working experience makes him an expertise in the property development industry both in Singapore and China. He worked at Qingjian Realty Pte. Ltd as a deputy general manager during 2008 to 2012. Mr. Li qualified as a certified engineering of Qingdao of the PRC in 2004.

Mr. 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 13 years of experience in the engineering and construction industry. 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 56, 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 72, 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 has over 51 years of experience in the engineering and construction industry.

He is an Authorised Person (Architect) and a Registered Structural Engineer, a Registered Architect in Hong Kong. He also has a recognized qualification for First Class Registered Structural Engineer in China. 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 specialized 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.

GROUP CHIEF FINANCIAL OFFICER AND COMPANY SECRETARY

Mr. Chan Tat Hung (陳達鴻), aged 48, 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, audit and accounting. Mr. Chan is an associate member of the Hong Kong Institute of Certified Public Accountants, the Association of Chartered Certified Accountants, the Hong Kong Institute of Chartered Secretaries and the Chartered Governance Institute (formerly known as 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 four executive Directors, one non-executive Director and three independent non-executive Directors.

Executive Directors

Mr. Cheng Wing On, Michael *(Chairman)*
Mr. Wang Congyuan *(Chief Executive Officer)*
Dr. Du Bo (appointed on 31 March 2020)
Mr. Zhang Yuqiang

Mr. Cheng Wing On, Michael renewed his service contract for executive directorship with the Company effective from 11 August 2020 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.

Dr. Du Bo entered into a service contract for executive directorship with the Company effective from 31 March 2020 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. Zhang Yuqiang renewed his service contract for executive directorship with the Company effective from 11 August 2020 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.

Non-executive Director

Mr. Chen Anhua

Mr. Chen Anhua renewed his service contract for non-executive directorship with the Company effective from 27 November 2020 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.

Independent Non-executive Directors

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 contracts for independent non-executive directorship with the Company effective from 12 September 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. 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.

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 to fill a casual vacancy during the year and those who have been longest in office since their last election or re-election.

Mr. Cheng Wing On, Michael, Mr. Wang Congyuan, and Mr. Zhang Yuqiang will retire from office as Directors at the forthcoming annual general meeting of the Company, being eligible, to offer themselves for re-election pursuant to Article 108(a) of the Articles. 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 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, four 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	4/4	1/1
Mr. Wang Congyuan	4/4	–/1
Dr. Du Bo *(Note 1)*	2/2	–/1
Mr. Zhang Yuqiang	4/4	1/1
Non- executive Director		
Mr. Chen Anhua	4/4	1/1
Independent Non-executive Directors		
Mr. Ching Kwok Hoo, Pedro	4/4	1/1
Mr. Tam Tak Kei, Raymond	4/4	1/1
Mr. Chan Kok Chung, Johnny	4/4	1/1

Note:

(1) Dr. Du Bo was appointed as executive Director on 31 March 2020.

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 made 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
Dr. Du Bo *(Note 1)*	1	1
Mr. Zhang Yuqiang	1	1
Mr. Chen Anhua	1	1
Mr. Ching Kwok Hoo, Pedro	1	1
Mr. Tam Tak Kei, Raymond	1	1
Mr. Chan Kok Chung, Johnny	1	1

Note:

(1) Dr. Du Bo was appointed as executive Director on 31 March 2020.

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 required standards set out in the Model Code and the code of conduct of the Company during the Reporting Period.

REMUNERATION COMMITTEE

During the Reporting Period, the Remuneration Committee consisted of two executive Directors, namely, Mr. Wang Congyuan , Mr. Zhang Yuqiang 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. Ching Kwok Hoo, Pedro being the chairman of the Remuneration Committee.

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)*	1/1
Mr. Chan Kok Chung, Johnny	1/1
Mr. Wang Congyuan	1/1
Mr. Zhang Yuqiang	1/1
Mr. Tam Tak Kei, Raymond	1/1

The work performed by the Remuneration Committee during the Reporting Period includes the following:

- assessed the performance of executive Directors and consulted the Chairman of the Board and the chief executive about their remuneration proposals for other executive Directors;
- 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 10 of the financial statements.

REMUNERATION OF THE SENIOR MANAGEMENT

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

Band of remuneration (HK$)	No. of person
HK$2,000,000 and below	6
HK$2,000,001 to HK$3,000,000	3
HK$3,000,001 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 10 to the financial statements.

AUDITOR'S REMUNERATION

During the Reporting Period, the fees incurred for audit related service and non-audit services provided by the auditor of the Group was approximately HK$7,190,000 and HK$215,000 respectively. The non-audit services mainly included the tax compliance services of the Group for the year ended 31 December 2020.

AUDIT COMMITTEE

During the Reporting Period, the Audit Committee consisted of three independent non-executive Directors, namely Mr. Tam Tak Kei, Raymond, Mr. Ching Kwok Hoo, Pedro and Mr. Chan Kok Chung, Johnny, with Mr. Tam Tak Kei, Raymond being the chairman of the Audit Committee. In compliance with Rule 3.21 of the Listing Rules, the chairman of the Audit Committee has possessed the appropriate professional and accounting qualifications.

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. Ching Kwok Hoo, Pedro	2/2
Mr. Chan Kok Chung, Johnny	2/2

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 2020. 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 2020. 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 authorized 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 2020.

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, Dr. Du Bo, and three independent non-executive Directors, namely Mr. Ching Kwok Hoo, Pedro, Mr. Tam Tak Kei, Raymond and Mr. Chan Kok Chung, Johnny. Dr. Du Bo was appointed as the member of Nomination Committee on 31 March 2020.

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. Du Bo	1/1
Mr. Ching Kwok Hoo, Pedro	1/1
Mr. Tam Tak Kei, Raymond	1/1
Mr. Chan Kok Chung, Johnny	1/1

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

- 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 ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

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 Committee considers that the Board is sufficiently diverse and therefore, it did not establish any measurable objectives for the board diversity policy.

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 shall nominate suitable candidates to the Board 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.

The Nomination Committee will recommend to the Board for the selection, appointment and reappointment of a Director in accordance with the following procedure and process:

i. the Nomination Committee may take measures that is appropriate in identifying or selecting suitable candidates, with due consideration given to prescribed selection criteria and broad range of candidates who are in and outside of the Board's circle of contacts;

ii. the Nomination Committee may adopt any process it considers appropriate in evaluating the suitability of the candidates, such as interviews, background checks, presentations and third-party reference check;

iii. the Nomination Committee will provide the relevant information of the selected candidate to the Remuneration Committee for consideration of the remuneration package; and thereafter make recommendation to the Board;

iv. the Board may arrange for the selected candidate to be interviewed by the members of the Board who are not members of the Nomination Committee and the Board will thereafter deliberate and decide the appointment as the case may be; and

v. all appointment of Directors will be confirmed by the filing of the consent to act as Director of the relevant Director (or any other similar filings requiring the relevant Director to acknowledge or accept the appointment as Director, as the case may be) with the relevant regulatory authorities, if required.

The Nomination Committee will recommend to the Board for the re-election of a Director in accordance with the following procedure and process:

i. the Nomination Committee will review the overall contribution and service, and the level of participation and performance of the retiring Director during the period of service;

ii. the Nomination Committee will review and determine whether the retiring Director continues to meet the criteria as set out above;

iii. the Nomination Committee will provide the relevant information of the selected candidate to the Remuneration Committee for consideration of the remuneration package of such candidates; and

iv. the Nomination Committee will then, on the basis of the recommendation made by the Nomination Committee and Remuneration Committee, make recommendation to the shareholders of the Company in respect of the proposed re-election of Director at the following general meeting.

Where the Board proposes a resolution to elect or re-elect a candidate as Director at the following general meeting, the relevant information of the candidate will be disclosed in the circular to the shareholders of the Company and/or explanatory statement accompanying the notice of the relevant following general meeting in accordance with the Listing Rules and/or applicable laws and regulations.

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 six members, including four executive Directors namely, Mr. Cheng Wing On, Michael, Mr. Wang Congyuan, Dr. Du Bo and Mr. Zhang Yuqiang, one non-executive Director namely, Mr. Chen Anhua, and one independent non-executive Director, namely Mr. Chan Kok Chung, Johnny, with Mr. Wang Congyuan being the chairman of the Strategy and Investment Committee. Dr. Du Bo was appointed as a member of the Strategy and Investment Committee on 31 March 2020.

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 59 to 157, which comprise:

- the consolidated statement of financial position as at 31 December 2020;
- 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 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

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

Independence

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

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

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS

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

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

- Recognition of construction contract revenue, 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 6 to the consolidated financial statements. Revenue from construction contracts recognised for the year ended 31 December 2020 amounted to HK$4,097,999,000. 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 19 to the consolidated financial statements. The total goodwill recognised by the Group as of 31 December 2020 amounted to HK$570,685,000, of which HK$282,933,000 and HK$287,752,000 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 2020. 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.	Our procedures on auditing management's goodwill impairment assessment mainly included: • Understood and evaluated the design and operating effectiveness of the internal controls and assessment process of goodwill impairment and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors such as complexity, subjectively, changes and susceptibility to management bias or fraud. • We evaluated the discounted 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 approved budgets. We also assessed whether all relevant CGUs have been identified. • We evaluated the key 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 and evaluated the discount rates by assessing the cost of capital for the respective CGUs. We also evaluated the outcome of prior period assessment of goodwill impairment to assess the effectiveness of management's estimation process. • 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. 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, actions taken to eliminate threats or safeguards applied.

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

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

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 30 March 2021

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2020

	Note	2020 HK$'000	2019 HK$'000
Revenue	*5, 6*	**5,128,897**	7,873,375
Cost of sales	*9*	**(4,877,323)**	(7,344,321)
Gross profit		**251,574**	529,054
Other income	*7*	**154,396**	37,585
Other gains — net	*8*	**25,670**	185,175
Selling and marketing expenses	*9*	**(74,102)**	(92,263)
General and administrative expenses	*9*	**(247,923)**	(308,418)
Operating profit		**109,615**	351,133
Finance income	*11*	**61,462**	56,957
Finance costs	*11*	**(152,611)**	(111,668)
Share of net profits/(losses) of associated companies	*13*	**227,646**	(7,497)
Share of net (losses)/profits of joint ventures	*14*	**(37,198)**	30,283
Profit before income tax		**208,914**	319,208
Income tax expense	*15*	**(14,757)**	(75,941)
Profit for the year		**194,157**	243,267
Other comprehensive income/(loss)			
Item that may be reclassified to profit or loss			
— Currency translation differences		**27,539**	(26,682)
Item that will not be reclassified to profit or loss			
— Fair value (losses)/gains on financial assets at fair value through other comprehensive income		**(4,448)**	1,024
		23,091	(25,658)
Total comprehensive income for the year		**217,248**	217,609

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2020

	Note	**2020 HK$'000**	2019 HK$'000
Profit for the year attributable to:			
Owners of the Company		**218,057**	238,842
Non-controlling interests		**(23,900)**	4,425
		194,157	243,267
Total comprehensive income for the year attributable to:			
Owners of the Company		**239,031**	214,080
Non-controlling interests		**(21,783)**	3,529
		217,248	217,609
Earnings per share for profit attributable to owners of the Company	*16*		
Basic earnings per share			
— ordinary shares (HK$)		**0.133**	0.145
— convertible preference shares (HK$)		**0.133**	0.145
Diluted earnings per share			
— ordinary shares (HK$)		**0.133**	0.145
— convertible preference shares (HK$)		**0.133**	0.145

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 2020

	Note	31 December 2020 HK$'000	31 December 2019 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	17	**512,034**	528,399
Right-of-use assets	17	**82,516**	80,094
Investment properties	18	**620,642**	613,632
Goodwill	19	**570,685**	568,298
Other intangible assets	20	**27,228**	32,634
Financial assets at fair value through profit or loss	21	**432,635**	259,432
Investments in associated companies	13	**317,457**	2,899
Investments in joint ventures	14	**–**	30,092
Deferred income tax assets	23	**47,369**	24,216
Financial assets at fair value through other comprehensive income	24	**6,907**	9,991
Prepayments and other receivables	22	**1,163,805**	924,183
		3,781,278	3,073,870
Current assets			
Development properties for sale	26	**4,874,264**	5,162,395
Inventories		**57,935**	13,967
Trade and other receivables, prepayments and deposits	22	**1,992,568**	1,709,788
Contract assets	5	**736,875**	1,504,861
Tax recoverable		**5,450**	3,265
Pledged bank deposits	27(b)	**212,210**	199,106
Cash and cash equivalents	27(a)	**1,173,976**	1,271,199
		9,053,278	9,864,581
Total assets		**12,834,556**	12,938,451
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital — ordinary shares	28	**15,183**	15,183
Share capital — convertible preference shares	28	**1,249**	1,249
Share premium		**3,261,225**	3,261,225
Other reserves	29	**(1,127,102)**	(1,149,765)
Retained earnings		**1,254,286**	1,101,957
		3,404,841	3,229,849
Non-controlling interests		**188,460**	210,559
Total equity		**3,593,301**	3,440,408

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

	Note	31 December 2020 HK$'000	31 December 2019 HK$'000
LIABILITIES			
Non-current liabilities			
Borrowings	*30*	**4,012,766**	3,978,257
Lease liabilities	*17(a)*	**57,134**	58,988
Derivative financial instruments	*25*	**8,917**	–
Deferred income tax liabilities	*23*	**39,816**	100,262
		4,118,633	4,137,507
Current liabilities			
Trade and other payables	*31*	**2,162,157**	2,008,119
Contract liabilities	*5*	**440,056**	54,277
Tax payables		**128,909**	102,291
Borrowings	*30*	**2,358,681**	3,170,190
Lease liabilities	*17(a)*	**26,419**	23,804
Derivative financial instruments	*25*	**6,400**	1,855
		5,122,622	5,360,536
Total liabilities		**9,241,255**	9,498,043
Total equity and liabilities		**12,834,556**	12,938,451

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

The consolidated financial statements on pages 59 to 157 were approved by the Board of Directors on 30 March 2021 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 2019

	Note	Share capital — ordinary shares HK$'000 *(Note 28)*	Share capital — convertible preference shares HK$'000 *(Note 28)*	Share premium HK$'000	Treasury shares HK$'000 *(Note 28)*	Other reserves HK$'000 *(Note 29)*	Retained earnings HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
Balance at 1 January 2019		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	*28*	630	(630)	–	–	–	–	–	–	–
Non-controlling interests arising on a business combination		–	–	–	–	–	–	–	165,719	165,719
Dividend provided for or paid	*32*	–	–	–	–	–	(180,751)	(180,751)	(78,757)	(259,508)
Employees' share-based compensation benefits	*33*	–	–	–	–	8,339	–	8,339	–	8,339
Cancellation of shares	*28*	(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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2020

	Note	Share capital — ordinary shares HK$'000 *(Note 28)*	Share capital — convertible preference shares HK$'000 *(Note 28)*	Share premium HK$'000	Other reserves HK$'000 *(Note 29)*	Retained earnings HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
Balance at 1 January 2020		15,183	1,249	3,261,225	(1,149,765)	1,101,957	3,229,849	210,559	3,440,408
Comprehensive income									
Profit for the year		–	–	–	–	218,057	218,057	(23,900)	194,157
Other comprehensive (loss)/income									
Currency translation differences		–	–	–	25,422	–	25,422	2,117	27,539
Fair value change on financial assets at fair value through other comprehensive income		–	–	–	(4,448)	–	(4,448)	–	(4,448)
Total comprehensive income		–	–	–	20,974	218,057	239,031	(21,783)	217,248
Transactions with owners in their capacity as owners									
Contribution from non-controlling shareholders of subsidiaries	28	–	–	–	–	–	–	54,566	54,566
Dividend provided for or paid	32	–	–	–	–	(65,728)	(65,728)	(54,882)	(120,610)
Employees' share-based compensation benefits	33	–	–	–	1,689	–	1,689	–	1,689
Total transactions with owners in their capacity as owners		–	–	–	1,689	(65,728)	(64,039)	(316)	(64,355)
Balance as at 31 December 2020		15,183	1,249	3,261,225	(1,127,102)	1,254,286	3,404,841	188,460	3,593,301

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 2020

	Note	2020 HK$'000	2019 HK$'000
Cash flows from operating activities			
Net cash generated from/(used in) operations	34(a)	1,463,491	(2,017,732)
Interest paid		(71,871)	(248,940)
Income tax paid		(191,067)	(45,404)
Net cash generated from/(used in) operations		1,200,553	(2,312,076)
Cash flows from investing activities			
Step acquisition of subsidiary, net of cash acquired		–	115,688
Purchase of property, plant and equipment		(51,554)	(279,818)
Proceeds from disposal of property, plant and equipment		765	1,561
Addition of investment properties		(7,871)	(49,927)
Capital injection into an associate		(80,597)	–
Proceeds from disposal of a subsidiary		5,146	–
Addition of intangible assets		(186)	(132)
(Loan to)/repayment from related parties		(246,574)	137,331
Interest received		61,006	54,201
Dividends received		1,351	25,609
Settlement of derivative financial instruments		–	(410)
Increase in pledged bank deposits for derivative financial instruments		(10,438)	(439)
Additions of financial assets at fair value through profit or loss		(112,193)	–
Addition of financial assets at fair value through other comprehensive income		(1,375)	–
Proceeds from disposal of financial assets at fair value through profit or loss		–	115,188
Net cash (used in)/generated from investing activities		(442,520)	118,852
Cash flows from financing activities			
Contribution from non-controlling shareholders of subsidiaries		54,566	–
Dividends paid		(120,610)	(259,508)
Drawdown on borrowings		3,433,804	3,847,668
Repayment of borrowings		(4,189,933)	(1,593,735)
Repayment on principal element of lease liabilities		(33,371)	(32,223)
Repayment on interest element of lease liabilities		(2,623)	(2,836)
Increase in pledged bank deposits for bank borrowings		(4,752)	(10,353)
Net cash (used in)/generated from financing activities		(862,919)	1,949,013
Net decrease in cash and cash equivalents		(104,886)	(244,211)
Cash and cash equivalents at beginning of the financial year		1,271,199	1,511,833
Exchange gains on cash and cash equivalents		7,663	3,577
Cash and cash equivalents at end of the financial year	27(a)	1,173,976	1,271,199

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 Windward 3, Regatta Office Park, 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.

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

The group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2020:

HKAS 1 and HKAS 8 (Amendments)	Definition of Material
HKFRS 3 (Amendments)	Definition of a Business
HKFRS 9, HKAS 39 and HKFRS 7 (Amendments)	Hedge accounting (amendments)
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting

The Group has elected to early adopt the amendments to HKFRS 16 Leases on COVID-19 Related Rent Concessions on 1 January 2020. The amendments to HKFRS 16 allow the Group as a lessee not to account for COVID-19 directly related rent concessions as lease modifications when certain criteria are met. These amendments are effective for annual reporting periods beginning on or after 1 June 2020.

The Group applied these amendments for the first time in 2020. The impact of these amendments to the Group is immaterial. The Group does not have to change its accounting policies or make retrospective adjustments as a result of adopting these amendments.

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 2020 and have not been early adopted by the Group:

		Effective for annual periods beginning on or after
HKAS 39, HKFRS 4, HKFRS 7, HKFRS 9 and HKFRS 16 (Amendments)	Interest Rate Benchmark Reform — Phase 2	1 January 2021
Annual Improvements Projects (Amendments)	Annual Improvements to HKFRSs 2018–2020	1 January 2022
HKFRS 3, HKAS 16 and HKAS 37 (Amendments)	Narrow-scope amendments	1 January 2022
AG 5 (revised)	Revised Accounting Guideline 5 Merger Accounting for Common Control Combinations	1 January 2022
HKAS 1 (Amendments)	Classification of Liabilities as Current or Non-current	1 January 2023
HKFRS 17	Insurance Contracts (new standard)	1 January 2023
HKFRS 17	Amendments to HKFRS 17	1 January 2023
HK Int 5 (2020)	Hong Kong Interpretation 5 (2020) Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause (HK Int 5 (2020))	1 January 2023
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be announced

Management is in the process of making an assessment of the financial impact of adoption of these new standards 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 net profits/(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 — net". All other foreign exchange gains and losses impacting profit or loss are presented within "other gains — 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 consolidated 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 gains — net" in profit or loss.

(i) Investment properties

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. The investment properties are initially recognised at cost and subsequently carried at cost less accumulated depreciation and accumulated impairment losses. The cost of investment properties comprises its purchase price and any directly attributable expenditure. 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.

Once the construction is completed, depreciation is calculated using the straight-line method to allocate depreciable amounts over their estimated useful lives. The estimated useful lives are as follows:

Leasehold land	Over the remaining lease terms
Buildings	Shorter of 50 years or over the lease terms

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 consolidated 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 gains — 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 gains — 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

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.

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 other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

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 22 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 and considers whether it is probable that a taxation authority will accept an uncertain tax treatment. The Group measures its tax balances either based on the most likely amount or the expected value, depending on which method provides a better prediction of the resolution of the uncertainty.

(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 made based on a percentage of the employees' basic salaries and are recognised as employee benefit expenses when they are due and/or reduced by contributions forfeited by employees who leave the plans prior to vesting fully in the Group's contributions. 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 2020										
Non-derivative financial assets										
Financial assets at fair value through other comprehensive income	–	6,907	–	–	–	–	–	–	–	6,907
Cash and cash equivalents	376,411	737,134	495	26,020	315	5,016	4,106	24,434	45	1,173,976
Pledged bank deposits	–	22,824	189,360	–	–	–	–	26	–	212,210
Financial assets at fair value through profit or loss	133,858	261,812	–	36,965	–	–	–	–	–	432,635
Trade and other receivables excluding non-financial assets	676,678	2,004,647	1,880	52,339	10,659	20,089	22,117	177,068	–	2,965,477
	1,186,947	3,033,324	191,735	115,324	10,974	25,105	26,223	201,528	45	4,791,205
Non-derivative financial liabilities										
Trade and other payables excluding non-financial liabilities	192,659	1,550,029	1,664	43,957	3,271	3,377	17,836	181,624	–	1,994,417
Borrowings	1,763,984	4,111,078	177,525	316,850	–	–	2,010	–	–	6,371,447
	1,956,643	5,661,107	179,189	360,807	3,271	3,377	19,846	181,624	–	8,365,864
Net non-derivative financial (liabilities)/assets	(769,696)	(2,627,783)	12,546	(245,483)	7,703	21,728	6,377	19,904	45	(3,574,659)
Currency exposure of non-derivative financial (liabilities)/assets net of those denominated in the functional currencies of the respective group entities	(343,854)	20,147	12,546	(245,483)	7,703	21,728	6,227	19,479	45	(501,462)

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 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)

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	
	2020	2019
	HK$'000	HK$'000
HK$ against SGD *(Note)*		
— Strengthened	**(14,270)**	(9,086)
— Weakened	**14,270**	9,086
US$ against SGD *(Note)*		
— Strengthened	**(10,188)**	(13,870)
— Weakened	**10,188**	13,870

Note:

As at 31 December 2020, the Group has certain foreign currency forward contracts in respect of SGD against HK$ with total notional principal amount of HK$209,000,000 and certain foreign currency forward contracts in respect of SGD against US$ with total notional principal amount of US$40,500,000. If HK$ and US$ fluctuate against SGD by 5% respectively, these contracts would reduce the effect on profit after income tax by HK$8,674,000 and HK$13,030,000 respectively.

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

	2020	2019
	HK$'000	HK$000
Net foreign exchange losses included in other gains-net *(Note 8)*	**(9,518)**	(1,612)
Exchange gains on foreign currency borrowing included in finance costs-net *(Note 11)*	**35,144**	5,235
Total net foreign exchange gains recognised in profit before income tax for the year	**25,626**	3,623

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 2020, 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$21,176,000 (2019: HK$21,055,000) 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 (2019: two) debtors that individually represented 12%–16% (2019: 18%–20%) of such total trade receivables as at 31 December 2020.

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 2020						
Trade and other payables excluding non-financial liabilities	–	1,994,417	–	–	–	1,994,417
Borrowings	1,130,332	718,674	993,110	3,876,297	5,104	6,723,517
Lease liabilities	–	27,022	20,675	12,159	24,467	84,323
Derivative financial instruments	–	6,400	8,917	–	–	15,317
	1,130,332	2,746,513	1,022,702	3,888,456	29,571	8,817,574

	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
	3,264,601	2,713,935	403,549	3,217,280	36,486	9,635,851

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 and lease liabilities 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:

	2020 **HK$'000**	2019 HK$'000
Net debt	**5,068,814**	5,760,934
Total equity	**3,593,301**	3,440,408
Total capital	**8,662,115**	9,201,342
Net debt to total capital ratio	**59%**	63%

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 2020 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 2020				
Assets				
Financial assets at fair value through other comprehensive income	–	–	6,907	6,907
Financial assets at fair value through profit or loss				
— Unlisted investment funds	–	–	432,635	432,635
Liabilities				
Derivative financial instruments:				
— Foreign exchange forward contracts	–	15,317	–	15,317

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 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

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 2020 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 24. These investments are classified as Level 3.

Financial assets at fair value through profit or loss held by the Group as at 31 December 2020 are investment funds established for property development project in Singapore and investment in healthcare and biotechnology related business 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:

	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 2019	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
Addition	1,375	112,193
Fair value changes recognised in profit or loss	–	61,896
Fair value changes recognised in other comprehensive income	(4,448)	–
Exchange difference	(11)	(886)
31 December 2020	6,907	432,635

During the year ended 31 December 2020, 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$105,000 (2019: HK$109,000) higher/lower. Should the discount rate be increased/decreased by 1%, other comprehensive income would have been HK$11,000 (2019: HK$14,000) 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$5,044,000 (2019: HK$6,981,000) 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 2020				
Assets as per consolidated statement of financial position				
Financial assets at fair value through other comprehensive income	–	–	6,907	6,907
Financial assets at fair value through profit or loss	–	432,635	–	432,635
Trade and other receivables excluding non-financial assets	2,965,477	–	–	2,965,477
Pledged bank deposits	212,210	–	–	212,210
Cash and cash equivalents	1,173,976	–	–	1,173,976
Total	4,351,663	432,635	6,907	4,791,205

	Derivatives financial instruments HK$'000	Other financial liabilities at amortised cost HK$'000	Lease liabilities HK$'000	Total HK$'000
At 31 December 2020				
Liabilities as per consolidated statement of financial position				
Derivative financial instruments	15,317	–	–	15,317
Trade and other payables excluding non-financial liabilities	–	1,994,417	–	1,994,417
Borrowings	–	6,371,447	–	6,371,447
Lease liabilities	–	–	83,553	83,553
Total	15,317	8,365,864	83,553	8,464,734

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 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)

(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

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.

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) Revenue recognition for sales of development properties

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.

(c) 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.

(d) 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.

4 CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS AND JUDGMENTS (CONTINUED)

(e) 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.

(f) 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 2020, the Group recognised such deferred income tax assets amounting to approximately HK$47,369,000 (2019: HK$24,216,000) 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 2019. 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.

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.

5 SEGMENT INFORMATION (CONTINUED)

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 2020					
Sales					
Sales to external parties	1,323,257	–	2,781,246	1,024,394	5,128,897
Inter-segment sales	–	–	30,220	201	30,421
Total segment sales	1,323,257	–	2,811,466	1,024,595	5,159,318
Adjusted segment profit/(loss)	7,038	(49)	(25,639)	186,821	168,171
Depreciation of right-of-use assets	5,097	–	22,935	2,898	30,930
Depreciation of owned assets	60,050	–	11,116	220	71,386
Depreciation of investment properties	–	–	–	6,232	6,232
Amortisation	–	–	5,129	569	5,698
Share-based payment expenses	637	–	944	108	1,689

	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)

During the year ended 31 December 2020, revenue of approximately HK$1,111,356,000 (2019: HK$1,681,770,000) representing 22% (2019: 21%) of the Group's total revenue was derived from a single external customer within the "Construction — Singapore and Southeast Asia" (2019: Construction — Singapore and Southeast Asia) segment.

The following tables present segment assets and liabilities as at 31 December 2020 and 2019 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 2020					
Segment assets	1,000,813	669,444	3,780,267	8,118,272	13,568,796
Segment liabilities	590,232	648,535	2,705,399	7,290,394	11,234,560
Segment assets include:					
Additions to right-of-use assets	2,006	–	29,644	1,763	33,413
Additions to property, plant and equipment	38,122	–	15,587	468	54,177
Additions to investment properties	–	–	–	7,871	7,871
Investments in associated companies	–	–	80,597	–	80,597
Investments in joint ventures	–	–	–	–	–

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 2019					
Segment assets	971,789	644,631	3,548,908	8,432,040	13,597,368
Segment liabilities	560,397	649,987	2,640,058	7,243,315	11,093,757
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

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

	2020 HK$'000	2019 HK$'000
Adjusted segment profit for reportable segments	**168,171**	476,178
Unallocated expenses	**(20,098)**	(29,655)
Elimination	**(38,458)**	(95,390)
Finance income	**61,462**	56,957
Finance costs	**(152,611)**	(111,668)
Share of net profit/(losses) of associated companies	**227,646**	(7,497)
Share of net (losses)/profits of joint ventures	**(37,198)**	30,283
Profit before income tax	**208,914**	319,208

5 SEGMENT INFORMATION (CONTINUED)

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

	2020 HK$'000	2019 HK$'000
Segment assets	13,568,796	13,597,368
Unallocated	4,189,810	3,172,198
Elimination	(4,924,050)	(3,831,115)
Total assets	12,834,556	12,938,451

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

	2020 HK$'000	2019 HK$'000
Segment liabilities	11,234,560	11,093,757
Unallocated	2,930,745	2,238,540
Elimination	(4,924,050)	(3,834,254)
Total liabilities	9,241,255	9,498,043

(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:

	2020 HK$'000	2019 HK$'000
Contract assets related to sale of properties	474,573	1,349,127
Contract assets related to construction contracts	262,302	155,734
Total contract assets	736,875	1,504,861

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

	2020 HK$'000	2019 HK$'000
Revenue recognised that was included in contract liabilities balance at the beginning of the year		
Sale of properties	54,277	63,118

(ii) Unsatisfied contracts related to sale of properties

	31 December 2020 HK$'000	31 December 2019 HK$'000
Revenue expected to be recognised within one year	440,056	54,277
Revenue expected to be recognised after one year	–	–
Total transaction price allocated to unsatisfied contract	440,056	54,277

6 REVENUE

	2020 HK$'000	2019 HK$'000
Construction contracts income	**4,097,999**	4,006,143
Sales of development properties	**1,012,942**	3,836,776
Sales of goods	**6,077**	19,673
Income from loaning labour to other contractors	**4,866**	9,348
Rental of equipment	**6,556**	211
Service income	**457**	1,224
	5,128,897	7,873,375
Revenues from contracts with customers		
— recognised at a point in time	**403,967**	3,004,298
— recognised over time	**4,718,374**	4,868,866
	5,122,341	7,873,164
Revenue from other sources		
— rental of equipment	**6,556**	211
	5,128,897	7,873,375

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

	2020 HK$'000	2019 HK$'000
Singapore	**3,245,163**	6,251,673
Hong Kong	**1,317,854**	923,503
Macau	**5,403**	12,202
Southeast Asia	**560,477**	685,997
	5,128,897	7,873,375

7 OTHER INCOME

	2020 HK$'000	2019 HK$'000
Dividend income from financial assets at fair value through other comprehensive income	**1,351**	8,692
Forfeited customer deposits	**4,307**	5,743
Government grants *(Note)*	**116,353**	1,717
Management fee income	**16,459**	14,066
Rental income from temporary staff quarters	**1,450**	1,171
Scrap sales	**6,540**	4,511
Sundry income	**7,936**	1,685
	154,396	37,585

Note:

Government grants primarily represent subsidies granted by local governments against the COVID-19 pandemic. These subsidies were granted in the form of cash payment. There were no unfulfilled condition and other contingencies attached to the receipts of those subsidies.

8 OTHER GAINS — NET

	2020 HK$'000	2019 HK$'000
Gains/(losses) on disposals of property, plant and equipment	**90**	(1,129)
Foreign exchange forward contracts		
— fair value (losses)/gains	**(12,225)**	1,345
— losses on settlement, net	**(651)**	(2,269)
Provision for foreseeable losses on certain construction contracts	**(26,085)**	(11,205)
Fair value gains on financial assets at fair value through profit and loss	**61,896**	35,139
Gain on deemed disposal of previously owned interest in an associated company	**–**	168,671
Gain on disposal of equity interests in then subsidiary	**16,471**	–
Gain on disposal of right of use assets	**18**	465
Exchange difference	**(9,518)**	(1,612)
Others	**(4,326)**	(4,230)
Other gains — net	**25,670**	185,175

9 EXPENSES BY NATURE

	2020 HK$'000	2019 HK$'000
Contractor and material costs included in "Cost of sales"	**3,495,274**	3,340,055
Property development costs included in "Cost of sales"	**727,638**	3,438,214
Sales commissions	**30,302**	74,317
Show flat costs	**24,956**	4,249
Marketing expenses	**18,843**	13,256
Travel and entertainment expenses	**3,882**	10,101
Depreciation of owned assets *(Note 17)*	**71,386**	73,508
Depreciation of investment properties *(Note 18)*	**6,232**	–
Depreciation of right-of-use assets *(Note 17)*	**30,930**	27,630
Amortisation of intangible assets *(Note 20)*	**5,698**	5,902
Auditors' remuneration		
— audit and audit related services	**7,190**	7,431
— non-audit services	**215**	888
Staff costs, including directors' emoluments *(Note 10)*	**599,065**	637,423
Rental expenses on operating leases	**123,836**	56,815
Other legal and professional fees	**18,480**	18,843
Other expenses	**35,421**	36,370
Total cost of sales, selling and marketing expenses, general and administrative expenses	**5,199,348**	7,745,002

10 EMPLOYEE BENEFIT EXPENSES

	2020 **HK$'000**	2019 HK$'000
Directors' fees, employees' salaries, wages and allowances	**540,264**	538,477
Performance bonuses	**17,988**	42,180
Employers' contributions to defined contribution plans *(Note)*	**25,541**	28,740
Share-based payment expenses *(Note 33)*	**1,689**	8,433
Other staff benefits	**13,583**	19,593
	599,065	637,423

Note: The amount represents contributions paid and payable by the Group to the schemes without any forfeited contributions (2019: nil).

Five highest paid individuals

During the year, the five individuals whose emoluments were the highest in the Group include 3 directors (2019: 2), whose emoluments are reflected in the analysis shown in Note 39. The emoluments payable to the remaining individuals during the years ended 31 December 2020 and 2019 were as follows:

	2020 **HK$'000**	2019 HK$'000
Salaries, wages and allowances	**4,650**	6,787
Performance bonuses	**1,911**	4,017
Employers' contributions to defined contribution plans	**18**	86
Share-based payment expenses	**105**	640
Other staff benefits	**–**	199
	6,684	11,729

The emoluments of the individuals fell within the following bands:

	Number of individuals 2020	Number of individuals 2019
Emolument bands (in HK$)		
HK$3,000,001–HK$3,500,000	**2**	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	**–**	–
HK$8,000,001–HK$8,500,000	**–**	–

11 FINANCE COSTS — NET

	2020 HK$'000	2019 HK$'000
Finance income		
Interest income from bank deposits	9,688	10,969
Interest income from loans to associated companies	47,713	43,785
Interest income from loans to other related parties	1,216	767
Others	2,845	1,436
	61,462	56,957
Finance costs		
Interest expenses on lease liabilities	(2,623)	(2,836)
Interest expenses on bank borrowings and arrangement fee amortised in respect of bank facilities	(152,881)	(187,861)
Interest expenses on medium term notes	(26,257)	(28,849)
Interest expenses on loans from non-controlling interests of subsidiaries	(39,411)	(34,986)
Others	(614)	–
	(221,786)	(254,532)
Less: Interest expenses capitalised	34,031	137,629
	(187,755)	(116,903)
Net foreign exchange gains	35,144	5,235
	(152,611)	(111,668)
Finance costs — net	(91,149)	(54,711)

12 SUBSIDIARIES

The following is a list of the principal subsidiaries as at 31 December 2020:

Name of companies	Principal activities	Country of operation/ incorporation	Particulars of share capital	Effective interest held as at 31 December 2020	Effective interest held as at 31 December 2019
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 LIMITED	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%
CNQC Intelligent Construction (HK) Limited	Modular integrated construction	Hong Kong	HK$100	67%	67%
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%
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%

12 SUBSIDIARIES (CONTINUED)

Name of companies	Principal activities	Country of operation/ incorporation	Particulars of share capital	Effective interest held as at 31 December 2020	Effective interest held as at 31 December 2019
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%**	100%
Qingjian Realty (Chao Chu Kong) Pte. Ltd.	Property development	Singapore	SGD100,000	**51%**	51%

Material non-controlling interests

The total non-controlling interests as at 31 December 2020 represent net aggregate non-controlling interests of HK$188,460,000 (2019: HK$210,559,000), of which non-controlling interests of HK$130,734,000 (2019: HK$89,922,000) and non-controlling interest of HK$50,070,000 (2019: HK$3,273,000) were attributable to Qingjian Realty (BBR) Pte. Ltd. and Qingjian Perennial (Bukit Timah) Pte. Ltd. respectively. The directors are of the opinion that other non-controlling interests are not material to the Group as at 31 December 2020.

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 Perennial (Bukit Timah) Pte Ltd	
	2020 HK$'000	2019 HK$'000	**2020 HK$'000**	2019 HK$'000
Current				
Assets	**1,019,168**	1,822,879	**4,051,198**	3,770,610
Liabilities	**(438,360)**	(950,855)	**(519,618)**	(65,080)
Total current net assets	**580,808**	872,024	**3,531,580**	3,705,530
Non-current				
Assets	**–**	–	**24,277**	6,098
Liabilities	**(96,609)**	(538,981)	**(3,658,040)**	(3,704,948)
Total non-current net liabilities	**(96,609)**	(538,981)	**(3,633,763)**	(3,698,850)
Net assets/(liabilities)	**484,199**	333,043	**(102,183)**	6,680

12 SUBSIDIARIES (CONTINUED)

Summarised statement of comprehensive income

	Qingjian Realty (BBR) Pte. Ltd.		Qingjian Perennial (Bukit Timah) Pte Ltd	
	2020 HK$'000	2019 HK$'000	**2020 HK$'000**	2019 HK$'000
Revenue	**838,077**	1,292,964	**88,332**	–
Profit/(loss) before income tax	**173,876**	256,910	**(124,232)**	(6,193)
Income tax (credit)/expense	**(30,202)**	(43,674)	**18,687**	915
Post-tax profit/(loss) from continuing operations	**143,674**	213,236	**(105,545)**	(5,278)
Other comprehensive income	**7,482**	(1,390)	**(3,318)**	(8,478)
Total comprehensive income/(loss)	**151,156**	211,846	**(108,863)**	(13,756)
Total comprehensive income/(loss) allocated to non-controlling interests	**40,812**	57,198	**(53,343)**	(6,740)
Dividends paid to non-controlling interests	**–**	–	**–**	–

Summarised statement of cash flows

	Qingjian Realty (BBR) Pte. Ltd.		Qingjian Perennial (Bukit Timah) Pte Ltd	
	2020 HK$'000	2019 HK$'000	**2020 HK$'000**	2019 HK$'000
Cash flows from operating activities				
Cash generated from/(used in) operations	**1,042,523**	57,285	**272,038**	(3,344,702)
Interest paid	**–**	(29,156)	**(58,851)**	(41,641)
Income tax (paid)/refunded	**–**	–	**–**	–
Net cash generated from/(used in) operating activities	**1,042,523**	28,129	**213,187**	(3,386,343)
Net cash used in investing activities	**–**	–	**–**	–
Net cash used in financing activities	**(909,398)**	(45,587)	**(89,724)**	3,372,682
Net increase/(decrease) in cash and cash equivalents	**133,125**	(17,458)	**123,463**	(13,661)
Cash, cash equivalents and bank overdrafts at beginning of year	**26,218**	43,530	**6,849**	20,458
Exchange gains on cash and cash equivalents	**4,485**	146	**4,009**	52
Cash and cash equivalents at end of year	**163,828**	26,218	**134,321**	6,849

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

13 INVESTMENTS IN ASSOCIATED COMPANIES

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

	2020 HK$'000	2019 HK$'000
At 1 January	2,899	25,523
Additions	80,597	–
Deemed disposal of previously owned interest in an associated company	–	(22,727)
Share of net profits of associated companies recognised in investments in associated companies	224,037	2,580
Dividends received	–	(2,526)
Exchange difference	9,924	49
At 31 December	317,457	2,899

The amounts recognised in profit or loss are as follows:

	2020 HK$'000	2019 HK$'000
Share of results of associated companies	224,037	2,580
Unrealised gains on downstream transactions with associated companies	(23,403)	(12,025)
Realised gains on downstream transactions with associated companies	27,012	1,948
Share of net gains/(losses) of associated companies recognised in profit or loss	227,646	(7,497)
Deferred unrealised gains on downstream transactions with associated companies *(Note)*	23,403	12,025
Realisation of deferred gains previously recognised	(27,012)	(1,948)
Share of net (losses)/profits of associated companies recognised in investments in associated companies	224,037	2,580

Note:

As at 31 December 2020, deferred unrealised gains on downstream transactions with associated companies of HK$23,403,000 (2019: HK$12,025,000) was recognised in "Trade and other payables" (Note 31).

13 INVESTMENTS IN ASSOCIATED COMPANIES (CONTINUED)

The particulars of the Group's associated companies as at 31 December 2020 are as follows:

Name of companies	Principal activities	Country of operation/ incorporation	Particulars of share capital	Effective interest held as at 31 December 2020	Effective interest held as at 31 December 2019
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%
Shandong Taixun Prefabricated Building Technology Co., Ltd.*	Prefabricated Prefinished Volumetric Construction	China	RMB15,000,000	**47%**	–
Jubliant Castle Limited	Investment holding	The British Virgin Islands	USD1,000	**5%**	–

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 Group directly holds 5% equity interests of Jubliant Castle Limited, which holds 100% equity interests in Wealth Honour Limited. The principal activity of Wealth Honour Limited is property development in Hong Kong.

The material contingent liabilities or financial commitments relating to the Group's interests in associated companies as at 31 December 2020 and 2019 were disclosed in Note 35.

13 INVESTMENTS IN ASSOCIATED COMPANIES (CONTINUED)

Summarised financial information for associates

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

	QJR SF		QJR Marymount	
	2020 HK$'000	2019 HK$'000	**2020 HK$'000**	2019 HK$'000
Current assets				
Cash and cash equivalents	**249,239**	94,565	**249,182**	94,508
Other current assets	**6,043,002**	5,855,102	**6,043,002**	5,855,103
Total current assets	**6,292,241**	5,949,667	**6,292,184**	5,949,611
Non-current assets	**48,525**	25,927	**26,458**	25,927
Current liabilities				
Financial liabilities (excluding trade payables)	**(498,582)**	(3,679,123)	**(476,302)**	(3,682,298)
Other current liabilities	**(157,896)**	(460,198)	**(157,896)**	(434,921)
Total current liabilities	**(656,478)**	(4,139,321)	**(634,198)**	(4,117,219)
Non-current liabilities				
Financial liabilities (excluding trade payables)	**(5,169,291)**	(1,946,452)	**(5,169,291)**	(1,946,452)
Total non-current liabilities	**(5,169,291)**	(1,946,452)	**(5,169,291)**	(1,946,452)
Net assets/(liabilities)	**514,997**	(110,179)	**515,153**	(88,133)
Net assets/(liabilities) attributable to equity owners	**514,997**	(110,179)	**515,153**	(88,133)
Direct equity interest held	**42.11%**	42.11%	**45%**	45%
Share of interest held by Group	**216,865**	nil	**231,819**	nil

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 were no overall financial impact on the consolidated income statement from the investment. As at 31 December 2019, the unrecognised share of loss of the interest in QJR SF and QJR Marymount was approximate HK$100,481,000 and HK$100,313,000, respectively. There are no significant contingent liabilities and capital commitments relating to the Group's interests in associates as at 31 December 2020 and 2019 and the associates do not have any significant contingent liabilities and capital commitments as at 31 December 2020 and 2019.

13 INVESTMENTS IN ASSOCIATED COMPANIES (CONTINUED)

Summarised financial information for associates (Continued)

	QJR SF		QJR Marymount	
	Year ended 31 December 2020 HK$'000	Year ended 31 December 2019 HK$'000	**Year ended 31 December 2020 HK$'000**	Year ended 31 December 2019 HK$'000
Reconciliation to carrying amounts of the Group's interests in associated companies:				
Opening net assets	**(110,179)**	(31,447)	**(88,133)**	(10,065)
Change in accounting policies for interest capitalisation	**–**	(74,512)	**–**	(74,512)
Capital injection	**–**	–	**–**	–
Profit/(loss) for the year	**585,333**	(3,616)	**585,326**	(3,556)
Other comprehensive income/(loss)	**39,843**	(604)	**17,960**	–
Dividends paid	**–**	–	**–**	–
Closing net assets/(liabilities)	**514,997**	(110,179)	**515,153**	(88,133)
Interests in associates	**216,865**	–	**231,819**	–
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	**216,865**	–	**231,819**	–
Revenue	**3,605,963**	1,059,068	**3,605,963**	1,059,068
Profit/(loss) after tax	**585,333**	(3,616)	**585,326**	(3,556)
Other comprehensive income/(loss)	**39,843**	(604)	**17,960**	–
Total comprehensive income/(loss)	**625,176**	(4,220)	**603,286**	(3,556)
Profit/(loss) after tax attributable to the equity owners	**585,333**	(3,616)	**585,326**	(3,556)
Other comprehensive income/(loss) attributable to the equity owners	**39,843**	(604)	**17,960**	–
Total comprehensive income/(loss) attributable to the equity owners	**625,176**	(4,220)	**603,286**	(3,556)
Dividend received from associated companies	**–**	–	**–**	–

14 INVESTMENTS IN JOINT VENTURES

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

	2020 HK$'000	2019 HK$'000
At 1 January	30,092	13,049
Share of (losses)/profits of joint ventures recognised in investment in joint ventures	(37,229)	31,337
Dividends received	–	(14,391)
Exchange difference	(952)	97
At 31 December	(8,089)	30,092

The consolidated statement of financial position shows the following amounts relating to investments in joint ventures:

	As at 31 December 2020 HK$'000	As at 31 December 2019 HK$'000
Investments in joint ventures	–	30,092
Provision for financial guarantees to a joint venture *(Note 31)*	(8,089)	–
	(8,089)	30,092

The amounts recognised in profit or loss are as follows:

	2020 HK$'000	2019 HK$'000
Share of results of joint ventures recognised in profit or loss	(37,198)	30,283
Deferred gains recognised with joint ventures	(31)	1,054
Share of (losses)/profits of joint ventures recognised in investment in joint ventures	(37,229)	31,337

Note:

As at 31 December 2020, deferred gains recognised with joint ventures of HK$31,000 (2019: HK$1,054,000) was recognised in "Trade and other payables" (Note 31).

14 INVESTMENTS IN JOINT VENTURES (CONTINUED)

The particulars of the Group's investments in joint ventures as at 31 December 2020 and 2019 are as follows:

Name of companies	Principal activities	Country of operation/ Incorporation	Measurement method	Effective interest held as at 31 December 2020	Effective interest held as at 31 December 2019
BUT Qingjian International (South Pacific) Group Development Co., Pte. Ltd — PT. Nusa Konstruksi Enjinring Tbk., Joint Operation	Building construction	Indonesia	Equity	**60%**	60%
CNQC-MTRA JO (Dalam Pailit)	Construction	Indonesia	Equity	**55%**	55%
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 2020 (2019: same).

There were no material contingent liabilities and financial commitments relating to the Group's interests in joint ventures as at 31 December 2020 (2019: Nil).

15 INCOME TAX EXPENSE

Hong Kong profits tax, Macau profits tax, Singapore income tax, Malaysia income tax, Indonesia income tax, Cambodia income tax and Vietnam income tax have been provided for at the rate of 16.5%, 12%, 17%, 24%, 25%, 20% and 20% respectively for the years ended 31 December 2020 and 2019 on the estimated assessable profit in the respective jurisdictions, adjusted for those items which are not assessable or deductible for income tax purpose.

	2020 HK$'000	2019 HK$'000
Current income tax		
— Hong Kong profits tax	–	1,382
— Macau profits tax	47	–
— Singapore income tax	103,179	75,248
— Malaysia income tax	2,594	2,686
— Indonesia income tax	–	4,701
— Cambodia income tax	159	1,074
— Vietnam income tax	173	–
Under/(over)-provision in prior years		
— Hong Kong profits tax	(268)	(185)
— Macau profits tax	–	4,147
— Singapore income tax	(5,113)	12,286
— Malaysia income tax	589	(1,193)
— Indonesia income tax	(4,608)	100
— Cambodia income tax	(448)	–
Total current income tax	96,304	100,246
Deferred income tax *(Note 23)*	(81,547)	(24,305)
Income tax expense	14,757	75,941

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:

	2020 HK$'000	2019 HK$'000
Profit before income tax	208,914	319,208
Tax calculated at domestic tax rates applicable to profits in the respective countries	35,513	53,856
Effects of:		
— Associates' and joint ventures' results reported net of tax	(28,839)	(596)
— Statutory stepped income exemption in Singapore	(935)	(672)
— Two-tier tax benefit in Hong Kong	–	(165)
— Income exempted under partial tax rebate scheme in Singapore	–	(589)
— Income not subject to tax	(30,218)	(34,967)
— Expenses not deductible for tax purposes	23,712	24,929
— Utilisation of tax loss previously not recognised	(329)	(5,110)
— Tax losses and other temporary difference not recognised	25,701	24,100
— (Over)/under-provision in prior years	(9,848)	15,155
Income tax expense	14,757	75,941

15 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 2020, the Company has unrecognised tax losses to be carried forward against future taxable income amounting to approximate HK$300,142,000 (2019: HK$208,310,000). The potential deferred income tax assets in respect of the unrecognised tax losses amounted to approximate HK$52,473,000 (2019: HK$35,305,000). Tax losses amounting to approximate HK$2,518,000 (2019: HK$1,315,000) will expire within 3 years from 31 December 2020. The remaining tax losses have no expiry date.

16 EARNINGS PER SHARE

Basic

	2020 HK$'000	2019 HK$'000
Profit attributable to ordinary shares	**201,454**	218,627
Profit attributable to convertible preference shares ("**CPS**")	**16,603**	20,215
Profit attributable to owners of the Company	**218,057**	238,842

	2020		2019	
	Ordinary shares	**CPS**	Ordinary shares	CPS
Weighted average number of issued shares for the purpose of calculating basic earnings per share (in thousands)	**1,518,320**	**124,876**	1,504,373	138,837
Basic earnings per share (HK$)	**0.133**	**0.133**	0.145	0.145

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

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

16 EARNINGS PER SHARE (CONTINUED)

Diluted

	2020		2019	
	Ordinary shares	**CPS**	Ordinary shares	CPS
Weighted average number of issued shares for the purpose of calculating basic earnings per share (in thousands)	**1,518,320**	**124,876**	1,504,373	138,837
Adjustments for outstanding share options (in thousands)	**–**	**–**	–	–
	1,518,320	**124,876**	1,504,373	138,837
Diluted earnings per share (HK$)	**0.133**	**0.133**	0.145	0.145

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. For the year ended 31 December 2020 and 2019, the calculation of diluted earnings per share does not assume the exercise of the share options issued by the Company as they would have anti-dilutive impact to the basic earnings per share.

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

	Leasehold land and buildings HK$'000	Leasehold improvements HK$'000	Plant and Machinery HK$'000	Office equipment, Furniture & Fixtures HK$'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	54,439	17,044	693,829	–
Accumulated Depreciation	(17,770)	(16,191)	(274,863)	(40,716)	(12,808)	(362,348)	–
Net book value	97,443	3,901	212,178	13,723	4,236	331,481	–
Year ended 31 December 2019							
Opening net book amount	97,443	3,901	212,178	13,723	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)	(6,229)	(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

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

	Leasehold land and buildings HK$'000	Leasehold improvements HK$'000	Plant and Machinery HK$'000	Office equipment, Furniture & Fixtures HK$'000	Motor vehicles HK$'000	Construction in progress HK$'000	Property, plant and equipment total HK$'000	Right-of-use assets HK$'000
At 31 December 2019 and 1 January 2020								
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
Year ended 31 December 2020								
Opening net book amount	309,441	9,995	196,467	8,947	3,549	–	528,399	80,094
Addition	14,523	42	36,170	768	1,627	1,047	54,177	33,413
Written off	–	–	–	–	–	–	–	–
Disposal	–	–	(587)	(88)	–	–	(675)	(687)
Early termination	–	–	–	–	–	–	–	–
Exchange Difference	1,113	4	321	12	36	33	1,519	626
Depreciation	(12,472)	(1,287)	(53,116)	(2,976)	(1,535)	–	(71,386)	(30,930)
Closing net book amount	312,605	8,754	179,255	6,663	3,677	1,080	512,034	82,516
Year ended 31 December 2020								
Cost	349,863	30,852	548,149	51,464	14,256	1,080	995,664	171,654
Accumulated Depreciation	(37,258)	(22,098)	(368,894)	(44,801)	(10,579)	–	(483,630)	(89,138)
Net book value	312,605	8,754	179,255	6,663	3,677	1,080	512,034	82,516

Note:

During the year ended 31 December 2020, there was no development properties for sale transferred to property, plant and equipment (2019: HK$nil).

(a) Depreciation expense of property, plant and equipment of HK$54,827,000 (2019: HK$59,012,000) and HK$16,559,000 (2019: HK$14,496,000) has been charged in "cost of sales" and "general and administrative expenses" respectively.

(b) As at 31 December 2020, the Group's leasehold land and buildings with an aggregate net book value of HK$256,408,000 (2019: HK$265,127,000) were pledged as securities for bank borrowings (Note 30(c)).

(c) For the year ended 31 December 2020, rental income amounting to HK$6,556,000 (2019: HK$211,000) relating to the lease of machinery is included in profit or loss (Note 6).

17(a) LEASES

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

(i) Amounts recognised in the consolidated statement of financial position

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

	2020 HK$'000	2019 HK$'000
Right-of-use assets		
Leasehold land	1,836	2,971
Properties	52,369	51,496
Machineries	27,344	22,955
Vehicles	967	2,672
	82,516	80,094
Lease liabilities		
Current	26,419	23,804
Non-current	57,134	58,988
	83,553	82,792

Additions to the right-of-use assets during the year ended 31 December 2020 were HK$33,413,000 (2019: HK$57,867,000).

17(a) LEASES (CONTINUED)

(ii) Amounts recognised in the consolidated statement of comprehensive income

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

	Notes	2020 HK$'000	2019 HK$'000
Depreciation charge of right-of-use assets			
Leasehold land		1,123	243
Properties		23,042	15,515
Machineries		6,115	11,356
Vehicles		650	516
	9	30,930	27,630
Interest expense (included in finance costs — net)	*11*	2,623	2,836
Expense relating to short-term leases (included in cost of goods sold and administrative expenses)	*9*	123,836	56,815

The total cash outflow for leases during the year ended 31 December 2020 was HK$159,819,000 (2019: HK$91,874,000).

18 INVESTMENT PROPERTIES

	Investment properties under development HK$'000	Completed investment properties HK$'000	Total HK$'000
Cost			
At 1 January 2019	561,012	–	561,012
Additions	49,927	–	49,927
Exchange differences	2,693	–	2,693
At 31 December 2019	613,632	–	613,632
Additions	7,871	–	7,871
Transfer upon completion	(621,503)	621,503	–
Exchange differences	–	5,570	5,570
At 31 December 2020	–	627,073	627,073
Accumulated depreciation			
At 1 January 2019 and 31 December 2019	–	–	–
Depreciation	–	(6,232)	(6,232)
Exchange differences	–	(199)	(199)
At 31 December 2020	–	(6,431)	(6,431)
Net book value			
At 1 January 2019	561,012	–	561,012
At 31 December 2019	613,632	–	613,632
At 31 December 2020	–	620,642	620,642

The Group's investment properties as at 31 December 2020 were valued at HK$929,152,000 (2019: HK$781,841,000) 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 2019 and 2020, no investment properties were pledged as securities for certain bank loans of the Group.

19 GOODWILL

	Foundation and construction — Hong Kong and Macau *(Note (a))* HK$'000	Construction — Singapore and Southeast Asia (New Chic International Limited ("New Chic")) *(Note (b))* HK$'000	**Total** HK$'000
At 1 January 2019	282,933	280,394	563,327
Exchange differences	–	4,971	4,971
At 31 December 2019 and 1 January 2020	282,933	285,365	568,298
Exchange differences	–	2,387	2,387
At 31 December 2020	282,933	287,752	570,685

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

	2020	2019
Average growth rate *(Note (i))*	**10.0%**	11.8%
Terminal growth rate	**2.0%**	2.0%
Discount rate *(Note (ii))*	**15.0%**	15.0%

19 GOODWILL (CONTINUED)

Impairment test for goodwill (Continued)

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

	2020	2019
Average growth rate *(Note (i))*	3.4%	6.1%
Terminal growth rate	2.5%	2.5%
Discount rate *(Note (ii))*	10.4%	12.5%

Notes:

(i) Average growth rate used in the budget is for the five-year period ending 31 December 2025.

(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 2020.

20 OTHER INTANGIBLE ASSETS

	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 9)*	(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

20 OTHER INTANGIBLE ASSETS (CONTINUED)

	Construction license HK$'000	Computer software, license and club membership HK$'000	Total HK$'000
Year ended 31 December 2020			
Opening net book amount	32,080	554	32,634
Additions	–	186	186
Amortisation charge *(Note 9)*	(5,628)	(70)	(5,698)
Exchange difference	98	8	106
Closing net book amount	26,550	678	27,228
At 31 December 2020			
Cost	58,078	970	59,048
Accumulated amortisation	(31,528)	(292)	(31,820)
	26,550	678	27,228

Amortisation of HK$5,628,000 (2019: HK$5,836,000) was included in "Cost of sales" and HK$70,000 (2019: HK$66,000) was included in "General and administrative expenses".

21 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial assets at fair value through profit or loss are all held for capital appreciation and include the following:

	2020 **HK$'000**	2019 HK$'000
At 1 January	**259,432**	340,568
Additions	**112,193**	–
Disposal	**–**	(114,000)
Fair value gains recognised in profit or loss	**61,896**	35,139
Exchange differences	**(886)**	(2,275)
At 31 December	**432,635**	259,432

	2020 **HK$'000**	2019 HK$'000
Unlisted equity investment fund *(Note)*	**432,635**	259,432

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. The direct wholly-owned subsidiary of the Company also entered into the Subscription Agreement in relation to its capital commitment to the Fund (Note 36). During the year ended 31 December 2020, an additional investment of approximately HK$31,101,000 was made to the Fund.

On 21 May 2020, a direct wholly owned subsidiary of the Company entered into the a subscription agreement pursuant to which it agreed to subscribe for the limited partnership interests of Blissful Jade Medicine Fund LP (the "**Medicine Fund**"). The Medicine Fund is primarily engaged in the investment in healthcare and biotechnology related business. The fair value of the Group's investment in the Medicine Fund as at 31 December 2020 is determined based on the recent transaction price. As at 31 December 2020, the Group's investment in the Medicine Fund amounted to approximately HK$81,092,000 (2019: Nil).

As at 31 December 2020, the balance of financial assets at fair value through profit or loss represents the Group's investment in the Fund and the Medicine Fund.

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 gains — net" in the consolidated statement of comprehensive income.

22 TRADE AND OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS

	2020 HK$'000	2019 HK$'000
Current		
Trade receivables *(Note (b))*		
— An associated company	140,637	146,274
— Other related parties	19,527	–
— Third parties	691,695	594,609
	851,859	740,883
Retention receivables from customers for contract work *(Note (c))*		
— An associated company	247	–
— Other related parties	15,292	–
— Third parties	358,446	337,904
	373,985	337,904
Other receivables *(Note (d))*		
— Associated companies	238,758	173,850
— Joint venture	125,450	111,450
— Other related parties	22,525	890
— Third parties	138,528	141,409
Prepayments	182,896	144,248
Deposits	43,044	48,667
Staff advances	2,270	4,408
Goods and services tax receivable	7,471	5,215
Dividend receivable	20	864
	760,962	631,001
Loans receivables		
— An associated company *(Note (e))*	5,762	–
	1,992,568	1,709,788
Non-current		
Loans receivables		
— Associated companies *(Note (e))*	1,152,796	912,072
— Other related parties	10,221	10,133
Prepayments and other receivables	788	1,978
	1,163,805	924,183

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

Notes:

(a) The credit periods granted to customers were in general 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:

	2020 HK$'000	2019 HK$'000
1–30 days	712,156	615,701
31–60 days	54,739	74,104
61–90 days	18,030	12,760
Over 90 days	66,934	38,318
	851,859	740,883

(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$159,548,000 (2019: HK$42,555,100) are expected to be recovered in more than twelve months from 31 December 2020.

(d) Apart from the HK$40,000,000 other receivable due from a third party that was interest-bearing at a fixed rate of 3% per annum, the remaining 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 and Hong Kong. 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 ranging from 5% to 6% (2019: 5%) per annum as at 31 December 2020.

The carrying amounts of the Group's trade and other receivables (excluding prepayments) approximate their fair values. The Group did not hold any collateral as security for its trade and other receivables.

23 DEFERRED INCOME TAX (LIABILITIES)/ASSETS

Deferred income tax assets and liabilities are offset when there is a legal enforceable right to offset current income tax assets against current income tax liabilities and when the deferred income taxes related to the same fiscal authority. The amounts, determined after appropriate offsetting, are set out as follows:

	2020 **HK$'000**	2019 HK$'000
Deferred income tax assets		
— to be recovered within 12 months	**391**	669
— to be recovered after more than 12 months	**46,978**	23,547
	47,369	24,216

	2020 **HK$'000**	2019 HK$'000
Deferred income tax liabilities		
— to be settled within 12 months	**(5,880)**	(5,244)
— to be settled after more than 12 months	**(33,936)**	(95,018)
	(39,816)	(100,262)

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

	2020 **HK$'000**	2019 HK$'000
1 January	**(76,046)**	(22,706)
Additions from business combinations	**–**	(77,525)
Credited to profit or loss *(Note 15)*	**81,547**	24,305
Exchange difference	**2,052**	(120)
31 December	**7,553**	(76,046)

23 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 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)
Year ended 31 December 2020							
At 1 January 2020	**(23,454)**	**(12,200)**	**1,683**	**15,419**	**7,114**	**(64,608)**	**(76,046)**
Credited/(charged) to profit or loss	**2,639**	**(4,945)**	**871**	**21,083**	**270**	**61,629**	**81,547**
Exchange difference	**(335)**	**34**	**31**	**801**	**97**	**1,424**	**2,052**
At 31 December 2020	**(21,150)**	**(17,111)**	**2,585**	**37,303**	**7,481**	**(1,555)**	**7,553**

24 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2020 HK$'000	2019 HK$'000
At 1 January	**9,991**	8,914
Addition	**1,375**	–
Fair value change recognised in other comprehensive income	**(4,448)**	1,024
Exchange differences	**(11)**	53
At 31 December	**6,907**	9,991

	2020 HK$'000	2019 HK$'000
Unlisted equity investments	**6,907**	9,991

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 2020, 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 2020 as the expected dividends are within one year (2019: nil).

25 DERIVATIVE FINANCIAL INSTRUMENTS

	2020 HK$'000	2019 HK$'000
Liabilities		
Current portion:		
Foreign exchange forward contracts	**6,400**	1,855
Non-current portion:		
Foreign exchange forward contracts	**8,917**	–
Total	**15,317**	1,855

Notes:

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

	2020	2019
Foreign exchange forward contracts:		
— Notional principal amounts	**HK$552,966,000**	HK$115,800,000
— Maturities as at year end	**Range from 6 months to 24 months**	Range from 3 months to 12 months

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

(c) As at 31 December 2020, the derivative financial instruments were secured by pledged bank deposits of HK$16,436,000 (2019: HK$5,998,000 (Note 27)).

26 DEVELOPMENT PROPERTIES FOR SALE

	2020 HK$'000	2019 HK$'000
Properties in the course of development		
Leasehold land at cost	**4,569,945**	4,661,516
Development costs	**127,241**	319,756
Overheads expenditure capitalised	**18,393**	18,256
Interest expenses capitalised	**158,685**	162,867
	4,874,264	5,162,395

The capitalised interest rate applied to funds borrowed and used for the development of properties is between 1.6% and 5.0% per annum (2019: between 3.2% and 5.0% per annum).

As at 31 December 2020, development properties for sale with net carrying amounts of HK$4,842,716,000 (2019: HK$4,539,629,000) were pledged as securities for certain bank borrowings of the Group (Note 30(a)(i)).

27 CASH AND CASH EQUIVALENTS AND PLEDGED BANK DEPOSITS

(a) Cash and cash equivalents

	2020 HK$'000	2019 HK$'000
Cash at banks and on hand	**837,728**	1,123,794
Short term bank deposits	**57,086**	80,582
Maintenance fund accounts *(Note (a))*	**3,788**	3,488
Project accounts *(Note (b))*	**275,374**	63,335
	1,173,976	1,271,199

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.

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

(b) Pledged bank deposits

As at 31 December 2020, deposits of HK$189,360,000 (2019: HK$178,176,000) were held at banks as pledge for certain of the Group's bank facilities (Note 30(a)(ii)), deposits of HK$16,436,000 (2019: HK$5,998,000) was held at banks as pledge for the Group's derivative financial instruments (Note 25), deposit of HK$606,000 (2019: HK$2,699,000) was held at bank as pledge for the Group's banking facilities and deposit of HK$5,808,000 (2019: HK$12,233,000) was held at bank as pledge for the Group's performance guarantee. The carrying amounts of pledged bank deposits approximated their fair value.

28 SHARE CAPITAL

	Number of shares (thousands)	**Share capital** HK$'000	**Treasury Shares** HK$'000
Authorised:			
Ordinary shares			
At 1 January 2019, 31 December 2019 and 31 December 2020	6,000,000	60,000	–
CPS			
At 1 January 2019, 31 December 2019 and 31 December 2020 *(Note (a))*	1,000,000	10,000	–
Issued and fully paid:			
Ordinary shares			
At 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 and 31 December 2020	1,518,320	15,183	–
CPS			
At 1 January 2019	187,837	1,879	–
Conversion during the year	(62,961)	(630)	–
At 31 December 2019 and 31 December 2020	124,876	1,249	–

There were no repurchase of shares during the year ended 31 December 2019 and 2020.

28 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.

29 OTHER RESERVES

	Merger reserves HK$'000	Capital reserve HK$'000	Exchange reserve HK$'000	Financial assets at fair value through other comprehensive income reserve HK$'000	Share-based payment reserve HK$'000	Total HK$'000
Balance as at 1 January 2019	(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						
Employees' share-based compensation benefits *(Note 33)*	–	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)
Other comprehensive income/(loss)						
Currency translation differences	**–**	**–**	**25,422**	**–**	**–**	**25,422**
Fair value change on financial assets at fair value through other comprehensive income	**–**	**–**	**–**	**(4,448)**	**–**	**(4,448)**
Total comprehensive income/(loss)	**–**	**–**	**25,422**	**(4,448)**	**–**	**20,974**
Transactions with owners in their capacity as owners						
Employees' share-based compensation benefits *(Note 33)*	**–**	**1,229**	**–**	**–**	**460**	**1,689**
Total transactions with owners in their capacity as owners	**–**	**1,229**	**–**	**–**	**460**	**1,689**
Balance as at 31 December 2020	**(10,771)**	**(1,180,917)**	**66,933**	**(34,447)**	**32,100**	**(1,127,102)**

30 BORROWINGS

	2020 HK$'000	2019 HK$'000
Current		
Bank borrowings — secured *(Note (a))*	697,163	753,396
Bank borrowings — unsecured *(Note (b))*	1,548,397	1,799,552
Bank borrowings — mortgaged *(Note (c))*	83,516	20,672
Medium term notes *(Note (e))*	–	575,081
Loans from non-controlling interests of subsidiaries-unsecured *(Note (d))*	29,605	21,489
	2,358,681	3,170,190
Non-current		
Bank borrowings — secured *(Note (a))*	2,498,884	2,632,656
Bank borrowings — unsecured *(Note (b))*	714,756	436,726
Bank borrowings — mortgaged *(Note (c))*	8,106	80,333
Loans from non-controlling interests of subsidiaries-unsecured *(Note (d))*	791,020	828,542
	4,012,766	3,978,257
Total borrowings	6,371,447	7,148,447

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

	2020 HK$'000	2019 HK$'000
Within 1 year	1,730,499	3,170,190
Between 1 and 2 years	888,146	671,201
Between 2 and 5 years	3,703,906	3,246,421
Later than 5 years	48,896	60,635
Total	6,371,447	7,148,447

30 BORROWINGS (CONTINUED)

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

	Note	2020 HK$'000	2019 HK$'000
Secured by:			
Development properties for sale, investment properties and joint guarantee from directors of certain subsidiaries	*(i)*	2,710,884	2,716,041
Fixed bank deposits *(Note 27(b))*	*(ii)*	174,216	74,615
Interests in construction contracts and corporate guarantee from an intermediate holding company	*(iii)*	310,947	595,396
		3,196,047	3,386,052
Represented by:			
— Current portion		697,163	753,396
— Non-current portion		2,498,884	2,632,656

Notes:

(i) As at 31 December 2020, the amounts comprise land and development loans of HK$2,710,884,000 (2019: HK$2,716,041,000), and bore 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. (2019: 2% over the relevant bank's one month SGD COF and 1.65% above the HIBOR) per annum. The loans were secured by mortgages over the Group's development properties for sale (Note 26), investment properties (Note 18) and legal assignment of all rights, title and interests in the construction contracts, insurance policies, performance bonds (if any), tenancy agreements and sale and purchase agreements in respect of the development properties for sale and personal and joint guarantee of the directors of certain subsidiaries.

(ii) As at 31 December 2020, the bank borrowings were secured by a fixed deposit of RMB160,000,000 (approximately HK$189,360,000) (2019: RMB160,000,000 (approximately HK$178,176,000)), and bore interest at 1.15% over three months SIBOR (2019: 0.87% over one month SIBOR) calculated daily based on a 365-day year.

(iii) As at 31 December 2020, the bank borrowings bore interest rate of 3.5% (2019: 3.5%) and floating rate ranged from 1.6% over 6-months London Interbank Offered Rate ("LIBOR") per annum (2019: 1.6%) over the 6 months LIBOR per annum).

30 BORROWINGS (CONTINUED)

(b) As at 31 December 2020, unsecured bank borrowings were guaranteed by the Company.

(c) As at 31 December 2020, bank borrowings of HK$91,622,000 (2019: HK$101,005,000) were secured by mortgages over part of the Group's leasehold land and buildings (Note 17(b)). The effective interest rates of the loans were between 1.2% to 6.3% (2019: 2.8% to 3.7%) per annum as at 31 December 2020. The loans will be repaid by fixed monthly payment over 15 years to 20 years (2019: 15 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 2020 (2019: 3.5% and 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.

(f) The fair values of the bank borrowings and the loans from related parties approximated their respective carrying values as at 31 December 2020 and 2019, as these borrowings were charged at market interest rates.

(g) The Group's committed banking facilities are subject to annual review. As at 31 December 2020, the undrawn banking facilities amounted to HK$794,307,000 (2019: HK$393,916,000).

31 TRADE AND OTHER PAYABLES

	2020 HK$'000	2019 HK$'000
Current		
Trade payables to:		
— Other related parties	2,801	3,296
— Non-controlling interests of subsidiaries	386	–
— Third parties	1,026,442	701,133
	1,029,629	704,429
Non-trade payables to:		
— Non-controlling interests of subsidiaries	49,606	51,066
— Other related parties	15,557	47,676
— An associated company	11,154	18,696
— Third parties	98,509	100,912
— Goods and services tax payable	7,364	10,215
	182,190	228,565
Accruals for operating expenses	106,453	91,144
Accruals for construction costs	672,509	795,501
Deposits received from customers	8,813	5,787
Deferred gain	38,347	50,378
Provision for financial guarantees to a joint operation	8,089	–
Put option exercisable by non-controlling interests of subsidiaries	15,035	14,278
Provision for foreseeable losses on certain construction contracts	52,357	39,047
Dividend payable — non-controlling interests of subsidiaries	48,735	78,990
	950,338	1,075,125
Total trade and other payables	2,162,157	2,008,119

31 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:

	2020 **HK$'000**	2019 HK$'000
1–30 days	**856,244**	551,331
31–60 days	**69,090**	100,718
61–90 days	**22,821**	14,760
Over 90 days	**81,474**	37,620
	1,029,629	704,429

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.

32 DIVIDENDS

A final dividend in respect of the year ended 31 December 2020 of HK$0.08 per share, amounting to a total dividend of HK$131,456,000, is to be proposed at the 2021 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 2021 once approved at the annual general meeting.

	2020 **HK$'000**	2019 HK$'000
Interim dividend of HK$Nil (2019: HK$0.06) per ordinary share and per CPS	**–**	98,592
Proposed final dividend of HK$0.08 (2019: HK$ 0.04) per ordinary share and per CPS	**131,456**	65,728

33 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.

33 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$	**2020**	2019
27 June 2014	27 June 2015 to 26 June 2020	2.70	**–**	3,900,000
	27 June 2016 to 26 June 2020	2.70	**–**	3,900,000
	27 June 2017 to 26 June 2020	2.70	**–**	3,900,000
	27 June 2018 to 26 June 2020	2.70	**–**	3,900,000
	27 June 2019 to 26 June 2020	2.70	**–**	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
			10,500,000	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:

	2020		2019	
	Weighted average exercise price HK$	**Number of options '000**	Weighted average exercise price HK$	Number of options '000
Outstanding at the beginning of the year	**2.81**	**30,000**	2.81	30,000
Expired	**2.70**	**(19,500)**	–	–
Outstanding at the end of the year	**3.02**	**10,500**	2.81	30,000
Exercisable at the end of the year	**3.02**	**8,400**	2.81	25,800

During the year ended 31 December 2020, share-based payment expenses in respect of the Share Option Scheme charged to profit or loss amounted to HK$460,000 (2019: HK$1,067,000).

33 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 2020, 140,115,666 (2019: 140,115,666) and 164,483,607 (2019: 164,483,607) 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 2020, share-based payment expenses in respect of the above equity-settled award arrangement charged to profit or loss amounted to HK$1,229,000 (2019: HK$7,272,000).

Movements in the number of share options outstanding and the exercise price during the years ended 31 December 2020 and 2019 are as follows:

	Management Share Scheme	
	Weighted average exercise price HK$	**Number of options**
Outstanding at 1 January 2019	0.56	187,836,224
Converted during the year	0.56	(62,961,027)
Outstanding at 31 December 2019 and 1 January 2020	0.56	124,875,197
Converted during the year	–	–
Outstanding at 31 December 2020	0.56	124,875,197
Exercisable at 31 December 2020		124,875,197

34 NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS

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

	2020 HK$'000	2019 HK$'000
Profit before income tax	**208,914**	319,208
Adjustments for:		
Depreciation of owned assets	**71,386**	73,508
Depreciation of right-of-use assets	**30,930**	27,630
Depreciation of investment properties	**6,232**	–
Amortisation	**5,698**	5,902
(Gains)/losses on disposal of property, plant and equipment	**(90)**	1,129
Gain on disposal of right-of-use assets	**(18)**	(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	**(1,351)**	(8,692)
Share-based payment expenses	**1,689**	8,339
Interest income	**(61,642)**	(56,957)
Interest expenses	**187,755**	116,903
Fair value losses/(gains) on derivative financial instruments	**12,225**	(924)
Fair value gains on financial assets at fair value through profit or loss	**(61,896)**	(35,139)
Share of net losses/(profits) of joint ventures	**37,198**	(30,283)
Share of net (profits)/losses of associated companies	**(227,646)**	7,497
Provision for foreseeable losses on certain construction contracts	**13,310**	–
Losses on settlement of derivative financial instruments	**651**	–
Operating profit before working capital changes	**223,345**	257,797
Decrease/(increase) in development properties for sale	**322,162**	(500,533)
Increase in inventories	**(45,085)**	(13,967)
(Increase)/decrease in trade and other receivables	**(334,358)**	334,314
Decrease/(increase) in contract assets	**767,986**	(661,179)
Increase/(decrease) in contract liabilities	**385,779**	(1,276,414)
Increase/(decrease) in trade and other payables	**143,662**	(157,750)
Net cash generated from/(used in) operations	**1,463,491**	(2,017,732)

34 NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

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

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

	2020 HK$'000	2019 HK$'000
Net book amount *(Note 17)*	675	2,690
Gains/(losses) on disposal of property, plant and equipment *(Note 8)*	90	(1,129)
Proceeds from disposal of property, plant and equipment	765	1,561

(b) Major non-cash transactions

During the year ended 31 December 2020 and 2019, 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$'000 *(Note 30)*	Finance lease liabilities HK$'000	Lease liabilities HK$'000 *(Note 17(a))*	Total HK$'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 of 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

34 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 HK$'000 *(Note 30)*	Lease liabilities HK$'000 *(Note 17(a))*	Total HK$'000
As at 31 December 2019 and 1 January 2020	7,148,447	82,792	7,231,239
Cash flows:			
— Drawdown on borrowings	3,433,804	–	3,433,804
— Repayment of borrowings	(4,189,933)	–	(4,189,933)
— Repayment on principal element of lease liabilities	–	(33,371)	(33,371)
— Repayment on interest element of lease liabilities	–	2,623	2,623
Other non-cash movements			
— Additions of business combinations	–	–	–
— Additions of right-of-use assets	–	33,413	33,413
— Finance costs	–	(2,623)	(2,623)
— Early termination of leases	–	–	–
— Foreign exchange adjustments	(20,871)	719	(20,152)
As at 31 December 2020	6,371,447	83,553	6,455,000

35 CONTINGENT LIABILITIES

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

	2020 HK$'000	2019 HK$'000
Guarantees on performance bonds in respect of construction contracts in Hong Kong	**194,212**	241,940

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 2020, these bank borrowings amounted to HK$3,793,433,000 (2019: HK$3,686,387,000).

36 COMMITMENTS

Capital commitments

Capital expenditures contracted but not recognised in the consolidated financial statements as at 31 December 2020 and 2019, excluding those relating to investments in associated companies and joint ventures, were as follows:

	2020 HK$'000	2019 HK$'000
Contracted but not provided for:		
Development expenditure	**16,642**	24,371
Investment in unlisted fund investments	**560,144**	472,337
Purchase of machineries	**–**	2,304
	576,786	499,012

37 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 2020 and 2019, 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
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 from 25 February 2019
HLY Investments (Sembawang) Pte. Ltd.	A non-controlling interest of a subsidiary
OSS Property Investments Pte. Ltd.	A non-controlling interest of subsidiaries from 28 February 2019
Pollux (CCK) Pte. Ltd.	A non-controlling interest of a subsidiary from 25 February 2019
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
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 in which a controlling shareholder of the ultimate holding company has an interest
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 from 25 February 2019
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 in which a controlling shareholder of the ultimate holding company has an interest
Zuo Hai Bin	A non-controlling interest of a subsidiary

37 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:

	2020 **HK$'000**	2019 HK$'000
Construction revenue from associated company	**583,141**	380,456
Construction revenue from other related parties	**39,247**	49,847
Construction service provided by related parties	**5,547**	24,200
Rental services provided by related parties	**–**	3,499
Dividend received from associated companies	**–**	2,526
Dividend paid to related parties	**22,317**	–
Dividend paid to non-controlling shareholders in subsidiaries	**32,565**	115,323
Sales commission paid to a related party	**–**	2,244
Interest income from associated companies	**47,545**	43,781
Interest charged by non-controlling interest shareholders in subsidiaries	**36,458**	34,514
Management fee income from associate company	**16,303**	11,978

Outstanding balances as at the year-end dates arising from sale/purchase of goods and services, were unsecured and receivable/payable within 12 months from year-end dates, and were disclosed in Note 22 and Note 31.

(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:

	2020 **HK$'000**	2019 HK$'000
Salaries and other short-term employee benefits	**36,724**	36,164
Contribution to retirement benefit scheme	**272**	2,916
Share-based payments	**663**	293
Total	**37,659**	39,373

38 STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY

	2020 HK$'000	2019 HK$'000
ASSETS		
Non-current assets		
Investments in subsidiaries	3,112,104	3,110,868
Loans to subsidiaries	–	138,800
Loan to a fellow subsidiary	16,600	–
	3,128,704	3,249,668
Current assets		
Other receivables	4,823	53
Loans to subsidiaries	100,000	–
Amounts due from subsidiaries	1,175,192	775,771
Cash and cash equivalents	85,922	183,952
	1,365,937	959,776
Total assets	4,494,641	4,209,444
EQUITY		
Capital and reserves		
Share capital — ordinary shares	15,183	15,183
Share capital — convertible preference shares	1,249	1,249
Share premium	3,314,085	3,314,085
Share-based payment reserve *(Note (a))*	32,101	31,641
Capital reserve *(Note (a))*	283,906	282,677
Accumulated losses *(Note (a))*	(267,238)	(269,489)
Total equity	3,379,286	3,375,346
LIABILITIES		
Non-current liability		
Borrowings	528,928	–
Current liabilities		
Other payables	1,443	6,017
Amounts due to subsidiaries	142,083	253,000
Borrowings	442,901	575,081
	586,427	834,098
Total liabilities	1,115,355	834,098
Total equity and liabilities	4,494,641	4,209,444

The statement of financial position was approved by the Board of Directors on 30 March 2021 and was signed on its behalf.

Cheng Wing On, Michael	**Wang Congyuan**
Director	*Director*

38 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 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)
As at 1 January 2020	**31,641**	**282,677**	**(269,489)**
Profit for the year	**–**	**–**	**67,979**
Dividend paid	**–**	**–**	**(65,728)**
Share-based compensation benefits	**460**	**1,229**	**–**
As at 31 December 2020	**32,101**	**283,906**	**(267,238)**

39 BENEFITS AND INTEREST OF DIRECTORS

(a) Directors' emoluments

For the year ended 31 December 2020

	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	–	2,860	10,715	–	131	–	18	–	–	13,724
Mr. Wang Congyuan	473	2,249	525	203	185	–	18	–	–	3,653
Mr. Du Bo (appointed on 31 March 2020)	129	3,773	1,094	–	70	–	121	–	–	5,187
Mr. Zhang Yuqiang	338	1,818	698	205	29	–	18	–	–	3,106
Independent non-executive directors										
Mr. Ching Kwok Hoo, Pedro	276	–	–	–	–	–	–	–	–	276
Mr. Tam Tak Kei, Raymond	276	–	–	–	–	–	–	–	–	276
Mr. Chan Kok Chung, Johnny	276	–	–	–	–	–	–	–	–	276
Non-executive directors										
Mr. Chen Anhua	240	–	–	–	–	–	–	–	–	240
	2,008	10,700	13,032	408	415	–	175	–	–	26,738

39 BENEFITS AND INTEREST OF DIRECTORS (CONTINUED)

(a) Directors' emoluments (Continued)

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. Wang Congyuan	482	2,237	674	204	680	–	18	–	–	4,295
Mr. Zhang Yuqiang	345	1,748	781	210	212	–	18	–	–	3,314
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

39 BENEFITS AND INTEREST OF DIRECTORS (CONTINUED)

(a) Directors' emoluments (Continued)

Notes:

(i) For the year ended 31 December 2020, 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 2020 and 2019.

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

During the years ended 31 December 2020 and 2019, 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 37, 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.

FIVE YEAR FINANCIAL SUMMARY

	1.1.2020 to 31.12.2020 HK$'000	1.1.2019 to 31.12.2019 HK$'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
Consolidated results					
Revenue	**5,128,897**	7,873,375	7,507,891	10,329,310	8,605,716
Profit before tax	**208,914**	319,208	387,331	807,728	826,916
Income tax expense	**(14,757)**	(75,941)	(85,474)	(134,493)	(157,776)
Profit for the year	**194,157**	243,267	301,857	673,235	669,140
Profit for the year attributable to Owners of the Company	**218,057**	238,842	225,298	512,050	585,385
Consolidated assets and liabilities					
Total assets	**12,834,556**	12,938,451	9,630,538	12,511,799	14,771,672
Total liabilities	**(9,241,255)**	(9,498,043)	(6,314,448)	(9,018,266)	(11,709,599)
Net assets	**3,593,301**	3,440,408	3,316,090	3,493,533	3,062,073