



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

2021 Annual Report



CONTENTS

2	Corporate Information
4	Chairman's Statement
6	Management Discussion and Analysis
17	Report of the Directors
33	Biographies of the Directors and Senior Management
40	Corporate Governance Report
55	Independent Auditor's Report
61	Consolidated Statement of Comprehensive Income
63	Consolidated Statement of Financial Position
65	Consolidated Statement of Changes in Equity
67	Consolidated Statement of Cash Flows
68	Notes to the Consolidated Financial Statements
160	Five Year Financial Summary



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

STRATEGY AND INVESTMENT COMMITTEE

Mr. Wang Congyuan (*Chairman of Strategy
and Investment Committee*)
Dr. Du Bo
Mr. Cheng Wing On, Michael
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 2021 (the "**Reporting Period**" or "**Year**").

BUSINESS REVIEW

In 2021, the turnover of the Group was HK\$6.1 billion (2020: approximately HK\$5.1 billion). Profit attributable to the owners of the Company was approximately HK\$259.1 million (2020: approximately HK\$218.1 million). Profit attributable to the shareholders per share was HK\$0.158 (2020: HK\$0.133).

DIVIDENDS

The Board recommended payment of final dividend of approximately HK\$98.6 million for the year ended 31 December 2021, representing payment of HK\$0.06 per ordinary share and convertible preference share of the Company. The proposed final dividend will be payable on 29 June 2022, subject to the shareholders' approval at the forthcoming annual general meeting of the Company, to those persons registered as shareholders of the Company on 8 June 2022, 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\$0.06 per share (2020: HK\$0.08 per share) which is in line with the dividend policy of the Company to enhance shareholders' value over the long-term.

GLOBAL ECONOMIC BACKGROUND AND STRATEGY

The COVID-19 virus continued its rampage throughout the world in 2021. The emergence of more infectious variants including Delta and Omicron increased uncertainties stemming from the COVID-19 pandemic. To combat the pandemic, most countries made it mandatory to be vaccinated, and thus the risk of turning severity after infection reduced accordingly due to the increasing vaccination rate. To address the problem of uneven distribution of vaccines, the World Bank had approved to provide vaccine to and assist its procurement for more than 60 countries, with the largest share of funds flowing to poor countries and regions. We believe that the overall rising vaccination rate could be conducive to promote the global economic recovery and regain market confidence.

The US Federal Reserve announced a 0.25% interest rate hike in mid-March 2022. Market participants expect that the US Federal Reserve may further raise interest rate in 2022 to curb inflation. Despite the high inflationary pressure, it is highly possible that too much raising in a short time, coupled with the recent intensified geopolitical situation in Europe, may place the global and the US economy in risks. Global Central Banks may take their time to raise interest rates or slow down the pace of adjusting monetary policies in order to sustain economic growth.

In the first half of 2020, the construction sector in Singapore was suspended and projects were delayed owing to the lockdown measures adopted by the local government to control the pandemic. Since 2021, most residents had been vaccinated and the increasing vaccination rate as well as various economic stimulus measures implemented by the relevant Singapore authorities, had promoted the local economic recovery, leading to a growth of 7.2% in 2021, a record high since 2010. The real estate segment in Singapore still maintained robust in the pandemic and recorded the largest increase in property prices over the last 11 years, mainly due to its stable political, economic and social environment, which attracted numerous overseas investors. Over the past year, the local construction industry in Singapore also witnessed a remarkable recovery, with a dramatic increase in the number of construction projects in the industry.

CHAIRMAN'S STATEMENT

According to the 2022-23 Land Sale Programme of the Hong Kong government, the government will maintain its policy of stabilizing the supply of land and buildings. The government budget further relaxes the property price cap for mortgage insurance, bringing new hope to first-time home buyers. The initial market reaction is positive. On top of that, the Hong Kong government will actively promote the development of the Northern Metropolis. If such programme can be gradually carried out, there will be more lands available for housing, innovation and technology and commercial development, involving an additional 600 hectares of land and up to 180,000 residential units. We believe that the number of local construction projects will go up dramatically in the next decade, which will be conducive to the local construction industry in Hong Kong.

To seize the development opportunities in the construction market of Hong Kong, the Group acquired a local private construction company in the second half of 2021, further consolidating the Group's position and influence in the construction market of Hong Kong. In early 2022, the Hong Kong Housing Authority awarded the construction company a public housing construction project in Tuen Mun, New Territories, Hong Kong, with a contract value of approximately HK\$550 million. The Group will be actively engaged in the layout of Hong Kong market, and continue to seek construction projects with high return, so as to reinforce the Group's competitiveness.

To enhance the business capabilities of the Group and diversify the investment risks, we will step up our efforts in exploring countries and regions along the Belt and Road and seize the opportunities in the Guangdong-Hong Kong-Macao Greater Bay Area, to further strengthen the market competitiveness of the Group and formulate a stable development blueprint in the longer term, thereby creating return 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 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

31 March 2022

MANAGEMENT DISCUSSION AND ANALYSIS

SINGAPORE PROPERTY MARKET REVIEW

After a relatively significant drop in 2020, the economy of Singapore finally ushered in a more robust recovery in 2021. Singapore's GDP in 2021 grew by 7.6%, hitting a record high for the recent decade. During the Reporting Period, the new private residential price index in Singapore's property market continued to increase throughout 2021. During 2021, the new private residential price index increased by 10.6%, which was much higher than that of last year and remained a growth momentum. The trading volume of new properties in Singapore in 2021 was 13,027 units, much higher than that of last year. Given the significant increases in the private residential price index and trading volume in Singapore in 2021, in order to maintain market stability, the Ministry of Finance, the Ministry of National Development and the Monetary Authority of Singapore jointly announced on 15 December 2021 that a series of property market cooling measures would take effect from the 16th day of that month. It is an evidence that the property market in Singapore is blooming and with persisting robust development momentum in the future.

SINGAPORE CONSTRUCTION MARKET REVIEW

In 2021, the resurgences of the COVID-19 pandemic, especially the attacks unleashed by the Delta and Omicron variants during the second half of the year, led to a heavy blow to the construction industry in Singapore. Due to the closure of boundaries that caused many difficulties in logistics and export, dramatic increases were seen in the costs of major building materials including steel, metal and aluminum profiles, which posed severe challenge to the cost control of the construction market. In 2021, as COVID-19 vaccines were successfully developed and mass vaccination was rolled out in Singapore, the pandemic in Singapore was generally under control though with resurgences. In addition, the government has announced requirements to phase out pandemic prevention and control measures in order to open border for restarting economic activities. In early 2021, the Building and Construction Authority (BCA) predicted that the construction industry of Singapore would recover from the impact of the COVID-19 with contract amount ranging from S\$23.0 billion to S\$28.0 billion, representing an increase of approximately 30% as compared to 2020, a year of work suspension due to lockdown measures. As the COVID-19 vaccination rolled out in Singapore and around the world, regional economies may also start to recover. According to the preliminary assessment of the BCA, the total actual demand of the construction industry of Singapore reached S\$30.0 billion in 2021, representing an increase of 42% as compared to 2020, which was mainly due to more public houses and infrastructure projects launched by the government as well as the restoration of market investment sentiments and confidence. Due to increases in labor and material costs, the actual construction demand in 2021 increased by approximately 7% as compared to the estimated number at the beginning of the year.

MALAYSIA CONSTRUCTION MARKET REVIEW

In 2021, the pandemic that crunched the global economy persisted and Malaysia is no exception. The Malaysian government was again forced to take actions under Movement Control Orders 2.0 and 3.0 to cut the transmission chains of the disease in January and June, respectively. Thereafter, the Malaysian government also promoted a plan for economic recovery. In 2021, the GDP of Malaysia increased by 3.0–4.0%, higher than that of 2020. Among which, the GDP from the construction industry for 2021 was estimated as MYR53.1 billion, lower than that of 2020 and down by approximately 0.8%.

HONG KONG PROPERTY MARKET REVIEW

In 2021, the pandemic in Hong Kong was generally under control and its local economy slightly recovered. Its local unemployment rate dropped from 7.2%, a record high in early 2021, to 3.9% at the end of the Year, and transactions in its primary and secondary property markets were active. Entering the third quarter, prices in the property market slightly fell back under the impact of equity market fluctuations. However, in 2021, the total number of property registrations recorded a nine-year high of 95,833 cases, representing an increase of 30.7% as compared to 2020, and transaction amount also increased by 45.3% as compared to that of 2020 to approximately HK\$913.3 billion, the highest on record. According to the Rating and Valuation Department, the Private Domestic-Price Indices were adjusted from a high level of 398.1 points in September 2021 to 392.5 points in December 2021, while the annual Private Domestic-Price Indices still increased by 3.3%.

MANAGEMENT DISCUSSION AND ANALYSIS

HONG KONG CONSTRUCTION MARKET REVIEW

In October 2021, in the 2021 Policy Address, the Chief Executive of Hong Kong mentions taking forward the Northern Metropolis Development Strategy to transform the northern part of Hong Kong into a lively and attractive area providing more land for housing, technology development and other industries, in order to add new fuel to the development of the local construction industry in the future.

According to the Census and Statistics Department, the total gross value of construction works in nominal terms performed by main contractors in the first three quarters of 2021 was HK\$170,242,000,000, representing an increase in overall total of 23% as compared to the same period last year. Among which, the increase from public sector sites even reached 5.4%, better than that from private sector sites, indicating the local construction projects, especially public sector projects, begin to show a recovery momentum.

BUSINESS REVIEW

Property Development Business

The Group focused on the development and sale of quality residential projects in Singapore.

As of the end of 2021, the accumulative contracted sales rate of Le Quest (a mixed-use property development project of the Group at Bukit Batok) reached 100%, with 516 units sold.

As of the end of 2021, the accumulative contracted sales rate of Jadescape (a private condominium development project of the Group at Shunfu Road) exceeded 98%, with 1,197 units sold (including 1,193 residential units and 4 commercial units).

As of the end of 2021, the accumulative contracted sales rate of Forett at Bukit Timah (a private condominium development project of the Group at Toh Tuck Road) exceeded 78%, with 507 units sold.

During the Reporting Period, the Group was granted a number of industrial awards, including the Universal Design Mark Gold (design) (建築通用性設計金獎(設計階段)) and Universal Design Mark Gold Plus (建築通用性設計超金獎) from the BCA for the two projects, namely Jadescape and Le Quest respectively.

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

Projects	Sales Revenue	ASP
	2021	2021
	(HK\$' million)	(HK\$/sq.m.)
I Le Quest	22.8	87,367
II Forett at Bukit Timah	960.7	121,908

The Group started to hand over units at Le Quest (73% owned by the Group), a mixed use development project, which obtained its Temporary Occupation Permit (“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\$22.8 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\$960.7 million.

MANAGEMENT DISCUSSION AND ANALYSIS

As at 31 December 2021, 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 2021	Estimated year of construction completion	Ownership interest
Jadescape	314–319 Shunfu Road, Singapore	Residential, Private and Retail Space	37,991	106,955	105,364	11.17	93.2%	August 2022	45%
Forett at Bukit Timah	32–46 Toh Tuck Road, Singapore	Residential, Private and Retail Space	33,457	49,859	39,328	4.79	22.0%	December 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 car parks 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 98.4% as at 31 December 2021. The construction is scheduled to be completed in August 2022.

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 car parks 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 78.8% as at 31 December 2021. The construction is scheduled to be completed in December 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 car parks 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.

Remarks: The estimated year of construction completion of the above projects has been delayed due to the impact of Covid-19.

MANAGEMENT DISCUSSION AND ANALYSIS

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. Foundation works had commenced in July 2021 and the land title exchange procedures are currently in progress.

(2) Sham Shui Po project, Hong Kong

As at 31 December 2021, 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. General Building Plan approval was granted by the Buildings Department in October 2020. Lands Tribunal Court Trial for a Compulsory Sales Order is expected to take place in the second half of 2022.

(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 2021, general buildings plans for the development was approved. Foundation works is expected to commence in the first quarter of 2022.

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 is engaged in the Group's property development projects whereas in Hong Kong & Macau, the Group is mainly responsible for superstructure construction, foundation works and ancillary services with particular specialization in piling works.

The Group's revenue from the Singapore and other Southeast Asia countries construction contracts for the Reporting Period was approximately HK\$3,634.4 million (year ended 31 December 2020: approximately HK\$2,781.2 million). The revenue attributable from Hong Kong & Macau segment was approximately HK\$1,435.6 million (year ended 31 December 2020: approximately HK\$1,323.3 million).

During the Reporting Period, for the Singapore segment, the Group completed 3 construction projects including 2 public residential project and 1 dormitory project. In 2021, the Group obtained 3 Housing & Development Board ("HDB") dormitory projects, 1 HDB mix-used public residential project, 1 private condominium project, 2 private condominium projects and 1 self-developed private condominium project with aggregated contract sum of approximately HK\$5,650.6 million. As at 31 December 2021, there were 26 external construction projects on hand and the outstanding contract sums were approximately HK\$8.39 billion.

MANAGEMENT DISCUSSION AND ANALYSIS

During the Reporting Period, for the Southeast Asia construction market, the Group completed 2 external residential construction contracts. As at 31 December 2021, the outstanding contract sums of the 5 construction projects on hand were approximately HK\$934.89 million.

As for the Hong Kong & Macau segment, the Group was awarded 23 new foundation and superstructure construction projects with aggregated contract sums of approximately HK\$3.23 billion. As at 31 December 2021, the outstanding contract sums of the 37 projects on hand were approximately HK\$3.36 billion.

Investment in medicine fund

In 2020, the Group entered into subscription agreements to subscribe for limited partnership interests in a fund which is engaged in the investment in healthcare and biotechnology related business at an aggregate subscription amount of up to US\$25.64 million (equivalent to HK\$200 million). As at 31 December 2021, the Group subscribed for the limited partnership interests at an aggregate subscription amount of approximately US\$14.1 million (equivalent to HK\$110 million) (31 December 2020: US\$10.3 million (equivalent to HK\$80 million)). The fund is focusing on research and development of 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. Please refer to the announcement of the Company dated 21 May 2020 for further details.

The progress of the research and development progress of the drugs is as follows:

1. The new medicine for the treatment of chronic obstructive pulmonary disease was approved as an investigational new drug for Phase I clinical trial in the first half of 2021.
2. The applications as investigational new drugs for the super antibiotics and the new medicine for treatment of rheumatoid arthritis are expected to be submitted in the first half of 2022.
3. The new medicine for the treatment of atopic dermatitis was approved as an investigational new drug for Phase I clinical trial in March 2022.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue

The Group's total revenue for the Reporting Period was approximately HK\$6.1 billion (2020: approximately HK\$5.1 billion), representing a increase of 19.6% as compared with last year. The increase was mainly due to the significant increase in revenue from the construction business in Singapore and South East Asia.

During the Reporting Period, the revenue of the Hong Kong and Macau segment for the Reporting Period was approximately HK\$1.4 billion (2020: HK\$1.3 billion), representing an increase of approximately 7.7% over that of last year.

During the Reporting Period, the revenue derived from the projects in Singapore and South East Asia was approximately HK\$4.7 billion (2020: approximately HK\$3.8 billion).

Out of the HK\$4.7 billion revenue derived from the Singapore and South East Asia segment, the aggregate contracted sales of properties amounted to HK\$1.0 billion, same as that of last year.

Gross Profit Margin

The Group's gross profit margin during the Reporting Period was approximately 3.2% (2020: approximately 4.9%). The decrease in gross profit margin was mainly due to the increase in construction material cost and temporary shortage of construction workers during the pandemic.

Selling and Marketing Expenses

The Group's selling and marketing expenses for the Reporting Period were approximately HK\$57.5 million (2020: approximately HK\$74.1 million), which was approximately 0.9% (2020: approximately 1.4%) of the Group's total revenue. The decrease was due to the decrease in show flat costs and marketing expenses during the Reporting Period.

General and Administrative Expenses

The Group's general and administrative expenses for the Reporting Period were approximately HK\$347.0 million (2020: approximately HK\$247.9 million), which was approximately 5.7% (2020: approximately 4.8%) of the Group's total revenue. The increase was mainly attributable to the increase in staff remuneration and accrual of a one-off discretionary bonus for a property development project recognized during the Reporting Period.

Net Profit

During the Reporting Period, the Group reported a net profit of approximately HK\$253.6 million (2020: approximately HK\$194.2 million), representing an increase of 30.6% as compared with last year. The profit attributable to owners of the Company was HK\$259.1 million (2020: approximately HK\$218.1 million, representing an increase of approximately 18.8% over the last year. Basic earnings per share was HK\$0.158 (2020: HK\$0.133).

MANAGEMENT DISCUSSION AND ANALYSIS

NON-COMPETITION DEED

To minimize the potential competition, the Group and Guotsing Holding Group Co. Limited (“**Guotsing PRC**”) and Guotsing Holding Company Limited (“**Guotsing BVI**”) (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 into 2022, it is expected that the pandemic will be further controlled as vaccination paces up, which is beneficial for the recovery of the global economy and accordingly the recovery of the Singapore economy. According to the forecasts of the Ministry of Trade and Industry of Singapore, the GDP of Singapore will grow by 3.0%~5.0%. As the economy recovers and the pandemic is under control, potential property buyers will be more confident in entering the market. Meanwhile, since the vaccinated travel lanes (VTL) and flight travel are expected to open further, more foreigners are expected to come/get back to the Lion City, which is also expected to improve the performance of the leasing market in Singapore. It is expected that in 2022 Singapore’s property market will carry on the booming momentum in 2021 and its private residential price index will show an increasing trend, both of which will bring opportunities for the Group in the sale of properties under its projects.

In order to meet the challenges of the post-pandemic era and the opportunities brought by the resumption of economy, in 2022, Singapore launched a budget with the theme of Charting Our New Way Forward Together, laying foundation for a sound and sustainable government finance in the context of the post-pandemic era. In the long term, the economy of Singapore will maintain an overall stable growth. According to the IMD World Competitiveness Ranking, Singapore ranked fifth among the most competitive economies of the world for the second year in a row in 2010, which made it occupy the first place in the Asia-Pacific region and the only one that ranked among the top 5 among the Asia-Pacific economies. And the property market of Singapore still has a promising investment prospect. According to the Emerging Trends in Real Estate® Asia Pacific 2022 (《二零二二年亞太房地產市場新興趨勢報告》) jointly published by PricewaterhouseCoopers and the Urban Land Institute, Singapore scored 6.08 on Property Investment Prospects for 2021, ranking second among the 22 cities in Asia-Pacific region. The rapidly growing Singapore market will continue to provide long-term growth opportunities and expansion room for the Group. The Group will remain its root in the Singapore market to locate quality projects and capitalise upon its leading strengths in the property development business for consolidating its market position as a major local developer.

According to the forecasts by the Building and Construction Authority in Singapore (the “**BCA**”) on construction demand for 2022, the total construction demand of Singapore is estimated to reach between S\$27.0 billion and S\$32.0 billion, representing an increase of approximately 15% over last year. Among which, approximately 60% of construction demand (range from S\$16.0 billion to S\$19.0 billion) still comes from public sector projects including the construction of infrastructure facilities such as the development and alteration of public housing and the Cross-Island Line, as well as new healthcare facilities. The remaining around 40% of construction demand comes from private housing, commercial and industrial projects. As the private residential price index kept on rising since the outbreak, the government launched property cooling measures in December 2021. A new round of cooling measures include increasing the additional Buyer’s Stamp Duty for local citizens and permanent residents buying their second or subsequent properties and tightening total debt servicing ratio.

MANAGEMENT DISCUSSION AND ANALYSIS

In the Southeast Asian market, according to the Economic Outlook 2022 (《二零二二年經濟財政展望報告書》), the growth rate of Malaysia's GDP in 2022 is expected to reach 5.5%-6.5%. Meanwhile, the government is committed to solidifying the country's economic foundation in order to realise prosperous, inclusive and sustainable economic growth. The construction industry of Malaysia is expected to grow at 11.5% in 2022, contributing approximately MYR59.2 billion to total GDP. The Malaysian market still brings the Group long-term growth opportunities and expansion room. The Group will continue to search for quality projects in the Malaysia market to strengthen our market position in the construction market of Malaysia.

For the Hong Kong property market, according to the 2022-23 Land Sale Programme, the government will launch 13 residential sites, together with railway property development, private development and redevelopment and the development projects of the Urban Renewal Authority, potential housing offering in the next year will be approximately 18,000 units. Besides, there are 4 commercial sites that are expected to provide approximately 300,000 million square metres of commercial floor area, indicating the government will continue to work towards stabilising the supply of land and buildings, which is beneficial to the stability of the property market to some extent.

According to the latest finance budget of the government, in order to enhance the technology level of the local construction industry, the government will inject HK\$1.2 billion to the Construction Innovation & Technology Fund and introduce more concessionary measures to encourage the industry to adopt the Modular Integrated Construction method to increase supply of buildings. Aiming to grasp such opportunities, the Group will increase its efforts to promote the adoption of such advanced green building technology, and achieve sustainability in environmental protection and energy-saving, thereby fulfilling its corporate social responsibilities.

DEBTS AND CHARGE ON ASSETS

The total interest bearing bank borrowings of the Group, including bank loans, finance leases and lease liabilities, decreased from approximately HK\$6.5 billion as at 31 December 2020 to approximately HK\$5.8 billion as at 31 December 2021. 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\$247,313,000 (2020: HK\$256,408,000), and HK\$4,214,832,000 (2020: HK\$4,842,716,000), 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 2021, the Group had cash and cash equivalents of approximately HK\$0.9 billion (2020: approximately HK\$1.2 billion) of which approximately 69.6% was held in Singapore Dollar, 17.4% was held in Hong Kong dollar, 0.4% was held in Renminbi, 9.8% was held in US Dollars, 0.8% was held in Malaysian Ringgit and the remaining was mainly held in Macau Patacas and Indonesian Rupiah. The gearing ratio of the Group as at 31 December 2021 (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 55.5% (2020: approximately 58.5%).

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

MANAGEMENT DISCUSSION AND ANALYSIS

FOREIGN EXCHANGE

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

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

Save as disclosed in note 8 (Other Gains, Net), and note 37 (Business Combination) of the financial information in this report, there was no significant investment, material acquisition and disposal of subsidiaries and associated companies by the Company.

CAPITAL COMMITMENTS

As at 31 December 2021, the Group had capital commitments of approximately HK\$14.1 million (2020: HK\$16.6 million) for development expenditure and HK\$530.1 million (2020: HK\$560.1 million) for investment in unlisted investment funds accounted for as financial assets at fair value through profit or loss.

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 2021 and 31 December 2020.

EVENT AFTER THE REPORTING PERIOD

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

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2021, the Group had 2,318 full-time employees (2020:2,026 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\$737.5 million (2020: approximately HK\$599.1 million).

MANAGEMENT DISCUSSION AND ANALYSIS

SHARE OPTIONS

Share Option Scheme

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 its share option scheme adopted on 11 September 2012 (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 paragraph headed **"Share Option Scheme"** in the **"Report of the Directors"** of this annual report and 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 2021, 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 as at the date of this report.

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 paragraph headed **"Management Share Scheme"** in the **"Report of the Directors"** of this annual report and 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.

PURCHASE, SALE AND REDEMPTION OF THE COMPANY'S SECURITIES

On 21 May 2021, the Company's shareholders granted a general mandate (the **"Repurchase Mandate"**) to the directors of the Company to repurchase shares of the Company at the annual general meeting (the **"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 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.

MANAGEMENT DISCUSSION AND ANALYSIS

CORPORATE GOVERNANCE

Corporate Governance Code

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

CODE OF CONDUCT REGARDING DIRECTORS’ SECURITIES TRANSACTIONS

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

REPORT OF THE DIRECTORS

PRINCIPAL ACTIVITIES

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

BUSINESS REVIEW

In compliance with Schedule 5 to the Companies Ordinance, Chapter 622, a fair review of the business of the Company and further discussion and analysis of important events affecting the Group after the Reporting Period and future development of the Company's business are set out in Management Discussion and Analysis in pages 6 to 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 61 and 62 of this report. The payment of a final dividend of HK\$0.06 per ordinary share of the Company and Convertible Preference Shares for the Reporting Period to shareholders whose names appear on the Register of Members of the Company on 8 June 2022 and the holders of the Convertible Preference Shares have been recommended by the Directors and is subject to the approval of the shareholders of the Company at the forthcoming annual general meeting of the Company. The dividend, if approved, is expected to be paid on or around 29 June 2022.

There is no arrangement under which any shareholder of the Company has waived or agreed to waive any dividends.

For further information on the dividend policy of the Group, please refer to page 52 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 66.

As at 31 December 2021, the Company had reserves amounted to HK\$3,320.5 million available for distribution as calculated based on Company's share premium plus retained earnings under applicable provisions of the Companies Law in the Cayman Islands (2020: HK\$3,330.8 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 160 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
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

Mr. Chen Anhua, Mr. Ching Kwok Hoo, Pedro and Mr. Tam Tak Kei, Raymond will retire from office as Directors at the forthcoming annual general meeting of the Company, and being eligible, will 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 2022 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 2022 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.

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).

REPORT OF THE DIRECTORS

MANAGEMENT CONTRACTS

No significant contracts concerning the management and administration 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 2021, interests or short positions in the shares (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 ordinary Shares and underlying Shares held in long position	Approximate percentage of interests
Mr. Cheng Wing On, Michael	Beneficial owner (Note 1)	3,000,000	0.198%
Mr. Wang Congyuan	Beneficial owner (Note 1)	2,100,000	0.139%
	Beneficiary of a trust (Note 2)	6,189,663	0.409%
	Beneficial owner	1,547,416	0.102%
Dr. Du Bo	Beneficial owner (Note 3)	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	Beneficiary of a trust (Note 2)	2,010,540	0.133%
	Beneficial owner	502,635	0.033%

Notes:

1. This represents long position in the underlying Shares under share options granted on 28 April 2016 pursuant to the share option scheme of the Company. 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. 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 2021, 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.

REPORT OF THE DIRECTORS

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

As at 31 December 2021, 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 ordinary 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%

REPORT OF THE DIRECTORS

Notes:

- (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 wholly-owned 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 2021. 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 2021, 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 (whether for provision of services or not) 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:

	2021 %	2020 %
Percentage of construction material purchases:		
From the largest supplier	3.8%	2.7%
From the five largest suppliers	13.1%	9.6%
Percentage of turnover:		
From the largest customer	30.8%	21.7%
From the five largest customers	51.2%	50.8%

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 Group's 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, an executive Director, served as a director and chairman of Guotsing PRC and Dr. Du Bo, an 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 does not compete directly with the business of the Group.

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

PUBLIC FLOAT

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

REPORT OF THE DIRECTORS

SHARE OPTION SCHEME

Reference is made to the “Share Options” section of Management Discussion and Analysis in this 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 for 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 and will expire on 10 September 2022, subject to early termination provisions contained in the Scheme.

Any 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, which shall be paid as soon as practicable after the grant of the offer. 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. There is no minimum period for which an option must be held before it can be exercised.

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 a circular is issued 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 2021, 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 as at the date of this report.

REPORT OF THE DIRECTORS

The outstanding share options granted entitled the relevant grantees to subscribe for an aggregate 10,500,000 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 2021 is as follows:

Grantees	Date of Grant	Exercise price per share	As at 01/01/2021	Granted during the period	Number of options			As at 31/12/2021	Vesting Period	Exercise period
					Exercised during the period	Lapsed during the period	Cancelled during the period			
Executive Directors										
Cheng Wing On, Michael	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
Employees of the Group in aggregate	28/04/2016	HK\$3.022	5,400,000	-	-	-	-	5,400,000	28/04/2017	28/04/2017-27/04/2022
			10,500,000	-	-	-	-	10,500,000		

Save as disclosed above, as at 31 December 2021, no Directors, chief executive, substantial shareholders of the Company or other individuals as set out under Rule 17.07 had been granted any share option under the Scheme to subscribe for the Shares and no participant had been granted options in excess of the individual limit under the Scheme.

MANAGEMENT SHARE SCHEME

On 10 April 2015, CNQC (South Pacific) Holding Pte. Ltd (“**CNQC (South Pacific)**”), one of the Company’s wholly-owned subsidiaries, had granted rights (the “**Rights**”) to certain senior management and employees of Guotsing Holding and its subsidiaries (the “**Guotsing Group**”) to subscribe at a subscription price of SGD2.43 per share (which was calculated based on the net asset value of CNQC (South Pacific) as at 31 December 2012) (the “**Original Exercise Price**”) for up to 12,000,000 shares of CNQC (South Pacific), representing 32% of the then enlarged issued share capital of CNQC (South Pacific) (the “**Pre-existing Management Scheme**”). The Rights shall vest over 5 years commencing from 1 April 2016. The purpose of the Pre-existing Management Scheme was to reward the relevant participants of the Pre-existing Management Scheme who had made contributions to the development of the Guotsing Group over the years.

Pursuant to the Share Purchase Agreement dated 23 May 2015 entered into between the Company and Guotsing Holding (South Pacific) Investment Pte. Ltd. (“**Guotsing SG**”) in respect of the Company’s acquisition (the “**Acquisition**”) of the entire issued share capital of Wang Bao Development Limited (the holding company of CNQC (South Pacific)), a management share scheme (the “**Management Share Scheme**”) was set up in replacement of the Pre-existing Management Scheme and a trust (the “**Trust**”) was constituted on 15 October 2015, which had expired on 1 April 2022. Part of the consideration for the Acquisition was settled by the Company issuing 304,599,273 new non-redeemable convertible preference shares (the “**CPS**”) of the Company to the trustee of the Trust. Under the Management Share Scheme, awards (the “**Awards**”) would be 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 CPS in accordance with the terms and conditions of the Management Share Scheme. The Management Share Scheme and the Awards replace and supersede the Pre-existing Management Scheme and the Rights. During the Reporting Period, no CPS is granted, exercised, cancelled or lapsed. Accordingly, the amount of the outstanding CPS had been 124,879,197 throughout the Reporting Period, which represented 8.22% of the issued share capital of the Company as at the date of this report if they are all awarded and vested.

REPORT OF THE DIRECTORS

Any Awards shall vest over 5 years at a rate of 20% each year commencing from 1 April 2016 up to 1 April 2021 and shall entitle the relevant Selected Participant to purchase from the Trust certain number of CPS at an exercise price of HK\$0.56 per CPS (being the Original Exercise Price converted into an exercise price per CPS based on the same conversion ratio for calculating the number of CPS issued and allotted pursuant to the Share Purchase Agreement as consideration for the Acquisition). Upon receipt of the grant notice, the Selected Participant shall confirm acceptance of the CPS being granted to him within 10 business days after the date of the grant notice. Subject to the terms of the Management Share Scheme and fulfillment of the vesting conditions set out in the Management Share Scheme and the grant notice, the CPS granted to and accepted by Selected Participant (which are originally held by the trustee under the Trust) will become vested in Selected Participant in accordance with the 5-year vesting schedule as set out in the grant notice and the trustee of the Trust shall transfer the relevant number of CPS to the Selected Participant or a company to be established by the Selected Participants accordingly. As at 31 December 2021, all the CPS which had been awarded and vested in the Selected Participants had been converted into Shares. There is no restriction of maximum entitlement of each Selected Participant.

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 convertible reference shares of the Company (the “**CPS**”).

On 15 October 2015, 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. 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.

REPORT OF THE DIRECTORS

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.

REPORT OF THE DIRECTORS

CONTINUING CONNECTED TRANSACTIONS

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

Supplemental Agreement with Qingjian Malaysia

On 31 March 2021, CNQC Engineering & Construction (Malaysia) Sdn. Bhd. ("**CNQC Malaysia**") (an indirectly wholly-owned subsidiary of the Company) and Qingjian Holding Group (M) Sdn. Bhd. ("**Qingjian Malaysia**") (an indirect subsidiary of Guotsing PRC) entered into a supplemental agreement (the "**Supplemental Agreement**") to the Sub-contract Agreement dated 30 May 2018 (the "**Sub-contract Agreement**") entered into by CNQC Malaysia and Qingjian Malaysia in relation to a construction project, pursuant to which the parties have agreed to extend the expiry date of the Sub-contract Agreement and the projected completion date of the construction project from 31 March 2021 to 31 December 2022. The parties have also agreed to revise the total contract sum from RM147 million to RM112 million (the "**Revised Contract Sum**") due to the reduction in the scope of work. Other than the above, all other terms in the Sub-contract Agreement shall remain unchanged.

Details of the terms of the Sub-Contract Agreement and that of the Supplemental Agreement and the transactions contemplated thereunder were set out in the announcement of the Company dated 30 May 2018 and 31 March 2021, respectively.

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 of the Company. 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 and the Supplemental Agreement constitute continuing connected transactions 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 Supplemental 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 Supplemental Agreement for the following period shall not exceed the following annual caps:

Annual Caps	(RM million)
From 1 January 2021 to 31 December 2021	26
From 1 January 2022 to 31 December 2022	26

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

The total amount of the continuing connected transaction pursuant to the Supplemental Agreement for the year ended 31 December 2021 was 18.8 million RM (equivalent to HK\$35.2 million).

REPORT OF THE DIRECTORS

2021 Framework Agreement with Singapore Bai Chuan

On 29 April 2021, the Company entered into an agreement in relation to the provision of decoration engineering services for the period from 1 January 2021 to 31 December 2023 (the “**2021 Framework Agreement**”) with Singapore Bai Chuan Investment Pte. Ltd (“**Singapore Bai Chuan**”), which is an indirect subsidiary of Guotsing PRC. Pursuant to the 2021 Framework Agreement, Singapore Bai Chuan agreed to provide to the Group the design, supply, manufacture and commission of various interior and exterior decoration engineering services, including but not limited to aluminum alloy, wood, iron, glass doors and windows curtain wall blinds lattice corridors, ironwork, wood products, tiles, floors, elevators and other services (the “**Decoration Engineering Services**”).

Details of the terms of the 2021 Framework Agreement and the transactions contemplated thereunder were set out in the announcement of the Company dated 29 April 2021.

Singapore Bai Chuan is an indirect subsidiary of Guotsing PRC, which is under the common control of the ultimate beneficial owners of Guotsing BVI, a controlling shareholder of the Company. Singapore Bai Chuan is therefore a connected person of the Company by virtue of being an associate of Guotsing BVI and the transactions contemplated under the 2021 Framework Agreement constitute a continuing connected transactions 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 2021 Framework Agreement are subject to the reporting and announcement requirements but are exempted from the independent shareholders’ approval requirement under Chapter 14A of the Listing Rules.

The transaction amount for the transactions contemplated under the 2021 Framework Agreement for the following period shall not exceed the following annual caps:

Annual Caps	(SGD million)
From 1 January 2021 to 31 December 2021	8
From 1 January 2022 to 31 December 2022	8
From 1 January 2023 to 31 December 2023	8

The annual caps are determined based on (i) the historical transaction amount of the Decoration Engineering Services provided by the Singapore Bai Chuan and its subsidiaries to the Group before the pandemic situation; (ii) the projected amount of Decoration Engineering Services required for the performance of the construction contracts by the Group; and (iii) the projected increase in the average market prices for similar services due to increased labour costs and other factors

The total amount of the continuing connected transaction pursuant to the 2021 Framework Agreement for the year ended 31 December 2021 was SG1.4 million (equivalent to HK\$8.1 million).

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.

REPORT OF THE DIRECTORS

The Directors consider that all material related party transactions disclosed in note 38 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.

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\$96,000 (2020: HK\$115,000).

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.

REPORT OF THE DIRECTORS

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 40 to page 54 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 focus on training management and key personnel to develop their management and decision-making abilities to enhance their work performance. The Group encourage a culture of learning and education and sponsor the employees to attend external training programmes cover areas such as construction, site safety, quality control, workplace ethics and training of other areas relevant to the industry.

(ii) Sub-contractors and suppliers

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

(iii) Customers

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

ENVIRONMENTAL POLICIES

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

REPORT OF THE DIRECTORS

COMPLIANCE WITH LAWS AND REGULATIONS

The Group's operations are mainly carried out by the Company's subsidiaries in Singapore and Hong Kong while the Company itself is listed on the Stock Exchange. During the Reporting Period, the Company continued to strictly comply with the applicable laws, rules and regulations such as, in relation to environment protection, construction labour, health and safety in Hong Kong and Singapore; the building control act and regulations set out the requirements for licensing of builders in Singapore; the housing developers act and rules set out the requirements for licensing of a housing developer in Singapore; the contractor licensing regime in Hong Kong and the relevant regulatory requirements of regulatory authorities such as BCA, Urban Redevelopment Authority of Singapore, Development Bureau and Housing Authority of Hong Kong, and regulatory and compliance requirements imposed by the Stock Exchange and Securities and Futures Commission in Hong Kong. During the year ended 31 December 2021 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, 31 March 2022

BIOGRAPHIES OF THE DIRECTORS AND SENIOR MANAGEMENT

DIRECTOR

Executive Director

Mr. Cheng Wing On, Michael (鄭永安), aged 65, is an 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. He resigned the chairman of the Strategy and Investment Committee on 31 March 2020 and continues 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 47, 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.*), 濟南中魯控股集團有限公司 (Jinan Zhonglu Holding Group 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, and accredited as 山東省優秀企業家 (The Excellent Entrepreneur in Shandong*) in 2021.

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

BIOGRAPHIES OF THE DIRECTORS AND SENIOR MANAGEMENT

Dr. Du Bo (杜波博士), aged 63, is an executive Director of the Company. He 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 from November 2012 to December 2020, 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 Holding Group Limited, Guotsing Holding Company Limited, Guotsing Asset Management Limited, Guotsing Finance Holding Limited and CNQC Development Limited.

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.

Mr. Zhang Yuqiang (張玉強), aged 60, 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.

BIOGRAPHIES OF THE DIRECTORS AND SENIOR MANAGEMENT

Non-Executive Director

Mr. Chen Anhua (陳安華), aged 54, a senior economist, graduated from Fudan University (復旦大學) and obtained a bachelor degree in economics in 1989. He then obtained a master degree in business management from the Central South University (中南大學) in 1997. Mr. Chen was awarded the post-experience certificate in engineering business management by the University of Warwick in 2006.

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

Since November 2016, Mr. Chen serves as the deputy general manager of China Great Wall AMC (International) Holdings Company Limited (中國長城資產(國際)控股有限公司) (“**Great Wall AMC**”). Prior to joining China Great Wall, he worked in the Agricultural Bank of China, taking up various positions including the deputy head of branch office in Changsha. Mr. Chen is also a non-executive director of Modern Land (China) Co., Limited (Stock Code: 1107) since January 2017 ; S. Culture International Holdings Limited (Stock Code: 1255) since January 2020, with both companies listed on the Main Board of Stock Exchange.

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

Independent Non-executive Director

Mr. Ching Kwok Hoo, Pedro (程國灝), aged 78, joined the Company on 11 September 2012 as an independent non-executive Director, and was at the same time appointed a member of the Audit Committee, the Remuneration Committee and the Nomination Committee. He was appointed as the chairman of Remuneration Committee on 11 January 2019. Mr. Ching was appointed a Member of the Most Excellent Order of the British Empire on the 1997 Birthday Honours List in June 1997, and was promoted to Commander of the Most Venerable Order of the Hospital of St John of Jerusalem in March 2017.

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

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

Mr. Tam Tak Kei, Raymond (譚德機), aged 59, 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 Tian Lun Gas Holdings Limited (stock code: 1600), which listed on the Main Board of the Stock Exchange.

Mr. Tam has also acted as an independent non-executive director of, Yunhong Guixin Group Holdings Limited (stock code: 8349) since December 2016, a company listed on the Growth Enterprise Market of Stock Exchange, Green Economy Development 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.

BIOGRAPHIES OF THE DIRECTORS AND SENIOR MANAGEMENT

Mr. Chan Kok Chung, Johnny (陳覺忠), aged 62, 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 37 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 period from November 2014 to April 2020, a company listed on the Main Board of the Stock Exchange.

Mr. Chan has also acted as an independent non-executive director of Hangzhou SF Intra-city Industrial Co., Ltd. (stock code: 8349) since November 2021, a company listed on the Main Board of Stock Exchange. Mr. Chan is an independent non-executive director of HSBC Provident Fund Trustee (Hong Kong) Limited, a member of HSBC Holdings. Mr. Chan is a Member of the Listing Committee of The Stock Exchange of Hong Kong Limited since 2020

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. Du Dexiang (杜德祥), aged 26, joined the Group in May 2021, he is the Assistant Chief Executive Officer of the Company and a president of CNQC (South Pacific) Holding Pte. Ltd. Mr. Du holds a bachelor of Science (Economics) degree in Economics and Statistics from University College London, a master of Science degree in Risk Management & Financial Engineering from Imperial College London. Mr. Du has extensive experience in financial management and corporate finance. Mr. Du Dexiang is the son of Dr. Du Bo.

Mr. Wang Linxuan (王林宣), aged 49, director of CNQC (South Pacific) Holding Pte. Ltd. Mr. Wang has more than 20 years of experience in construction and real estate industries in Singapore and China. Mr. Wang 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 is a senior engineer of China, also a National certified first-class Constructor (國家一級建造師).

Mr. Li Jun (李軍), aged 45, 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. Zhu Wenbo (朱文博), aged 36, joined the Group in September 2012, he is the Executive President of CNQC (South Pacific) Holding Pte Ltd, Managing Director of Qingjian International (South Pacific) Group Development Co., Pte Ltd, Managing Director of CNQC Engineering & Construction Pte. Ltd. , 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 14 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. Xu Zhengpeng (徐正鵬), aged 48, 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 Chenseng (楊振聲), aged 48, joined the Group in September 2012, he is the chief financial officer of CNQC (South Pacific) Holding Pte. Ltd. Mr. Yeong holds a Bachelor of Accountancy degree from Nanyang Technological University, Singapore. Mr. Yeong has more than 20 years of experience in financial management and corporate finance. Prior to joining the Group, he worked at PricewaterhouseCoopers from 1997 to 2012. He was also the chief financial officer of Guotsing (South Pacific) Holding Pte Ltd from 2014 to 2015. Mr. Yeong is a Chartered Accountant of Singapore.

BIOGRAPHIES OF THE DIRECTORS AND SENIOR MANAGEMENT

Mr. Li Jun (李俊), aged 46, joined the Group in April 2008, he is Executive President of CNQC (South Pacific) Holding Pte. Ltd., Executive Managing Director 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. With more than 20 years of experience in the property development industry, his extensive international working experience makes him an expert in this 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. Ouyang Jing (歐陽晶), aged 40, joined the Group in December 2011. He is the General Manager of Qingjian Realty (South Pacific) Group Pte. Ltd. Mr. Ouyang holds a Bachelor Degree in Civil Engineering from Hunan University. Having over 18 years of experience in the real estate industry, Mr. Ouyang worked as Design Manager, HOD of Business Development, Assistant General Manager, Deputy General Manager and Executive General Manager in Qingjian Realty (South Pacific) Group Pte. Ltd. since 2011.

Mr. Li Dong (李棟), 35, joined the Group in May 2014 and is currently vice President of CNQC (South Pacific) Holdings Pte. Ltd., and Co-general Manager and Finance Controller of Qingjian Realty (South Pacific) Group Pte. Ltd.

Mr. Li obtained his Master's degree in Economics and Finance from the University of Essex in 2010 and his Bachelor's degree in financial Engineering from Nanjing University of Finance and Economics in 2008. In 2011, he obtained the title of intermediate economist.

Since April 2014, he has successively served as senior executive, Deputy Chief Accountant, Finance Controller and Executive General Manager of Qingjian Realty (South Pacific) Group Pte. Ltd.

Mr. Xu Shu Zheng (徐淑征), aged 50, joined the Group in July 1995. Mr. Xu is the Vice President of CNQC (South Pacific) Holding Pte. Ltd., Director and General Manager of CNQC Engineering & Construction Pte. Ltd. and CNQC Engineering & Construction (Malaysia) Sdn. Bhd. Mr. Xu is the Director of CNQC Development (Myanmar) Co., Ltd., CNQC Lanka Development (Private) Limited, CNQC Development (Cambodia) Co., Ltd., Qingjian Construction Sdn Bhd and CNQC (Thailand) Co., LTD. Mr. Xu holds a Master Degree of Science in Project Management from Nanyang Technological University and The University of Manchester and also Bachelor's Degree from Shandong Jianzhu University. Mr. Xu has more than 26 years of experience in construction industry from 1995. Mr. Xu was former Assistant General Manager of Qingjian Seychelles and Qingjian Lesotho, General Manager in Qingjian Philippines, Executive Director of Max Marine International Trading Pte. Ltd., Chong Lee Heng Builder Pte Ltd and Creative Engineering International Pte Ltd, Deputy General Manager of Qingjian International (South Pacific) Group Development Co., Pte Ltd, Deputy General Manager, Executive General Manager and Senior Executive General Manager of CNQC Engineering & Construction Pte. Ltd.

Mr. Jia MingJun (賈明軍), aged 41, the director, chairman and general manager of Sunley M&E Engineering Pte. Ltd and the vice president of CNQC (South Pacific) Holding Pte. Ltd., the director of Qingjian International (South Pacific) Group Development Co., Ltd. Mr. Jia holds a bachelor's degree in engineering management in 2004. Besides, Mr. Jia is certified human resources professional (grade 1) and engineer in China. Since 2005, Mr. Jia has more than 15 years of experience in corporate management in the construction industry in multiple countries, and has held various positions including administrative management, human resource management, strategic management, and project director etc.

BIOGRAPHIES OF THE DIRECTORS AND SENIOR MANAGEMENT

Mr. Ho Chi Ling (何智凌), aged 57, 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 73, 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. Ip Kwok Lam (葉國林), aged 55, joined our Group in January 2021. He is the Managing Director of Sunnic Engineering Ltd. & Woon Lee Construction Co., Ltd. He holds a Bachelor of Science Degree in Building from City University of Hong Kong in 1990 and Master Degree of Science in Real Estate and Construction in 2007 from Hong Kong Polytechnic University. He is a Chartered Builder, Corporate Member of Hong Kong Institution of Construction Manager, and Hong Kong Institution of Engineers (Building Discipline). Mr. Ip is responsible for the overall management and operations for the Main Contractors' business in Hong Kong for the Group. He has about 32 years' of construction experience in the industry. Prior to joining the Group, he had worked for a former listed reputable construction enterprise for 18 years and another 12 years for a rising private construction group sitting on the executive level position. He has participated lots of large scale and complicated fast track construction projects before including Sands Macau and Venetian Cotai Developments.

GROUP CHIEF FINANCIAL OFFICER AND COMPANY SECRETARY

Mr. Chan Tat Hung (陳達鴻), aged 49, 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 Chartered Governance Institute (formerly known as 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 Company has been committed to maintaining a high standard of corporate governance and endeavours in applying and complying with all the applicable provisions (including the principles therein) as set out in the Corporate Governance Code (the “Code”) contained in Appendix 14 to the Listing Rules, and to devoting considerable effort to improve its practices in light of the regulatory requirements and expectation of the investors.

The Company had complied with all the applicable code provisions as set out in the Code during the Reporting Period and up to the date of this annual report.

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

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 2022 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.

CORPORATE GOVERNANCE REPORT

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 2022 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 during the year and those who have been longest in office since their last election or re-election.

Mr. Chen Anhua, Mr. Ching Kwok Hoo, Pedro and Mr. Tam Tak Kei, Raymond 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.

Each of Mr. Ching Kwok Hoo, Pedro and Mr. Tam Tak Kei, Raymond has confirmed his independence with reference to the factors set out in Rule 3.13 of the Listing Rules, and the Company continues to receive annual written confirmation from each of Mr. Ching Kwok Hoo, Pedro and Mr. Tam Tak Kei, Raymond on his independence in accordance with the Listing Rules. In determining the proposal to re-elect Mr. Ching Kwok Hoo, Pedro and Mr. Tam Tak Kei, Raymond as an independent non-executive Director notwithstanding that they have served as an independent non-executive Director for more than nine years, (i) the Board and the nomination committee of the Company (the "**Nomination Committee**") have assessed and reviewed the annual confirmation of independence of each of Mr. Ching Kwok Hoo, Pedro and Mr. Tam Tak Kei, Raymond based on the criteria set out in Rule 3.13 of the Listing Rules, in particular given that each of Mr. Ching Kwok Hoo, Pedro and Mr. Tam Tak Kei, Raymond is neither interested in the securities in or business of the Company nor connected with any Directors, chief executive or substantial Shareholder of the Company. The Board and the Nomination Committee consider that each of Mr. Ching Kwok Hoo, Pedro and Mr. Tam Tak Kei, Raymond remains independent of management and free of any relationship which could materially interfere with the exercise of his independent judgment; (ii) by taking into account the nomination policy and the board diversity policy of the Company, the Nomination Committee considers that each of Mr. Ching Kwok Hoo, Pedro and Mr. Tam Tak Kei, Raymond was a suitable candidate as an independent non-executive Director based on his background, experience and commitment to devote sufficient time to the Company; (iii) the Board considers that the respective cultural background, educational background and work experience of Mr. Ching Kwok Hoo, Pedro and Mr. Tam Tak Kei, Raymond can bring further contributions to the Board's diversity, and believes that each of Mr. Ching Kwok Hoo, Pedro and Mr. Tam Tak Kei, Raymond would be able to devote sufficient time to the Board; and (iv) the Board is satisfied that through exercising the scrutinising and monitoring function of an independent non-executive Director, each of Mr. Ching Kwok Hoo, Pedro and Mr. Tam Tak Kei, Raymond has continued to provide independent and objective judgment and advice to the Board to safeguard the interests of the Company and the Shareholders as a whole.

CORPORATE GOVERNANCE REPORT

In view of the foregoing factors, and that the tenure of each of Mr. Ching Kwok Hoo, Pedro and Mr. Tam Tak Kei, Raymond brings considerable stability and significant contribution to the Board and the Board has benefited greatly from the presence and experience of each of Mr. Ching Kwok Hoo, Pedro and Mr. Tam Tak Kei, Raymond who has over time gained valuable insight into the Group and its markets, the Board believes that each of Mr. Ching Kwok Hoo, Pedro and Mr. Tam Tak Kei, Raymond has the character, integrity, independence and expertise to continue to fulfill his role as an independent non-executive Director effectively and will continue to bring valuable experience, knowledge and professionalism to the Board, and would recommend each of Mr. Ching Kwok Hoo, Pedro and Mr. Tam Tak Kei, Raymond for re-election as an independent non-executive Director at the forthcoming annual general meeting.

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 (re-designated as C.5.1 with effect from 1 January 2022), the Board shall meet regularly and at least four times a year at approximately quarterly intervals. During the Reporting Period, seven 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:

Name of Directors	Attendance/Number of meetings during the Reporting Period	
	Board Meeting	General Meeting
Executive Directors		
Mr. Cheng Wing On, Michael	7/7	1/1
Mr. Wang Congyuan	7/7	1/1
Dr. Du Bo	7/7	1/1
Mr. Zhang Yuqiang	7/7	1/1
Non- executive Director		
Mr. Chen Anhua	7/7	1/1
Independent Non-executive Directors		
Mr. Ching Kwok Hoo, Pedro	7/7	1/1
Mr. Tam Tak Kei, Raymond	7/7	1/1
Mr. Chan Kok Chung, Johnny	7/7	1/1

BOARD RESPONSIBILITIES AND DELEGATION

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

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

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

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.

The Board may appoint independent consultants depending on the complexity and sensitivity when making certain business decisions. For example, the Board usually appoint independent consultants to perform due diligence on potential targets during potential merger & acquisition deals. As such, the Company believes that independent views and inputs from external consultants are available to the Board for making fair and justified decisions. The Board has reviewed and agreed with the implementation and effectiveness of the mechanism on an annual basis.

DIRECTORS' CONTINUING PROFESSIONAL DEVELOPMENT PROGRAMME

All Directors confirmed that they had complied with code provision A.6.5 of the Code (re-designated as C.1.4 with effect from 1 January 2022) 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 regulatory requirements for discloseable transactions of acquisition and disposal, the regulatory guidance on the directors' duties in the context for valuation in corporate transactions, the disclosure obligations relating to the winding-up and liquidation.

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	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

CORPORATE GOVERNANCE REPORT

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Under code provision A.2.1 of the Code (re-designated as C.2.1 with effect from 1 January 2022), the roles of chairman and chief executive 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 and their respective responsibilities are clearly established. The Chairman of the Board during the Reporting Period, Mr. Cheng Wing On, Michael, the Chairman of the Board, 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 its code of conduct during the Reporting Period.

REMUNERATION COMMITTEE

During the Reporting Period, the Remuneration Committee consisted of two executive Directors, namely, Mr. Wang Congyuan and 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.

CORPORATE GOVERNANCE REPORT

The Remuneration Committee has held two meetings 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 (<i>Chairman</i>)	2/2
Mr. Chan Kok Chung, Johnny	2/2
Mr. Wang Congyuan	2/2
Mr. Zhang Yuqiang	2/2
Mr. Tam Tak Kei, Raymond	2/2

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 40 of the financial statements.

CORPORATE GOVERNANCE REPORT

REMUNERATION OF THE SENIOR MANAGEMENT

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

Band of remuneration	Name of the Senior Management
HK\$2,000,000 and below	Du Dexiang, Xu Zhengpeng, Yeong Chen Seng, Li Jun, Ouyang Jing, Li Dong, Xu Shuzheng, Jia Mingjun, Chan Tat Hung
HK\$2,000,001 to HK\$3,000,000	Wang Linxuan, Li Jun, Zhu Wenbo, Tsui Kwok Kin
HK\$3,000,001 to HK\$4,000,000	Ho Chi Ling
HK\$4,000,001 to HK\$5,000,000	Ip Kwok Lam

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 service and non-audit services provided by the auditor of the Group was approximately HK\$7,170,000 and HK\$269,000 respectively. The non-audit services mainly included the tax compliance services of the Group for the year ended 31 December 2021.

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.

CORPORATE GOVERNANCE REPORT

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 (<i>Chairman</i>)	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 during the Reporting Period:

- 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 is 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 2021. 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.

CORPORATE GOVERNANCE REPORT

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.

CORPORATE GOVERNANCE REPORT

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 2021. 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 2021.

WHISTLEBLOWING POLICY

The Company has a whistleblowing policy and system for employees and those who deal with the Company. Any reports or information could be submitted in confidence to the Company Secretary or the Audit Committee. Depending on the nature and materiality of the reported cases, investigation may be performed internally, or by external auditor or even regulatory bodies such as the police.

ANTI-CORRUPTION

We believe that the integrity of business is a foundation of corporate social responsibility, as well as a fundamental element of a business's competitive advantage and sustainability. For these reasons, we have systematically incorporated anti-corruption management principles into our operations, promoted a fair and just commercial competition to achieve win-win situation with external partners, and adhered to transparent and open mechanisms for internal management as stipulated in the Group's "Code of Conduct". The Group has been in strict compliance with relevant laws and regulations, such as Prevention of Bribery Ordinance in Hong Kong and Prevention of Corruption Act in Singapore. The Group engages internal and external stakeholders to strengthen our anti-corruption procedures. In order to specify the whistle-blowing procedures and ensure the legal rights and interests of individuals reporting problems, we have formulated the "Whistle-blowing Policy". All these practical actions not only win the trust of customers, but also enhance the sense of belonging and fair play among our employees.

NOMINATION COMMITTEE

During the Reporting Period, the Nomination Committee consisted of two executive Directors, namely Mr. Cheng Wing On, Michael, the chairman of the Nomination Committee and 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.

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.

CORPORATE GOVERNANCE REPORT

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 (<i>Chairman</i>)	2/2
Dr. Du Bo	2/2
Mr. Ching Kwok Hoo, Pedro	2/2
Mr. Tam Tak Kei, Raymond	2/2
Mr. Chan Kok Chung, Johnny	2/2

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.

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.

The Nomination Committee shall regularly review the Board composition and make proposal to the Board regarding the appointment of successors in order to ensure a good and fit Board composition. 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, irrespective of their gender, will bring to the board.

As at 31 December 2021, over 80% of the current workforce (including senior management) of the Company is male as in general male is more willing than female to engage in the construction industry. In order to achieve gender diversity of the Board, the Company is targeting to appoint new female non-executive director(s) on or before 31 December 2024. Besides, the Company shall recruit more female management staff gradually depending on the business needs and availability of appropriate candidates.

CORPORATE GOVERNANCE REPORT

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

The Nomination Policy

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

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

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:

The Nomination Committee:

- i. 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. 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. 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

CORPORATE GOVERNANCE REPORT

- iv. the Nomination Committee will then, on the basis of the recommendation made by the Nomination Committee and Remuneration Committee, make recommendation to Shareholders 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 Shareholders 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 Review 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.

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.

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

	Attendance/Number of meetings during the Reporting Period
Mr. Wang Congyuan (<i>Chairman</i>)	1/1
Dr. Du Bo	1/1
Mr. Cheng Wing On, Michael	1/1
Mr. Zhang Yuqiang	1/1
Mr. Chen Anhua	1/1
Mr. Chan Kok Chung, Johnny	1/1

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.

CORPORATE GOVERNANCE REPORT

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, the Company has received some shareholders' and stakeholders' views through emails and the constructive views have been communicated to the Board. The Company would provide feedback to the views whenever it thinks fit. The Board and senior management has performed an annual review on the implementation and effectiveness of the communication policy and considers that the communication policy remains effective.

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
Email: info@cnqc.com.hk
Fax: (852) 2560 6263

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

SHAREHOLDERS' RIGHTS

Proposing a Person for Election as a Director

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.

CORPORATE GOVERNANCE REPORT

Convening General Meetings and Putting Forward Proposals at General Meetings

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. Please refer to the "Procedures for Directing Shareholder's Enquires to the Board" for the contact details of the secretary of the Board.

INDEPENDENT AUDITOR'S REPORT



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"), which are set out on pages 61 to 159, comprise:

- the consolidated statement of financial position as at 31 December 2021;
- 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 significant accounting policies and other explanatory information.

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 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("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 ("HKSA") 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 for foreseeable losses
- Impairment of goodwill

Key Audit Matters	How our audit addressed the Key Audit Matters
<p>Recognition of construction contract revenue, cost and provision for foreseeable losses</p> <p>Refer to Notes 4 and 6 to the consolidated financial statements.</p> <p>Revenue from construction contracts recognised for the year ended 31 December 2021 amounted to HK\$5,068,298,000.</p> <p>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.</p>	<p>We understood and evaluated the design and implementation of controls over revenue recognition and cost budgeting on construction contracts 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, subjectivity, changes and susceptibility to management bias or fraud.</p> <p>We have selected samples of construction contracts to assess the estimations made by management in respect of the provision for foreseeable contract losses.</p> <p>The following audit procedures have been performed by us on the sample of contracts selected:</p> <ul style="list-style-type: none">• 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.

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS (CONTINUED)

Key Audit Matters	How our audit addressed the Key Audit Matters
Recognition of construction contract revenue, cost and provision for foreseeable losses (Continued)	
<p>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.</p>	<ul style="list-style-type: none">• 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 for 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.
<p>Based upon the above, we found that the recognition of construction contract revenue and costs as well as the provision for foreseeable losses were properly supported by the available evidence.</p>	

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS (CONTINUED)

Key Audit Matters	How our audit addressed the Key Audit Matters
<p>Impairment of goodwill</p> <p>Refer to Notes 4 and 19 to the consolidated financial statements.</p> <p>The total goodwill recognised by the Group as of 31 December 2021 amounted to HK\$567,335,000, of which HK\$290,043,000 and HK\$277,292,000 were allocated to the “Foundation and construction — Hong Kong and Macau” segment and “Construction — Singapore and Southeast Asia”, respectively. Management considers 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 2021.</p> <p>The assessment of goodwill impairment is determined based on value-in-use calculations and it is inherently judgemental as it requires significant management’s estimation and judgements, including revenue growth rates, terminal growth rates and discount rates applied to future cash flow forecasts, and accordingly, this is an area of audit focus.</p>	<p>Our procedures on auditing management’s goodwill impairment assessment mainly included:</p> <ul style="list-style-type: none">• 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, subjectivity, changes and susceptibility to management bias or fraud.• 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.• 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.• Examined the results of management’s sensitivity analysis around the key assumptions including revenue growth rates and discount rates to ascertain the extent of change in those assumptions that could result in impairment for individual CGUs. <p>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.</p>

INDEPENDENT AUDITOR'S REPORT

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 HKSAAs 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 HKSAAs, 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.

INDEPENDENT AUDITOR'S REPORT

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 Chu Wang Hay.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 31 March 2022

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2021

	Note	2021 HK\$'000	2020 HK\$'000
Revenue	5, 6	6,098,655	5,128,897
Cost of sales	9	(5,904,618)	(4,877,323)
Gross profit		194,037	251,574
Other income	7	73,708	154,396
Other gains — net	8	129,808	25,670
Selling and marketing expenses	9	(57,487)	(74,102)
General and administrative expenses	9	(347,026)	(247,923)
Operating (loss)/profit		(6,960)	109,615
Finance income	11	71,365	61,462
Finance costs	11	(172,317)	(152,611)
Share of net profits of associated companies	13	385,302	227,646
Share of net losses of joint ventures	14	(16,671)	(37,198)
Profit before income tax		260,719	208,914
Income tax expense	15	(7,074)	(14,757)
Profit for the year		253,645	194,157
Other comprehensive (loss)/income			
<i>Item that may be reclassified to profit or loss</i>			
— Currency translation differences		(14,851)	27,539
<i>Item that will not be reclassified to profit or loss</i>			
— Fair value losses on financial assets at fair value through other comprehensive income		(3,556)	(4,448)
		(18,407)	23,091
Total comprehensive income for the year		235,238	217,248

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2021

Note	2021 HK\$'000	2020 HK\$'000
Profit for the year attributable to:		
Owners of the Company	259,051	218,057
Non-controlling interests	(5,406)	(23,900)
	253,645	194,157
Total comprehensive income for the year attributable to:		
Owners of the Company	244,744	239,031
Non-controlling interests	(9,506)	(21,783)
	235,238	217,248
Earnings per share for profit attributable to owners of the Company		
	16	
Basic earnings per share		
— ordinary shares (HK\$)	0.158	0.133
— convertible preference shares (HK\$)	0.158	0.133
Diluted earnings per share		
— ordinary shares (HK\$)	0.158	0.133
— convertible preference shares (HK\$)	0.158	0.133

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 2021

	Note	31 December 2021 HK\$'000	31 December 2020 HK\$'000
ASSETS			
Non-current assets			
Property, plant and equipment	17	531,015	512,034
Right-of-use assets	17	75,584	82,516
Investment properties	18	–	620,642
Goodwill	19	567,335	570,685
Other intangible assets	20	75,205	27,228
Investments in associated companies	13	683,278	317,457
Deferred income tax assets	23	56,617	47,369
Financial assets at fair value through other comprehensive income	24	4,711	6,907
Financial assets at fair value through profit or loss	21	511,932	432,635
Prepayments and other receivables	22	533,246	1,163,805
		3,038,923	3,781,278
Current assets			
Development properties for sale	26	4,247,662	4,874,264
Inventories		3,518	57,935
Trade and other receivables, prepayments and deposits	22	3,128,868	1,992,568
Contract assets	5	436,323	736,875
Income tax recoverable		872	5,450
Pledged bank deposits	27(b)	199,866	212,210
Cash and cash equivalents	27(a)	917,855	1,173,976
		8,934,964	9,053,278
Total assets		11,973,887	12,834,556
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	(1,141,305)	(1,127,102)
Retained earnings		1,397,293	1,254,286
		3,533,645	3,404,841
Non-controlling interests		195,124	188,460
Total equity		3,728,769	3,593,301

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

	Note	31 December 2021 HK\$'000	31 December 2020 HK\$'000
LIABILITIES			
Non-current liabilities			
Other payables	31	26,100	–
Borrowings	30	3,455,774	4,012,766
Lease liabilities	17(a)	41,910	57,134
Derivative financial instruments	25	–	8,917
Deferred income tax liabilities	23	45,856	39,816
		3,569,640	4,118,633
Current liabilities			
Trade and other payables	31	2,001,061	2,162,157
Contract liabilities	5	374,129	440,056
Income tax payables		23,213	128,909
Borrowings	30	2,240,568	2,358,681
Lease liabilities	17(a)	33,965	26,419
Derivative financial instruments	25	2,542	6,400
		4,675,478	5,122,622
Total liabilities		8,245,118	9,241,255
Total equity and liabilities		11,973,887	12,834,556

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

The consolidated financial statements on pages 61 to 159 were approved by the Board of Directors on 31 March 2022 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 2020

	Share capital — ordinary shares	Share capital — convertible preference shares	Share premium	Other reserves	Retained earnings	Total	Non-controlling interests	Total equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Note	(Note 28)	(Note 28)		(Note 29)				
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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2021

	Note	Share	Share	Share	Other	Retained	Non-	Total	
		capital —	capital —						controlling
		ordinary	convertible	premium	reserves	earnings	interests		
		shares	shares	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
		(Note 28)	(Note 28)		(Note 29)				
Balance at 1 January 2021		15,183	1,249	3,261,225	(1,127,102)	1,254,286	3,404,841	188,460	3,593,301
Comprehensive income									
Profit for the year		-	-	-	-	259,051	259,051	(5,406)	253,645
Other comprehensive (loss)/income									
Currency translation differences		-	-	-	(10,751)	-	(10,751)	(4,100)	(14,851)
Fair value change on financial assets at fair value through other comprehensive income		-	-	-	(3,556)	-	(3,556)	-	(3,556)
Total comprehensive income		-	-	-	(14,307)	259,051	244,744	(9,506)	235,238
Transactions with owners in their capacity as owners									
Dividend provided for or paid	32	-	-	-	-	(131,456)	(131,456)	(103,657)	(235,113)
Employees' share-based compensation benefits	33	-	-	-	104	-	104	-	104
Contributions from non-controlling interests of the subsidiaries		-	-	-	-	-	-	119,827	119,827
Lapse of put options by non-controlling interests of the subsidiaries		-	-	-	-	15,412	15,412	-	15,412
Total transactions with owners in their capacity as owners		-	-	-	104	(116,044)	(115,940)	16,170	(99,770)
Balance as at 31 December 2021		15,183	1,249	3,261,225	(1,141,305)	1,397,293	3,533,645	195,124	3,728,769

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 2021

	Note	2021 HK\$'000	2020 HK\$'000
Cash flows from operating activities			
Net cash generated from operations	34(a)	618,866	1,463,491
Interest paid		(164,266)	(191,067)
Income tax paid		(122,013)	(71,871)
Net cash generated from operating activities		332,587	1,200,553
Cash flows from investing activities			
Addition of financial assets at fair value through other comprehensive income		(1,735)	(1,375)
Additions of financial assets at fair value through profit or loss		(50,000)	(112,193)
Purchase of property, plant and equipment		(100,635)	(51,554)
Addition of intangible assets		–	(186)
Addition of investment properties		–	(7,871)
Net proceeds from disposal of a subsidiary		109,327	5,146
Capital injection into associates		(9,398)	(80,597)
Proceeds from acquisition of a subsidiary, net of cash acquired	37	20,436	–
Proceeds from disposal of property, plant and equipment	34(a)	884	765
Proceeds from disposal of financial assets at fair value through other comprehensive income		289	–
Loans to related parties		(386,714)	(246,574)
Interest received		25,597	61,006
Dividends received		3,510	1,351
Increase in pledged bank deposits for derivative financial instruments		(8,651)	(10,438)
Net cash used in investing activities		(397,090)	(442,520)
Cash flows from financing activities			
Decrease/(increase) in pledged bank deposits for bank borrowings		20,447	(4,752)
Distribution to non-controlling interests of subsidiaries		119,827	54,566
Dividends paid		(235,113)	(120,610)
Drawdown on borrowings		2,640,025	3,433,804
Repayment of borrowings		(2,683,163)	(4,189,933)
Repayment on principal element of lease liabilities		(46,669)	(33,371)
Repayment on interest element of lease liabilities		(2,403)	(2,623)
Net cash used in financing activities		(187,049)	(862,919)
Net decrease in cash and cash equivalents		(251,552)	(104,886)
Cash and cash equivalents at beginning of the financial year		1,173,976	1,271,199
Exchange (losses)/gains on cash and cash equivalents		(4,569)	7,663
Cash and cash equivalents at end of the financial year	27(a)	917,855	1,173,976

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) Amendments to existing standards adopted by the Group

The Group has applied the following amendments for the first time for their annual reporting period commencing 1 January 2021:

HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and Interest Rate Benchmark Reform — Phase 2
HKFRS 16 (Amendments)

The amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the amount or future period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation (Continued)

(iv) New standards, amendments and interpretations to existing 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 2021 and have not been early adopted by the Group:

		Effective for annual periods beginning on or after
HKFRS 16 (Amendment)	COVID-19-Related Rent Concessions beyond 2021	1 April 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
Accounting Guideline 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)	Amendments to HKFRS 17	1 January 2023
HK Interpretation 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
HKAS 1 and HKFRS Practice Statement 2 (Amendments)	Disclosure of Accounting Policies	1 January 2023
HKAS 8 (Amendments)	Definition of Accounting Estimates	1 January 2023
HKAS 12 (Amendment)	Deferred Tax related to Assets and Liabilities arising from a Single Transaction — Amendments	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 determined

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Segment reporting

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

(g) Foreign currency translation

(i) Functional and presentation currency

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

(ii) Transactions and balances

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

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

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

(iii) Group companies

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

- (i) assets and liabilities for each 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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.

Licences that have indefinite useful lives are not amortised. They are subject to impairment testing annually or more frequently if events or changes in circumstances indicate a potential impairment.

(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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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 other comprehensive income, 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” as applicable. Impairment losses (and reversal of impairment losses) on equity investment measured at fair value through other comprehensive income (“**FVOCI**”) are not presented 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 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 adopted its impairment methodology under HKFRS 9 for each of these classes of assets.

Cash and cash equivalents and pledged bank deposits are also subject to impairment requirement of HKFRS 9. Management is of the view that the Group's cash and cash equivalents and pledged bank deposits are placed in those banks which are independently rated with a high credit rating. Management does not expect any material losses from non-performance by these banks as they have no default history in the past.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Financial assets (Continued)

(iv) Impairment (Continued)

Trade receivables, retention receivables and contract assets

For trade receivables, retention receivables and contract assets, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables. The provision matrix is determined based on historical observed default rates over the expected life of the contract assets and trade receivables with similar credit risk characteristics and is adjusted for forward looking estimates. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed. Trade receivables, retention 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.

To measure the expected credit losses, trade receivables, retention receivables and contract assets have been grouped based on similar 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 and retention receivables are a reasonable approximation of the loss rates for the contract assets.

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.

(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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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, e.g. 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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.

(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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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 30 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 these financial assets 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 profit and loss 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 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 profit and loss 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).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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 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 is 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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. 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 customers, after the issuance of Temporary Occupation Permit (“TOP”) by the Building and Construction Authority of Singapore.

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 recognises 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(x) Revenue recognition (Continued)

(iv) Service and rental income

Revenue from providing services is recognised in the accounting period in which the services are rendered. If the contract includes a monthly fee, revenue is recognised in the amount to which the Group has a right to invoice.

(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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(z) Current and deferred income tax (Continued)

(ii) Deferred income tax (Continued)

Outside basis differences

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

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

(iii) Offsetting

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

(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's companies in Hong Kong operate a Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong) for its employees. Under the MPF Scheme, each of the Group and the employees are required to make contributions to the MPF Scheme at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK\$30,000, and are charged to profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in trustee-administered funds independently. There are no forfeited contributions for the MPF Scheme as the Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(aa) Employee compensation (Continued)

(ii) Retirement benefits (Continued)

The Group's companies in Singapore participate in the Central Provident Fund Scheme (the "CPF Scheme") which is registered under Central Provident Fund Act in Singapore for all qualifying employees in Singapore. The Group contributes to the CPF Scheme based on certain percentages (ranging from 12.5% to 37%) of relevant monthly salaries of employees, subject to a certain ceiling of SGD6,000 (approximately HK\$34,700), as stipulated by the relevant regulations. The Group has no further payment obligation once the contributions have been paid. The Group's contributions to the CPF Scheme vest fully and immediately with the employees. Accordingly, there were no forfeited contributions available for the Group to reduce its existing level of contributions to the CPF Scheme.

(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.

(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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(ac) Contingent liabilities and contingent assets (Continued)

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.

(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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(ad) Share-based payment (Continued)

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

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.

(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 operations 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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	Singapore	Renminbi	United		Macau	Vietnamese	Malaysia	Others	Total
	dollars	dollars		States	Indonesian	Pataca	Dong	Ringgit		
	HK\$'000	HK\$'000	HK\$'000	dollars	Rupiah	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 31 December 2021										
Non-derivative financial assets										
Financial assets at fair value through other comprehensive income	-	4,711	-	-	-	-	-	-	-	4,711
Cash and cash equivalents	159,474	638,840	3,717	89,916	531	10,444	7,114	7,777	42	917,855
Pledged bank deposits	-	14,459	185,401	-	-	-	-	6	-	199,866
Financial assets at fair value through profit or loss	180,810	291,837	-	39,285	-	-	-	-	-	511,932
Trade and other receivables excluding non-financial assets	515,353	2,117,298	4,426	37,429	16,113	5,900	7,297	202,564	-	2,906,380
	855,637	3,067,145	193,544	166,630	16,644	16,344	14,411	210,347	42	4,540,744
Non-derivative financial liabilities										
Trade and other payables excluding non-financial liabilities	391,596	1,325,268	30	43,270	3,131	3,046	19,220	151,456	-	1,937,017
Lease liabilities	13,901	61,894	-	-	-	-	27	53	-	75,875
Borrowings	1,829,071	3,499,955	185,400	181,916	-	-	-	-	-	5,696,342
	2,234,568	4,887,117	185,430	225,186	3,131	3,046	19,247	151,509	-	7,709,234
Net non-derivative financial (liabilities)/assets	(1,378,931)	(1,819,972)	8,114	(58,556)	13,513	13,298	(4,836)	58,838	42	(3,168,490)
Currency exposure of non-derivative financial (liabilities)/assets net of those denominated in the functional currencies of the respective group entities	(464,020)	(186,190)	8,114	(58,556)	531	10,444	16,685	67,068	42	(605,882)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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 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
Lease liabilities	13,087	69,891	-	-	-	-	150	424	-	83,552
Borrowings	1,763,984	4,111,078	177,525	316,850	-	-	2,010	-	-	6,371,447
	1,969,730	5,730,998	179,189	360,807	3,271	3,377	19,996	182,048	-	8,449,416
Net non-derivative financial (liabilities)/assets	(782,783)	(2,697,674)	12,546	(245,483)	7,703	21,728	6,227	19,480	45	(3,658,211)
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)	315	5,016	6,227	19,479	45	(525,562)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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	
	2021 HK\$'000	2020 HK\$'000
HK\$ against SGD (Note)		
— Strengthened	(19,257)	(14,270)
— Weakened	19,257	14,270
US\$ against SGD (Note)		
— Strengthened	(2,430)	(10,188)
— Weakened	2,430	10,188

Note:

As at 31 December 2021, the Group has certain foreign currency forward contracts in respect of SGD against HK\$ with total notional principal amount of HK\$127,000,000 and certain foreign currency forward contracts in respect of SGD against US\$ with total notional principal amount of US\$22,500,000. If HK\$ and US\$ fluctuate against SGD by 5% respectively, these contracts would reduce the effect on profit after income tax by HK\$5,271,000 and HK\$7,265,000 respectively.

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

	2021 HK\$'000	2020 HK\$'000
Net foreign exchange losses included in other gains-net (Note 8)	(134)	(9,518)
Exchange (losses)/gains on foreign currency borrowing included in finance costs-net (Note 11)	(14,678)	35,144
Total net foreign exchange (losses)/gains recognised in profit before income tax for the year	(14,812)	25,626

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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 2021, 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\$28,596,000 (2020: HK\$21,176,000) lower/higher 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.

Customers from the Group's Construction — Singapore and Southeast Asia business segment are primarily Singaporean Government's related entities and financially sound properties developers, the directors consider that the expected credit risk is minimal. Customers from the Foundation and construction — Hong Kong and Macau business segment are primarily Hong Kong Government's related entities, financially sound local properties developers and construction companies which the Group established long-term and stable business relationship, the directors consider that the expected credit risk from these customers is not material.

The Group's trade receivables other than those of the property development segment include one (2020: two) debtors that individually represented 20% (2020: 12%–16%) of such total trade receivables as at 31 December 2021.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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 2021						
Trade and other payables excluding non-financial liabilities	-	1,910,917	26,100	-	-	1,937,017
Borrowings	1,214,404	1,192,433	666,482	2,776,938	4,409	5,854,666
Lease liabilities	-	34,185	9,407	12,540	19,991	76,123
Derivative financial instruments	-	2,542	-	-	-	2,542
	1,214,404	3,140,077	701,989	2,789,478	24,400	7,870,348
At 31 December 2020						
Trade and other payables excluding non-financial liabilities	-	1,994,417	-	-	-	1,994,417
Borrowings	1,130,332	1,409,338	452,332	3,688,359	5,104	6,685,465
Lease liabilities	-	27,022	20,675	12,159	24,467	84,323
Derivative financial instruments	-	6,400	8,917	-	-	15,317
	1,130,332	3,437,177	481,924	3,700,518	29,571	8,779,522

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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 net debt to total capital ratios at the year end dates are as follows:

	2021 HK\$'000	2020 HK\$'000
Borrowings (Note 30)	5,696,342	6,371,447
Lease liabilities (Note 17(a))	75,875	83,553
	5,772,217	6,455,000
Less: Cash and cash equivalents (Note 27(a))	(917,855)	(1,173,976)
Pledged bank deposits (Note 27(b))	(199,866)	(212,210)
Net debt	4,654,496	5,068,814
Total equity	3,728,769	3,593,301
Total capital	8,383,265	8,662,115
Net debt to total capital ratio	56%	59%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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 2021 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
At 31 December 2021				
Assets				
Financial assets at fair value through other comprehensive income				
— Unlisted equity investments	–	–	4,711	4,711
Financial assets at fair value through profit or loss				
— Unlisted fund investments	–	–	511,932	511,932
Liabilities				
Derivative financial instruments:				
— Foreign exchange forward contracts	–	2,542	–	2,542

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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
At 31 December 2020				
Assets				
Financial assets at fair value through other comprehensive income				
— Unlisted equity investments	–	–	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

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 date, 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 2021 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 2021 are investment funds established for property development project in Singapore, investment in healthcare and biotechnology related business and investments in a investment collective scheme that are not traded in an active market. The key assumptions used are disclosed in Note 21. These investments are classified as Level 3.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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 2020	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
Addition	1,735	50,000
Fair value changes recognised in profit or loss	–	30,820
Fair value changes recognised in other comprehensive income	(3,556)	–
Disposals	(289)	–
Exchange difference	(86)	(1,523)
31 December 2021	4,711	511,932

During the year ended 31 December 2021, 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\$121,000 (2020: HK\$105,000) higher/lower. Should the discount rate be increased/decreased by 1%, other comprehensive income would have been HK\$12,000 (2020: HK\$11,000) 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\$3,183,000 (2020: HK\$5,044,000) 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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 2021				
Assets as per consolidated statement of financial position				
Financial assets at FVOCI	-	-	4,711	4,711
Financial assets at FVPL	-	511,932	-	511,932
Trade and other receivables excluding non-financial assets	2,906,380	-	-	2,906,380
Pledged bank deposits	199,866	-	-	199,866
Cash and cash equivalents	917,855	-	-	917,855
Total	4,024,101	511,932	4,711	4,540,744

	Derivatives financial instruments HK\$'000	Other financial liabilities at amortised cost HK\$'000	Total HK\$'000
At 31 December 2021			
Liabilities as per consolidated statement of financial position			
Derivative financial instruments	2,542	-	2,542
Trade and other payables excluding non-financial liabilities	-	1,937,017	1,937,017
Borrowings	-	5,696,342	5,696,342
Lease liabilities	-	75,875	75,875
Total	2,542	7,709,234	7,711,776

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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 2020				
Assets as per consolidated statement of financial position				
Financial assets at FVOCI	–	–	6,907	6,907
Financial assets at FVPL	–	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	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	8,449,417	8,464,734

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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
- Lease liabilities

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 described 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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 and other receivables and contract assets based on an assessment of the recoverability of trade and 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 contract assets and impairment is recognised in the period in which such estimate has been changed.

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.

(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 2021, the Group recognised such deferred income tax assets amounting to approximately HK\$55,552,000 (2020: HK\$47,369,000) 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 2020. 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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 2021					
Sales					
Sales to external parties	1,435,607	-	3,634,407	1,028,641	6,098,655
Inter-segment sales	-	-	12,455	12,472	24,927
Total segment sales	1,435,607	-	3,646,862	1,041,113	6,123,582
Adjusted segment profit/(loss)					
Depreciation of right-of-use assets	7,508	-	35,423	2,712	45,643
Depreciation of owned assets	54,123	-	20,346	127	74,596
Depreciation of investment properties	-	-	-	6,654	6,654
Impairment on property, plant and equipment	-	-	6,047	-	6,047
Amortisation of intangible assets	-	-	5,915	-	5,915
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)					
Depreciation of right-of-use assets	7,038	(49)	(25,639)	186,821	168,171
Depreciation of owned assets	5,097	-	22,935	2,898	30,930
Depreciation of investment properties	60,050	-	11,116	220	71,386
Depreciation of investment properties	-	-	-	6,232	6,232
Amortisation of intangible assets	-	-	5,129	569	5,698

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5 SEGMENT INFORMATION (CONTINUED)

During the year ended 31 December 2021, revenue of approximately HK\$1,880,555,000 (2020: HK\$1,111,356,000) representing 31% (2020: 22%) 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 2021 and 2020 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 2021					
Segment assets	1,028,672	676,001	3,821,652	6,637,281	12,163,606
Segment liabilities	656,367	645,147	2,905,736	6,073,044	10,280,294
Segment assets include:					
Additions to right-of-use assets	9,204	-	29,187	1,537	39,928
Additions to property, plant and equipment	40,335	-	60,246	54	100,635
Additions to investments in associated companies	-	-	-	9,398	9,398

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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 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
Additions to investments in associated companies	–	–	80,597	–	80,597

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

	2021 HK\$'000	2020 HK\$'000
Adjusted segment profit for reportable segments	29,200	168,171
Unallocated expenses	(20,156)	(20,098)
Elimination	(16,004)	(38,458)
Finance income	71,365	61,462
Finance costs	(172,317)	(152,611)
Share of net profits of associated companies	385,302	227,646
Share of net losses of joint ventures	(16,671)	(37,198)
Profit before income tax	260,719	208,914

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5 SEGMENT INFORMATION (CONTINUED)

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

	2021 HK\$'000	2020 HK\$'000
Segment assets	12,163,606	13,568,796
Unallocated	5,511,586	4,189,810
Elimination	(5,701,305)	(4,924,050)
Total assets	11,973,887	12,834,556

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

	2021 HK\$'000	2020 HK\$'000
Segment liabilities	10,280,294	11,234,560
Unallocated	3,666,129	2,930,745
Elimination	(5,701,305)	(4,924,050)
Total liabilities	8,245,118	9,241,255

(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:

	2021 HK\$'000	2020 HK\$'000
Contract assets related to sale of properties	31,166	474,573
Contract assets related to construction contracts	405,157	262,302
Total contract assets	436,323	736,875

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5 SEGMENT INFORMATION (CONTINUED)

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

(i) Revenue recognised in relation to contract liabilities

	2021 HK\$'000	2020 HK\$'000
Revenue recognised that was included in contract liabilities balance at the beginning of the year		
— sales of development properties	85,851	–
— construction projects	100,909	54,277

(ii) Unsatisfied contracts

	31 December 2021 HK\$'000	31 December 2020 HK\$'000
Sales of development properties	253,296	339,147
Construction projects	120,833	100,909
Total transaction price allocated to unsatisfied contract	374,129	440,056

Contract liabilities primarily relate to the Group's unsatisfied performance obligation on construction contracts and sales of development properties.

For the contract liabilities relate to the sales of development properties, it represents the deposits received from customers prior to the completion of development properties, Revenue is recognized from the contract liabilities when the Group satisfies the performance obligation, which depends on the percentage of pre-sales or progress of completion of respective projects.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6 REVENUE

	2021 HK\$'000	2020 HK\$'000
Construction contracts income	5,068,298	4,097,999
Sales of development properties	1,000,111	1,012,942
Sales of goods	6,684	6,077
Income from loaning labour to other contractors	1,699	4,866
Rental income	21,863	6,556
Service income	–	457
	6,098,655	5,128,897
Revenues from contracts with customers		
— recognised at a point in time	25,037	403,967
— recognised over time	6,051,755	4,718,374
	6,076,792	5,122,341
Revenue from other sources		
— rental income	21,863	6,556
	6,098,655	5,128,897

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

	2021 HK\$'000	2020 HK\$'000
Singapore	4,366,176	3,245,163
Hong Kong and Macau	1,435,607	1,323,257
Southeast Asia	296,872	560,477
	6,098,655	5,128,897

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

7 OTHER INCOME

	2021 HK\$'000	2020 HK\$'000
Dividend income from financial assets at FVOCI	3,279	1,351
Forfeited customer deposits	5,088	4,307
Government grants (<i>Note</i>)	35,486	116,353
Management fee income	17,787	16,459
Rental income from temporary staff quarters	2,948	1,450
Scrap sales	2,193	6,540
Sundry income	6,927	7,936
	73,708	154,396

Note:

Government grants primarily represent subsidies granted by local governments against the COVID-19 pandemic and foreign worker levy rebates. 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

	2021 HK\$'000	2020 HK\$'000
Gains on disposals of property, plant and equipment	366	90
Foreign exchange forward contracts		
— fair value gains/(losses)	12,715	(12,225)
— losses on settlement, net	(1,418)	(651)
Provision for foreseeable losses on certain construction contracts	(43,140)	(26,085)
Fair value gains on financial assets at fair value through profit and loss	30,820	61,896
Gain on disposal of a subsidiary (<i>Note</i>)	130,915	16,471
Gain on disposal of right of use assets	13	18
Exchange difference	(134)	(9,518)
Others	(329)	(4,326)
Other gains — net	129,808	25,670

Note: On 12 May 2021, Qingjian Realty (BBC) Investment Pte. Ltd., an indirect wholly-owned subsidiary of the Company, together with two other vendors holding non-controlling interests of Qingjian Realty (BBC) Pte. Ltd. ("**QJR BBC**"), entered into a Sale and Purchase Agreement with Firmus Property Fund 1 (the "**Purchaser**"), pursuant to which the Purchaser acquired the entire equity interests of QJR BBC (the "**Disposal**") at a cash consideration of approximately SGD21,566,000 (after post-completion adjustment) (equivalent to approximately HK\$124,736,000). The Disposal was completed on 25 August 2021. Net gain on disposal of QJR BBC of HK\$130,915,000 was recognised in the year ended 31 December 2021 as a result.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

9 EXPENSES BY NATURE

	2021 HK\$'000	2020 HK\$'000
Contractor and material costs included in "Cost of sales"	4,345,651	3,495,274
Property development costs included in "Cost of sales"	790,613	727,638
Sales commissions	36,885	30,302
Show flat costs	14,451	24,956
Marketing expenses	6,151	18,843
Travel and entertainment expenses	3,297	3,882
Depreciation of owned assets (Note 17)	74,596	71,386
Depreciation of investment properties (Note 18)	6,654	6,232
Depreciation of right-of-use assets (Note 17)	45,643	30,930
Amortisation of intangible assets (Note 20)	5,915	5,698
Rental expenses on operating leases	158,243	123,836
Auditors' remuneration		
— audit and audit related services	7,170	7,190
— non-audit services	269	215
Staff costs, including directors' emoluments (Note 10)	737,511	599,065
Other legal and professional fees	17,457	18,480
Impairment charge on property, plant and equipment (Note 17)	6,047	—
Other expenses	52,578	35,421
Total cost of sales, selling and marketing expenses, general and administrative expenses	6,309,131	5,199,348

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

10 EMPLOYEE BENEFIT EXPENSES

	2021 HK\$'000	2020 HK\$'000
Directors' fees, employees' salaries, wages and allowances	578,934	540,264
Performance bonuses	98,665	17,988
Employers' contributions to defined contribution plans (Note)	29,080	25,541
Share-based payment expenses (Note 33)	104	1,689
Other staff benefits	30,728	13,583
	737,511	599,065

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

Five highest paid individuals

During the year, the five individuals whose emoluments were the highest in the Group include three directors (2020: three), whose emoluments are reflected in the analysis shown in Note 40. The emoluments payable to the remaining two individuals during the years ended 31 December 2021 and 2020 were as follows:

	2021 HK\$'000	2020 HK\$'000
Salaries, wages and allowances	6,160	4,650
Performance bonuses	1,522	1,911
Employers' contributions to defined contribution plans	36	18
Share-based payment expenses	–	105
	7,718	6,684

The emoluments of the individuals fell within the following bands:

	Number of individuals 2021	Number of individuals 2020
Emolument bands (in HK\$)		
HK\$3,000,001–HK\$3,500,000	1	2
HK\$4,000,001–HK\$4,500,000	1	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

11 FINANCE COSTS — NET

	2021 HK\$'000	2020 HK\$'000
Finance income		
Interest income from bank deposits	5,887	9,688
Interest income from loans to associated companies	63,706	47,713
Interest income from loans to related parties	1,505	1,216
Others	267	2,845
	71,365	61,462
Finance costs		
Interest expenses on lease liabilities	(2,403)	(2,623)
Interest expenses on bank borrowings and arrangement fee amortised in respect of bank facilities	(128,700)	(152,881)
Interest expenses on medium term notes	—	(26,257)
Interest expenses on loans from non-controlling interests in subsidiaries	(35,845)	(39,411)
Others	(411)	(614)
	(167,359)	(221,786)
Less: Interest expenses capitalised	9,720	34,031
	(157,639)	(187,755)
Net foreign exchange (losses)/gains	(14,678)	35,144
	(172,317)	(152,611)
Finance costs — net	(100,952)	(91,149)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

12 SUBSIDIARIES

The following is a list of the principal subsidiaries as at 31 December 2021:

Name of companies	Principal activities	Country of operation/ incorporation	Particulars of share capital/ paid-up capital	Effective interest held as at 31 December 2021	Effective interest held as at 31 December 2020
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\$13,900,000	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%
Woon Lee Construction Company Limited	General contracting, building and civil engineering in Hong Kong	Hong Kong	HK\$20,000,000	100%	-
CNQC International (Hong Kong) Industrial Development Fund LP.	Property development investment	Hong Kong	Not applicable	100%	100%
Sunley Foundation Engineering (Macau) Company Limited	General contracting, building and civil engineering in Macau	Macau	MOP100,000	100%	100%
Sunnic Engineering (Macau) Limited	General contracting, building and civil engineering in Macau	Macau	MOP25,000	100%	100%
CNQC (South Pacific) Holdings Pte. Ltd.	Investment holding	Singapore	SGD25,500,000	100%	100%
Qingjian International (South Pacific) Group Development Co., Pte. Ltd.	General construction	Singapore	SGD45,000,000	100%	100%
CNQC Engineering & Construction Pte. Ltd.	General construction	Singapore	SGD15,000,000	100%	100%
Qingjian Realty (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%
CNQC Realty (Phoenix) Pte. Ltd.	Property development	Singapore	SGD2,000,000	63%	63%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

12 SUBSIDIARIES (CONTINUED)

Name of companies	Principal activities	Country of operation/ incorporation	Particulars of share capital/ paid-up capital	Effective interest held as at 31 December 2021	Effective interest held as at 31 December 2020
Indirectly held by the Company: (Continued)					
Welltech Construction Pte. Ltd.	General construction	Singapore	SGD35,000,000	100%	100%
CNQC International B&R (SG) Development Fund L.P.	Property development investment	Cayman Islands	Not applicable	28%	0%
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%
Qingjian Realty (Chao Chu Kong) Pte. Ltd.	Property development	Singapore	SGD100,000	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%

Note: The Group is the general partner of CNQC International B&R (SG) Development Fund L.P. (the "CNQC Development Fund L.P.") and has provided seed capital for the set up of the CNQC Development Fund L.P. The Group considered the level of its aggregate economic interests in the CNQC Development Fund L.P. is significant and the level of investors' rights to remove the general partner is limited. The Group determines that it has control over the CNQC Development Fund L.P. and has consolidated it.

Material non-controlling interests

The total non-controlling interests as at 31 December 2021 represent net aggregate non-controlling interests of HK\$65,419,000 (2020: HK\$188,460,000), of which non-controlling interests of HK\$70,347,000 (2020: HK\$50,070,000) were attributable to Qingjian Perennial (Bukit Timah) Pte. Ltd. and CNQC International B&R (SG) Development Fund L.P., respectively. The directors are of the opinion that other non-controlling interests are not material to the Group as at 31 December 2021.

Summarised financial information on subsidiaries with material non-controlling interests

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

Summarised statement of financial position

	CNQC International B&R (SG) Development Fund L.P.		Qingjian Perennial (Bukit Timah) Pte Ltd	
	2021 HK\$'000	2020 HK\$'000	2021 HK\$'000	2020 HK\$'000
Current				
Assets	7,535	–	3,668,177	4,051,198
Liabilities	(191,322)	–	(541,554)	(519,618)
Total current net (liabilities)/assets	(183,787)	–	3,126,623	3,531,580
Non-current				
Assets	361,859	–	18,179	24,277
Liabilities	(176,085)	–	(3,207,180)	(3,658,040)
Total non-current net assets/(liabilities)	185,774	–	(3,189,001)	(3,633,763)
Net assets/(liabilities)	1,987	–	(62,378)	(102,183)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

12 SUBSIDIARIES (CONTINUED)

Summarised statement of comprehensive income

	CNQC International B&R (SG) Development Fund L.P.		Qingjian Perennial (Bukit Timah) Pte Ltd	
	2021 HK\$'000	2020 HK\$'000	2021 HK\$'000	2020 HK\$'000
Revenue	–	–	960,654	88,332
Profit/(loss) before income tax	2,424	–	44,245	(124,232)
Income tax (expense)/credit	(370)	–	(4,845)	18,687
Net profit/(loss)	2,054	–	39,400	(105,545)
Other comprehensive income	–	–	405	(3,318)
Total comprehensive income/(loss)	2,054	–	39,805	(108,863)
Total comprehensive income/(loss) allocated to non-controlling interests	986	–	10,747	(53,343)
Dividends paid to non-controlling interests	–	–	–	–

Summarised statement of cash flows

	CNQC International B&R (SG) Development Fund L.P.		Qingjian Perennial (Bukit Timah) Pte Ltd	
	2021 HK\$'000	2020 HK\$'000	2021 HK\$'000	2020 HK\$'000
Cash flows from operating activities				
Cash generated from operations	192,823	–	634,806	272,038
Interest paid	–	–	(40,578)	(58,851)
Net cash generated from operating activities	192,823	–	594,228	213,187
Net cash used in investing activities	(366,889)	–	–	–
Net cash generated from/(used in) financing activities	176,107	–	(446,582)	(89,724)
Net increase in cash and cash equivalents	2,041	–	147,646	123,463
Cash, cash equivalents and bank overdrafts at beginning of year	107	–	134,321	6,849
Exchange (losses)/gains on cash and cash equivalents	(1)	–	(557)	4,009
Cash and cash equivalents at end of year	2,147	–	281,410	134,321

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

13 INVESTMENTS IN ASSOCIATED COMPANIES

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

	2021 HK\$'000	2020 HK\$'000
At 1 January	317,457	2,899
Additions	9,398	80,597
Share of net profits of associated companies	357,369	224,037
Dividend received	(231)	–
Exchange difference	(715)	9,924
At 31 December	683,278	317,457

The amounts recognised in profit or loss are as follows:

	2021 HK\$'000	2020 HK\$'000
Share of results of associated companies	357,369	224,037
Unrealised gains on downstream transactions with associated companies (<i>Note</i>)	(1,717)	(23,403)
Realised gains on downstream transactions with associated companies	29,650	27,012
Share of net profits of associated companies recognised in profit or loss	385,302	227,646

Note:

As at 31 December 2021, deferred unrealised gains on downstream transactions with associated companies of HK\$10,414,000 (2020: HK\$38,347,000) was recognised in "Trade and other payables" (*Note* 31).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

13 INVESTMENTS IN ASSOCIATED COMPANIES (CONTINUED)

The particulars of the Group's associated companies as at 31 December 2021 are as follows:

Name of companies	Principal activities	Country of operation/ incorporation	Particulars of share capital	Effective interest held as at 31 December 2021	Effective interest held as at 31 December 2020
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%	47%
TQS Development Pte. Limited (" TQS ")	Property development	Singapore	SGD4,000,000	6.36%	–
Jubliant Castle Limited	Investment holding	The British Virgin Islands	USD1,000	5%	5%
Wealth Honour Limited	Property development	Hong Kong	HK\$1	5%	5%

Note:

The Group directly holds 42.11% equity interests of QJR SF, which holds 95% equity interests in QJR Marymount.

As stated in Note 12 above, the Group owns 28.44% equity interest of CNQC Development Fund L.P. and has consolidated it. CNQC Development Fund L.P. owns 52% equity interest in QJ-OS Pte. Ltd., which in turn owns 43% equity interest in TQS.

The Group holds 5% equity interest in Jubliant Castle Limited, which hold 100% equity interest of Wealth Honour Limited. The directors determine the Group has significant influence over Jubliant Castle Limited by way of representation on the Board of Directors and participation in the policy-making process, although the Group's equity interests in Jubliant Castle Limited is lower than 20%.

Contingent liabilities or commitments relating to the Group's interests in associated companies as at 31 December 2021 and 2020 were disclosed in Note 35.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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.

	TQS		QJR SF and its subsidiary		QJR Marymount	
	2021 HK\$'000	2020 HK\$'000	2021 HK\$'000	2020 HK\$'000	2021 HK\$'000	2020 HK\$'000
Current assets						
Cash and cash equivalents	12,835	–	387,737	249,239	372,526	249,182
Other current assets	2,684,019	–	5,907,624	6,043,002	4,850,753	6,043,002
Total current assets	2,696,854	–	6,295,361	6,292,241	5,223,279	6,292,184
Non-current assets	68	–	84,122	48,525	62,143	26,458
Current liabilities						
Financial liabilities (excluding trade payables)	(17,408)	–	(4,684,941)	(498,582)	(3,590,745)	(476,302)
Other current liabilities	–	–	(85,989)	(157,896)	(85,989)	(157,896)
Total current liabilities	(17,408)	–	(4,770,930)	(656,478)	(3,676,734)	(634,198)
Total non-current liabilities	(2,656,711)	–	(320,744)	(5,169,291)	(320,744)	(5,169,291)
Net assets	22,803	–	1,287,809	514,997	1,287,944	515,153
Net assets attributable to equity owners	22,803	–	1,287,809	514,997	1,287,944	515,153
Direct equity interest held	43%	–	42.11%	42.11%	45%	45%
Share of interest held by Group	9,805	–	542,296	216,865	579,575	231,819

The interests in QJR SF and QJR Marymount were initially measured at fair value. The carrying amount was increased or decreased to recognise the Group's share of profits or losses of the interests in QJR SF and QJR Marymount to the extent the carrying amount of the interests in QJR SF and QJR Marymount reduced to nil due to losses, after the initial recognition. There are no significant contingent liabilities and capital commitments relating to the Group's interests in associates as at 31 December 2021 and 2020 and the associates do not have any significant contingent liabilities and capital commitments as at 31 December 2021 and 2020.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

13 INVESTMENTS IN ASSOCIATED COMPANIES (CONTINUED)

Summarised financial information for associates (Continued)

	TQS		QJR SF and its subsidiary		QJR Marymount	
	Year ended 31 December 2021 HK\$'000	Year ended 31 December 2020 HK\$'000	Year ended 31 December 2021 HK\$'000	Year ended 31 December 2020 HK\$'000	Year ended 31 December 2021 HK\$'000	Year ended 31 December 2020 HK\$'000
Reconciliation to carrying amounts of the Group's interests in associated companies:						
Opening net assets	-	-	514,997	(110,179)	515,153	(88,133)
Capital injection	23,136	-	-	-	-	-
(Loss)/profit for the year	(333)	-	774,971	585,333	774,952	585,326
Other comprehensive (loss)/income	-	-	(2,159)	39,843	(2,161)	17,960
Closing net assets	22,803	-	1,287,809	514,997	1,287,944	515,153
Revenue	-	-	5,432,706	3,605,963	5,432,706	3,605,963
(Loss)/profit after tax attributable to the equity owners	(333)	-	774,971	585,333	774,952	585,326
Other comprehensive (loss)/income attributable to the equity owners	-	-	(2,159)	39,843	(2,161)	17,960
Total comprehensive (loss)/income attributable to the equity owners	(333)	-	772,812	625,176	772,791	603,286

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

14 INVESTMENTS IN JOINT VENTURES

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

	2021 HK\$'000	2020 HK\$'000
At 1 January	(8,089)	30,092
Share of losses of joint ventures recognised in investment in joint ventures	(16,643)	(37,229)
Exchange difference	44	(952)
At 31 December	(24,688)	(8,089)

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

	As at 31 December 2021 HK\$'000	As at 31 December 2020 HK\$'000
Investments in joint ventures	–	–
Provision for financial guarantees to joint ventures (<i>Note 31</i>)	(24,688)	(8,089)
	(24,688)	(8,089)

The amounts recognised in profit or loss are as follows:

	2021 HK\$'000	2020 HK\$'000
Share of net losses of joint ventures recognised in profit or loss	(16,671)	(37,198)
Realisation/(recognition) of deferred gains with joint ventures	28	(31)
Share of losses of joint ventures recognised in investment in joint ventures	(16,643)	(37,229)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

14 INVESTMENTS IN JOINT VENTURES (CONTINUED)

The particulars of the Group's investments in joint ventures as at 31 December 2021 and 2020 are as follows:

Name of companies	Principal activities	Country of operation/ incorporation	Measurement method	Effective interest held as at 31 December 2021	Effective interest held as at 31 December 2020
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%
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 2021 (2020: same).

The Group has financial commitments of HK\$24,688,000 to cover financing requirement of the joint ventures relating to the Group's interests in joint ventures as at 31 December 2021 (2020: HK\$8,089,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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 2021 and 2020 on the estimated assessable profit in the respective jurisdictions, adjusted for those items which are not assessable or deductible for income tax purpose.

	2021 HK\$'000	2020 HK\$'000
Current income tax		
— Macau profits tax	–	47
— Singapore income tax	15,334	103,179
— Malaysia income tax	–	2,594
— Cambodia income tax	706	159
— Vietnam income tax	17	173
Under/(over)-provision in prior years		
— Hong Kong profits tax	–	(268)
— Singapore income tax	8,250	(5,113)
— Malaysia income tax	(1,381)	589
— Indonesia income tax	–	(4,608)
— Cambodia income tax	–	(448)
— Vietnam income tax	(173)	–
Total current income tax	22,753	96,304
Deferred income tax (Note 23)	(15,679)	(81,547)
Income tax expense	7,074	14,757

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:

	2021 HK\$'000	2020 HK\$'000
Profit before income tax	260,719	208,914
Tax calculated at domestic tax rates applicable to profits in the respective countries	42,024	35,513
Effects of:		
— Associates' and joint ventures' results reported net of tax	(58,531)	(28,839)
— Statutory stepped income exemption in Singapore	(493)	(935)
— Income not subject to tax	(30,308)	(30,218)
— Expenses not deductible for tax purposes	14,405	23,712
— Utilisation of tax loss previously not recognised	(24)	(329)
— Tax losses and other temporary difference not recognised	33,305	25,701
— Under/(over)-provision in prior years	6,696	(9,848)
Income tax expense	7,074	14,757

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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 2021, the Company has unrecognised tax losses to be carried forward against future taxable income amounting to approximate HK\$496,557,000 (2020: HK\$300,142,000). The potential deferred income tax assets in respect of the unrecognised tax losses amounted to approximate HK\$85,778,000 (2020: HK\$52,473,000). Tax losses amounting to approximate HK\$303,000 (2020: HK\$2,518,000) will expire within 3 years from 31 December 2021. The remaining tax losses have no expiry date.

16 EARNINGS PER SHARE

Basic

	2021 HK\$'000	2020 HK\$'000
Profit attributable to ordinary shares	239,333	201,454
Profit attributable to convertible preference shares ("CPS")	19,718	16,603
Profit attributable to owners of the Company	259,051	218,057

	2021		2020	
	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	1,518,320	124,876
Basic earnings per share (HK\$)	0.158	0.158	0.133	0.133

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

16 EARNINGS PER SHARE (CONTINUED)

Diluted

	2021		2020	
	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	1,518,320	124,876
Adjustments for outstanding share options (in thousands)	–	–	–	–
	1,518,320	124,876	1,518,320	124,876
Diluted earnings per share (HK\$)	0.158	0.158	0.133	0.133

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 years ended 31 December 2021 and 2020, 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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	Construction in progress HK\$'000	Property, plant and equipment total HK\$'000	Right-of-use assets HK\$'000
At 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
Additions	14,523	42	36,170	768	1,627	1,047	54,177	33,413
Depreciation	(12,472)	(1,287)	(53,116)	(2,976)	(1,535)	–	(71,386)	(30,930)
Disposals	–	–	(587)	(88)	–	–	(675)	(687)
Exchange difference	1,113	4	321	12	36	33	1,519	626
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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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 1 January 2021								
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
Year ended 31 December 2021								
Opening net book amount	312,605	8,754	179,255	6,663	3,677	1,080	512,034	82,516
Additions	-	55	64,458	1,031	1,083	34,008	100,635	39,928
Reclassification	35,084	-	-	-	-	(35,084)	-	-
Disposals	-	-	(35)	-	(483)	-	(518)	(981)
Depreciation	(16,683)	(1,353)	(52,868)	(2,479)	(1,213)	-	(74,596)	(45,643)
Impairment (Note d)	(6,047)	-	-	-	-	-	(6,047)	-
Exchange difference	(412)	(2)	(52)	(22)	(1)	(4)	(493)	(236)
Closing net book amount	324,547	7,454	190,758	5,193	3,063	-	531,015	75,584
Year ended 31 December 2021								
Cost	384,426	30,822	611,442	50,656	9,812	-	1,087,158	187,878
Accumulated depreciation and impairment	(59,879)	(23,368)	(420,684)	(45,463)	(6,749)	-	(556,143)	(112,294)
Net book value	324,547	7,454	190,758	5,193	3,063	-	531,015	75,584

Note:

- Depreciation expense of property, plant and equipment of HK\$58,282,000 (2020: HK\$54,827,000) and HK\$16,314,000 (2020: HK\$16,559,000) has been charged in "cost of sales" and "general and administrative expenses" respectively.
- As at 31 December 2021, the Group's leasehold land and buildings with an aggregate net book value of HK\$247,313,000 (2020: HK\$256,408,000) were pledged as securities for bank borrowings (Note 30(c)).
- For the year ended 31 December 2021, rental income amounting to HK\$21,863,000 (2020: HK\$6,556,000) relating to the lease of machinery is included in profit or loss (Note 6).
- During the year ended 31 December 2021, an impairment loss of HK\$6,047,000 was recognised in the 'cost of sales' for a factory held by a continuously loss-making cash generating unit under the construction business segment in Singapore. The recoverable amount of the factory was measured at the fair value less cost of disposal based on a valuation carried out by an independent valuer using the market approach.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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:

	2021 HK\$'000	2020 HK\$'000
Right-of-use assets		
Leasehold land	675	1,836
Properties	47,571	52,369
Machineries	27,030	27,344
Vehicles	308	967
	75,584	82,516
Lease liabilities		
Current	33,965	26,419
Non-current	41,910	57,134
	75,875	83,553

Additions to the right-of-use assets during the year ended 31 December 2021 were HK\$39,928,000 (2020: HK\$33,413,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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	2021 HK\$'000	2020 HK\$'000
Depreciation charge of right-of-use assets			
Leasehold land		1,155	1,123
Properties		19,588	23,042
Machineries		24,760	6,115
Vehicles		140	650
	9	45,643	30,930
Interest expense (included in finance costs — net)	11	2,403	2,623
Expense relating to short-term leases (included in cost of goods sold and administrative expenses)	9	158,243	123,836

The total cash outflow for leases during the year ended 31 December 2021 was HK\$207,315,000 (2020: HK\$159,819,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

18 INVESTMENT PROPERTIES

	Investment properties under development	Completed investment properties	Total
	HK\$'000	HK\$'000	HK\$'000
Cost			
At 1 January 2020	613,632	–	613,632
Additions	7,871	–	7,871
Transfer upon completion	(621,503)	621,503	–
Exchange difference	–	5,570	5,570
At 31 December 2020	–	627,073	627,073
Disposals	–	(627,073)	(627,073)
At 31 December 2021	–	–	–
Accumulated depreciation			
At 1 January 2020	–	–	–
Depreciation	–	(6,232)	(6,232)
Exchange difference	–	(199)	(199)
At 31 December 2020	–	(6,431)	(6,431)
Depreciation	–	(6,654)	(6,654)
Disposals	–	13,060	13,060
Exchange difference	–	25	25
At 31 December 2021	–	–	–
Net book value			
At 1 January 2020	613,632	–	613,632
At 31 December 2020	–	620,642	620,642
At 31 December 2021	–	–	–

The Group's investment properties as at 31 December 2020 were valued at HK\$929,152,000 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.

During the year ended 31 December 2021, the investment properties held by the Group were disposed of as part of the QJR BBC Disposal (Note 8).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

19 GOODWILL

	Foundation and construction — Hong Kong and Macau <i>(Note (a))</i> HK\$'000	Construction — Singapore and Southeast Asia <i>(Note (b))</i> HK\$'000	Total HK\$'000
At 1 January 2020	282,933	285,365	568,298
Exchange differences	–	2,387	2,387
At 31 December 2020 and 1 January 2021	282,933	287,752	570,685
Addition <i>(Note (c))</i>	7,110	–	7,110
Exchange differences	–	(10,460)	(10,460)
At 31 December 2021	290,043	277,292	567,335

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 International Limited (“**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.
- (c) The amount represents the goodwill arising from the acquisition of Woon Lee Construction Company Limited (“Woon Lee”), a company incorporated in Hong Kong, which is primarily engaged in the provision of foundation and construction services in Hong Kong. The acquisition is expected to create synergy from combining the capabilities of the Group’s other foundation and construction business in Hong Kong as a result of acquisition completed on 11 November 2021 (Note 37).

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

19 GOODWILL (CONTINUED)

Impairment test for goodwill (Continued)

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

	2021	2020
Average growth rate (Note (i))	11.6%	10.0%
Terminal growth rate	2.0%	2.0%
Gross margin	10.6%	9.7%
Discount rate (Note (ii))	15.2%	15.0%

Goodwill of Construction — Singapore and Southeast Asia

	2021	2020
Average growth rate (Note (i))	3.0%	3.4%
Terminal growth rate	2.5%	2.5%
Gross margin	3.8%	3.8%
Discount rate (Note (ii))	10.4%	10.4%

Notes:

- (i) Average growth rate used in the budget is for the five-year period ending 31 December 2026.
- (ii) The discount rate used is pre-tax and reflects specific risks relating to the relevant business.

The Group does not have to recognise any impairment loss as at 31 December 2021 based on the impairment assessment performed.

Management has undertaken sensitivity analysis on the impairment test of goodwill. Hypothetically, if the average growth rate decreases by 11.5% or the average gross margin decreases by 1.2% in isolation, would have removed the remaining headroom of "Foundation and construction — Hong Kong and Macau" segment as at 31 December 2021. If the average growth rate decreases by 3.0% or the discount rate increases by 2.5% in isolation, would have removed the remaining headroom of "Foundation and construction — Singapore and Southeast Asia" segment as at 31 December 2021.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

20 OTHER INTANGIBLE ASSETS

	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
	Construction licenses HK\$'000	Computer software, license and club membership HK\$'000	Total HK\$'000
Year ended 31 December 2021			
Opening net book amount	26,550	678	27,228
Additions (Note)	54,000	–	54,000
Amortisation charge (Note 9)	(5,785)	(130)	(5,915)
Exchange difference	(106)	(2)	(108)
Closing net book amount	74,659	546	75,205
At 31 December 2021			
Cost	111,845	967	112,812
Accumulated amortisation	(37,186)	(421)	(37,607)
	74,659	546	75,205

Note:

The amount represents the fair value of the construction licenses (with indefinite useful lives) held by a subsidiary acquired by the Group during the year as set out in note 37.

The construction licenses are granted by the various authorities of HKSAR government to the acquired subsidiary through which the acquired subsidiary is eligible to undertake large-scale public works of contractual amount exceeding HK\$400 million. The construction licenses are deemed to have no legal life but are renewable every year so long as the acquired subsidiary is able to comply with certain provisions and requirements set out by the various authorities of HKSAR government.

As a result, the construction licenses are considered by the management as having an indefinite useful life because it is expected to contribute net cash flows indefinitely. The construction licenses will not be amortised until its useful life is determined to be finite. These construction licenses will be tested for impairment annually or whenever there is an indication that they may be impaired.

Amortisation of HK\$5,785,000 (2020: HK\$5,628,000) was included in "Cost of sales" and HK\$130,000 (2020: HK\$70,000) was included in "General and administrative expenses".

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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:

	2021 HK\$'000	2020 HK\$'000
At 1 January	432,635	259,432
Additions	50,000	112,193
Fair value gains recognised in profit or loss	30,820	61,896
Exchange differences	(1,523)	(886)
At 31 December	511,932	432,635

As at 31 December 2021, the balance of financial assets at fair value through profit or loss represents the Group's unlisted fund investments as follows:

	2021 HK\$'000	2020 HK\$'000
Unlisted fund investments:		
— Property Development Fund (Note (a))	382,095	351,543
— Medicine Fund (Note (b))	111,092	81,092
— Chariot SPC Fund — CHARIOT SP III (Note (c))	18,745	–
	511,932	432,635

- (a) 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 “**Property Development 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 2021, there is no additional investment made to the Property Development Fund (2020: HK\$31,101,000).
- (b) On 21 May 2020, a direct wholly owned subsidiary of the Company entered into 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 2021 is determined based on the recent valuation report. During the year ended 31 December 2021, an additional investment of approximately HK\$30,000,000 was made to the Medicine Fund (2020: HK\$81,092,000).
- (c) During the year ended 31 December 2021, a direct wholly-owned subsidiary of the Company subscribed for certain Class A Participating Shares within a segregated portfolio in Chariot SPC Fund — Chariot SP III, an unlisted investment fund registered in the Cayman Islands, for an amount of HK\$20,000,000. Chariot SPC Fund is an exempted company incorporated with limited liability and registered as a segregated portfolio company under the Companies Law (Revised) of the Cayman Islands. The investment in Chariot SPC Fund is primarily for the purpose of capital appreciation. The fair value of the investment held by the Group in the fund as of 31 December 2021 was determined by reference to the net asset value per share of the relevant segregated portfolio in the fund. During the year ended 31 December 2021, a fair value loss of HK\$1,255,000 was recognised in profit or loss.

Movement in 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

22 TRADE AND OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS

	2021 HK\$'000	2020 HK\$'000
Current		
Trade receivables (<i>Note (b)</i>)		
— An associated company	82,526	140,637
— Related parties	30,455	19,527
— Third parties	800,875	691,695
	913,856	851,859
Retention receivables from customers for construction contract work (<i>Note (c)</i>)		
— An associated company	3,685	247
— Related parties	11,337	15,292
— Third parties	417,497	358,446
	432,519	373,985
Other receivables (<i>Note (d)</i>)		
— Associated companies	301,872	238,758
— Joint venture	111,450	125,450
— Related parties	34,331	22,525
— Third parties	66,623	138,528
Prepayments	162,787	182,896
Deposits	71,825	43,044
Staff advances	2,714	2,270
Goods and services tax receivable	7,872	7,471
Dividend receivable	—	20
	759,474	760,962
Loans receivables		
— An associated company (<i>Note (e)</i>)	1,023,019	5,762
	3,128,868	1,992,568
Non-current		
Loans receivables		
— Associated companies (<i>Note (e)</i>)	515,691	1,152,796
— Related parties	16,783	10,221
Prepayments and other receivables	772	788
	533,246	1,163,805

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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:

	2021 HK\$'000	2020 HK\$'000
1–30 days	795,483	712,156
31–60 days	15,567	54,739
61–90 days	7,462	18,030
Over 90 days	95,344	66,934
	913,856	851,859

(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\$284,302,000 (2020: HK\$159,548,000) are expected to be recovered in more than twelve months from 31 December 2021.

(d) Other receivables due from associated companies, joint venture, 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% (2020: 5% to 6%) per annum as at 31 December 2021.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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:

	2021 HK\$'000	2020 HK\$'000
Deferred income tax assets		
— to be recovered within 12 months	11,897	391
— to be recovered after more than 12 months	44,720	46,978
	56,617	47,369
	2021 HK\$'000	2020 HK\$'000
Deferred income tax liabilities		
— to be settled within 12 months	(4,861)	(5,880)
— to be settled after more than 12 months	(40,995)	(33,936)
	(45,856)	(39,816)

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

	2021 HK\$'000	2020 HK\$'000
1 January	7,553	(76,046)
Addition from business combination (Note 37)	(8,910)	—
Disposal of a subsidiary	(3,471)	—
Credited to profit or loss (Note 15)	15,679	81,547
Exchange difference	(90)	2,052
	10,761	7,553
31 December		

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

23 DEFERRED INCOME TAX (LIABILITIES)/ASSETS (CONTINUED)

	Fair value adjustments of identifiable assets arising from business combination	Accelerated tax depreciation	Unrealised profit	Tax losses	Accrued operating expenses	Realised profit	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
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
Year ended 31 December 2021							
At 1 January 2021	(21,150)	(17,111)	2,585	37,303	7,481	(1,555)	7,553
Additions from business combination	(8,910)	-	-	-	-	-	(8,910)
Disposal of a subsidiary	-	-	(3,471)	-	-	-	(3,471)
Credited/(charged) to profit or loss	1,887	(658)	2,323	10,217	355	1,555	15,679
Exchange difference	13	73	(16)	(120)	(40)	-	(90)
At 31 December 2021	(28,160)	(17,696)	1,421	47,400	7,796	-	10,761

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

24 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2021 HK\$'000	2020 HK\$'000
At 1 January	6,907	9,991
Addition	1,735	1,375
Fair value change recognised in other comprehensive income	(3,556)	(4,448)
Disposals	(289)	–
Exchange differences	(86)	(11)
At 31 December	4,711	6,907
	2021 HK\$'000	2020 HK\$'000
Unlisted equity investments	4,711	6,907

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 2021, 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).

25 DERIVATIVE FINANCIAL INSTRUMENTS

	2021 HK\$'000	2020 HK\$'000
Liabilities		
Current portion:		
Foreign exchange forward contracts	2,542	6,400
Non-current portion:		
Foreign exchange forward contracts	–	8,917
Total	2,542	15,317

Notes:

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

	2021	2020
<i>Foreign exchange forward contracts:</i>		
— Notional principal amounts	HK\$302,449,000	HK\$552,966,000
— Maturities as at year end	Range from 6 months to 24 months	Range from 6 months to 24 months

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

- (c) As at 31 December 2021, the derivative financial instruments were secured by pledged bank deposits of HK\$8,097,000 (2020: HK\$16,436,000 (Note 27)).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

26 DEVELOPMENT PROPERTIES FOR SALE

	2021 HK\$'000	2020 HK\$'000
Properties in the course of development		
Leasehold land at cost	3,955,399	4,569,945
Development costs	118,669	127,241
Overheads expenditure capitalised	22,907	18,393
Interest expenses capitalised	150,687	158,685
	4,247,662	4,874,264

The capitalised interest rate applied to funds borrowed and used for the development of properties is between 1.6% and 5.0% per annum (2020: same).

As at 31 December 2021, development properties for sale with net carrying amounts of HK\$4,214,832,000 (2020: HK\$4,842,716,000) 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

	2021 HK\$'000	2020 HK\$'000
Cash at banks and on hand	615,432	837,728
Short term bank deposits	2,603	57,086
Maintenance fund accounts (Note (a))	2,782	3,788
Project accounts (Note (b))	297,038	275,374
	917,855	1,173,976

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

(b) Pledged bank deposits

As at 31 December 2021, deposits of HK\$185,401,000 (2020: HK\$189,360,000) were held at banks as pledge for certain of the Group's bank facilities (Note 30(a)), deposits of HK\$8,097,000 (2020: HK\$16,436,000) was held at banks as pledge for the Group's derivative financial instruments (Note 25), deposit of HK\$584,000 (2020: HK\$606,000) was held at bank as pledge for the Group's banking facilities and deposit of HK\$5,784,000 (2020: HK\$5,808,000) 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
Authorised:		
<i>Ordinary shares</i>		
At 1 January 2020, 31 December 2020 and 31 December 2021	6,000,000	60,000
<i>CPS</i>		
At 1 January 2020, 31 December 2020 and 31 December 2021 (Note (a))	1,000,000	10,000
Issued and fully paid:		
<i>Ordinary shares</i>		
At 1 January 2020, 31 December 2020 and 31 December 2021	1,518,320	15,183
<i>CPS</i>		
At 1 January 2020, 31 December 2020 and 31 December 2021	124,876	1,249

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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 2020	(10,771)	(1,182,146)	41,511	(29,999)	31,640	(1,149,765)
Other comprehensive (loss)/income						
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 (loss)/income	-	-	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)
Other comprehensive income/(loss)						
Currency translation differences	-	-	(10,751)	-	-	(10,751)
Fair value change on financial assets at fair value through other comprehensive income	-	-	-	(3,556)	-	(3,556)
Total comprehensive income/(loss)	-	-	(10,751)	(3,556)	-	(14,307)
Transactions with owners in their capacity as owners						
Employees' share-based compensation benefits (Note 33)	-	-	-	-	104	104
Total transactions with owners in their capacity as owners	-	-	-	-	104	104
Balance as at 31 December 2021	(10,771)	(1,180,917)	56,182	(38,003)	32,204	(1,141,305)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

30 BORROWINGS

	2021 HK\$'000	2020 HK\$'000
Current		
Bank borrowings — secured (<i>Note (a)</i>)	559,701	697,163
Bank borrowings — unsecured (<i>Note (b)</i>)	1,588,898	1,548,397
Bank borrowings — mortgaged (<i>Note (c)</i>)	66,296	83,516
Loans from non-controlling interests of subsidiaries-unsecured (<i>Note (d)</i>)	25,673	29,605
	2,240,568	2,358,681
Non-current		
Bank borrowings — secured (<i>Note (a)</i>)	2,037,337	2,498,884
Bank borrowings — unsecured (<i>Note (b)</i>)	365,494	714,756
Bank borrowings — mortgaged (<i>Note (c)</i>)	7,369	8,106
Loans from non-controlling interests of subsidiaries-unsecured (<i>Note (d)</i>)	1,045,574	791,020
	3,455,774	4,012,766
Total borrowings	5,696,342	6,371,447

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

	2021 HK\$'000	2020 HK\$'000
Within 1 year	1,791,727	1,730,499
Between 1 and 2 years	126,424	888,146
Between 2 and 5 years	3,740,639	3,703,906
Later than 5 years	37,552	48,896
Total	5,696,342	6,371,447

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

30 BORROWINGS (CONTINUED)

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

	Note	2021 HK\$'000	2020 HK\$'000
Secured by:			
Development properties for sale and joint guarantee from directors of certain subsidiaries	(i)	2,249,337	2,710,884
Fixed bank deposits (Note 27(b))		171,781	174,216
Interests in construction contracts and corporate guarantee from an intermediate holding company	(ii)	175,920	310,947
		2,597,038	3,196,047
Represented by:			
— Current portion		559,701	697,163
— Non-current portion		2,037,337	2,498,884

Notes:

- (i) As at 31 December 2021, the amounts comprise land and development loans of HK\$2,248,511,000 (2020: HK\$2,710,884,000), and bore interest at rate from 2% over the relevant bank's one month SGD cost of funds ("COF") 1.35%–1.65% over Singapore Swap Offer Rate. (2020: 2% over the relevant bank's one month SGD COF and 1.65% above the SIBOR) per annum. The loans were secured by mortgages over the Group's development properties for sale (Note 26) 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 2021, the bank borrowings interest rate was at floating rate ranged from 1.6% over 6-months London Interbank Offered Rate ("LIBOR") per annum.
- (b) As at 31 December 2021, unsecured bank borrowings were guaranteed by the Company.
- (c) As at 31 December 2021, bank borrowings of HK\$73,665,000 (2020: HK\$91,622,000) 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 1.1% to 6.3% (2020: 1.2% to 6.3%) per annum as at 31 December 2021. The loans will be repaid by fixed monthly payment over 10 years to 13 years (2020: 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 3.0% to 5.0% as at 31 December 2021 (2020: same).
- (e) The fair values of the bank borrowings and the loans from related parties approximated their respective carrying values as at 31 December 2021 and 2020, as these borrowings were charged at market interest rates.
- (f) The Group's committed banking facilities are subject to annual review. As at 31 December 2021, the undrawn banking facilities amounted to HK\$898,614,000 (2020: HK\$794,307,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 TRADE AND OTHER PAYABLES

	2021 HK\$'000	2020 HK\$'000
Current		
Trade payables to:		
— Related parties	10,778	2,801
— Non-controlling interests of subsidiaries	553	386
— Third parties	905,547	1,026,442
	916,878	1,029,629
Non-trade payables to:		
— Non-controlling interests of subsidiaries	42,198	49,606
— Related parties	75,421	15,557
— An associated company	–	11,154
— Third parties	65,237	98,509
— Goods and services tax payable	3,670	7,364
	186,526	182,190
Consideration payable in relation to business combination (Note 37)	20,880	–
Accruals for operating expenses	107,584	106,453
Accruals for construction costs	662,452	672,509
Deposits received from customers	13,099	8,813
Deferred gain	10,414	38,347
Provision for financial guarantees to a joint operation	24,688	8,089
Put option exercisable by non-controlling interests of subsidiaries	–	15,035
Provision for foreseeable losses on certain construction contracts	53,913	52,357
Dividend payable — non-controlling interests of subsidiaries	4,627	48,735
	897,657	950,338
	2,001,061	2,162,157
Non-current		
Consideration payable in relation to business combination (Note 37)	26,100	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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:

	2021 HK\$'000	2020 HK\$'000
1–30 days	672,468	856,244
31–60 days	99,147	69,090
61–90 days	35,658	22,821
Over 90 days	109,605	81,474
	916,878	1,029,629

The amounts due to non-controlling interests of subsidiaries, 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 2021 of HK\$0.06 per share, amounting to a total dividend of HK\$98,592,000, 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 2022 once approved at the annual general meeting.

	2021 HK\$'000	2020 HK\$'000
Proposed final dividend of HK\$0.06 (2020: HK\$ 0.08) per ordinary share and per CPS	98,592	131,456

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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 HK\$	Number of outstanding options as at 31 December	
			2021	2020
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	10,500,000

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:

	2021		2020	
	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	3.02	10,500	2.81	30,000
Expired	–	–	2.70	(19,500)
Outstanding at the end of the year	3.02	10,500	3.02	10,500
Exercisable at the end of the year	3.02	10,500	3.02	8,400

During the year ended 31 December 2021, share-based payment expenses in respect of the Share Option Scheme charged to profit or loss amounted to HK\$104,000 (2020: HK\$460,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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 2021, 140,115,666 (2020: 140,115,666) and 164,483,607 (2020: 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 2021, no share-based payment expenses in respect of the above equity-settled award arrangement charged to profit or loss (2020: HK\$1,229,000).

Movements in the number of share options outstanding and the exercise price during the years ended 31 December 2021 and 2020 are as follows:

	Management Share Scheme	
	Weighted average exercise price	Number of options
	HK\$	
Outstanding at 1 January 2020	0.56	124,875,197
Converted during the year	–	–
Outstanding at 31 December 2020 and 1 January 2021	0.56	124,875,197
Converted during the year	–	–
Outstanding at 31 December 2021	0.56	124,875,197
Exercisable at 31 December 2021		124,875,197

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

34 NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS

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

	Note	2021 HK\$'000	2020 HK\$'000
Profit before income tax		260,719	208,914
Adjustments for:			
Depreciation of property, plant and equipment	17	74,596	71,386
Depreciation of right-of-use assets	17	45,643	30,930
Depreciation of investment properties	18	6,654	6,232
Amortisation of intangible assets	20	5,915	5,698
Impairment of property, plant and equipment	17	6,047	–
Gains on disposal of property, plant and equipment	8	(366)	(90)
Gain on disposal of right-of-use assets		(13)	(18)
Gain on disposal of a subsidiary	8	(130,915)	–
Dividend income from financial assets at FVOCI	7	(3,279)	(1,351)
Share-based payment expenses	10	104	1,689
Interest income	11	(71,365)	(61,642)
Interest expenses	11	157,639	187,755
Fair value (gains)/losses on derivative financial instruments	8	(12,715)	12,225
Fair value gains on financial assets at FVPL	8	(30,820)	(61,896)
Provision for foreseeable losses on certain construction contracts	8	43,140	26,085
Share of net losses of joint ventures		16,671	37,198
Share of net profits of associated companies		(385,302)	(227,646)
Losses on settlement of derivative financial instruments		1,418	651
Operating (loss)/profit before working capital changes		(16,229)	236,120
Decrease in development properties for sale		636,322	322,162
Decrease/(increase) in inventories		54,190	(45,085)
Increase in trade and other receivables		(57,964)	(334,358)
Decrease in contract assets		305,044	767,986
(Decrease)/increase in contract liabilities		(65,927)	385,779
(Decrease)/increase in trade and other payables		(236,570)	130,887
Net cash generated from operations		618,866	1,463,491

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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:

	2021 HK\$'000	2020 HK\$'000
Net book amount (Note 17)	518	675
Gains on disposal of property, plant and equipment (Note 8)	366	90
Proceeds from disposal of property, plant and equipment	884	765

(b) Major non-cash transactions

During the years ended 31 December 2021 and 2020, there were no significant non-cash transactions.

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

	Liabilities from financing activities		
	Bank and other borrowings HK\$'000 (Note 30)	Lease liabilities HK\$'000 (Note 17(a))	Total HK\$'000
As at 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 right-of-use assets	–	33,413	33,413
— Finance costs	–	(2,623)	(2,623)
— Foreign exchange adjustments	(20,871)	719	(20,152)
As at 31 December 2020	6,371,447	83,553	6,455,000

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

34 NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

(c) The reconciliation of liabilities arising from financing activities is as follows: (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 1 January 2021	6,371,447	83,553	6,455,000
Cash flows:			
— Drawdown on borrowings	2,640,025	—	2,640,025
— Repayment of borrowings	(2,683,163)	—	(2,683,163)
— Repayment on principal element of lease liabilities	—	(46,669)	(46,669)
— Repayment on interest element of lease liabilities	—	2,403	2,403
Other non-cash movements			
— Additions of right-of-use assets	—	39,928	39,928
— Disposal of right-of-use assets	—	(994)	(994)
— Disposal of a subsidiary	(637,776)	—	(637,776)
— Finance costs	—	(2,403)	(2,403)
— Foreign exchange adjustments	5,809	57	5,866
As at 31 December 2021	5,696,342	75,875	5,772,217

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

35 CONTINGENT LIABILITIES

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

	2021 HK\$'000	2020 HK\$'000
Guarantees on performance bonds in respect of construction contracts in Hong Kong	201,666	194,212

Certain subsidiaries of the Group also issued corporate guarantees to banks for borrowings of the Group's associated companies and related companies of which the subsidiaries of the Company are non-controlling shareholders. As at 31 December 2021, these bank borrowings amounted to HK\$3,818,531,000 (2020: HK\$3,793,433,000).

36 COMMITMENTS

Capital commitments

Capital expenditures contracted but not recognised in the consolidated financial statements as at 31 December 2021 and 2020, excluding those relating to investments in associated companies and joint ventures, were as follows:

	2021 HK\$'000	2020 HK\$'000
Contracted but not provided for:		
Development expenditure	14,154	16,642
Investment in unlisted fund investments	530,144	560,144
	544,298	576,786

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

37 BUSINESS COMBINATION

On 11 November 2021, One Million International Limited, an indirectly wholly-owned subsidiary of the Company, acquired 100% of equity interest in Woon Lee Construction Company Limited for an aggregate consideration of HK\$72,200,000.

The following table summarises the considerations paid or payable for Woon Lee, the fair value of assets acquired and liabilities assumed at the acquisition date.

	HK\$'000
Considerations:	
Cash	25,220
Deferred considerations	46,980
Total	72,200
Recognised amounts of identifiable assets acquired and liabilities assumed	
Construction license (<i>Note 20</i>)	54,000
Contract assets and deposits	4,492
Tax recoverable	854
Cash and cash equivalents	45,656
Accruals	(80)
Amount due to the former shareholder	(30,922)
Deferred income tax liabilities (<i>Note 23</i>)	(8,910)
Total identifiable net assets	65,090
Goodwill	7,110
	HK\$'000
Cash consideration	(25,220)
Cash and cash equivalents in subsidiary acquired	45,656
Net cash inflow	20,436

Acquisition-related costs are approximately HK\$2,214,000 and had been included in administrative expenses in profit or loss for the year ended 31 December 2021. The goodwill recognised is not expected to be deductible for income tax purpose.

Revenue and profit contribution

The revenue and profit included in consolidated statement of comprehensive income for the period from 11 November 2021 to 31 December 2021 is approximately HK\$17,247,000 and HK\$0, respectively. If the acquisition had occurred on 1 January 2021, consolidated revenue and consolidated profit after tax for the year ended 31 December 2021 would have been approximately HK\$6,176,254,000 and approximately HK\$233,966,000, respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

38 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 2021 and 2020, 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
CNQC Construction (Cambodia) Co. Ltd.	A related company controlled by a controlling shareholder of the ultimate holding 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
MG Ventures Pte. Ltd.	A non-controlling interest of a subsidiary
OSS Property Investments Pte. Ltd.	A non-controlling interest of subsidiaries from 28 February 2019
Octava Phoenix Investments Pte. Ltd.	A non-controlling interest of a subsidiary
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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

38 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:

	2021 HK\$'000	2020 HK\$'000
Construction revenue from associated company	479,660	583,141
Construction revenue from related parties	35,188	39,247
Construction service provided by related parties	7,914	5,547
Dividend income received from associated companies	231	–
Dividend paid to non-controlling shareholders in subsidiaries	103,657	32,565
Interest income from associated companies	58,322	47,713
Interest charged by non-controlling interests in subsidiaries	35,845	39,411
Management fee income from associate company	4,545	16,303

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:

	2021 HK\$'000	2020 HK\$'000
Salaries and other short-term employee benefits	36,037	36,724
Contribution to retirement benefit scheme	202	272
Share-based payments	–	663
Total	36,239	37,659

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

39 STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY

	2021 HK\$'000	2020 HK\$'000
ASSETS		
Non-current assets		
Investments in subsidiaries	3,112,166	3,112,104
Loan to a fellow subsidiary	–	16,600
	3,112,166	3,128,704
Current assets		
Other receivables	128	4,823
Loans to subsidiaries	–	100,000
Amounts due from subsidiaries	1,256,989	1,175,192
Cash and cash equivalents	81,335	85,922
	1,338,452	1,365,937
Total assets	4,450,618	4,494,641
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
Reserves (Note (a))	38,582	48,769
Total equity	3,369,099	3,379,286
LIABILITIES		
Non-current liability		
Borrowings	296,087	528,928
Current liabilities		
Other payables	3,762	1,443
Amounts due to subsidiaries	254,593	142,083
Borrowings	527,077	442,901
	785,432	586,427
Total liabilities	1,081,519	1,115,355
Total equity and liabilities	4,450,618	4,494,641

The statement of financial position was approved by the Board of Directors on 31 March 2022 and was signed on its behalf.

Cheng Wing On, Michael
Director

Wang Congyuan
Director

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

39 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)/ retained earnings HK\$'000
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	–
Transfer	–	(283,906)	283,906
As at 31 December 2020	32,101	–	16,668
As at 1 January 2021	32,101	–	16,668
Profit for the year	–	–	121,165
Dividend paid	–	–	(131,456)
Share-based compensation benefits	104	–	–
As at 31 December 2021	32,205	–	6,377

40 BENEFITS AND INTEREST OF DIRECTORS

(a) Directors' emoluments

For the year ended 31 December 2021

	As director (Note (iii))							As management (Note (iii))	Total HK\$'000
	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		
Executive directors									
Mr. Cheng Wing On, Michael (Chairman)	–	2,860	10,715	–	30	–	11	–	13,616
Mr. Wang Congyuan (Chief Executive Officer)	555	2,320	476	204	21	–	18	–	3,594
Dr. Du Bo	208	3,926	1,114	108	–	–	18	–	5,374
Mr. Zhang Yuqiang	347	1,861	412	222	–	–	18	–	2,860
Independent non-executive directors									
Mr. Ching Kwok Hoo, Pedro	288	–	–	–	–	–	–	–	288
Mr. Tam Tak Kei, Raymond	288	–	–	–	–	–	–	–	288
Mr. Chan Kok Chung, Johnny	288	–	–	–	–	–	–	–	288
Non-executive directors									
Mr. Chen Anhua	240	–	–	–	–	–	–	–	240
	2,214	10,967	12,717	534	51	–	65	–	26,548

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

40 BENEFITS AND INTEREST OF DIRECTORS (CONTINUED)

(a) Directors' emoluments (Continued)

For the year ended 31 December 2020

	As director (Note (ii))									Total HK\$'000
	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 office as director HK\$'000	As management (Note (iii)) HK\$'000	
Executive directors										
Mr. Cheng Wing On, Michael (Chairman)	-	2,860	10,715	-	131	-	18	-	-	13,724
Mr. Wang Congyuan (Chief Executive Officer)	473	2,249	525	203	185	-	18	-	-	3,653
Dr. Du Bo	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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

40 BENEFITS AND INTEREST OF DIRECTORS (CONTINUED)

(a) Directors' emoluments (Continued)

Notes:

- (i) 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.
- (ii) 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.
- (iii) 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 2021 and 2020.

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

During the years ended 31 December 2021 and 2020, 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 38, 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

	1.1.2021 to 31.12.2021	1.1.2020 to 31.12.2020	1.1.2019 to 31.12.2019	1.1.2018 to 31.12.2018 (Restated)	1.1.2017 to 31.12.2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Consolidated results					
Revenue	6,098,655	5,128,897	7,873,375	7,507,891	10,329,310
Profit before tax	260,719	208,914	319,208	387,331	807,728
Income tax expense	(7,074)	(14,757)	(75,941)	(85,474)	(134,493)
Profit for the year	253,645	194,157	243,267	301,857	673,235
Profit for the year attributable to Owners of the Company	259,051	218,057	238,842	225,298	512,050
Consolidated assets and liabilities					
Total assets	11,973,887	12,834,556	12,938,451	9,630,538	12,511,799
Total liabilities	(8,245,118)	(9,241,255)	(9,498,043)	(6,314,448)	(9,018,266)
Net assets	3,728,769	3,593,301	3,440,408	3,316,090	3,493,533