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

2022

ANNUAL REPORT

CONTENTS

This Annual Report is printed on environmentally friendly paper

CORPORATE INFORMATION

DIRECTORS

Executive Directors

Mr. Cheng Wing On, Michael *(resigned on 24 February 2023)*
Mr. Wang Congyuan *(appointed as the Chairman on 24 February 2023)*
Dr. Du Bo
Mr. Li Jun *(appointed as the Chief Executive Officer on 24 February 2023)*
Mr. Du Dexiang *(appointed as the Co-Chief Executive Officer on 24 February 2023)*
Mr. Zhang Yuqiang *(resigned on 24 February 2023)*

Non-executive Director

Mr. Chen Anhua *(resigned on 24 February 2023)*
Mr. Ren Zhiqiang *(appointed on 24 February 2023)*

Independent Non-executive Directors

Mr. Ching Kwok Hoo, Pedro *(resigned on 24 February 2023)*
Mr. Tam Tak Kei, Raymond
Mr. Chan Kok Chung, Johnny
Mr. Liu Junchun *(appointed on 24 February 2023)*

COMPANY SECRETARY

Mr. Chan Tat Hung

AUDIT COMMITTEE

Mr. Tam Tak Kei, Raymond *(Chairman of the Audit Committee)*
Mr. Ching Kwok Hoo, Pedro *(resigned on 24 February 2023)*
Mr. Chan Kok Chung, Johnny
Mr. Liu Junchun *(appointed on 24 February 2023)*

REMUNERATION COMMITTEE

Mr. Ching Kwok Hoo, Pedro *(resigned on 24 February 2023) (Chairman of the Remuneration Committee)*
Mr. Liu Junchun *(appointed as the Chairman of the Remuneration Committee on 24 February 2023)*
Mr. Zhang Yuqiang *(resigned on 24 February 2023)*
Mr. Wang Congyuan
Mr. Chan Kok Chung, Johnny
Mr. Tam Tak Kei, Raymond
Mr. Du Dexiang *(appointed on 24 February 2023)*

NOMINATION COMMITTEE

Mr. Cheng Wing On, Michael *(resigned on 24 February 2023) (Chairman of the Nomination Committee)*
Mr. Wang Congyuan *(appointed as the Chairman of the Nomination Committee on 24 February 2023)*
Dr. Du Bo
Mr. Tam Tak Kei, Raymond
Mr. Ching Kwok Hoo, Pedro *(resigned on 24 February 2023)*
Mr. Chan Kok Chung, Johnny
Mr. Liu Junchun *(appointed on 24 February 2023)*

STRATEGY AND INVESTMENT COMMITTEE

Mr. Wang Congyuan *(resigned as the Chairman but remained as a member of Strategy and Investment Committee on 24 February 2023)*
Mr. Li Jun *(appointed as the Chairman of the Strategy and Investment Committee on 24 February 2023)*
Dr. Du Bo
Mr. Cheng Wing On, Michael *(resigned on 24 February 2023)*
Mr. Zhang Yuqiang *(resigned on 24 February 2023)*
Mr. Chan Kok Chung, Johnny
Mr. Chen Anhua *(resigned on 24 February 2023)*
Mr. Du Dexiang *(appointed on 24 February 2023)*
Mr. Ren Zhiqiang *(appointed on 24 February 2023)*

AUTHORIZED REPRESENTATIVES

Mr. Cheng Wing On, Michael *(resigned on 24 February 2023)*
Mr. Li Jun *(appointed on 24 February 2023)*
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

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
The Bank of East Asia Limited
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 2022 (the "Reporting Period" or "Year").

BUSINESS REVIEW

In 2022, the turnover of the Group was HK$8.3 billion (2021: approximately HK$6.1 billion). Net loss attributable to the owners of the Company was approximately HK$588.0 million (2021: Net profit attributable approximately HK$259.1 million). Net loss attributable to the shareholders per share was HK$0.358 (2021: Net profit per share HK$0.158).

DIVIDENDS

The Board does not recommend the payment of any final dividend (2021: HK$0.06 per share). No interim dividend was declared by the Board during the year ended 31 December 2022 (2021: nil).

GLOBAL ECONOMIC BACKGROUND AND STRATEGY

Since 2022, the prices of commodities as food and energy had soared due to the geopolitical instability caused by Russia-Ukraine conflict, which further drove up the inflation rate. In order to curb it, the US Federal Reserve had increased a total of 425 basis points by seven successive interest rate raisings from March 2022 to the end of the year, and extended such move into 2023. However, given the US Federal Reserve expressly stated that inflation had been eased in early 2023, the increase of interest rates is expected to slow down greatly this year, and the United States may cease further raising to avoid economic recession in 2023.

Over the past few years, the COVID-19 pandemic hindered the global supply chain and logistics as well as the construction business of the Group. The progress of some of the private construction projects in Singapore obtained by the Group before the Covid-19 pandemic has been seriously delayed due to the pandemic. In order to catch up on the construction schedule for delivery, the Company needed to accelerate the progress of construction during the year. At the same time, due to the impact of labour shortage and significant increase in the price of construction materials, some of the downstream sub-contractors were not able to fulfill the contracts or went into liquidation. As a result, the Group needed to find other suitable sub-contractors for replacement at a much higher price when compared to that before the pandemic. The contract price of such construction projects is not subject to adjustments and therefore cannot catch up on the significant increase in construction costs.

However, with the availability of COVID-19 vaccine worldwide and the advent of antiviral drugs, coupled with the relatively less harmfulness of Omicron variant, more and more countries and regions had gradually loosened their prevention measures and reopened to the outside, bringing the global business and tourism activities back to normal. The global economy is at the onset of recovery.

After careful study, the Group will continue to focus on the development of its two major markets, namely Hong Kong and Singapore, to explore more quality projects and proactively expand new businesses. During this process, the Group won several bids in respect of transitional housing projects constructed with the Modular Integrated Construction (MiC) method in 2022, further reinforcing its business layout in the construction sector of Hong Kong. As of the end of 2022, the contract sum of the Group's construction backlog was about HK$13.7 billion (among which HK$4.0 billion was for the Hong Kong segment, and HK$9.4 billion for the Singapore and Southeast Asia segments), a record high for the Group in recent years. The Board expects that our performance in the next two to three years will experience a considerable growth.

CHAIRMAN'S STATEMENT

According to the latest financial budget of the Hong Kong Government, the Hong Kong Government is preparing for establishing a "Northern Metropolis Co-ordination Office", and carrying on the consultation work regarding the development proposals and planning of the I&T project San Tin Technopole. In addition, the Hong Kong Government recently enhanced its efforts in promoting the development plan on "transitional housing" and "light public housing" constructed with the MiC method, further expanding the construction demand for housing in Hong Kong. We believe that the volume of local construction output will see significant increases in the next decade, which is very favourable to the mid- to long-term development of the local construction industry, benefiting the Group with the development opportunities of exploring the Hong Kong market.

In order to promote the Group's business capacities and diversify investment risks, we will continue to actively explore in countries and regions along the Belt and Road and grasp opportunities in the Guangdong-Hong Kong-Macao Greater Bay Area, further enhancing the Group's market competitiveness; and develop a development blueprint aiming at stability in the long run, bringing shareholders sustainable value rewards.

APPRECIATION

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

CNQC International Holdings Limited
Wang Congyuan
Chairman

31 March 2023

MANAGEMENT DISCUSSION AND ANALYSIS

SINGAPORE PROPERTY MARKET REVIEW

Singapore's GDP in 2022 grew by 3.6%, which was slower than that of last year. During the Reporting Period, the private residential price in Singapore's property market continued to increase. The private residential price index increased by 8.6% throughout 2022, which was lower than the 10.6% of last year. During 2022, a total of 4,528 private residential houses were launched for sale and a total of 7,099 private residential houses (excluding EC flats) were sold, representing a decrease of 56.9% and 45.5%, respectively, as compared with 2021. In order to maintain a sustainable property market, the Housing & Development Board, the Ministry of National Development and the Monetary Authority of Singapore jointly announced on 29 September 2022 that a new round of property market cooling measures would take effect from the 30th day of that month. The robust performance of Singapore's property market was driven by strong demand for local properties as more and more foreigners and capital go to Singapore.

SINGAPORE CONSTRUCTION MARKET REVIEW

According to the report of the Building and Construction Authority (the "**BCA**"), Singapore's actual demand of construction in 2022 has reached S$29.8 billion, falling within the forecast range of S$27.0 billion to S$32.0 billion. The demand of construction was similar to that recorded in 2021, indicating that demand of construction has remained stable over the past two years.

Much of such demand was contributed by residential and infrastructure projects, particularly those from the government sector. Construction demand from the government sector accounted for 60% of the overall construction demand, mainly from the Cross-Island MRT Line, Jurong District MRT Line, healthcare facilities and pre-sold HDB flats.

HONG KONG PROPERTY MARKET REVIEW

In the first half of 2022, the property market of Hong Kong was sluggish due to the combined impact of the fifth wave of the COVID-19 pandemic and the increase of interest rates by the United States Federal Reserve, leading to a decrease in the volume of transactions in primary market by 45% year-on-year to approximately 9,100. According to the Rating and Valuation Department of Hong Kong, the Private Domestic-Price Indices dropped by approximately 15% throughout the year of 2022, ending the successive upward trend of 13 years. However, as Hong Kong gradually resumes cross-border business and tourism activities by the end of 2022, the market showed signs of bottoming out.

HONG KONG CONSTRUCTION MARKET REVIEW

In the 2022 Policy Address, the Chief Executive of Hong Kong announced the construction plan of "Light Public Housing". A total of 8 sites have been selected in districts as Tuen Mun, Yuen Long, Sheung Shui, Kai Tak, Ngau Tau Kok and Chai Wan to build around 30,000 "Light Public Housing" units by adopting Modular Integrated Construction ("MiC"). The construction period will be about one to two years, which is expected to improve the housing needs of grassroots citizens in the short term.

During the year, the Group had been granted by the government a number of MiC projects in Hong Kong, including a major construction contract for a transitional housing project in Tai Po, Hong Kong which was awarded to its subsidiary by Lok Sin Tong, Kowloon in August 2022. This transitional housing project is the first steel MiC project conducted by the Group in Hong Kong and the first MiC project in Hong Kong which recycle and re-use the previously completed MiC units from the transitional modular housing project in Hong Kong "Nam Cheong 220", as commissioned by the government.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Property Development Business

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

As of the end of 2022, the cumulative contract sales rate of Jadescape (a private condominium development associate project of the Group at Shunfu Road, Singapore) exceeded 100%, with 1,212 units sold (including 1,206 residential units and 6 commercial units). The project was granted a temporary Occupation Permit and delivery commenced in December 2022.

As of the end of 2022, the cumulative contract sales rate of Forett at Bukit Timah (a private condominium development project of the Group at Toh Tuck Road, Singapore) exceeded 97%, with 617 units sold.

Sales of the Tenet (an Executive Condominium development project of the Group at Tampines Street 62, Singapore) has commenced before the end of 2022. 449 units with option to purchase were contracted. Contracts for the sale of these units were signed in late 2022 or early 2023.

During the Reporting Period, the Group was granted a number of industrial awards, including Top 10 Developers in Singapore (新加坡十大開發商) from BCI Asia and the Best Executive Condominium (最佳執行共管公寓) from Asia Property Awards for the Tenet project.

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

Project	Sales Revenue 2022 *(HK$' million)*	ASP 2022 *(HK$/sq.m.)*
Forett at Bukit Timah	1,898.9	122,523

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$1,898.9 million.

As at 31 December 2022, the Group's current portfolio of property projects under development consisted of 2 private condominium development projects and 2 executive condominium development projects across Singapore. The total salable area is approximately 160,700 sq.m. The project details are as follows:

Project	Location	Intended use	Site area *sq.m.*	Total SFA *sq.m.*	Cumulative Contracted sales area *sq.m.*	Cumulative Contracted sales amount *HK$ billion*	% of completion as at 31 December 2022	Estimated year of construction completion	Ownership interest
Forett at Bukit Timah	32–46 Toh Tuck Road, Singapore	Residential, Private and Retail Space	33,457	50,003	48,600	6.04	49.7%	June 2024	51%
The Arden	2/2A/2B–24/24A/24B Phoenix Road, Singapore (even numbers)	Residential, Private and Retail Space	6,465	9,687	0	0	0%	March 2025	63%
Tenet	Tampines Street 62, Singapore	Residential	23,799	62,159	378	0.03	0%	June 2025	6.072%
Bukit Batok EC project	Bukit Batok West Avenue 8	Residential	12,499	38,842	0	0	0%	March 2026	10.03%

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 (with a total of 633 residential units and 2 retail shops), underground carparks and communal facilities. The project is located at the even numbers of 32–46 Toh Tuck Road in Bukit Timah Planning Area, Singapore.

The total SFA of this project is 50,003 sq.m. (including residential units of 49,859 sq.m. and commercial units of 144 sq.m.) and the percentage of saleable area pre-sold was 97% as at 31 December 2022. The construction is scheduled to be completed in the first half of 2024.

The Arden (63% owned by the Group)

The Arden is a private condominium project on a leasehold land with land use right of 99 years. The project has a land site area of approximately 6,465 sq.m. and the total estimated gross floor area is 9,687 sq.m.. It is planned to be redeveloped into 3 blocks of 5-storey apartments with about 100 residential units, underground carparks and communal facilities. The project is located at the even numbers of 2/2A/2B–24/24A/24B Phoenix Road, Singapore.

Tenet (6.072% owned by the Group)

Tenet is an executive condominium project on a leasehold land with land use right of 99 years with 11 blocks of 15-storey residential buildings with 618 units, 1 block of multi-storey carparks and 1 floor of underground carpark. It has communal facilities and landscape views. The project is located at Tampines Street 62, Singapore.

The project total SFA is 62,159 sq.m. and it was launched in November 2022. As of 31 December 2022, the percentage of area sold was 0.65% and the construction is scheduled to be completed in June 2025.

Bukit Batok EC project (10.03% owned by the Group)

The project is an executive condominium project on a leasehold land with a land use right of 99 years. The total land site area is 12,499 sq.m. and the total SFA is estimated at 38,842 sq.m.. It is intended to be developed into 6 blocks of 15-storey apartments with around 360 residential units, 1 block of multi-storey carpark lots and 1 floor of underground carpark. It has communal facilities and landscape views. The project is located at Bukit Batok West Avenue 8, Singapore.

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

The Land Compulsory Sale Order (Cap. 545) for the lots were granted by the Lands Tribunal in October 2022. The sale of the lots by public auction took place in early December 2022. The Group and the joint venture partners have now completely acquired 100% aggregate ownership of all 4 lots located at 163–169 Yee Kuk Street in Sham Shui Po. The site will be redeveloped into a residential building with a commercial podium. General Building Plans were approved by the Buildings Department in October 2020. Building works are expected to commence in the second half of 2023.

(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. General Buildings Plans for the development were approved in December 2021. Superstructure works are expected to commence in the second half of 2023.

The management believes that it is essential to replenish its land bank 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 has been engaged in the Group's property development projects whereas in Hong Kong & Macau, the Group is mainly responsible for superstructure construction, foundation works and provision of 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$4,202.8 million (year ended 31 December 2021: approximately HK$3,634.4 million). The revenue attributable to the Hong Kong & Macau segment was approximately HK$2,104.5 million (year ended 31 December 2021: approximately HK$1,435.6 million).

MANAGEMENT DISCUSSION AND ANALYSIS

During the Reporting Period, for the Singapore segment, the Group completed 6 external construction projects including 2 public residential projects, 3 private residential apartment projects and 1 factory project. In 2022, the Group obtained 1 HDB public residential project and 1 executive condominium project with aggregated contract sum of approximately HK$3,577.4 million. As at 31 December 2022, the Group had 22 external construction projects on hand and the outstanding contract sums were approximately HK$8,938.1 million.

During the Reporting Period, for the Southeast Asia construction market, the Group completed 1 external hotel project and 2 private apartment projects. As of 31 December 2022, the Group obtained 1 residential apartment project and 1 hotel renovation project with aggregated contract sum of approximately HK$122.6 million. As at 31 December 2022, the outstanding contract sums of the 4 construction projects on hand were approximately HK$685.3 million.

As for the Hong Kong & Macau segment, the Group was awarded 24 new foundation and superstructure construction projects with aggregated contract sums of approximately HK$2.79 billion during the Reporting Period. As at 31 December 2022, the outstanding contract sums of the 44 projects on hand were approximately HK$3.99 billion.

Investment in medicine fund

In 2021, 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 2022, the Group subscribed for the limited partnership interests at an aggregate subscription amount of approximately US$17.95 million (equivalent to HK$140 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 new medicine for treatment of atopic dermatitis was approved as an investigational new drug for Phase I clinical trial in the first half of 2022.

3. The new medicine of the super antibiotics was approved as an investigational new drug for Phase I clinical trial in the second half of 2022.

4. The application as investigational new drugs for Phase I clinical trial for treatment of rheumatoid arthritis is expected to be approved in the first half of 2023.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue

The Group's total revenue for the Reporting Period was approximately HK$8.3 billion (2021: approximately HK$6.1 billion), representing an increase of 36.1% as compared with last year. The increase was mainly due to the significant increase in revenue from the Singapore property development and Hong Kong construction segments.

During the Reporting Period, the revenue of the "Foundation and construction — Hong Kong and Macau" segment was approximately HK$2.1 billion (2021: HK$1.4 billion), representing an increase of approximately 50% over that of last year.

During the Reporting Period, revenue derived from the projects in Singapore and South East Asia was approximately HK$6.2 billion (2021: approximately HK$4.7 billion).

Out of the HK$6.2 billion revenue derived from the Singapore segment, the aggregate contracted sales of properties amounted to HK$2.0 billion, representing an increase of 90.9% over that of last year.

Gross Profit Margin

The Group's gross profit margin during the Reporting Period was approximately -0.5% (2021: approximately 3.2%). The decrease in gross profit margin was mainly due to serious delay of the progress of some of the private construction projects in Singapore obtained by the Group before the Covid-19 pandemic due to the pandemic. In order to catch up on the construction schedule for delivery, the Company needed to accelerate the progress of construction during the year. At the same time, due to the impact of labour shortage and significant increase in the price of construction materials, some of the downstream sub-contractors were not able to fulfill the contracts or went into liquidation. As a result, the Group needed to find other suitable sub-contractors for replacement at a much higher price when compared to that before the pandemic. The contract price of such construction projects is not subject to adjustments and therefore cannot catch up on the significant increase in construction costs.

Selling and Marketing Expenses

The Group's selling and marketing expenses for the Reporting Period were approximately HK$73.8 million (2021: approximately HK$57.5 million), which was approximately 0.9% (2021: approximately 0.9%) of the Group's total revenue.

General and Administrative Expenses

The Group's general and administrative expenses for the Reporting Period were approximately HK$240.4 million (2021: approximately HK$347.0 million), which was approximately 2.9% (2021: approximately 5.7%) of the Group's total revenue. The decrease was mainly attributable to the decrease in share based payment and staff costs recognized during the Reporting Period.

Finance Costs

In 2022, the market interest rate started to increase significantly resulting in a sharp increase in the Group's interest costs to HK$247.5 million in 2022 as compared to HK$172.3 million in 2021.

Net loss

During the Reporting Period, the Group reported a net loss of approximately HK$513.0 million (2021: net profit of approximately HK$253.6 million). The net loss attributable to owners of the Company was HK$588.0 million. (2021: net profit attributable of approximately HK$259.1 million). The loss per share was HK$0.358 (2021: earnings per share of HK$0.158)

In addition to the reasons stated above in relation to the decrease in gross profit margin, the net loss was mainly due to the following factors:

1. In December 2022, Jadescape, a development project of the Group's associated company, obtained the temporary occupation permit and proceeded to delivery. The project has already realised and recorded most of its profit contribution in 2021, resulting in a reduction in the profit contribution to the Group in 2022.

2. As at the end of 2022, the cumulative contract sales of Forett at Bukit Timah, a private apartment development project of the Group located at Toh Tuck Road, have exceeded 97% with 617 units sold. The project realised and recorded its pre-sales revenue based on the percentage of completion of construction. Affected by the Covid-19 pandemic, the progress of the project's construction has been delayed, resulting in less revenue being realised and recorded than expected and affecting the Group's profitability in 2022.

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 also 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. Only the independent non-executive Directors will be involved in the decision-making process of the Group in deciding whether to exercise the aforementioned right of first refusal, to avoid any potential conflicts of interest.

PROSPECTS

Looking into 2023, as the economic growth of most major economies will be further slowed down, the Ministry of Trade and Industry of Singapore forecasted that the GDP of Singapore will grow by 0.5%~2.5%. Entering the post-pandemic era, Singapore, as a well-known investment haven and winner of confidence from investors in the potential of realising long-term capital appreciation, will continue to be attractive for incoming foreign and local buyers. It is expected that the property market in Singapore will see an upward trend, bringing about opportunities for the sales of the Group's projects.

In February 2023, a budget themed "Moving Forward In A New Era" was introduced in Singapore, which draws the new direction for the joint efforts of the government and its people. Driving economic growth is one of the key areas of the budget. Meanwhile, Buyer Stamp Duty for residential properties valued at over S$1.5 million was announced to move up the top tax rate to 6%. Such measure will not only increases state income but also promotes the just and progressiveness of the overall taxation and welfare system. In the long term, the economy of Singapore remains competitive. According to the IMD World Competitiveness Ranking, Singapore ranked third among the most competitive economies of the world in 2022, while maintaining the first place in the Asia-Pacific region, climbing two spots as compared to that in 2021. In terms of the property market, in accordance to the Emerging Trends in Real Estate® Asia Pacific 2023 (《二零二三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 6.48 on property investment prospects for 2023, ranking first among 22 cities in the Asia-Pacific region, which demonstrates properties in Singapore are of high investment value and have promising prospects. The Singapore market will continue to provide long-term and high value growth opportunities for the Group. The Group will remain its root in the Singapore market to seek for quality projects and capitalise its leading strengths in the property development business to consolidate its market position and competitiveness as a major local developer.

MANAGEMENT DISCUSSION AND ANALYSIS

According to the forecasts by the BCA in Singapore, the construction demand for 2023 is estimated to reach between S$27.0 billion and S$32.0 billion, most of which will still come from tenders of government departments, including advance purchase of flats, industrial and constitutional buildings, construction of water treatment facilities, education buildings and community centres. In 2023, the Land Transport Authority will continue to support the development of more MRT routes and infrastructure projects. The demand for construction projects in Singapore will continue to grow, driving stable development across the industry.

For the Hong Kong property market, according to the 2023–24 Land Sale Programme rolled out by the Hong Kong Government, the government will launch 12 residential sites, together with railway property development projects, private development and renewal projects and the projects of the Urban Renewal Authority. The potential supply of housing for the next year will be approximately 20,000 units. Another 3 commercial sites and 3 industrial sites will also provide about 200,000 sq. m. of commercial GFA and 170,000 sq. m. of industrial GFA, respectively, showing the government's intention to stabilise the supply of land and housing continuously. Meanwhile, in order to prevent the reoccurrence of manipulation, the government emphasised that there is no plan to withdraw the strict measures for the property market. However, for sale and purchase or transfer of residential property or non-residential property that is subject to AVD at Scale 2 rates, the government has adjusted downward the applicable value bands on which the Scale 2 rates apply in order to reduce the burden on common households when buying self-occupied properties in particular small and medium-sized flats.

According to the latest budget of the government, in order to further promote the innovation and technology standard of the local construction industry, the government has earmarked HK$75 million for the establishment of the Building Testing and Research Institute, the construction of the Advanced Manufacturing Centre and the promotion in studying the supply chain of MiC, which will benefit the local construction industry. The Group will continue to follow up the environmental development trend of the industry and expand the application of the advanced green building technology MiC, so as to have first mover advantages in grasping the tremendous opportunities brought by environmental production and energy saving to the construction industry and further facilitate the fulfillment of the sustainable development of the society.

DEBTS AND CHARGE ON ASSETS

The total interest bearing bank borrowings of the Group, including bank loans, finance leases and lease liabilities, increased from approximately HK$5.8 billion as at 31 December 2021 to approximately HK$6.2 billion as at 31 December 2022. 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$203,866,000 (2021: HK$247,313,000), and HK$2,974,381,000 (2021: HK$4,214,832,000), respectively.

Particulars of borrowings of the Group as at 31 December 2022, including interest rate and maturity profile, are set out in note 29 to the consolidated financial statements.

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 2022, the Group had cash and cash equivalents of approximately HK$1.5 billion (2021: approximately HK$0.9 billion) of which approximately 74.6% was held in Singapore Dollar, 18.3% was held in Hong Kong dollar, 0.2% was held in Renminbi, 5.6% was held in US Dollars, 0.4% 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 2022 (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 59.7% (2021: approximately 55.5%).

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

FOREIGN EXCHANGE

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

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

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

CAPITAL COMMITMENTS

As at 31 December 2022, the Group had capital commitments of approximately HK$5.1 million (2021: HK$14.1 million) for development expenditure and HK$58.9 million (2021: HK$530.1 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 34 to the financial information in this report, the Group had no other contingent liabilities as at 31 December 2022 and 31 December 2021.

EVENT AFTER THE REPORTING PERIOD

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

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2022, the Group had 2,609 full-time employees (2021: 2,318 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$705.0 million (2021: approximately HK$737.5 million).

SHARE OPTIONS

Share option scheme

The Company adopted a share option scheme (the "**Share Option Scheme**") to attract and retain the best available personnel and to provide additional incentive to the eligible participants under the Share Option Scheme. Pursuant to the Share Option Scheme, the Board is authorised, at its absolute discretion and subject to the terms of the Share Option 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.

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 were 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. During the Reporting Period, no share options were granted, exercised or cancelled and as at 31 December 2022 all the outstanding share options granted but yet to be exercised (i.e. 10,500,000 share options) have lapsed. Following the expiry of the Share Option Scheme, no further option can be granted under the scheme. As at the date of this report, the number of shares of the Company available for issue in respect thereof was nil.

The Share Option Scheme shall be valid and effective for a period of ten years commencing on 11 September 2012 and has expired on 10 September 2022. The Company is considering whether to adopt a new share option scheme, and will make further announcement(s) as and when appropriate and comply with the relevant requirements under the Listing Rules.

Details of the Share Option Scheme are set out in paragraph headed "Share Option Scheme" in the Report of Directors.

Management Share Scheme

Pursuant to the Share Purchase Agreement dated 23 May 2015 entered into between the Company and Guotsing Holding (South Pacific) Investment Pte. Ltd. in respect of the Company's acquisition of the entire issued share capital of Wang Bao Development Limited, a management share scheme (the "**Management Share Scheme**") was set up and a trust (the "**Trust**") was constituted on 15 October 2015. Under the Management Share Scheme, awards (the "**Awards**") shall be conditionally granted to certain senior management and employees of Guotsing Holding Group Co. Limited and its subsidiaries 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 had expired on 1 April 2022. Since 1 January 2022 and up to the expiry of the Management Share Scheme, no CPS was granted, exercised or lapsed. Upon expiry of the Management Share Scheme, 124,875,197 CPS remained under the Trust. Pursuant to the rules of the Management Share Scheme, all the CPS remaining under the Trust shall be transferred to Guotsing Holding Company Limited ("**Guotsing BVI**") by the trustee of the Trust upon expiry of the Management Share Scheme.

Details of the Management Share Scheme are set out in paragraph headed "Management Share Scheme" in the Report of Directors.

PURCHASE, SALE AND REDEMPTION OF THE COMPANY'S SECURITIES

On 27 May 2022, 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.

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, a discussion and analysis of the Group's performance during the year including analysis using financial key performance indicators, description of the principal risks and uncertainties facing the Group, further discussion and analysis of important events affecting the Group after the Reporting Period, future development of the Company's business, a discussion on the Group's environmental policies and performance and the Group's compliance with relevant laws and regulations that have a significant impact on the Group, and an account of the Group's key relationships with its stakeholders 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 65 and 66 of this report. The Board does not recommend the payment of final dividend for the year ended 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 56 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 27 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 70.

As at 31 December 2022, the Company had reserves amounted to HK$3,315.3 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 (2021: HK3,320.5 million).

REPORT OF THE DIRECTORS

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 162 of this report.

DIRECTORS

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

Executive Directors

Mr. Cheng Wing On, Michael (resigned as executive Director and Chairman with effect from 24 February 2023)
Mr. Wang Congyuan (resigned as Chief Executive Officer and appointed Chairman with effect from 24 February 2023)
Mr. Li Jun (appointed as Chief Executive Officer with effect from 24 February 2023)
Dr. Du Bo
Mr. Zhang Yuqiang (resigned with effect from 24 February 2023)
Mr. Du Dexiang (appointed as executive Director and Co- Chief Executive Officer with effect from 24 February 2023)

Non-executive Director

Mr. Chen Anhua (resigned with effect from 24 February 2023)
Mr. Ren Zhiqiang (appointed with effect from 24 February 2023)

Independent Non-executive Directors

Mr. Ching Kwok Hoo, Pedro (resigned with effect from 24 February 2023)
Mr. Tam Tak Kei, Raymond
Mr. Chan Kok Chung, Johnny
Mr. Liu Junchun (appointed with effect from 24 February 2023)

Mr. Cheng Wing On, Michael has resigned as executive Director and the chairman of the Board due to reallocation of duties and responsibilities among the Group's management. He will remain as honorary consultant of the Company. Mr. Zhang Yuqiang resigned as an executive Director due to reallocation of duties and responsibilities among the Group's management. Mr. Chen Anhua has resigned as a non-executive Director due to his intention to focus on his other business commitments. Mr. Ching Kwok Hoo, Pedro has resigned as an independent non-executive Director due to his retirement.

Mr. Li Jun, Mr. Du Dexiang, Mr. Ren Zhiqiang and Mr. Liu Junchun, being newly appointed Directors, shall hold office until the forthcoming annual general meeting and, being eligible, offer himself for re-election pursuant to Article 112 of the Articles of Association of the Company (the "**Articles**").

Mr. Wang Congyuan, Dr. Du Bo and Mr. Chan Kok Chung, Johnny will retire from office as Directors at the forthcoming annual general meeting of the Company, being eligible, to offer themselves for re-election pursuant to Article 108(a) of the Articles.

DIRECTORS' SERVICE CONTRACT

Each of Mr. Cheng Wing On, Michael and Mr. Zhang Yuqiang, who have resigned as Directors with effective from 24 February 2023, 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 into a service contract as an executive Director on 31 March 2020 with the Company for a term of three years. Each of Mr. Li Jun and Mr. Du Dexiang, who were appointed as executive Directors with effect from 24 February 2023 entered into a service contract as an executive Director on 24 February 2023 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, who has resigned as a non-executive Directors with effect from 24 February 2023, renewed a service contract as a non-executive Director on 27 November 2020 with the Company for a term of three years. Mr. Ren Zhiqiang, who was appointed as a non-executive Director with effect from 23 February 2023, entered a service contract as a non-executive Director on 24 February 2023 with the Company for a term of three years. The service contract can be terminated by not less than three months' notice in writing served by either party on the other or otherwise in accordance with the terms of the director's service agreement.

Mr. Ching Kwok Hoo, Pedro, who has resigned as an independent non-executive Director with effect from 24 February 2023, renewed a service contract as an independent non-executive Director on 12 September 2020 with the Company for a term of two years. Mr. Ching Kwok Hoo, Pedro, Mr. Tam Tak Kei, Raymond renewed a service contract as an independent non-executive Director on 12 September 2022 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. Mr. Liu Junchun, who was appointed as an independent non-executive Director with effect from 24 February 2023, entered into a service contract with the Company on 24 February 2023 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 has a service contract which is not determinable by the Company within one year without payment of compensation other than statutory compensation.

MANAGEMENT CONTRACTS

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

CHANGE IN DIRECTORS' INFORMATION

Save for Dr. Du Bo and Mr. Wang Congyuan, there is no changes in the Directors' biographical details which are required to be disclosed pursuant to Rule 13.51 B(1) of Listing Rules. The biographical details of the Directors and senior management (including the updated biographical details of Dr. Du. Bo and Mr. Wang Congyuan) as at the date of this report are set out in this report on pages 34 to 41.

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

As at 31 December 2022, interests or short positions in the shares ("**Shares**"), underlying 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 (Ordinary shares)	**Capacity**	**Number of Shares and underlying Shares held in long position**	**Approximate percentage of interests**
Mr. Wang Congyuan	Beneficiary of a trust *(note1)*	6,189,663	0.41%
	Beneficial owner	1,944,916	0.10%
Mr. Li Jun	Beneficiary of a trust *(note1)*	2,602,497	0.17%
(appointed as an executive Director with effect from 24 February 2023)	Beneficial owner	990,624	0.06%
Dr. Du Bo	Beneficial owner *(note 2)*	1,024,759,528	67.49%
	Beneficiary of a trust *(note 1)*	45,689,892	3.01%
	Beneficial owner	12,504,972	0.82%
Mr. Zhang Yuqiang	Beneficiary of a trust *(note 1)*	2,010,540	0.13%
(resigned as an executive Director with effect from 24 February 2023)	Beneficial owner	502,635	0.03%

Notes:

1. This represents long position in the underlying CPS held as a beneficiary of a trust set up by Guotsing Holding Company Limited. Please refer to the paragraph headed "Management Share Scheme" in this report for more details.

2. 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 2022, none of the Directors nor chief executive of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

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

As at 31 December 2022, the following persons (not being a Director or chief executive of the Company) had interests or short positions in 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 (Ordinary shares)	**Capacity/Nature of interest**	**Number of Shares and underlying Shares held/ interested**	**Approximate Shareholding Percentage**
Hui Long Enterprises Limited	Interest in controlled corporation *(Note 1)*	1,024,759,528	67.49%
Bliss Wave Holding Investments Limited	Interest in controlled corporation *(Note 1)*	1,024,759,528	67.49%
Top Elate Investments Limited	Interest in controlled corporation *(Note 1)*	1,024,759,528	67.49%
Hao Bo Investments Limited	Interest in controlled corporation *(Note 1)*	1,024,759,528	67.49%
Guotsing Holding Company Limited	Beneficial owner *(Note 1)*	756,421,520	49.82%
	Interest in controlled corporation *(Notes 1, 2 and 3)*	268,338,008	17.67%
Trustee	Trustee *(Note 4)*	124,875,197	8.22%
Qingdao ZhiXinDa Enterprise Management Partnership (Limited Partnership)	Interest in controlled corporation *(Note 1)*	1,024,759,528	67.49%
Qingdao Qingjian Holdings Co	Interest in controlled corporation *(Note 1)*	1,024,759,528	67.49%
CNQC Development Limited	Beneficial owner *(Note 2)*	224,145,000	14.76%
Guotsing Finance Holding Limited	Interest in controlled corporation *(Note 3)*	44,193,008	2.91%
Guotsing Asset Management Limited	Interest in controlled corporation *(Note 3)*	44,193,008	2.91%
Guotsing Growth Fund LP I	Beneficial owner	44,193,008	2.91%
China Great Wall AMC (International) Holdings Company Limited	Beneficial owner	142,000,000	9.35%
Sino Concord Ventures Limited	Beneficial owner	100,000,000	6.59%
Sun East Development Limited	Interest in Controlled corporation *(Note 5)*	100,000,000	6.59%

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 2022. 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 2022, to the best information, knowledge and belief of the Directors, no person (other than the Directors and chief executive of the Company), had registered an interest or short position in the Shares or underlying Shares of the Company that was required to be recorded pursuant to section 336 of the SFO.

TRANSACTIONS, ARRANGEMENT OR CONTRACTS OF SIGNIFICANCE

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

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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

MAJOR CUSTOMERS AND SUPPLIERS

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

	2022 %	2021 %
Percentage of construction material purchases:		
From the largest supplier	**2.7%**	3.8%
From the five largest suppliers	**6.7%**	13.1%
Percentage of turnover:		
From the largest customer	**14.1%**	30.8%
From the five largest customers	**26.5%**	51.2%

During the Reporting Period, there are no Directors, their close associates or any shareholders (which to the knowledge of the Directors who owned more than 5% of the Company's share capital) had any interest in the 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 Cougyuan, an executive Director, served as a director and chairman of Guotsing Holding Group Co. Ltd. ("**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.

SHARE OPTION SCHEME

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

The following is a summary of the principal terms of the Share Option Scheme:

Purpose of the scheme

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.

Remaining life of the Share Option Scheme

The Scheme was valid and effective for a period of ten years commencing on 11 September 2012, subject to early termination provisions contained in the Scheme. The Share Option Scheme has expired on 10 September 2022.

Participants of the scheme

Pursuant to the Scheme, the Board is authorised, at its absolute discretion and subject to the terms of the Scheme, to grant options to subscribe the Shares to any employees (full-time or part-time), directors, consultants or advisor of the Group, or any substantial shareholder of the Group, or any distributor, contractor, supplier, agent, customer, business partner or service provider of the Group.

The maximum entitlement of each participant under the scheme

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. There is no service provider sub-limit under the Share Option Scheme.

The period within which the option may be exercised by the grantee under the Share Option Scheme

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. There is no minimum period for which an option must be held before it can be exercised under the Share Option Scheme.

Vesting period

The options under the Share Option Scheme shall vest over 5 years at a rate of 20% each year commencing from 28 April 2017 up to 27 April 2022.

The amount, if any, payable on application or acceptance of the option and the period within which payments must or may be made

Any offer for the grant of options must be accepted and the amount payable by the grantee of an option to the Company on acceptance of the offer for the grant of an option of HK$1.00, shall be paid within seven days inclusive of the day on which such offer was made.

The basis of determining the exercise price of options granted

The price per Share at which a grantee may subscribe for Shares on the exercise of an 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.

Number of options available for grant under the mandate of the Share Option Scheme

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 as from the adoption date 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 in general meetings 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.

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 and 4.3% of the total issued shares of the Company as at the date of this annual report.

The Company has previously granted 10,500,000 share options under the Share Option Scheme. As at 1 January 2022, the number of share options available for grant under the Share Option Scheme was 55,520,250. During the Reporting Period and up to the expiry date of the Scheme, no share options were granted, exercised or cancelled and all outstanding options granted but not exercised have lapsed. As at the expiry date of the Share Option Scheme, there is no share options outstanding and no further option can be granted under the Share Option Scheme.

As at the date of this report, the total number of Shares available for issue under the Share Option Scheme and the percentage of the Shares that it represents as at the date of this report is nil. The number of Shares that may be issued in respect of the options granted under the Share Option Scheme during the Reporting Period divided by the weighted average number of Shares of the ordinary Shares in issue for the Reporting Period is nil.

Detail of movements of the options granted under the Scheme for the year ended 31 December 2022 is as follows:

Name or category of grantees	Date of Grant	Exercise price per share	Outstanding as at 01/01/2022	Number of options Granted during the period	Exercised during the period	Lapsed during the period	Cancelled during the period	Outstanding as at 31/12/2022	Vesting Period	Exercise period
Executive Directors										
Cheng Wing On, Michael[1]	28/04/2016	HK$3.022	3,000,000	–	–	3,000,000	–	0	28/04/2017	28/04/2017–27/04/2022
Wang Congyuan[2]	28/04/2016	HK$3.022	2,100,000	–	–	2,100,000	–	0	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	–	0	28/04/2017	28/04/2017–27/04/2022
			10,500,000	–	–	10,500,000	–	0		

Notes:

1. Mr. Cheng Wing On, Michael has resigned as executive Director and Chairman with effect from 24 February 2023.

2. Mr. Wang Congyuan was appointed as Chairman with effect from 24 February 2023 and has resigned as Chief Executive Director with effect from 24 February 2023.

Save as disclosed above, as at 31 December 2022, no Directors, chief executive, substantial shareholders of the Company or other individuals and/or entitles as set out under Rule 17.07 had been granted any share option under the Scheme to subscribe for the Shares. There are no other information that are required to be disclosed under rule 17.07 of the Listing Rules regarding the Share Option Scheme.

REPORT OF THE DIRECTORS

The Company is considering whether to adopt a new share option scheme, and will make further announcement(s) as and when appropriate and comply with the relevant requirements under the Listing Rules.

MANAGEMENT SHARE SCHEME

Pursuant to the Share Purchase Agreement dated 23 May 2015 entered into between the Company and Guotsing Holding (South Pacific) Investment Pte. Ltd. in respect of the Company's acquisition of the entire issued share capital of Wang Bao Development Limited ("**2015 Acquisition**"), a management share scheme (the "**Management Share Scheme**") was set up by Guotsing Holding Company Limited ("**Settlor**") and a trust (the "**Trust**") was constituted on 15 October 2015. 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 for the purpose of the Management Share Scheme. The Management Share Scheme had a term commencing from the completion of the Acquisition and expired on 1 April 2020 ("**Expiry Date**"). The Management Share Scheme involves only existing CPS.

Purpose of the Management Share Scheme

The purpose of the Management Share Scheme was to reward the Selected Participants who have made contributions to the development of the Company and its parent group, Guotsing Holding Group Co. Limited ("**Guotsing Group**") over the years.

Participants of the Management Share Scheme, number of shares available for issue under the Management Share Scheme and maximum entitlement

Under the Management Share Scheme, awards shall be conditionally granted to certain senior management and employees of Guotsing Group (including the Company) ("**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. There is no restriction of maximum entitlement of each Selected Participant.

Vesting period

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 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.

The amount, if any, payable on application or acceptance of the CPS, the period within which payments must or may be made

Any offer for the grant of the CPS must be accepted within ten days inclusive of the day on which such offer was made. The amount payable by the grantee of the CPS to Guotsing BVI on acceptance of the offer for the grant of CPS is HK$0.56 per CPS, which shall be paid on the date when the grantee sign and return the vesting notice.

The basis of determining the purchase price of the CPS granted

The purchase price of the CPS granted was determined based on the net asset value of CNQC (South Pacific) Holding Pte. Ltd as at 31 December 2012.

Remaining life of the scheme

The Management Share Scheme had expired on 1 April 2022. No further grant of CPS is allowed. However the Trust is still valid, and the Trust Period has automatically extended quarterly until receipt of notice from Guotsing BVI. Pursuant to the rules of the Management Share Scheme, all the CPS remaining under the Trust shall be transferred to Guotsing Holding Company Limited by the trustee of the Trust upon expiry of the Management Share Scheme.

As at 1 January 2022, 179,724,076 CPS which had been previously awarded and vested in the Selected Participants had been converted into Shares. During the Reporting Period, no CPS is granted, vested, cancelled or lapsed. As at 1 January 2022, during the Reporting Period and up to the Expiry Date, there were no unvested CPS under the Management Share Scheme. The amount of the CPS that was available for issue under the Scheme and the percentage of issued CPS that it represents as at the Expiry Date and the date of the annual report is nil.

There are no other information that are required to be disclosed under rule 17.07 of the Listing Rules regarding the Management Share Scheme.

DEBENTURE ISSUED

The Group did not issue any debenture for the year ended 31 December 2022.

CONVERTIBLE SECURITIES

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

On 15 October 2015, the acquisition of the entire issued share capital of Wang Bao Development Limited by the Company (the "**Acquisition**") was completed and upon completion of the Acquisition, the Company issued 647,273,454 CPS to Guotsing 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.

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

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

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

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

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

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

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

PRE-EMPTIVE RIGHTS

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

CONTINUING CONNECTED TRANSACTIONS

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

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. Pursuant to the Sub-contract Agreement, CNQC Malaysia agreed to be the principal sub-contractor to Qingjian Malaysia under a construction project and to undertake the supply, construction, completion and maintenance of a construction project.

Details of the terms of the Sub-Contract Agreement and that of the Supplement 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 constitute a continuing connected transaction of the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios in respect of the annual caps are more than 0.1% but are all less than 5%, the transactions contemplated under the Supplement 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 Supplement Agreement for the following period shall not exceed the following annual caps of:

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

The annual caps were 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 2022 was 25.2 million RM (equivalent to HK$44.8 million).

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 transaction of the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios in respect of the annual caps are more than 0.1% but are all less than 5%, the transactions contemplated under the 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 will not exceed the following annual caps:

Annual Caps	(SGD million)
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 Group 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 2022 was SGD4.9 million (equivalent to HK$28.0 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.

The Directors consider that all material related party transactions disclosed in note 36 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.

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$142,000 (2021: HK$96,000).

NON-COMPETITION UNDERTAKING

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

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

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

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

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

CORPORATE GOVERNANCE CODE

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

The details of the Group's compliance with the Code is set out in the Corporate Governance Report from page 42 to page 58 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 2023. Any non-renewal in the existing BCA permits and licenses will result in us not being qualified to tender or participate in certain projects, therefore reducing the number of project opportunities for the Group, and this may have an adverse impact on the Group's operations and financial performance. The Group's operation units will continue to closely monitor and ensure the Group's compliance with the standards and requirement of those licenses.

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

KEY RELATIONSHIPS

(i) Employees

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

(ii) Sub-contractors and suppliers

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

(iii) Customers

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

ENVIRONMENTAL POLICIES

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

COMPLIANCE WITH LAWS AND REGULATIONS

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

Wang Congyuan
Chairman

Hong Kong, 31 March 2023

BIOGRAPHIES OF THE DIRECTORS AND SENIOR MANAGEMENT

DIRECTOR

Executive Director

Mr. Wang Congyuan (王從遠), aged 48, is an executive Director and Chairman of the Board 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 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. He was appointed as the Chairman and the chairman of the Nomination Committee on 24 February 2023.Mr. Wang is also a director of subsidiaries of the Company.

He has over 25 years of experience in the engineering and construction industry. From September 2007 to October 2015, Mr. Wang Congyuan took the positions of secretary to the board of directors, assistant to the president, the vice president and the joint chairman of 青建集團股份公司 (Qingjian Group Co., Ltd.*) and from December 2012 to October 2015, he was the vice president and the executive vice president of Guotsing PRC. During the period from August 2012 to December 2013, he served as the president of 青建國際集團有限公司 (Qingjian International Group Co., Ltd.*). Mr. Wang Congyuan, was also the chairman and the chief executive officer of 青島青建地產集團有限公司 (Qingdao Qingjian Real Estate Group Co., Ltd.*) during the period from July 2014 to August 2015.

He is currently a president of Guotsing PRC and Qingjian Group Finance LLC* (青建集團財務有限責任公司). He is also a director of Qingjian Group Co., Ltd.* (青建集團股份公司), Qingdao Qingjian Holding Ltd.* (青島青建控股有限公司), Jinan Zhonglu Holding Group Ltd* (濟南中魯控股集團有限公司), Haide Capital Investment (Shanghai) Co., Ltd* (海德邦和投資(上海)有限公司), 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.

Mr. Li Jun (李軍), aged 46, is an executive Director and Chief Executive Officer of the Company. He was appointed as an executive Director and Chief Executive Officer on 24 February 2023. He was appointed as a chairman of the Strategy and Investment Committee on 24 February 2023. Mr. Li is also a director of subsidiaries of the Company.

Mr. Li has more than 20 years of experience in financial management and corporate finance. Prior to joining the Group, he worked at several companies as an audit manager from 1999 to 2007. He served as the deputy manager and general manager of the financial management department and deputy general manager of the capital operation department of Qingjian Group Co., Ltd* (青建集團股份公司) from July 2007 to December 2014. He also served as deputy chief accountant and assistant to the president and executive vice president of the financial division of Guotsing Holding Company Limited* (國清控股集團) from December 2012 to December 2014. He is also a director of Guotsing Finance Holding Company Limited and Guotsing Asset Management Limited.

Mr. Li graduated from Qingdao University in the PRC with a bachelor's degree in accountancy and from Tianjin University of Finance and Economic in the PRC with a master's degree in accountancy. Mr. Li is a senior accountant and a certified accountant in the PRC.

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

Dr. Du Bo (杜波博士), aged 64, is an executive Director and honorary chairman of the Company. He was appointed as was appointed as the executive Director on 31 March 2020, and was at the same time appointed a member of the Nomination Committee and the Strategy and Investment Committee. Dr. Du is also a director of subsidiaries of the Company.

He has more than 40 years of extensive experience in the engineering and construction industry both in the PRC and overseas. Dr. Du had been appointed as the executive Director and the chairman of the Board of the Company from 11 April 2014 to 26 January 2016.Prior to joining the Group, he was appointed as the general manager of 青島建設集團公司 (Qingdao Construction Group Co., Ltd.*) in July 2001. He served as the chairman of the board of directors (from September 2007 to January 2013) and the chief executive officer (from September 2007 to December 2011) of 青建集團股份公司 (Qingjian Group Co., Ltd.*). Dr. Du has become the chairman of the board of directors of the Guotsing Holding Group Limited from November 2012 to November 2022, 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 Company Limited, Guotsing Asset Management Limited,Guosting 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. Du Dexiang (杜德祥), aged 27, is an executive Director and co-Chief Executive Officer of the Company. He was appointed as an executive Director and co-Chief Executive Officer on 24 February 2023. He was appointed as a member of the Remuneration Committee of the Company and a member of the Strategy and Investment Committee on 24 February 2023.. Mr. Du is also a director of subsidiaries of the Company.

Mr. Du has extensive experience in financial management and corporate finance. Before joining the Group, he worked in United Overseas Bank of Singapore. He joined the Group in May 2021 and was consecutively acted as the assistant chief executive officer of the Company and the president of CNQC (South Pacific) Holdings Pte. Ltd.

Mr. Du graduated from the University College London with a bachelor of science (economics) degree in economics and statistics. He also holds a master of science degree in risk management and financial engineering from Imperial College London. Mr. Du is the son of Dr. Du Bo, an executive Director.

Save as disclosed above, Mr. 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.

BIOGRAPHIES OF THE DIRECTORS AND SENIOR MANAGEMENT

Non-Executive Director

Mr. Ren Zhiqiang (任志強), aged 40, is a non-executive Director of the Company. He was appointed as a non-executive Director of the Company and a member of the Strategy and Investment Committee on 24 February 2023..on 24 February 2023.

Mr. Ren is currently the secretary to the board of directors of China Great Wall AMC (International) Holdings Co., Ltd. (中國長城資產(國際)控股有限公司) and the managing director of the investment banking department. From 2011 to 2016, he successively served as manager of the business audit department and office affairs of China Great Wall Asset Management Co., Ltd. Since 2017 he has served as the managing director of the special assets department, business approval and management department and comprehensive management department of China Great Wall AMC (International) Holdings Co., Ltd. (中國長城資產(國際)控股有限公司). From April 2021 to July 2021, he served as a non-executive director of CMIC Ocean En-Tech Holding Co., Ltd. (stock code: 206), which is listed on the Main Board of the Stock Exchange.

Mr. Ren graduated from the University of Hong Kong with a master's degree in business administration and a master's degree in law from China University of Political Science and Law.

Save as disclosed above, Mr. Ren 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. Tam Tak Kei, Raymond (譚德機), aged 60, 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.

Mr. Chan Kok Chung, Johnny (陳覺忠), aged 63, 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: 9699) 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 and was appointed as the deputy chairman of the Listing Committee of The Stock Exchange of Hong Kong Limited from July 2022.

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.

Mr. Liu Junchun (劉軍春), aged 60, is an independent non-executive Director. He was appointed as an independent non-executive Director and a member of the Audit Committee, a member of the Nomination Committee, a chairman of the Remuneration Committee on 24 February 2023.

From 1986 to 1991, Mr. Liu worked in Qingdao Foreign Economic and Trade Commission* (青島市對外經濟貿易委員會). From 1991 to 1993, he worked in the Department of Treaty and Law of the Ministry of Foreign Trade and Economic Cooperation* (外經貿部條約法律司). From 1993 to 1997, he served as the deputy director and director of the China Hainan Trade Center of the Ministry of Foreign Trade and Economic Cooperation* (外經貿部中國海南貿易中心). From 1997 to 2000, he served as the general manager of the Enterprise Management Department of the International Trade EDI Center of the Ministry of Foreign Trade and Economic Cooperation (外經貿部國際貿易EDI中心企業管理部). He joined HNA Group Company Limited* (海航集團有限公司) in 2000 and served as assistant to the president, senior assistant to the president, executive vice president and general executive vice president successively. From 2012 to 2014, he served as the vice chairman and chief executive officer of HNA Logistics Group Co., Ltd.* (海航物流集團有限公司). From 2014 to 2019, he served as the vice chairman of HNA Group (International) Company Limited* (海航集團(國際)有限公司). From 2016 to 2019, he served as non-executive director, executive director and vice chairman of the board of directors of Hong Kong International Construction Investment Management Group Co., Limited (now renamed as Tysan Holdings Limited (Stock: 00687) which is listed on the Main Board of the Stock Exchange successively. Since 2021, he has served as the vice chairman of Rongfeng (Group) Holdings Co., Ltd.

Mr. Liu graduated from the East China University of Political Science and Law (international economic law department) with a bachelor of laws degree in 1982. He graduated from Peking University in 1999 with a master's degree in law.

Save as disclosed above, Mr. Liu 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. Cheng Wing On, Michael (鄭永安), aged 66, is a honorary consultant of the Company. 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 continue to serve as a member. Mr. Cheng was resigned as the Chairman of the board of the Company on 24 February 2023. Mr. Cheng is also a director of subsidiaries of the Company.

He has over 42 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, 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.

Mr. Zhang Yuqiang (張玉強), aged 61, is a director of certain subsidiaries 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 resigned as the executive Director and general manager of the Company on 24 February 2023.

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.

Mr. Zhu Wenbo (朱文博), aged 37, joined the Group in September 2012, he is director and 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.

BIOGRAPHIES OF THE DIRECTORS AND SENIOR MANAGEMENT

Mr. Wang Linxuan (王林宣), aged 50, 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 Linxuan holds a bachelor's degree of Science in Architectural Engineering from Shandong Institute of Architecture and Engineering by the PRC, and a master's degree in business administration from National University of Singapore. Mr. Wang Linxuan is a senior engineer of China, also a National certified first-class Constructor (國家一級建造師).

Mr. Xu Zhengpeng (徐正鵬), aged 49, 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 49, joined the Group in September 2012, he is the chief financial officer of CNQC (South Pacific) Holding Pte. Ltd. Mr. Yeong holds a Bachelor of Accountancy degree from Nanyang Technological University, Singapore. Mr. Yeong has more than 20 years of experience in financial management and corporate finance. Prior to joining the Group, he worked at PricewaterhouseCoopers from 1997 to 2012. He was also the chief financial officer of Guotsing (South Pacific) Holding Pte Ltd from 2014 to 2015. Mr. Yeong is a Chartered Accountant of Singapore.

Mr. Li Jun (李俊), aged 47, joined the Group in April 2008, he is the director and executive president of CNQC (South Pacific) Holding Pte Ltd, executive chairman 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 41, joined the Group in December 2011. He is the vice president of CNQC (South Pacific) Holding Pte. Ltd and 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), 36 , 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..

BIOGRAPHIES OF THE DIRECTORS AND SENIOR MANAGEMENT

Mr. Jia MingJun (賈明軍), aged 42, director and general manager of Sunley M&E Engineering Pte. Ltd and the vice president of CNQC (South Pacific) Holding Pte. 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., he was director of Qingjian International (South Pacific) Group Development Co., Ltd..

Mr. Tsui Kwok Kin (崔國健), aged 74, 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 53 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, Corum (葉國林), aged 56, 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 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.

Mr. Fung Tze Fan (馮子勳), aged 51, joined Sunley Engineering and Construction Company Limited in October 2010 and is now a Project Director. He graduated from the University of London with a Bachelor Degree in Civil Engineering in 1995. Frankie has 27 years of extensive experience in the engineering and construction industry, and he oversees the operations of Sunley's foundation works. Before joining Sunley in 2010, he held senior positions with major corporations in Hong Kong for 15 years and headed civil engineering and construction projects such as drainage works, foundation works, slope maintenance, water mains works and site formation works.

Mr. Cao Jintong (曹錦桐), age 36, joined the Group in March 2014. He is the Vice President of the Company. Mr. Cao holds a master's degree of science in international banking and finance from Lingnan University, Hong Kong and a bachelor's degree of management from Shenzhen University. Mr. Cao has more than ten years of experience in corporate finance, financial management and company secretarial. He was consecutively acted as the company secretarial officer, senior investment manager and secretary of the Chairman of the Company from 2014 to 2023.

Ms. Pu Xiaosen (蒲小森), aged 44, joined the Group in July 2014. She is the Assistant to CEO of the Company and the Financial Manager of several subsidiaries. Ms. Pu holds a Master of Liberal Arts of Finance degree (PT/DL) from Harvard University, the US, and a Master of Management degree from University of Worcester, the UK. She has about 20 years of international experience in financial management, corporate finance and M&A. Prior to joining the Group, she served the Group's related parties, the International Business Division of Qingjian and Qingjian International (South Pacific) Group Development Co., Pte Ltd., from 2011 to 2014. Ms. Pu is a Chartered Accountant of Singapore and a fellow member of the Association of Chartered Certified Accountants.

GROUP CHIEF FINANCIAL OFFICER AND COMPANY SECRETARY

Mr. Chan Tat Hung (陳達鴻), aged 50, joined the Group in May 2017. Mr. Chan holds a bachelor's degree in business administration with a major in professional accountancy from the Chinese University of Hong Kong. Mr. Chan has more than 20 years of experience in finance, auditing and accounting. Mr. Chan is an associate member of the Hong Kong Institute of Certified Public Accountants, the Hong Kong Chartered Governance Institute and the Chartered Governance Institute (UK) 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 and recommended best practices 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 *(resigned as executive Director and Chairman with effect from 24 February 2023)*
Mr. Wang Congyuan *(resigned as Chief Executive Officer and appointed Chairman with effect from 24 February 2023)*
Mr. Li Jun *(appointed as executive Director and Chief Executive Officer with effect from 24 February 2023)*
Dr. Du Bo
Mr. Zhang Yuqiang *(resigned as executive Director with effect from 24 February 2023)*
Mr. Du Dexiang *(appointed as executive Director and Co- Chief Executive Officer with effect from 24 February 2023)*

Each of Mr. Cheng Wing On, Michael and Mr. Zhang Yuqiang, who have both resigned as Director with effective from 24 February 2023, 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 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. Li Jun and Mr. Du Dexiang entered into a service contract for executive directorship with the Company effective from 24 February 2023 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 *(resigned with effect from 24 February 2023)*
Mr. Ren Zhiqiang *(appointed with effect from 24 February 2023)*

Mr. Chen Anhua, who has resigned as a non-executive Directors with effect from 24 February 2023, renewed a service contract as a non-executive Director on 27 November 2020 with the Company for a term of three years. Mr. Ren Zhiqiang, who was appointed as a non-executive Director with effect from 24 February 2023, entered a service contract as a non-executive Director on 24 February 2023 with the Company for a term of three years.

Independent Non-executive Directors

Mr. Ching Kwok Hoo, Pedro *(resigned with effect from 24 February 2023)*
Mr. Tam Tak Kei, Raymond
Mr. Chan Kok Chung, Johnny
Mr. Liu Junchun *(appointed with effect from 24 February 2023)*

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 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. Mr. Ching Kwok Hoo, Pedro has resigned as an independent non-executive Director with effect from 24 February 2023.

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.

Mr. Liu Junchun entered into a service contract for independent non-executive directorship with the Company effective from 24 February 2023 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. Li Jun , Mr. Du Dexiang , Mr. Ren Zhiqiang and Mr. Liu Junchun, being newly appointed Directors, shall hold office until the forthcoming annual general meeting and, being eligible, offer himself for re-election pursuant to Article 112 of the Articles of Association of the Company (the "**Articles**").

Mr. Wang Congyuan, Dr. Du Bo and Mr. Chan Kok Chung, Johnny will retire from office as Directors at the forthcoming annual general meeting of the Company, being eligible, to offer themselves for re-election pursuant to Article 108(a) of the Articles. No Director proposed for re-election at the annual general meeting has a service contract with the Company, which is not determinable by the Company within one year other than statutory compensation.

Each of the independent non-executive Directors has confirmed his independence with reference to the factors set out in Rule 3.13 of the Listing Rules, and the Company has received 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. The Group considers all independent non-executive Directors to be independent under Rule 3.13 of the Listing Rules.

In determining the proposal to re-elect Mr. Tam Tak Kei, Raymond as an independent non-executive Director effective from 12 September 2022 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 Mr. Tam Tak Kei, Raymond based on the criteria set out in Rule 3.13 of the Listing Rules, in particular given that 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 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. 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. Tam Tak Kei, Raymond can bring further contributions to the Board's diversity, and believes that 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, 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.

In view of the foregoing factors, and that the tenure of 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 Mr. Tam Tak Kei, Raymond who has over time gained valuable insight into the Group and its markets, the Board believes that 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.

Mr. Du Dexiang, executive Director and Co-Chief Executive Officer who was appointed with effect from 24 February 2023 is the son of Mr. Du Bo, executive Director. Save as disclosed in this Annual Report, none of the Director or the Executive Directorate has any relationship (including financial, business, family or other material or relevant relationships) with another Director or chief executives.

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 C.5.1 of the Code, the Board shall meet regularly and at least four times a year at approximately quarterly intervals. During the Reporting Period, six Board meetings and one general meeting were held up to the date of this report.

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

	Attendance/Number of meetings during the Reporting Period	
Name of Directors	**Board Meeting**	**General Meeting**
Executive Directors		
Mr. Cheng Wing On, Michael *(resigned with effect from 24 February 2023)*	6/6	1/1
Mr. Wang Congyuan *(Chief Executive Officer)*	3/6	1/1
Dr. Du Bo	3/6	1/1
Mr. Zhang Yuqiang *(resigned with effect from 24 February 2023)*	6/6	1/1
Non-executive Director		
Mr. Chen Anhua *(resigned with effect from 24 February 2023)*	2/6	1/1
Independent Non-executive Directors		
Mr. Ching Kwok Hoo, Pedro *(resigned with effect from 24 February 2023)*	2/6	1/1
Mr. Tam Tak Kei, Raymond	2/6	1/1
Mr. Chan Kok Chung, Johnny	2/6	1/1

BOARD RESPONSIBILITIES AND DELEGATION

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

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

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

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

DIRECTORS' CONTINUING PROFESSIONAL DEVELOPMENT PROGRAMME

All Directors confirmed that they had complied with code provision C.1.4 of the Code during the Reporting Period, that all Directors had participated in continuous professional development to develop and refresh their knowledge and skills. The Company has arranged an in-house training on the Listing Rules in the form of a seminar during the Reporting Period and relevant training material has been distributed to all the Directors. The training covered topics including 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 *(resigned with effect from 24 February 2023)*	1	1
Mr. Wang Congyuan	1	1
Dr. Du Bo	1	1
Mr. Zhang Yuqiang *(resigned with effect from 24 February 2023)*	1	1
Mr. Li Jun *(appointed with effect from 24 February 2023)*	1	1
Mr. Du Dexiang *(appointed with effect from 24 February 2023)*	1	1
Mr. Chen Anhua *(resigned with effect from 24 February 2023)*	1	1
Mr. Ren Zhiqiang *(appointed with effect from 24 February 2023)*	0	0
Mr. Ching Kwok Hoo, Pedro *(resigned with effect from 24 February 2023)*	1	1
Mr. Tam Tak Kei, Raymond	1	1
Mr. Chan Kok Chung, Johnny	1	1

CHAIRMAN AND CHIEF EXECUTIVE

Under code provision C.2.1 of the Code, 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 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 of the Company, the two positions are assumed by different individuals and their respective responsibilities are clearly established and set out in the Company's internal guidelines. The Chairman of the Board during the Reporting Period, Mr. Cheng Wing On, Michael, was responsible for the operation of the Board and the formulation of the Group's strategies and policies. Mr. Wang Congyuan, the Chief Executive Officer of the Company during the Reporting Period, with the assistance of other members of the Board and senior management, was responsible for the management of the Group's business, the implementation of significant policies, the daily operational decisions as well as the coordination of the overall operation. The Chairman of the Board had ensured that all Directors were properly briefed on issues arising at the Board meetings and received adequate, complete and reliable information in a timely manner.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

The Company has made specific enquiry to all Directors, and all Directors have confirmed that they had complied with the required standards set out in the Model Code and 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.

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

	Attendance/ Number of meetings during the Reporting Period
Mr. Ching Kwok Hoo, Pedro *(resigned with effect from 24 February 2023)*	1/1
Mr. Chan Kok Chung, Johnny	1/1
Mr. Wang Congyuan	1/1
Mr. Zhang Yuqiang *(resigned with effect from 24 February 2023)*	1/1
Mr. Tam Tak Kei, Raymond	1/1

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

- assessed the performance of executive Directors and consulted the Chairman of the Board and the chief executive about their remuneration proposals for other executive Directors;
- reviewed and approved the management's remuneration proposals with reference to the Board's corporate goals and objectives;
- made recommendations to the Board on the remuneration packages of individual executive Directors and senior management;
- review and/or approve matters relating to share schemes under Chapter 17 of the Rules, including but not limited to whether to adopt a new share option scheme;
- approved the terms of executive Directors' service contracts;
- 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 38 of the financial statements.

No director waived or agreed to waive any emoluments during the year.

REMUNERATION OF THE SENIOR MANAGEMENT

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

Band of remuneration (HK$)	**Name of the Senior Management**
HK$2,000,000 and below	Du Dexiang, Xu Zhengpeng, Yeong Chen Seng, Li Jun, Ouyang Jing, Li Dong, Jia Mingjun, Fung Tze Fan, 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	–
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$7,457,000 and HK$456,000 respectively. The non-audit services mainly included the independent review of the interim results of the Group for the period ended 30 June 2022 and tax compliance services.

AUDIT COMMITTEE

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

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

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

The Audit Committee has held two meetings during the Reporting Period. The committee members' attendance of the Audit Committee during the Reporting Period is set out as follows:

	Attendance/ Number of meetings during the Reporting Period
Mr. Tam Tak Kei, Raymond *(Chairman)*	2/2
Mr. Ching Kwok Hoo, Pedro *(resigned with effect from 24 February 2023)*	2/2
Mr. Chan Kok Chung, Johnny	2/2

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

- made recommendations to the Board on the appointment and re-appointment of the Company's external auditor, and approved the audit and terms of engagement of the Company's external auditor;

- reviewed the Company's external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards;

- reviewed the integrity of the Company's financial statements and annual report and accounts, interim report and reviewed significant financial reporting judgements;

- discussed with the Company's external auditors questions and doubts arising in audit of annual accounts;

- reviewed the Group's internal control system and the statement about the Company's internal control system which 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 2022. The statement by the auditor of the Company about their responsibilities for the financial statements is set out in the independent auditor's report. The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern, therefore the Directors continue to adopt the going concern approach in preparing the financial statements.

RISK MANAGEMENT AND INTERNAL CONTROLS

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

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

Risk Identification

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

Risk Assessment

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

Risk Response

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

Risk Monitoring and Reporting

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

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

The Board is responsible for the risk management and internal control systems of the Company and reviewing their effectiveness, with the assistance of the internal audit and risk management department. 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 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 2022. 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 2022.

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 interest of individuals reporting problems, we have formulated the "Whistle-blowing Policy". This policy is designed to encourage employees of the Group and related third parties to raise concerns, in confidence, about misconduct, malpractice or irregularities in any matters related to the Company. The Policy aims to increase the awareness of maintaining internal corporate justice and serve as part of the internal control mechanism. It provides the employees with reporting channels and guidance on whistle-blowing. The term "whistle-blowing" refers to a situation where an employee decides to report serious concerns about any malpractice which he/she has become aware or genuinely suspects that the Group has been or may become involved in. The Policy is designed to encourage employees to raise serious concerns internally, in a responsible and effective manner rather than overlooking a problem or blowing the whistle outside. 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.

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

	Attendance/ Number of meetings during the Reporting Period
Mr. Cheng Wing On, Michael *(Chairman) (resigned with effect from 24 February 2023)*	1/1
Dr. Du Bo	1/1
Mr. Ching Kwok Hoo, Pedro *(resigned with effect from 24 February 2023)*	1/1
Mr. Tam Tak Kei, Raymond	1/1
Mr. Chan Kok Chung, Johnny	1/1

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

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

The Board Diversity Policy

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

Having reviewed the Board composition, the Board recognises the importance and benefits of gender diversity at the Board level and shall continue to take initiatives to identify female candidate(s) to enhance the gender diversity among the Board members. To enhance board diversity, the Company targets to reach 12.5% female board members by 31 December 2024 and continues to maintain a diverse board. The Nomination Committee will select appropriate candidates through multiple channels and make recommendation to the Board based on the Company's Board diversity policy and nomination policy.

The Board also recognises the importance of diversity at the workforce level. 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. Please refer to the section headed "The Nomination Policy" for details related to how the board develop a pipeline of potential successor to the Board.

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

The Nomination 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

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. Wang Congyuan, Dr. Du Bo, Mr. Li Jun and Mr. Du Dexiang, one non-executive Director namely, Mr. Ren Zhiqiang, 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.

No Strategy and Investment Committee meeting held during the Reporting Period.

COMPANY SECRETARY

For the year under review, the Company Secretary has confirmed that he has taken no less than 15 hours of relevant professional training.

DIVIDEND POLICY

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

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

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

COMMUNICATION WITH SHAREHOLDERS

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

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

During the Reporting Period, 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.

The Company has been practising the above shareholders' communication policy to handle enquiries put to the Board. The Company has reviewed its shareholders' communication policy during the Reporting Period, and believes the shareholders' communication policy is still appropriate and 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.

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.

There are no provisions under the Company's articles of association or the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands regarding procedures for Shareholders to put forward proposals at general meetings other than a proposal of a person for election as Director. Shareholders may follow the procedures set out above to convene an extraordinary general meeting for any business specified in such written requisition.

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 65 to 161, comprise:

- the consolidated statement of financial position as at 31 December 2022;
- 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 2022, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

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

Independence

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

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INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS

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

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

- Recognition of construction contract revenue, cost and provision for foreseeable losses

- Impairment of goodwill

Key Audit Matters	How our audit addressed the Key Audit Matters
Recognition of construction contract revenue, cost and provision for foreseeable losses	
Refer to Notes 4 and 6 to the consolidated financial statements. Revenue from construction contracts recognised for the year ended 31 December 2022 amounted to HK$6,305,274,000. Contract revenue is recognised over the period of the contract by reference to the stage of completion, which is established by reference to the construction works certified by independent surveyors. The corresponding contract costs are recognised on an actual basis and the forecasted costs to go as well as the potential losses of construction contracts will be assessed.	We 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. We have selected samples of construction contracts to assess the estimations made by management in respect of the provision for foreseeable contract losses. The following audit procedures have been performed by us on the sample of contracts selected: • Examined the terms and conditions of the contracts such as contract sum, construction period, performance obligations of the Group, payment schedule, retention and warranty clauses, etc. • Validated the stage of completion adopted by management to the position set out in the certificate issued by independent surveyors, including the certified contract work and variation orders, if any.

KEY AUDIT MATTERS (CONTINUED)

Key Audit Matters	How our audit addressed the Key Audit Matters
Recognition of construction contract revenue, cost and provision for foreseeable losses (Continued)	
This involves significant judgement and estimation when assessing the percentage of work performed, possible variation orders, claims and liquidated damages, and the reasonableness and accuracy of the forecasted costs to complete.	• Assessed the accuracy and reasonableness of total budgeted costs pertaining to the relevant construction works by (i) examining supplier quotations; (ii) benchmarking against the historical costs incurred in, and the historical profit margin of, construction projects completed in the past; and (iii) interviewing the project managers and assessing the reasonableness of the cost estimations prepared by them. • Tested the mathematical accuracy of management's calculation of the construction contract revenue, cost, contract assets and forecasted costs to complete in considering the provision 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. 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.

KEY AUDIT MATTERS (CONTINUED)

Key Audit Matters	How our audit addressed the Key Audit Matters
Impairment of goodwill	
Refer to Notes 4 and 18 to the consolidated financial statements. The total goodwill recognised by the Group as of 31 December 2022 amounted to HK$568,831,000, of which HK$290,043,000 and HK$278,788,000 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 2022. 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.	Our procedures on auditing management's goodwill impairment assessment mainly included: • Understood and evaluated the design and operating effectiveness of the internal controls and assessment process of goodwill impairment and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors such as complexity, 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. Based upon the above, we found that the estimations and judgements made by management in respect of the assessment of goodwill impairment were supportable by the available evidence.

OTHER INFORMATION

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

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

The engagement partner on the audit resulting in this independent auditor's report is Lee Chung Bor.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 2 April 2023

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2022

	Note	2022 HK$'000	2021 HK$'000
Revenue	*5, 6*	**8,272,122**	6,098,655
Cost of sales	*9*	**(8,312,472)**	(5,904,618)
Gross (loss)/profit		**(40,350)**	194,037
Other income	*7*	**129,061**	73,708
Other (loss)/gain — net	*8*	**(1,425)**	129,808
Selling and marketing expenses	*9*	**(73,829)**	(57,487)
General and administrative expenses	*9*	**(240,420)**	(347,026)
Operating losses		**(226,963)**	(6,960)
Finance income	*11*	**58,701**	71,365
Finance costs	*11*	**(247,531)**	(172,317)
Share of net (loss)/profit of associated companies	*13*	**(18,244)**	385,302
Share of net losses of joint ventures	*14*	**(49,675)**	(16,671)
(Loss)/profit before income tax		**(483,712)**	260,719
Income tax expense	*15*	**(29,328)**	(7,074)
(Loss)/profit for the year		**(513,040)**	253,645
Other comprehensive losses			
Item that may be reclassified to profit or loss			
— Currency translation differences		**1,796**	(14,851)
Item that will not be reclassified to profit or loss			
— Fair value losses on financial assets at fair value through other comprehensive income		**(2,182)**	(3,556)
		(386)	(18,407)
Total comprehensive (loss)/income for the year		**(513,426)**	235,238

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2022

	Note	2022 HK$'000	2021 HK$'000
(Loss)/profit for the year attributable to:			
Owners of the Company		**(587,983)**	259,051
Non-controlling interests		**74,943**	(5,406)
		(513,040)	253,645
Total comprehensive (loss)/income for the year attributable to:			
Owners of the Company		**(588,964)**	244,744
Non-controlling interests		**75,538**	(9,506)
		(513,426)	235,238
(Loss)/earnings per share for (loss)/profit attributable to owners of the Company	*16*		
Basic (loss)/earnings per share			
— ordinary shares (HK$)		**(0.358)**	0.158
— convertible preference shares (HK$)		**(0.358)**	0.158
Diluted (loss)/earnings per share			
— ordinary shares (HK$)		**(0.358)**	0.158
— convertible preference shares (HK$)		**(0.358)**	0.158

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 2022

	Note	31 December 2022 HK$'000	31 December 2021 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	17	**475,775**	531,015
Right-of-use assets	17	**78,249**	75,584
Goodwill	18	**568,831**	567,335
Other intangible assets	19	**70,840**	75,205
Investments in associated companies	13	**675,527**	683,278
Deferred income tax assets	22	**37,898**	56,617
Financial assets at fair value through other comprehensive income	23	**1,421**	4,711
Financial assets at fair value through profit or loss	20	**159,952**	511,932
Prepayments and other receivables	21	**744,037**	533,246
		2,812,530	3,038,923
Current assets			
Development properties for sale	25	**3,010,606**	4,247,662
Inventories		**47,435**	3,518
Trade and other receivables, prepayments and deposits	21	**2,928,013**	3,128,868
Contract assets	5(a)	**1,467,013**	436,323
Financial assets at fair value through profit or loss	20	**403,937**	–
Income tax recoverable		**921**	872
Pledged bank deposits	26(b)	**2,326**	199,866
Cash and cash equivalents	26(a)	**1,506,649**	917,855
		9,366,900	8,934,964
Total assets		**12,179,430**	11,973,887
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital — ordinary shares	27	**15,183**	15,183
Share capital — convertible preference shares	27	**1,249**	1,249
Share premium		**3,261,225**	3,261,225
Other reserves	28	**(1,142,286)**	(1,141,305)
Retained earnings		**710,718**	1,397,293
		2,846,089	3,533,645
Non-controlling interests		**322,162**	195,124
Total equity		**3,168,251**	3,728,769

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2022

	Note	31 December 2022 HK$'000	31 December 2021 HK$'000
LIABILITIES			
Non-current liabilities			
Other payables	30	**–**	26,100
Borrowings	29	**1,932,167**	3,455,774
Lease liabilities	17(a)	**37,529**	41,910
Deferred income tax liabilities	22	**68,075**	45,856
		2,037,771	3,569,640
Current liabilities			
Trade and other payables	30	**2,712,605**	2,001,061
Contract liabilities	5(a)	**30,000**	374,129
Income tax payables		**7,495**	23,213
Borrowings	29	**4,186,036**	2,240,568
Lease liabilities	17(a)	**37,272**	33,965
Derivative financial instruments	24	**–**	2,542
		6,973,408	4,675,478
Total liabilities		**9,011,179**	8,245,118
Total equity and liabilities		**12,179,430**	11,973,887

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

The consolidated financial statements on pages 65 to 161 were approved by the Board of Directors on 2 April 2023 and were signed on its behalf.

Li Jun
Director

Wang Congyuan
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2022

	Note	Share capital — ordinary shares HK$'000 *(Note 27)*	Share capital — convertible preference shares HK$'000 *(Note 27)*	Share premium HK$'000	Other reserves HK$'000 *(Note 28)*	Retained earnings HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
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 (loss)/income									
Profit/(loss) for the year		–	–	–	–	259,051	259,051	(5,406)	253,645
Other comprehensive loss									
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 (loss)/income		–	–	–	(14,307)	259,051	244,744	(9,506)	235,238
Transactions with owners in their capacity as owners									
Dividend provided for or paid	31	–	–	–	–	(131,456)	(131,456)	(103,657)	(235,113)
Employees' share-based compensation benefits	32	–	–	–	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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2022

	Note	Share capital — ordinary shares HK$'000 (Note 27)	Share capital — convertible preference shares HK$'000 (Note 27)	Share premium HK$'000	Other reserves HK$'000 (Note 28)	Retained earnings HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
Balance at 1 January 2022		15,183	1,249	3,261,225	(1,141,305)	1,397,293	3,533,645	195,124	3,728,769
Comprehensive (loss)/income									
(Loss)/income for the year		–	–	–	–	(587,983)	(587,983)	74,943	(513,040)
Other comprehensive income/(loss)									
Currency translation differences		–	–	–	1,201	–	1,201	595	1,796
Fair value change on financial assets at fair value through other comprehensive income		–	–	–	(2,182)	–	(2,182)	–	(2,182)
Total comprehensive (loss)/income		–	–	–	(981)	(587,983)	(588,964)	75,538	(513,426)
Transactions with owners in their capacity as owners									
Dividend provided for or paid	31	–	–	–	–	(98,592)	(98,592)	(2,008)	(100,600)
Contributions from non-controlling interests of the subsidiaries		–	–	–	–	–	–	53,508	53,508
Total transactions with owners in their capacity as owners		–	–	–	–	(98,592)	(98,592)	51,500	(47,092)
Balance as at 31 December 2022		15,183	1,249	3,261,225	(1,142,286)	710,718	2,846,089	322,162	3,168,251

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 2022

	Note	2022 HK$'000	2021 HK$'000
Cash flows from operating activities			
Net cash (used in)/generated from operations	*33(a)*	**(17,201)**	618,866
Interest paid		**(223,174)**	(164,266)
Income tax paid		**(4,187)**	(122,013)
Net cash (used in)/generated from operating activities		**(244,562)**	332,587
Cash flows from investing activities			
Addition of financial assets at fair value through other comprehensive income		**–**	(1,735)
Additions of financial assets at fair value through profit or loss		**(30,000)**	(50,000)
Purchase of property, plant and equipment		**(25,146)**	(100,635)
Additions of intangible assets		**(1,611)**	–
Capital injection into a joint venture		**(68,422)**	–
Capital injection into associates		**(7,676)**	(9,398)
Net proceeds from disposal of a subsidiary		**–**	109,327
Proceeds from acquisition of a subsidiary, net of cash acquired		**–**	20,436
Payment for consideration in relation to a business combination		**(20,880)**	–
Proceeds from disposal of property, plant and equipment	*33(a)*	**315**	884
Proceeds from disposal of financial assets at fair value through other comprehensive income		**1,420**	289
Repayment from/(loans to) associated companies and related parties		**458,710**	(386,714)
Interest received		**10,233**	25,597
Dividends received		**83**	3,510
Decrease/(increase) in pledged bank deposits for derivative financial instruments		**5,771**	(8,651)
Net cash generated from/(used in) investing activities		**322,797**	(397,090)
Cash flows from financing activities			
Decrease in pledged bank deposits for bank borrowings		**191,769**	20,447
Contribution from non-controlling interests of subsidiaries		**53,508**	119,827
Dividends paid		**(100,600)**	(235,113)
Drawdown on borrowings		**2,877,928**	2,640,025
Repayment of borrowings		**(2,467,303)**	(2,683,163)
Repayment on principal element of lease liabilities		**(57,202)**	(46,669)
Repayment on interest element of lease liabilities		**(1,802)**	(2,403)
Net cash generated from/(used in) financing activities		**496,298**	(187,049)
Net increase/(decrease) in cash and cash equivalents		**574,533**	(251,552)
Cash and cash equivalents at beginning of the financial year		**917,855**	1,173,976
Exchange gain/(loss) on cash and cash equivalents		**14,261**	(4,569)
Cash and cash equivalents at end of the financial year	*26(a)*	**1,506,649**	917,855

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) Going concern basis

During the year ended 31 December 2022, the Group incurred a net loss of HK$513,040,000 and an operating cash outflow of HK$244,562,000. As at 31 December 2022, the Group had outstanding borrowings of HK$6,118,203,000 of which HK$4,186,036,000 was classified as current liabilities while maintained cash and cash equivalent of HK$1,506,649,000.

As at 31 December 2022, a syndicated borrowing of the Group amounting to HK$1,367,000,000 ("**Syndicated Borrowing**") and certain short-term bank borrowings amounting to HK$703,000,000 ("**Short-Term Bank Borrowings**") contain financial covenants and require the Group to meet certain financial ratio requirements. The Group had not complied with certain of these financial covenant requirements which constituted an event of default and resulted in the Syndicated Borrowing and Short-Term Bank Borrowings becoming immediately repayable if requested by the lenders. Consequently, the Syndicated Borrowing amounting to HK$1,298,650,000 with scheduled repayment dates beyond one year after 31 December 2022 was classified as current liabilities as at 31 December 2022.

The directors have given careful consideration to the future liquidity and performance of the Group and its available sources of financing in assessing whether the Group will have sufficient funds to fulfil its financial obligations and continue as going concern. The following plans and measures have been implemented to mitigate the liquidity pressure and to improve its cash flows.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation (Continued)

(iii) Going concern basis (Continued)

- Subsequent to 31 December 2022, the Group has repaid HK$262,000,000 of the Short-Term Bank Borrowings outstanding as at 31 December 2022 based on the original scheduled repayment dates. On 31 March 2023, the Group obtained written consents for waivers from the non-compliance of the relevant financial covenants from the lenders of both the Syndicated Borrowing and certain of the Short-Term Bank Borrowings of HK$637,000,000. The written consent of the Syndicated Borrowing also included revision to the scheduled repayment dates and the relevant repayable amounts, including a repayment of 10% of the outstanding Syndicated Borrowing as of 31 December 2022 in June 2023; revision of certain financial covenant requirements and waiver of compliance from certain financial covenants for the financial period ending 30 June 2023. The written consent of the Short-Term Bank Borrowings of HK$637,000,000 includes revision of certain financial covenant requirements and waivers from compliance of certain financial covenants for the financial period ending 30 June 2023;

- The directors consider that the Group has sufficient funds to fulfil its financial obligations on the Short-Term Bank Borrowings of HK$66,000,000 which have not obtained formal written waiver of compliance of the relevant financial covenants from the lenders. The Group is still in active negotiations with the lenders to obtain waiver from the non-compliance and will consider to repay the outstanding Short-Term Bank Borrowings of HK$66,000,000 in full, if needed;

- The Group had unutilised uncommitted banking facilities of HK$125,629,000 as at 31 December 2022 and will work with the lenders to seek for extension of such facilities upon its expiry. The Group will also negotiate with financial institutes to secure new borrowing facilities. Subsequent to 31 December 2022, the Group has secured additional uncommitted borrowing facilities of HK$581,510,000. The directors are of the opinion that these banking facilities will be available as and when needed to provide sufficient funding for the Group's working capital needs and operating expenditures;

- The Group will continue to monitor its compliance with the covenant requirements of all its borrowings in future. Should the Group be unable to comply with the covenant requirements, the Group will continue to discuss and negotiate with the respective lenders on timely basis and will seek to revise the terms and covenant requirements or obtain a waiver of compliance with the covenant requirements from the lenders, if needed; and

- The Group will also continue to seek for other alternative financing and borrowings to finance the settlement of its existing financial obligations and future operating expenditure.

The directors have reviewed the Group's cash flow projections, which cover a period of not less than twelve months from 31 December 2022. They are of the opinion that, taking into account of the anticipated cash flow generated from the Group's operations, the possible changes in its operating performance, the Group's ability to continue to comply with the terms of loan agreement and the ability to draw down from its existing bank facilities, the Group will have sufficient financial resources to satisfy its future obligations as and when they fall due within the next twelve months from 31 December 2022. Accordingly, the directors consider that it is appropriate to prepare the Group's consolidated financial statements on a going concern basis.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation (Continued)

(iv) 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 2022:

Amendments to Annual Improvements Project	Annual Improvements to HKFRSs 2018–2020
Amendments to HKFRS 3, HKAS 16 and HKAS 37	Narrow-scope amendments
Amendments to HKFRS 16	Covid-19-Related Rent Concessions beyond 2021
Accounting Guideline 5 (Revised)	Revised Accounting Guideline 5 Merger Accounting for Common Control Combinations

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.

(v) 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 2023 and have not been early adopted by the Group:

		Effective for annual periods beginning on or after
HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies	1 January 2023
HKAS 8	Definition of Accounting Estimates	1 January 2023
HKAS 12	Deferred tax related to assets and liabilities arising from a single transaction	1 January 2023
HKFRS 17	Insurance Contracts	1 January 2023
Amendments to HKFRS 17	Amendments to HKFRS 17	1 January 2023
HKFRS 17	Initial Application of HKFRS 17 and HKFRS 9 — Comparative Information	1 January 2023
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current	1 January 2024
Amendments to HKAS 1	Non-current Liabilities with Covenants	1 January 2024
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback	1 January 2024
Hong Kong Interpretation 5 (Revised)	Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 January 2024
Amendments to HKFRS 10 and HKAS 28	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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Consolidation and combination

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

(i) Business combinations

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

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

Acquisition-related costs are expensed as incurred.

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Consolidation and combination (Continued)

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

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

(iii) Disposal of subsidiaries

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

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

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

(c) Associated companies

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Associated companies (Continued)

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

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

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

(d) Joint arrangements

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

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

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

(e) Separate financial statements

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Segment reporting

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

(g) Foreign currency translation

(i) Functional and presentation currency

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

(ii) Transactions and balances

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

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

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

(iii) Group companies

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

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Property, plant and equipment

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

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

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

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

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

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

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

(i) Investment properties

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Goodwill

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

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

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

(k) Intangible assets

(i) Unfinished construction contracts and construction license

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

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.

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Financial assets (Continued)

(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.

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 (loss)/gain — 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 (loss)/gain — 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.

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.

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.

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.

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 21 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).

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.

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(x) Revenue recognition (Continued)

(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.

(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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(z) Current and deferred income tax (Continued)

(ii) Deferred income tax

Inside basis differences

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

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

Outside basis differences

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

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

(iii) Offsetting

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

(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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(aa) Employee compensation (Continued)

(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.

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(ac) Contingent liabilities and contingent assets

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

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

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

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

Financial guarantee

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

(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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(ad) Share-based payment (Continued)

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

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

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

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

(ii) Share-based payment transactions among group entities

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

(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.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

Financial risk factors (Continued)

(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.

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

	Hong Kong dollars HK$'000	Singapore dollars HK$'000	Renminbi HK$'000	United States dollars HK$'000	Indonesian Rupiah HK$'000	Macau Pataca HK$'000	Vietnamese Dong HK$'000	Malaysia Ringgit HK$'000	Others HK$'000	Total HK$'000
At 31 December 2022										
Non-derivative financial assets										
Financial assets at fair value through other comprehensive income	–	1,421	–	–	–	–	–	–	–	1,421
Cash and cash equivalents	263,872	1,136,175	3,286	84,875	1,969	3,495	7,035	5,900	42	1,506,649
Pledged bank deposits	–	2,326	–	–	–	–	–	–	–	2,326
Financial assets at fair value through profit or loss	150,705	369,541	–	43,643	–	–	–	–	–	563,889
Trade and other receivables excluding non-financial assets	967,245	2,192,357	125	44,170	28,329	5,900	11,541	223,581	–	3,473,248
	1,381,822	3,701,820	3,411	172,688	30,298	9,395	18,576	229,481	42	5,547,533
Non-derivative financial liabilities										
Trade and other payables excluding non-financial liabilities	1,080,847	1,301,756	49	44,887	5,979	3,046	6,172	194,046	–	2,636,782
Lease liabilities	16,787	57,929	–	–	85	–	–	–	–	74,801
Borrowings	2,631,775	3,481,507	–	4,921	–	–	–	–	–	6,118,203
	3,729,409	4,841,192	49	49,808	6,064	3,046	6,172	194,046	–	8,829,786
Net non-derivative financial (liabilities)/assets	(2,347,587)	(1,139,372)	3,362	122,880	24,234	6,349	12,404	35,435	42	(3,282,253)
Currency exposure of non-derivative financial (liabilities)/assets net of those denominated in the functional currencies of the respective group entities	(532,905)	121,540	3,362	122,880	24,234	3,495	12,404	35,435	42	(209,513)

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 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)

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 (loss)/profit after income tax will be as follows:

	Increase/(decrease) in (loss)/profit after income tax	
	2022	2021
	HK$'000	HK$'000
HK$ against SGD		
— Strengthened	**(22,116)**	(19,257)
— Weakened	**22,116**	19,257
US$ against SGD		
— Strengthened	**5,100**	(2,430)
— Weakened	**(5,100)**	2,430

Note:

As at 31 December 2021, the Group had 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 recognised in profit or loss were:

	2022	2021
	HK$'000	HK$000
Net foreign exchange losses included in other (loss)/gain — net *(Note 8)*	**(6,871)**	(134)
Exchange losses on foreign currency borrowing included in finance costs — net *(Note 11)*	**(9,467)**	(14,678)
Total net foreign exchange losses recognised in (loss)/profit before income tax for the year	**(16,338)**	(14,812)

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 2022, 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, loss after income tax (2021: profit after income tax) would have been HK$30,593,000 (2021: HK$28,596,000) higher/lower (2021: lower/higher) as a result of higher/lower interest expense on these borrowings.

(b) Credit risk

Credit risk refers to the risk that the counterparty to a financial instrument would fail to discharge its obligation under the terms of the financial instrument and cause a financial loss to the Group. The credit risk of the Group mainly arises from cash and cash equivalents, pledged bank deposits, trade and retention receivables, contract assets, and deposits and other receivables. The carrying amounts of these balances in the consolidated statement of financial position represents the Group's maximum exposure to credit risk in relation to its financial assets.

The Group has three types of financial assets that are subject to the expected credit loss model:

— Cash and cash equivalents, and pledged bank deposits;

— Trade receivables, retention receivables and contract assets; and

— Other financial assets at amortised cost

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

Financial risk factors (Continued)

(b) Credit risk (Continued)

While cash and cash equivalents, and pledged bank deposits are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

(a) Trade receivables, retention receivables and contract assets

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 Group applies the HKFRS 9 simplified approach to measure expected credit losses which uses a lifetime expected loss allowance for all trade receivables shared credit risk characteristics.

The expected loss rates are based on the payment profiles of customers and the corresponding historical credit losses experienced. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. With the increased risk from the volatility of economic climate in Singapore and Hong Kong, the Group has maintained a defined credit policy with tightened risk profile and applied prudent policies to manage its credit risk with its trade receivables that includes an ageing analysis of trade receivables is prepared on a regular basis and is closely monitored to minimise any credit risk associated with receivables. On an on-going basis, payment pattern of customers were monitored regularly to see if there is any increase in credit risk.

Trade receivables, retention receivables and contract assets are written off when there is no reasonable expectation of recovery. Impairment losses on trade and retention receivables and contract assets are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

(b) Other financial assets at amortised cost

Other financial assets at amortised cost include deposits, prepayment, loan receivables and other receivables due from associated companies, a joint venture, related parties and third parties. They are closely monitored for recoverability and collectability and the Group maintains close communications with the counterparties. Based on historical experience, the associated credit risk is minimal. Management considered that the identified impairment loss under expected credit loss model was immaterial.

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), borrowings considered as default and cross-default 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 2022						
Trade and other payables excluding non-financial liabilities	**–**	**2,636,782**	**–**	**–**	**–**	**2,636,782**
Borrowings	**3,809,551**	**464,056**	**1,171,308**	**1,038,657**	**4,136**	**6,487,708**
Lease liabilities	**–**	**38,940**	**11,979**	**14,085**	**13,539**	**78,543**
	3,809,551	**3,139,778**	**1,183,287**	**1,052,742**	**17,675**	**9,203,033**

	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	766,482	3,276,938	6,409	6,456,666
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	801,989	3,289,478	26,400	8,472,348

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:

	2022 **HK$'000**	2021 HK$'000
Borrowings *(Note 29)*	**6,118,203**	5,696,342
Lease liabilities *(Note 17(a))*	**74,801**	75,875
	6,193,004	5,772,217
Less: Cash and cash equivalents *(Note 26(a))*	**(1,506,649)**	(917,855)
Pledged bank deposits *(Note 26(b))*	**(2,326)**	(199,866)
Net debt	**4,684,029**	4,654,496
Total equity	**3,168,251**	3,728,769
Total capital	**7,852,280**	8,383,265
Net debt to total capital ratio	**60%**	56%

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 2022 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 2022				
Assets				
Financial assets at fair value through other comprehensive income				
— Unlisted equity investments	–	–	**1,421**	**1,421**
Financial assets at fair value through profit or loss				
— Unlisted fund investments	–	–	**563,889**	**563,889**

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 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

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 2022 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 23. These investments are classified as Level 3.

Financial assets at fair value through profit or loss held by the Group as at 31 December 2022 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 20. These investments are classified as Level 3.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

Financial risk factors (Continued)

(e) Fair value measurements (Continued)

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

	Financial assets at fair value through other comprehensive income HK$'000	Financial assets at fair value through profit or loss HK$'000
At 1 January 2021	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
Addition	–	30,000
Fair value changes recognised in profit or loss	–	15,367
Fair value changes recognised in other comprehensive income	(2,182)	–
Disposals	(1,420)	–
Exchange difference	312	6,590
31 December 2022	1,421	563,889

During the year ended 31 December 2022, 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.

The fair value of financial assets at fair value through profit or loss is determined by using a discounted cash flow model and the adjusted net assets value method. 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$16,000,000 (2021: HK$3,183,000) lower/higher.

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

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

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

Financial risk factors (Continued)

(f) Financial instruments by category

	Financial asset at amortised cost HK$'000	Financial assets at fair value through the profit & loss HK$'000	Financial assets at fair value through other comprehensive income HK$'000	Total HK$'000
At 31 December 2022				
Assets as per consolidated statement of financial position				
Financial assets at FVOCI	–	–	1,421	1,421
Financial assets at FVPL	–	563,889	–	563,889
Trade and other receivables excluding non-financial assets	3,473,248	–	–	3,473,248
Pledged bank deposits	2,326	–	–	2,326
Cash and cash equivalents	1,506,649	–	–	1,506,649
Total	4,982,223	563,889	1,421	5,547,533

	Financial liabilities at amortised cost HK$'000
At 31 December 2022	
Liabilities as per consolidated statement of financial position	
Trade and other payables excluding non-financial liabilities	2,636,782
Borrowings	6,118,203
Lease liabilities	74,801
Total	8,829,786

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 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

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.

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.

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 2022, the Group recognised such deferred income tax assets amounting to approximately HK$34,524,000 (2021: HK$47,400,000) 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 2021. 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 (loss)/profit before income tax. The adjusted (loss)/profit before income tax is measured consistently with the Group's (loss)/profit before income tax except that finance income, finance costs, inter-segment transactions as well as the head office and corporate expenses are excluded from such measurement.

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

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

5 SEGMENT INFORMATION (CONTINUED)

Information regarding the above segments is reported below.

	Foundation and construction — Hong Kong and Macau HK$'000	Property development — Hong Kong HK$'000	Construction — Singapore and Southeast Asia HK$'000	Property development — Singapore and Southeast Asia HK$'000	Total HK$'000
Year ended 31 December 2022					
Sales					
Sales to external parties	**2,104,536**	**–**	**4,202,812**	**1,964,774**	**8,272,122**
Inter-segment sales	**–**	**–**	**11,604**	**–**	**11,604**
Total segment sales	**2,104,536**	**–**	**4,214,416**	**1,964,774**	**8,283,726**
Adjusted segment (loss)/profit	**33,323**	**(66)**	**(620,349)**	**403,099**	**(183,993)**
Depreciation of right-of-use assets	**10,261**	**–**	**39,587**	**2,662**	**52,510**
Depreciation of owned assets	**52,579**	**–**	**20,407**	**122**	**73,108**
Impairment on property, plant and equipment	**–**	**–**	**6,911**	**–**	**6,911**
Amortisation of intangible assets	**102**	**–**	**5,874**	**–**	**5,976**

	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 (loss)/profit	(20,500)	(77)	(10,498)	60,275	29,200
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

5 SEGMENT INFORMATION (CONTINUED)

During the year ended 31 December 2022, revenue of approximately HK$2,257,031,000 (2021: HK$1,880,555,000) representing 27% (2021: 31%) of the Group's total revenue was derived from a single external customer within the "Construction — Singapore and Southeast Asia" segment.

The following tables present segment assets and liabilities as at 31 December 2022 and 2021 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 2022					
Segment assets	**2,094,011**	**703,712**	**4,106,143**	**5,981,707**	**12,885,573**
Segment liabilities	**1,645,834**	**672,299**	**3,615,854**	**5,363,413**	**11,297,400**

	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

5 SEGMENT INFORMATION (CONTINUED)

A reconciliation of segment results to (loss)/profit before income tax is as follows:

	2022 **HK$'000**	2021 HK$'000
Adjusted segment (loss)/profit for reportable segments	**(183,993)**	29,200
Unallocated expenses	**(29,120)**	(20,156)
Elimination	**(13,850)**	(16,004)
Finance income	**58,701**	71,365
Finance costs	**(247,531)**	(172,317)
Share of net (loss)/profit of associated companies	**(18,244)**	385,302
Share of net losses of joint ventures	**(49,675)**	(16,671)
(Loss)/profit before income tax	**(483,712)**	260,719

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

	2022 **HK$'000**	2021 HK$'000
Segment assets	**12,885,573**	12,163,606
Unallocated	**6,392,835**	5,511,586
Elimination	**(7,098,978)**	(5,701,305)
Total assets	**12,179,430**	11,973,887

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

	2022 **HK$'000**	2021 HK$'000
Segment liabilities	**11,297,400**	10,280,294
Unallocated	**4,812,757**	3,666,129
Elimination	**(7,098,978)**	(5,701,305)
Total liabilities	**9,011,179**	8,245,118

5 SEGMENT INFORMATION (CONTINUED)

(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:

	2022 HK$'000	2021 HK$'000
Contract assets related to sale of properties	**857,503**	31,166
Contract assets related to construction contracts	**609,510**	405,157
Total contract assets	**1,467,013**	436,323

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

(i) Revenue recognised in relation to contract liabilities

	2022 HK$'000	2021 HK$'000
Revenue recognised that was included in contract liabilities balance at the beginning of the year		
— sales of development properties	**253,296**	85,851
— construction projects	**120,833**	100,909

(ii) Unsatisfied contracts

	31 December 2022 HK$'000	31 December 2021 HK$'000
Sales of development properties	**–**	253,296
Construction projects	**30,000**	120,833
Total transaction price allocated to unsatisfied contracts	**30,000**	374,129

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.

6 REVENUE

	2022 HK$'000	2021 HK$'000
Construction contracts income	**6,305,274**	5,068,298
Sales of development properties	**1,964,774**	1,000,111
Income from loaning labour to other contractors	**2,074**	1,699
Sales of goods	**–**	6,684
Rental income	**–**	21,863
	8,272,122	6,098,655
Revenues from contracts with customers		
— recognised at a point in time	**67,960**	25,037
— recognised over time	**8,204,162**	6,051,755
	8,272,122	6,076,792
Revenue from other sources		
— rental income	**–**	21,863
	8,272,122	6,098,655

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

	2022 HK$'000	2021 HK$'000
Singapore	**5,824,324**	4,366,176
Hong Kong and Macau	**2,104,536**	1,435,607
Southeast Asia	**343,262**	296,872
	8,272,122	6,098,655

7 OTHER INCOME

	2022 HK$'000	2021 HK$'000
Dividend income from financial assets at FVOCI	**83**	3,279
Performance bonus from construction contracts	**71,594**	–
Forfeited customer deposits	**873**	5,088
Government grants *(Note)*	**19,193**	35,486
Management fee income	**10,165**	17,787
Waive of shareholder's loan interest	**14,942**	–
Rental income from temporary staff quarters	**4,692**	2,948
Scrap sales	**4,810**	2,193
Sundry income	**2,709**	6,927
	129,061	73,708

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 (LOSS)/GAIN — NET

	2022 HK$'000	2021 HK$'000
Gains on disposals of property, plant and equipment	**150**	366
Foreign exchange forward contracts		
— fair value gains	**2,497**	12,715
— gains/(losses) on settlement, net	**3,724**	(1,418)
Provision for foreseeable losses on certain construction contracts	**(14,905)**	(43,140)
Fair value gains on financial assets at fair value through profit and loss	**15,367**	30,820
Gain on disposal of a subsidiary *(Note)*	**–**	130,915
(Loss)/gain on disposal of right of use assets	**(1,195)**	13
Exchange difference	**(6,871)**	(134)
Others	**(192)**	(329)
Other (loss)/gain — net	**(1,425)**	129,808

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.

9 EXPENSES BY NATURE

	2022 HK$'000	2021 HK$'000
Contractor and material costs included in "Cost of sales"	**5,954,682**	4,345,651
Property development costs included in "Cost of sales"	**1,534,840**	790,613
Staff costs, including directors' emoluments *(Note 10)*	**704,997**	737,511
Sales commissions	**68,691**	36,885
Show flat costs	**3,171**	14,451
Marketing expenses	**1,967**	6,151
Travel and entertainment expenses	**4,970**	3,297
Depreciation of owned assets *(Note 17)*	**73,108**	74,596
Depreciation of investment properties	**–**	6,654
Depreciation of right-of-use assets *(Note 17)*	**52,510**	45,643
Amortisation of intangible assets *(Note 19)*	**5,976**	5,915
Rental expenses on operating leases	**148,122**	158,243
Auditors' remuneration		
— audit and audit related services	**7,457**	7,170
— non-audit services	**456**	269
Other legal and professional fees	**18,110**	17,457
Impairment charge on property, plant and equipment *(Note 17)*	**6,911**	6,047
Other expenses	**40,753**	52,578
Total cost of sales, selling and marketing expenses, general and administrative expenses	**8,626,721**	6,309,131

10 EMPLOYEE BENEFIT EXPENSES

	2022 HK$'000	2021 HK$'000
Directors' fees, employees' salaries, wages and allowances	**609,170**	578,934
Performance bonuses	**18,704**	98,665
Employers' contributions to defined contribution plans *(Note)*	**45,371**	29,080
Share-based payment expenses *(Note 32)*	**–**	104
Other staff benefits	**31,752**	30,728
	704,997	737,511

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 (2021: three), whose emoluments are reflected in the analysis shown in Note 38. The emoluments payable to the remaining two individuals during the years ended 31 December 2022 and 2021 were as follows:

	2022 HK$'000	2021 HK$'000
Salaries, wages and allowances	**6,002**	6,160
Performance bonuses	**1,610**	1,522
Employers' contributions to defined contribution plans	**36**	36
	7,648	7,718

The emoluments of the individuals fell within the following bands:

	Number of individuals 2022	Number of individuals 2021
Emolument bands (in HK$)		
HK$2,500,001–HK$3,000,000	**1**	1
HK$4,500,001–HK$5,000,000	**1**	1

During the year ended 31 December 2022, no emoluments were paid by the Group to the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office (2021: Nil).

11 FINANCE COSTS — NET

	2022 HK$'000	2021 HK$'000
Finance income		
Interest income from bank deposits	**2,521**	5,887
Interest income from loans to associated companies	**54,926**	63,706
Interest income from loans to related parties	**1,254**	1,505
Others	**–**	267
	58,701	71,365
Finance costs		
Interest expenses on lease liabilities	**(1,802)**	(2,403)
Interest expenses on bank borrowings and arrangement fee amortised in respect of bank facilities	**(195,066)**	(128,700)
Interest expenses on loans from non-controlling interests in subsidiaries	**(52,833)**	(35,845)
Others	**–**	(411)
	(249,701)	(167,359)
Less: Interest expenses capitalised	**11,637**	9,720
	(238,064)	(157,639)
Net foreign exchange losses	**(9,467)**	(14,678)
	(247,531)	(172,317)
Finance costs — net	**(188,830)**	(100,952)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

12 SUBSIDIARIES

The following is a list of the principal subsidiaries as at 31 December 2022:

Name of companies	Principal activities	Country of operation/ incorporation	Particulars of share capital/ paid-up capital	Effective interest held as at 31 December 2022	Effective interest held as at 31 December 2021
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$40,000,000	**100%**	100%
CNQC International (Hong Kong) Industrial Development Fund L.P.	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%
Welltech Construction Pte. Ltd.	General construction	Singapore	SGD35,000,000	**100%**	100%

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 2022	Effective interest held as at 31 December 2021
Indirectly held by the Company: (Continued)					
CNQC International B&R (SG) Development Fund L.P. — TQS Development Pte. Limited	Property development investment	Cayman Islands	Not applicable	**27%**	27%
CNQC International B&R (SG) Development Fund — TQS (2) Development Pte. Limited	Property development investment	Cayman Islands	Not applicable	**44%**	–
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 2022 represent net aggregate non-controlling interests of HK$322,162,000 (2021: HK$195,124,000), of which non-controlling interests of HK$64,240,000 (2021: HK$(33,769,000)) and HK$161,889,000 (2021: HK$125,773,000) 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 2022.

12 SUBSIDIARIES (CONTINUED)

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	
	2022 HK$'000	2021 HK$'000	**2022 HK$'000**	2021 HK$'000
Current				
Assets	**39,380**	7,535	**3,425,960**	3,668,177
Liabilities	**(169,459)**	(191,322)	**(1,891,178)**	(541,554)
Total current net (liabilities)/assets	**(130,079)**	(183,787)	**1,534,782**	3,126,623
Non-current				
Assets	**582,366**	361,859	**96**	18,179
Liabilities	**(291,777)**	(176,085)	**(1,403,776)**	(3,207,180)
Total non-current net assets/(liabilities)	**290,589**	185,774	**(1,403,680)**	(3,189,001)
Net assets/(liabilities)	**160,510**	1,987	**131,102**	(62,378)

Summarised statement of comprehensive (loss)/income

	CNQC International B&R (SG) Development Fund L.P.		Qingjian Perennial (Bukit Timah) Pte Ltd	
	2022 HK$'000	2021 HK$'000	**2022 HK$'000**	2021 HK$'000
Revenue	**–**	–	**1,898,888**	960,654
(Loss)/profit before income tax	**(19,686)**	2,424	**225,809**	44,245
Income tax expense	**(9,929)**	(370)	**(38,387)**	(4,845)
Net (loss)/profit	**(29,615)**	2,054	**187,422**	39,400
Total comprehensive (loss)/income	**(29,615)**	2,054	**187,422**	39,400
Total comprehensive (loss)/income allocated to non-controlling interests	**(18,543)**	1,286	**91,836**	19,306

12 SUBSIDIARIES (CONTINUED)

Summarised statement of cash flows

	CNQC International B&R (SG) Development Fund L.P.		Qingjian Perennial (Bukit Timah) Pte Ltd	
	2022 HK$'000	2021 HK$'000	**2022 HK$'000**	2021 HK$'000
Cash flows from operating activities				
Cash generated from operations	**–**	–	**640,488**	634,806
Interest paid	**–**	–	**(56,098)**	(40,578)
Net cash generated from operating activities	**–**	–	**584,390**	594,228
Net cash used in investing activities	**(225,910)**	(366,889)	**–**	–
Net cash generated from/(used in) financing activities	**236,264**	368,930	**(423,685)**	(446,582)
Net increase in cash and cash equivalents	**10,354**	2,041	**160,705**	147,646
Cash, cash equivalents at beginning of year	**2,147**	107	**281,410**	134,321
Exchange (losses)/gains on cash and cash equivalents	**(117)**	(1)	**5,296**	(557)
Cash and cash equivalents at end of year	**12,384**	2,147	**447,411**	281,410

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

13 INVESTMENTS IN ASSOCIATED COMPANIES

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

	2022 HK$'000	2021 HK$'000
At 1 January	**683,278**	317,457
Additions	**7,676**	9,398
Share of net (loss)/profit of associated companies	**(12,342)**	357,369
Dividend received	**–**	(231)
Exchange difference	**(3,085)**	(715)
At 31 December	**675,527**	683,278

The amounts recognised in profit or loss are as follows:

	2022 HK$'000	2021 HK$'000
Share of results of associated companies	**(12,342)**	357,369
Unrealised gains on downstream transactions with associated companies *(Note)*	**(12,746)**	(1,717)
Realised gains on downstream transactions with associated companies	**6,844**	29,650
Share of net (loss)/profit of associated companies recognised in profit or loss	**(18,244)**	385,302

Note:

As at 31 December 2022, deferred unrealised gains on downstream transactions with associated companies of HK$16,316,000 (2021: HK$10,414,000) was recognised in "Trade and other payables" (Note 30).

13 INVESTMENTS IN ASSOCIATED COMPANIES (CONTINUED)

The particulars of the Group's associated companies as at 31 December 2022 are as follows:

Name of companies	Principal activities	Country of operation/ incorporation	Particulars of share capital	Effective interest held as at 31 December 2022	Effective interest held as at 31 December 2021
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 (2) Development Pte. Limited ("**TQS (2)**")	Property development	Singapore	SGD4,000,000	**6.07%**	6.36%
TQS Development Pte. Limited ("**TQS**")	Property development	Singapore	SGD3,000,000	**10.03%**	–
Jubilant 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. The Group also directly holds 5% equity interest in QJR Marymount. Hence, the Group directly holds 5% equity interests of QJR Marymount and indirectly holds 40% equity interests through QJR SF, effectively, the Group holds 45% equity interests in QJR Marymount.

As stated in Note 12 above, the Group owns 27.16% equity interest of CNQC Development Fund L.P. — TQS and has consolidated it. CNQC Development Fund L.P. — TQS owns 52% equity interest in QJ-OS Pte. Ltd., which in turn owns 43% equity interest in TQS. The Group also owns 43.84% equity interest of CNQC Development Fund L.P. — TQS (2) has consolidated it. CNQC Development Fund L.P. owns 52% equity interest in CNQC-OS (2) Pte. Ltd., which in turns owns 44% equity interest in TQS (2).

The Group holds 5% equity interest in Jubilant Castle Limited, which hold 100% equity interest of Wealth Honour Limited. The directors determine the Group has significant influence over Jubilant 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 Jubilant Castle Limited is lower than 20%.

Contingent liabilities or commitments relating to the Group's interests in associated companies as at 31 December 2022 and 2021 were disclosed in Note 34 and Note 35.

13 INVESTMENTS IN ASSOCIATED COMPANIES (CONTINUED)

Summarised financial information for associates

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

	QJR Marymount		TQS		TQS (2)	
	2022 HK$'000	2021 HK$'000	**2022 HK$'000**	2021 HK$'000	**2022 HK$'000**	2021 HK$'000
Current assets						
Cash and cash equivalents	**500,687**	372,526	**100,171**	12,835	**67,230**	–
Other current assets	**2,158,674**	4,850,753	**3,085,423**	2,684,019	**1,848,053**	–
Total current assets	**2,659,361**	5,223,279	**3,185,594**	2,696,854	**1,915,283**	–
Non-current assets	**32,623**	62,143	**8,106**	68	**5,656**	–
Current liabilities						
Financial liabilities (excluding trade payables)	**(1,392,794)**	(3,590,745)	**(1,036)**	(17,408)	**(1,404)**	–
Other current liabilities	**(11,760)**	(85,989)	**(300,752)**	–	**(24,082)**	–
Total current liabilities	**(1,404,554)**	(3,676,734)	**(301,788)**	(17,408)	**(25,486)**	–
Total non-current liabilities	**–**	(320,744)	**(2,895,531)**	(2,656,711)	**(1,884,672)**	–
Net assets/(liabilities)	**1,287,430**	1,287,944	**(3,619)**	22,803	**10,781**	–
Net assets/(liabilities) attributable to equity owners	**1,287,430**	1,287,944	**(3,619)**	22,803	**10,781**	–
Direct equity interest held	**45%**	45%	**43%**	43%	**44%**	–
Share of interest held by Group	**579,344**	579,575	**–**	9,805	**4,744**	–

The interests in QJR Marymount, TQS and TQS (2) 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 Marymount, TQS and TQS (2) to the extent the carrying amount of the interests in QJR Marymount, TQS and TQS (2) 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 2022 and 2021 and the associates do not have any significant contingent liabilities and capital commitments as at 31 December 2022 and 2021.

13 INVESTMENTS IN ASSOCIATED COMPANIES (CONTINUED)

Summarised financial information for associates (Continued)

	QJR Marymount		TQS		TQS (2)	
	2022 HK$'000	2021 HK$'000	**2022 HK$'000**	2021 HK$'000	**2022 HK$'000**	2021 HK$'000
Reconciliation to carrying amounts of the Group's interests in associated companies:						
Opening net assets	**1,287,944**	515,153	**22,803**	–	**–**	–
Capital injection	**–**	–	**–**	23,136	**17,445**	–
(Loss)/profit for the year	**(10,300)**	774,952	**(25,936)**	(333)	**(6,512)**	–
Other comprehensive income/(loss)	**3,786**	(2,161)	**(486)**	–	**(152)**	–
Closing net assets/(liabilities)	**1,281,430**	1,287,944	**(3,619)**	22,803	**10,781**	–
Revenue	**972,038**	5,432,706	**–**	–	**–**	–
(Loss)/profit after tax attributable to the equity owners	**(10,300)**	774,952	**(25,936)**	(333)	**(6,512)**	–
Other comprehensive income/(loss) attributable to the equity owners	**3,786**	(2,161)	**(486)**	–	**(152)**	–
Total comprehensive (loss)/income attributable to the equity owners	**(6,514)**	772,791	**(26,422)**	(333)	**(6,664)**	–

14 INVESTMENTS IN JOINT VENTURES

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

	2022 **HK$'000**	2021 HK$'000
At 1 January	**(24,688)**	(8,089)
Capital injection	**68,422**	–
Share of losses recognised in investment in joint ventures	**(49,675)**	(16,643)
Exchange difference	**(1,327)**	44
At 31 December	**(7,268)**	(24,688)

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

	As at 31 December 2022 **HK$'000**	As at 31 December 2021 HK$'000
Provision for financial guarantees to joint ventures *(Note 30)*	**(7,268)**	(24,688)
	(7,268)	(24,688)

The amounts recognised in profit or loss are as follows:

	2022 **HK$'000**	2021 HK$'000
Share of net losses of joint ventures recognised in profit or loss	**(49,675)**	(16,671)
Realisation of deferred gains with joint ventures	**–**	28
Share of losses recognised in investment in joint ventures	**(49,675)**	(16,643)

14 INVESTMENTS IN JOINT VENTURES (CONTINUED)

The particulars of the Group's investments in joint ventures as at 31 December 2022 and 2021 are as follows:

Name of companies	Principal activities	Country of operation/ Incorporation	Measurement method	Effective interest held as at 31 December 2022	Effective interest held as at 31 December 2021
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)	Building 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%
Santarli-Grandtech Joint Venture	Building Construction	Singapore	Equity	**50%**	–

The directors are of the opinion that the investments in joint ventures are not material to the Group as at 31 December 2022 (2021: same).

The Group has financial commitments of HK$7,268,000 to cover financing requirement of the joint ventures relating to the Group's interests in joint ventures as at 31 December 2022 (2021: HK$24,688,000).

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 2022 and 2021 on the estimated assessable profit in the respective jurisdictions, adjusted for those items which are not assessable or deductible for income tax purpose.

	2022 HK$'000	2021 HK$'000
Current income tax		
— Hong Kong profits tax	**152**	–
— Singapore income tax	**4,870**	15,334
— Cambodia income tax	**289**	706
— Vietnam income tax	**4**	17
(Over)/under-provision in prior years		
— Singapore income tax	**(16,157)**	8,250
— Malaysia income tax	**–**	(1,381)
— Vietnam income tax	**–**	(173)
Total current income tax (credit)/expense	**(10,842)**	22,753
Deferred income tax *(Note 22)*	**40,170**	(15,679)
Income tax expense	**29,328**	7,074

The tax on (loss)/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:

	2022 HK$'000	2021 HK$'000
(Loss)/profit before income tax	**(483,712)**	260,719
Tax calculated at domestic tax rates applicable to (loss)/profit in the respective countries	**(85,147)**	42,024
Effects of:		
— Associates' and joint ventures' results reported net of tax	**12,098**	(58,531)
— Statutory stepped income exemption in Singapore	**(349)**	(493)
— Income not subject to tax	**(11,624)**	(30,308)
— Expenses not deductible for tax purposes	**30,652**	14,405
— Utilisation of tax loss previously not recognised	**(3,032)**	(24)
— Recognition of previous tax losses not recognised	**(2,959)**	–
— Tax losses and other temporary difference not recognised	**105,846**	33,305
— (Over)/under-provision in prior years	**(16,157)**	6,696
Income tax expense	**29,328**	7,074

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 2022, the Company has unrecognised tax losses to be carried forward against future taxable income amounting to approximate HK$923,269,000 (2021: HK$496,557,000). The potential deferred income tax assets in respect of the unrecognised tax losses amounted to approximate HK$155,956,000 (2021: HK$85,778,000). Tax losses amounting to approximate HK$282,000 (2021: HK$303,000) will expire within 3 years from 31 December 2022. The remaining tax losses have no expiry date.

16 (LOSS)/EARNINGS PER SHARE

Basic

	2022 **HK$'000**	2021 HK$'000
(Loss)/profit attributable to ordinary shares	**(543,331)**	239,333
(Loss)/profit attributable to convertible preference shares ("**CPS**")	**(44,652)**	19,718
(Loss)/profit attributable to owners of the Company	**(587,983)**	259,051

	2022		2021	
	Ordinary shares	**CPS**	Ordinary shares	CPS
Weighted average number of issued shares for the purpose of calculating basic (loss)/earnings per share (in thousands)	**1,518,320**	**124,876**	1,518,320	124,876
Basic (loss)/earnings per share (HK$)	**(0.358)**	**(0.358)**	0.158	0.158

Basic (loss)/earnings per share is calculated by dividing the (loss)/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 (loss)/earnings per share.

16 (LOSS)/EARNINGS PER SHARE (CONTINUED)

Diluted

	2022		2021	
	Ordinary shares	**CPS**	Ordinary shares	CPS
Weighted average number of issued shares for the purpose of calculating basic (loss)/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 (loss)/earnings per share (HK$)	**(0.358)**	**(0.358)**	0.158	0.158

Diluted (loss)/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 (loss)/earnings per share. For the years ended 31 December 2022 and 2021, the calculation of diluted (loss)/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 (loss)/earnings per share.

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

	Leasehold land and buildings HK$'000	Leasehold improvements HK$'000	Plant and Machinery HK$'000	Office equipment, Furniture & Fixtures HK$'000	Motor vehicles HK$'000	Construction in progress HK$'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	(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
At 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

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 2022								
Cost	384,426	30,822	611,442	50,656	9,812	–	1,087,158	187,878
Accumulated depreciation	(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
Year ended 31 December 2022								
Opening net book amount	324,547	7,454	190,758	5,193	3,063	–	531,015	75,584
Additions	–	3,333	16,473	2,756	2,584	–	25,146	57,274
Disposals	–	–	(17)	(55)	(93)	–	(165)	(2,341)
Depreciation	(17,978)	(1,733)	(49,904)	(2,283)	(1,210)	–	(73,108)	(52,510)
Impairment	–	–	(6,911)	–	–	–	(6,911)	–
Exchange difference	430	(1)	(666)	(11)	46	–	(202)	242
Closing net book amount	306,999	9,053	149,733	5,600	4,390	–	475,775	78,249
At 31 December 2022								
Cost	385,951	33,145	604,021	52,099	12,655	–	1,087,871	202,273
Accumulated depreciation and impairment	(78,952)	(24,092)	(454,288)	(46,499)	(8,265)	–	(612,096)	(124,024)
Net book value	306,999	9,053	149,733	5,600	4,390	–	475,775	78,249

Notes:

(a) Depreciation expense of property, plant and equipment of HK$61,189,000 (2021: HK$58,282,000) and HK$11,919,000 (2021: HK$16,314,000) has been charged in "cost of sales" and "general and administrative expenses" respectively.

(b) As at 31 December 2022, the Group's leasehold land and buildings with an aggregate net book value of HK$203,866,000 (2021: HK$247,313,000) were pledged as securities for bank borrowings (Note 29(c)).

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:

	2022 HK$'000	2021 HK$'000
Right-of-use assets		
Leasehold land	**96**	675
Properties	**43,693**	47,571
Machineries	**34,241**	27,030
Vehicles	**219**	308
	78,249	75,584
Lease liabilities		
Current	**37,272**	33,965
Non-current	**37,529**	41,910
	74,801	75,875

Additions to the right-of-use assets during the year ended 31 December 2022 were HK$57,274,000 (2021: HK$39,928,000).

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

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

	Notes	2022 HK$'000	2021 HK$'000
Depreciation charge of right-of-use assets			
Leasehold land		**1,132**	1,155
Properties		**20,889**	19,588
Machineries		**30,400**	24,760
Vehicles		**89**	140
	9	**52,510**	45,643
Interest expense (included in finance costs — net)	*11*	**1,802**	2,403
Expense relating to short-term leases (included in cost of goods sold and administrative expenses)	*9*	**148,122**	158,243

The total cash outflow for leases during the year ended 31 December 2022 was HK$207,126,000 (2021: HK$207,315,000).

18 GOODWILL

	Foundation and construction — Hong Kong and Macau *(Note (a))* HK$'000	Construction — Singapore and Southeast Asia *(Note (b))* HK$'000	**Total** HK$'000
At 1 January 2021	282,933	287,752	570,685
Addition *(Note (c))*	7,110	–	7,110
Exchange differences	–	(10,460)	(10,460)
At 31 December 2021 and 1 January 2022	290,043	277,292	567,335
Exchange differences	–	1,496	1,496
At 31 December 2022	290,043	278,788	568,831

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.

18 GOODWILL (CONTINUED)

Impairment test for goodwill

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

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

Goodwill of Foundation and construction — Hong Kong and Macau

	2022	2021
Average revenue growth rate *(Note (i))*	**17.0%**	11.6%
Terminal revenue growth rate	**2.0%**	2.0%
Average gross profit margin	**8.2%**	10.6%
Discount rate *(Note (ii))*	**17.0%**	15.2%

Goodwill of Construction — Singapore and Southeast Asia

	2022	2021
Average revenue growth rate *(Note (i))*	**3.0%**	3.0%
Terminal revenue growth rate	**2.5%**	2.5%
Average gross profit margin	**3.8%**	3.8%
Discount rate *(Note (ii))*	**10.4%**	10.4%

Notes:

(i) Average revenue growth rate used in the budget is for the five-year period ending 31 December 2027.

(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 2022 based on the impairment assessment performed.

Management has undertaken sensitivity analysis on the impairment test of goodwill. Hypothetically, if the average revenue growth rate decreases by 11.5% or the discount rate increases by 1.7% (2021: average revenue growth rate decreases by 11.5% or the average gross profit 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 2022. If the average revenue growth rate decreases by 1.0% or the discount rate increases by 1.0% in isolation (2021: average revenue growth rate decreased by 3.0% or the discount rate increases by 1.2%), would have removed the remaining headroom of "Foundation and construction — Singapore and Southeast Asia" segment as at 31 December 2022.

19 OTHER INTANGIBLE ASSETS

	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

	Construction licenses HK$'000	**Computer software, license and club membership HK$'000**	**Total HK$'000**
Year ended 31 December 2022			
Opening net book amount	**74,659**	**546**	**75,205**
Additions	**–**	**1,611**	**1,611**
Amortisation charge *(Note 9)*	**(5,682)**	**(294)**	**(5,976)**
Exchange difference	**(22)**	**22**	**–**
Closing net book amount	**68,955**	**1,885**	**70,840**
At 31 December 2022			
Cost	**112,158**	**2,606**	**114,764**
Accumulated amortisation	**(43,203)**	**(721)**	**(43,924)**
	68,955	**1,885**	**70,840**

Notes:

The amount represents the fair value of the construction licenses (with indefinite useful lives) held by a subsidiary acquired by the Group on 11 November 2021.

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$5,754,000 (2021: HK$5,785,000) was included in "Cost of sales" and HK$222,000 (2021: HK$130,000) was included in "General and administrative expenses".

20 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:

	2022 HK$'000	2021 HK$'000
At 1 January	**511,932**	432,635
Additions	**30,000**	50,000
Fair value gains recognised in profit or loss	**15,367**	30,820
Exchange differences	**6,590**	(1,523)
At 31 December	**563,889**	511,932

As at 31 December 2022, the balance of financial assets at fair value through profit or loss represents the Group's unlisted fund investments as follows:

	2022 HK$'000	2021 HK$'000
Unlisted fund investments:		
— Property Development Fund *(Note (a))*	**403,937**	382,095
— Medicine Fund *(Note (b))*	**141,900**	111,092
— Chariot SPC Fund — CHARIOT SP III *(Note (c))*	**18,052**	18,745
	563,889	511,932

(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 35). During the year ended 31 December 2022, there is no additional investment made to the Property Development Fund (2021: Nil). A fair value gain of HK$15,252,000 was recognised in profit or loss arisen from the Property Development Fund during the year ended 31 December 2022 (2021: HK$32,075,000).

(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 2022 is determined based on the recent valuation report. During the year ended 31 December 2022, an additional investment of HK$30,000,000 was made to the Medicine Fund (2021: HK$50,000,000). A fair value loss of HK$808,000 was recognised in profit or loss arisen from the Medicine Fund during the year ended 31 December 2022 (2021: nil).

(c) On 4 June 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 2022 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 2022, a fair value loss of HK$693,000 was recognised in profit or loss (2021: HK$1,255,000).

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 (loss)/gain — net" in the consolidated statement of comprehensive income.

21 TRADE AND OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS

	2022 HK$'000	2021 HK$'000
Current		
Trade receivables *(Note (b))*		
— An associated company	**19,711**	82,526
— Related parties	**27,732**	30,455
— Third parties	**1,159,473**	800,875
	1,206,916	913,856
Retention receivables from customers for construction contract work *(Note (c))*		
— An associated company	**6,891**	3,685
— Related parties	**10,718**	11,337
— Third parties	**498,089**	417,497
	515,698	432,519
Other receivables *(Note (d))*		
— Associated companies	**324,439**	301,872
— Joint venture	**111,450**	111,450
— Related parties	**75,836**	34,331
— Third parties	**35,325**	66,623
Prepayments	**175,788**	162,787
Deposits	**106,801**	71,825
Staff advances	**2,571**	2,714
Goods and services tax receivable	**19,123**	7,872
	851,333	759,474
Loans receivables		
— Associated companies *(Note (e))*	**246,544**	1,023,019
— A related company *(Note (f))*	**107,522**	–
	354,066	1,023,019
	2,928,013	3,128,868
Non-current		
Loans receivables		
— Associated companies *(Note (e))*	**742,717**	515,691
— Related parties	**–**	16,783
Prepayments and other receivables	**1,320**	772
	744,037	533,246

21 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:

	2022 HK$'000	2021 HK$'000
1–30 days	**990,381**	795,483
31–60 days	**109,252**	15,567
61–90 days	**16,770**	7,462
Over 90 days	**90,513**	95,344
	1,206,916	913,856

(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$285,698,000 (2021: HK$284,302,000) are expected to be recovered in more than twelve months from 31 December 2022.

(d) Other receivables due from associated companies, joint venture, related parties, and third parties were unsecured and interest-free. As at 31 December 2022, other receivable of HK$291,636,000 (31 December 2021: HK$242,194,000) from associated companies represents interest receivables in relation to the loans receivables from associated companies. The other receivables did not contain any impaired assets.

(e) Loans receivables to associated companies of HK$989,261,000 (2021: HK$1,538,710,000) represent shareholders' loans provided by the Group to various associated companies that engage in property development in Singapore and Hong Kong.

In accordance with the shareholders' agreements, the Group and the other shareholders contributed minimal amount of capital and substantially all portion of the associates' capital expenditures and working capital were funded through shareholders' loans and other external financings. The shareholders' loans were provided pursuant to the commitments set out in the respective shareholders' agreements entered into when the property development companies were established and were made in proportion to the percentages of the Group's shareholdings in these property development companies. Loans receivables to associated companies are unsecured and have no fixed repayment terms. The shareholders' loans are repayable in part or in full on any date to be agreed between the associated companies and its shareholders and are interest-bearing at a fixed rate ranging from 4% to 5% (2021: 4% to 6%) per annum as at 31 December 2022.

The directors of Company assessed the impairment of loans receivables to the associated companies on a regular basis with reference to the financial position, the financial budget and the estimated future cash flows of the associated companies, which the Group has full access to the financial statements and the complete books and records of the associated companies. Factors including the pre-sale of the relevant development properties (for property development projects in Singapore), progress of construction of the development properties and other current market conditions are considered in the impairment assessment. Based on the assessment performed by the directors, no provision for impairment was recognised against the loans receivables, interest receivables and other receivables to associated companies as at 31 December 2022 (2021: same).

Details of the material loans receivables to associated companies of the Group as at 31 December 2022 are as follows:

As at 31 December 2022, loan receivable of HK$216,037,000 (2021: HK$961,699,000) represent shareholders' loan to Qingjian Realty (Marymount) Pte Ltd, an associated company of the Group that engage in property development in Singapore. The loan receivable is unsecured and interest-bearing at a fixed rate of 5% per annum. The directors of the Company consider that the loan receivable from Qingjian Realty (Marymount) Pte Ltd and will be repayable within one year from the end of the reporting period, hence, it is classified as current assets in the consolidated statement of financial position accordingly.

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

Notes: (Continued)

(e) *(Continued)*

As at 31 December 2022, loan receivable of HK$358,824,000 (2021: HK$352,244,000) represent shareholders' loan to TQS, an associated company of the Group that engage in property development in Singapore. The loan receivable is unsecured and interest-bearing at a fixed rate of 4% per annum. The directors of the Company consider that the loan receivable from TQS will be settled after the development properties are delivered to the customers and the issuance of Temporary Occupation Permit ("TOP") by the Building and Construction Authority of Singapore, hence, it is classified as non-current asset in the consolidated statement of financial position.

As at 31 December 2022, loan receivable of HK$263,741,000 (2021: nil) represent shareholders' loan to TQS(2), an associated company of the Group that engage in property development in Singapore. The loan receivable is unsecured and interest-bearing at a fixed rate of 4% per annum. The directors of the Company consider that the loan receivable from TQS(2) will be settled after the development properties are delivered to the customers and the issuance of TOP by the Building and Construction Authority of Singapore, hence, it is classified as non-current asset in the consolidated statement of financial position.

As at 31 December 2022, loan receivable of HK$120,151,000 (2021: HK$115,151,000) represent shareholders' loan to Jubilant Castle Limited, an associated company of the Group that engage in property development in Hong Kong through its subsidiary, Wealth Honour Limited. The loan receivable is unsecured and interest-bearing at a fixed rate of 5% per annum. The directors of the Company consider that the loan receivable from Jubilant Castle Limited and will not be repayable within one year from the end of the reporting period, hence, it is classified as non-current assets in the consolidated statement of financial position accordingly.

(f) As at 31 December 2022, loan to a related party represents a loan lent to One Belt & One Road (BVI) Investment Limited, an entity controlled by the Property Development Fund. The loan was made to the Property Development Fund for the purpose of general working capital of the Property Development Fund. The loan is unsecured, interest-bearing at a fixed rate of 9% per annum and is expected to be repaid within one year from the end of the reporting period.

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.

22 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:

	2022 **HK$'000**	2021 HK$'000
Deferred income tax assets		
— to be recovered within 12 months	**12,130**	11,897
— to be recovered after more than 12 months	**25,768**	44,720
	37,898	56,617

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

	2022 HK$'000	2021 HK$'000
Deferred income tax liabilities		
— to be settled within 12 months	–	(4,861)
— to be settled after more than 12 months	**(68,075)**	(40,995)
	(68,075)	(45,856)

The movements in the net deferred income tax (liabilities)/assets are as follows:

	2022 HK$'000	2021 HK$'000
1 January	**10,761**	7,553
Addition from business combination	–	(8,910)
Disposal of a subsidiary	–	(3,471)
(Charged)/credited to profit or loss *(Note 15)*	**(40,170)**	15,679
Exchange difference	**(768)**	(90)
31 December	**(30,177)**	10,761

	Fair value adjustments of identifiable assets arising from business combination HK$'000	Accelerated tax depreciation HK$'000	Unrealised profit HK$'000	Tax losses HK$'000	Accrued operating expenses HK$'000	Realised profit HK$'000	Total HK$'000
Year ended 31 December 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
Year ended 31 December 2022							
At 1 January 2022	**(28,160)**	**(17,696)**	**1,421**	**47,400**	**7,796**	**–**	**10,761**
Credited/(charged) to profit or loss	**1,473**	**(1,546)**	**1,432**	**(12,691)**	**(7,229)**	**(21,609)**	**(40,170)**
Exchange difference	**(28)**	**(1)**	**54**	**(185)**	**(100)**	**(508)**	**(768)**
At 31 December 2022	**(26,715)**	**(19,243)**	**2,907**	**34,524**	**467**	**(22,117)**	**(30,177)**

23 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2022 HK$'000	2021 HK$'000
At 1 January	**4,711**	6,907
Addition	**–**	1,735
Fair value change recognised in other comprehensive income	**(2,182)**	(3,556)
Disposals	**(1,420)**	(289)
Exchange differences	**312**	(86)
At 31 December	**1,421**	4,711

	2022 HK$'000	2021 HK$'000
Unlisted equity investments	**1,421**	4,711

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 2022, 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).

24 DERIVATIVE FINANCIAL INSTRUMENTS

	2022 HK$'000	2021 HK$'000
Liabilities		
Current portion:		
Foreign exchange forward contracts	**–**	2,542
Total	**–**	2,542

Notes:

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

	2022	2021
Foreign exchange forward contracts:		
— Notional principal amounts	–	HK$302,449,000
— Maturities as at year end	–	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 (Note 26).

25 DEVELOPMENT PROPERTIES FOR SALE

	2022 HK$'000	2021 HK$'000
Properties in the course of development		
Leasehold land at cost	**2,786,890**	3,955,399
Development costs	**85,761**	118,669
Overheads expenditure capitalised	**17,541**	22,907
Interest expenses capitalised	**120,414**	150,687
	3,010,606	4,247,662

The capitalised interest rate applied to funds borrowed and used for the development of properties is between 3.0% and 5.9% per annum (2021: 1.6% and 5.0%).

As at 31 December 2022, development properties for sale with net carrying amounts of HK$2,974,381,000 (2021: HK$4,214,832,000) were pledged as securities for certain bank borrowings of the Group (Note 29(a)(i)).

26 CASH AND CASH EQUIVALENTS AND PLEDGED BANK DEPOSITS

(a) Cash and cash equivalents

	2022 HK$'000	2021 HK$'000
Cash at banks and on hand *(Note (c))*	**1,054,050**	615,432
Short term bank deposits	**7,561**	2,603
Maintenance fund accounts *(Note (a))*	**261**	2,782
Project accounts *(Note (b))*	**444,777**	297,038
	1,506,649	917,855

Notes:

(a) The funds in the maintenance fund accounts can only be applied for the upkeep of the completed development properties.

(b) The funds in the project accounts can only be applied in accordance with the Housing Developers (Project Account) Rules (1997 Ed.) in Singapore.

(c) Cash at banks earned interest at floating rates based on daily bank deposit rates.

(b) Pledged bank deposits

The deposits of HK$2,326,000 (2021: HK$8,097,000) was held at banks as pledge for the Group's derivative financial instruments (Note 24). The carrying amounts of pledged bank deposits approximated their fair value. As at 31 December 2021, deposit of HK$185,985,000 and HK$5,784,000 were held at banks as pledge for the Group's bank facilities and the Group's performance guarantee respectively.

27 SHARE CAPITAL

	Number of shares (thousands)	Share capital HK$'000
Authorised:		
Ordinary shares		
At 1 January 2021, 31 December 2021 and 31 December 2022	6,000,000	60,000
CPS		
At 1 January 2021, 31 December 2021 and 31 December 2022 *(Note (a))*	1,000,000	10,000
Issued and fully paid:		
Ordinary shares		
At 1 January 2021, 31 December 2021 and 31 December 2022	1,518,320	15,183
CPS		
At 1 January 2021, 31 December 2021 and 31 December 2022	124,876	1,249

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.

28 OTHER RESERVES

	Merger reserves HK$'000	Capital reserve HK$'000 *(Note)*	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 2021	(10,771)	(1,180,917)	66,933	(34,447)	32,100	(1,127,102)
Other comprehensive 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 loss	–	–	(10,751)	(3,556)	–	(14,307)
Transactions with owners in their capacity as owners						
Employees' share-based compensation benefits *(Note 32)*	–	–	–	–	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)
Other comprehensive income/(loss)						
Currency translation differences	**–**	**–**	**1,201**	**–**	**–**	**1,201**
Fair value change on financial assets at fair value through other comprehensive income	**–**	**–**	**–**	**(2,182)**	**–**	**(2,182)**
Total comprehensive income/(loss)	**–**	**–**	**1,201**	**(2,182)**	**–**	**(981)**
Balance as at 31 December 2022	**(10,771)**	**(1,180,917)**	**57,383**	**(40,185)**	**32,204**	**(1,142,286)**

Note:

The amounts represent the share capital of CNQC (South Pacific) Holdings Pte. Ltd., the fair value of the CPS issued in connection with the reverse acquisition, and the difference between (i) the fair value of the cash consideration and the 25% non-controlling interests of the Company at the date of the reverse acquisition in exchange for the entire equity interests in the Company and (ii) the issued share capital of the Company prior to the date of the reverse acquisition.

29 BORROWINGS

	2022 HK$'000	2021 HK$'000
Current		
Bank borrowings — secured *(Note (a))*	**1,806,306**	559,701
Bank borrowings — unsecured *(Note (b))*	**2,288,691**	1,588,898
Bank borrowings — mortgaged *(Note (c))*	**61,525**	66,296
Loans from non-controlling interests of subsidiaries-unsecured *(Note (d))*	**29,514**	25,673
	4,186,036	2,240,568
Non-current		
Bank borrowings — secured *(Note (a))*	**–**	2,037,337
Bank borrowings — unsecured *(Note (b))*	**703,633**	365,494
Bank borrowings — mortgaged *(Note (c))*	**6,787**	7,369
Loans from non-controlling interests of subsidiaries-unsecured *(Note (d))*	**1,221,747**	1,045,574
	1,932,167	3,455,774
Total borrowings	**6,118,203**	5,696,342

At 31 December 2022, the Group's borrowings were repayable as follows:

	2022 HK$'000	2021 HK$'000
Within 1 year (on demand and within 1 year)	**4,186,036**	2,240,568
Between 1 and 2 years	**1,081,907**	596,684
Between 2 and 5 years	**846,577**	2,854,764
Later than 5 years	**3,683**	4,326
Total	**6,118,203**	5,696,342

As at 31 December 2022, a Syndicated Borrowing of the Group amounting to HK$1,367,000,000 and certain Short-Term Bank Borrowings amounting to HK$703,000,000 contain financial covenants and require the Group to meet certain financial ratio requirements. The Group had not complied with certain of these financial covenant requirements which constituted an event of default and resulted in the Syndicated Borrowing and Short-Term Bank Borrowings becoming immediately repayable if requested by the lenders. Consequently, the Syndicated Borrowing amounting to HK$1,298,650,000 with scheduled repayment dates beyond one year after 31 December 2022 was classified as current liabilities and on demand as at 31 December 2022. On 31 March 2023, the Group obtained written consents for waivers from the non-compliance of the relevant financial covenants from the lenders of both the Syndicated Borrowing and certain of the Short-Term Bank Borrowings of HK$637,000,000.

29 BORROWINGS (CONTINUED)

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

	Note	2022 HK$'000	2021 HK$'000
Secured by:			
Development properties for sale and joint guarantee from directors of certain subsidiaries	*(i)*	**1,806,306**	2,249,337
Fixed bank deposits		**–**	171,781
Interests in construction contracts and corporate guarantee from an intermediate holding company		**–**	175,920
		1,806,306	2,597,038
Represented by:			
— Current portion		**1,806,306**	559,701
— Non-current portion		**–**	2,037,337

Notes:

(i) As at 31 December 2022, the amounts comprise land and development loans with bore interest at 1.5% over the relevant bank's one month Hong Kong Interbank Offered Rate ("**HIBOR**") and 1.35%–1.65% over one-month Singapore Swap Offer Rate ("**SIBOR**") (2021: 1% over the relevant bank's one month HIBOR and 1.35%–1.65% above the SIBOR) per annum. The loans were secured by mortgages over the Group's development properties for sale (Note 25) 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.

(b) As at 31 December 2022, unsecured bank borrowings were guaranteed by the Company with bore interest at 1.75%–1.90% over one month HIBOR and 1.35% over one month SIBOR.

(c) As at 31 December 2022, bank borrowings of HK$68,663,000 (2021: HK$73,665,000) were secured by mortgages over part of the Group's leasehold land and buildings (Note 17). The effective interest rates of the loans were between 2.4% to 6.3% (2021: 1.1% to 6.3%) per annum as at 31 December 2022. The loans will be repaid by fixed monthly payment over 9 to 12 years (2021: 10 years to 13 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 4.0%–5.0% as at 31 December 2022 (2021: 3.0% to 5.0%).

(e) The fair values of the bank borrowings and the loans from related parties approximated their respective carrying values as at 31 December 2022 and 2021, as these borrowings were charged at market interest rates.

(f) The Group's uncommitted banking facilities are subject to annual review. As at 31 December 2022, the unutilised banking facilities amounted to HK$125,629,000 (2021: HK$898,614,000).

30 TRADE AND OTHER PAYABLES

	2022 HK$'000	2021 HK$'000
Current		
Trade payables to:		
— Related parties	**6,737**	10,778
— Non-controlling interests of subsidiaries	**437**	553
— Third parties	**1,627,787**	905,547
	1,634,961	916,878
Non-trade payables to:		
— Non-controlling interests of subsidiaries	**104,256**	42,198
— Related parties	**56,598**	75,421
— An associated company	**37,326**	–
— Third parties	**40,257**	65,237
— Goods and services tax payable	**1,158**	3,670
	239,595	186,526
Consideration payable in relation to business combination	**26,100**	20,880
Accruals for operating expenses	**97,601**	107,584
Accruals for construction costs	**665,492**	662,452
Deposits received from customers	**7,814**	13,099
Deferred gain	**16,316**	10,414
Provision for financial guarantees to a joint venture	**7,268**	24,688
Provision for foreseeable losses on certain construction contracts	**12,806**	53,913
Dividend payable — non-controlling interests of subsidiaries	**4,652**	4,627
	838,049	897,657
	2,712,605	2,001,061
Non-current		
Consideration payable in relation to business combination	**–**	26,100

30 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:

	2022 HK$'000	2021 HK$'000
1–30 days	**1,063,077**	672,468
31–60 days	**246,434**	99,147
61–90 days	**157,589**	35,658
Over 90 days	**167,861**	109,605
	1,634,961	916,878

The amounts due to non-controlling interests of subsidiaries, related parties, and third parties were unsecured and repayable on demand. The carrying amounts of trade and other payables approximated their fair values.

31 DIVIDENDS

The directors do not recommend the payment of a final dividend for the year ended 31 December 2022 (2021: HK$98,592,000).

	2022 HK$'000	2021 HK$'000
Proposed final dividend of HK$Nil (2021: HK$0.06) per ordinary share and per CPS	**–**	98,592

32 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.

On 10 September 2022, the share option scheme was expired. No share option under the scheme were granted, exercised or cancelled during the year ended 31 December 2022.

(i) Details of the share options outstanding at the end of the year are as follows:

Grant date	Exercisable period	Exercise price per option	Number of outstanding options as at 31 December	
		HK$	**2022**	2021
28 April 2016	28 April 2017 to 27 April 2022	3.02	–	2,100,000
	28 April 2018 to 27 April 2022	3.02	–	2,100,000
	28 April 2019 to 27 April 2022	3.02	–	2,100,000
	28 April 2020 to 27 April 2022	3.02	–	2,100,000
	28 April 2021 to 27 April 2022	3.02	–	2,100,000
			–	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:

	2022 Weighted average exercise price	**2022** Number of options	2021 Weighted average exercise price	2021 Number of options
	HK$	**'000**	HK$	'000
Outstanding at the beginning of the year	–	–	3.02	10,500
Expired	–	–	–	–
Outstanding at the end of the year	–	–	3.02	10,500
Exercisable at the end of the year	–	–	3.02	10,500

During the year ended 31 December 2022, share-based payment expenses in respect of the Share Option Scheme charged to profit or loss amounted to HK$nil (2021: HK$104,000).

32 SHARE-BASED PAYMENTS (CONTINUED)

(b) Management Share Scheme

On 10 April 2015, CNQC (South Pacific) Holding Pte. Ltd. ("**CNQC (South Pacific)**") granted CPS 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 CPS shall vest over 5 years on each 1 April commencing from 1 April 2016.

The fair value of the share 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 CPS determined using the Binomial Option Pricing Model was SGD10.81 per CPS.

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, CPS 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 2022, 140,115,666 (2021: HK$140,115,666) and 164,483,607 (2021: HK$164,483,607) CPS were attributable to personnel rendering services to the Group and outside the Group respectively. 20% of these CPS shall vest over 5 years on each 1 April commencing from 1 April 2016.

During the year ended 31 December 2022, no share-based payment expenses in respect of the above equity-settled award arrangement charged to profit or loss (2021: HK$Nil).

The Management Share Scheme had expired on 1 April 2022. Since 1 January 2022 and up to the expiry of the Management Share Scheme, no CPS was granted, exercised or lapsed. Upon expiry of the Management Share Scheme, 124,875,197 CPS remained under the Trust. Pursuant to the rules of the Management Share Scheme, all the CPS remaining under the Trust shall be transferred to Guotsing Holding Company Limited by the trustee of the Trust upon expiry of the Management Share Scheme.

Movements in the number of CPS outstanding and the exercise price during the years ended 31 December 2022 and 2021 are as follows:

	Management Share Scheme	
	Weighted average exercise price	**Number of CPS**
	HK$	
Outstanding at 1 January 2021	0.56	124,875,197
Converted during the year	–	–
Outstanding at 31 December 2021 and 1 January 2022	0.56	124,875,197
Expired during the year	–	(124,875,197)
Outstanding at 31 December 2022	–	–
Exercisable at 31 December 2022	–	–

33 NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS

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

	Note	2022 HK$'000	2021 HK$'000
(Loss)/profit before income tax		**(483,712)**	260,719
Adjustments for:			
Depreciation of property, plant and equipment	*17*	**73,108**	74,596
Depreciation of right-of-use assets	*17*	**52,510**	45,643
Depreciation of investment properties		**–**	6,654
Amortisation of intangible assets	*19*	**5,976**	5,915
Impairment of property, plant and equipment	*17*	**6,911**	6,047
Gains on disposal of property, plant and equipment	*8*	**(150)**	(366)
Loss/(gain) on disposal of right-of-use assets	*8*	**1,195**	(13)
Gain on disposal of a subsidiary	*8*	**–**	(130,915)
Dividend income from financial assets at FVOCI	*7*	**(83)**	(3,279)
Share-based payment expenses	*10*	**–**	104
Interest income	*11*	**(58,701)**	(71,365)
Interest expenses	*11*	**238,064**	157,639
Fair value gains on derivative financial instruments	*8*	**(2,497)**	(12,715)
Fair value gains on financial assets at FVPL	*8*	**(15,367)**	(30,820)
Provision for foreseeable losses on certain construction contracts	*8*	**14,905**	43,140
Share of net losses of joint ventures		**49,675**	16,671
Share of net loss/(profit) of associated companies		**18,244**	(385,302)
(Gain)/loss on settlement of derivative financial instruments	*8*	**(3,724)**	1,418
Operating losses before working capital changes		**(103,646)**	(16,229)
Decrease in development properties for sale		**1,248,693**	636,322
(Increase)/decrease in inventories		**(43,917)**	54,190
Increase in trade and other receivables		**(468,645)**	(57,964)
(Increase)/decrease in contract assets		**(1,030,690)**	305,044
Decrease in contract liabilities		**(344,129)**	(65,927)
Increase/(decrease) in trade and other payables		**725,133**	(236,570)
Net cash (used in)/generated from operations		**(17,201)**	618,866

33 NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

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

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

	2022 HK$'000	2021 HK$'000
Net book amount *(Note 17)*	**165**	518
Gains on disposal of property, plant and equipment *(Note 8)*	**150**	366
Proceeds from disposal of property, plant and equipment	**315**	884

(b) Major non-cash transactions

During the years ended 31 December 2022 and 2021, 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$'000 *(Note 29)*	Lease liabilities HK$'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

33 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$'000 *(Note 29)*	Lease liabilities HK$'000 *(Note 17(a))*	Total HK$'000
As at 1 January 2022	5,696,342	75,875	5,772,217
Cash flows:			
— Drawdown on borrowings	2,877,928	–	2,877,928
— Repayment of borrowings	(2,467,303)	–	(2,467,303)
— Repayment on principal element of lease liabilities	–	(57,202)	(57,202)
— Repayment on interest element of lease liabilities	–	(1,802)	(1,802)
Other non-cash movements			
— Additions of right-of-use assets	–	57,274	57,274
— Disposal of right-of-use assets	–	(1,146)	(1,146)
— Finance costs	–	1,802	1,802
— Foreign exchange adjustments	11,236	–	11,236
As at 31 December 2022	6,118,203	74,801	6,193,004

34 CONTINGENT LIABILITIES

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

	2022 HK$'000	2021 HK$'000
Guarantees on performance bonds in respect of construction contracts in Hong Kong	**108,946**	201,666

The Company also issued corporate guarantees to banks for borrowings of the Group's associated companies and a joint venture of which the subsidiaries of the Company are non-controlling shareholders. As at 31 December 2022, corporate guarantees issued in relation to these bank borrowings amounted to HK$971,889,000 (2021: HK$746,245,000).

35 COMMITMENTS

Capital commitments

Capital expenditures contracted but not recognised in the consolidated financial statements as at 31 December 2022 and 2021, excluding those relating to investments in associated companies and joint ventures, were as follows:

	2022 HK$'000	2021 HK$'000
Contracted but not provided for:		
Development expenditure	**5,106**	14,154
Investment in unlisted fund investments	**58,908**	530,144
	64,014	544,298

36 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 Enterprises Limited.

(a) During the years ended 31 December 2022 and 2021, 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
One Belt & One Road (BVI) Investment Limited	A related company controlled by a controlling shareholder of the ultimate holding company
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

36 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:

	2022 **HK$'000**	2021 HK$'000
Construction revenue from associated company	**252,076**	479,660
Construction revenue from related parties	**44,830**	35,188
Construction service provided by related parties	**27,982**	7,914
Performance bonus from construction contract with an associated company	**71,594**	–
Dividend income received from associated companies	**–**	231
Dividend paid to non-controlling shareholders in subsidiaries	**2,008**	103,657
Interest income from associated companies	**25,428**	58,322
Interest charged by non-controlling interests in subsidiaries	**52,833**	35,845
Management fee income from associated companies	**10,098**	4,545

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 21 and Note 30.

(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:

	2022 **HK$'000**	2021 HK$'000
Salaries and other short-term employee benefits	**32,404**	36,037
Contribution to retirement benefit scheme	**424**	202
Share-based payments	**–**	–
Total	**32,828**	36,239

37 STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY

	2022 HK$'000	2021 HK$'000
ASSETS		
Non-current asset		
Investments in subsidiaries	**3,112,166**	3,112,166
	3,112,166	3,112,166
Current assets		
Other receivables	**128**	128
Loan to a related party	**107,522**	–
Amounts due from subsidiaries	**1,649,695**	1,256,989
Cash and cash equivalents	**36,380**	81,335
	1,793,725	1,338,452
Total assets	**4,905,891**	4,450,618
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))*	**33,381**	38,582
Total equity	**3,363,898**	3,369,099
LIABILITIES		
Non-current liability		
Borrowings	**–**	296,087
Current liabilities		
Other payables	**10,052**	3,762
Amounts due to subsidiaries	**175,527**	254,593
Borrowings	**1,356,414**	527,077
	1,541,993	785,432
Total liabilities	**1,541,993**	1,081,519
Total equity and liabilities	**4,905,891**	4,450,618

The statement of financial position was approved by the Board of Directors on 2 April 2023 and was signed on its behalf.

Li Jun
Director

Wang Congyuan
Director

37 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	Retained earnings HK$'000
As at 1 January 2021	32,100	–	16,668
Profit for the year	–	–	121,166
Dividend paid	–	–	(131,456)
Share-based compensation benefits	104	–	–
As at 31 December 2021	32,204	–	6,378
As at 1 January 2022	**32,204**	**–**	**6,378**
Profit for the year	**–**	**–**	**93,391**
Dividend paid	**–**	**–**	**(98,592)**
Share-based compensation benefits	**–**	**–**	**–**
As at 31 December 2022	**32,204**	**–**	**1,177**

38 BENEFITS AND INTEREST OF DIRECTORS

(a) Directors' emoluments

For the year ended 31 December 2022

	As director *(Note (ii))*									
	Directors' fees HK$'000	Salaries HK$'000	Discretionary bonuses HK$'000	Housing allowance HK$'000	Equity settled share-based payments HK$'000	Estimated money value of other benefits HK$'000	Employers' contributions to retirement benefit schemes HK$'000	Remunerations paid or receivable in respect of accepting office as director HK$'000	As management *(Note (iii))* HK$'000	Total HK$'000
Executive directors										
Mr. Cheng Wing On, Michael *(Chairman)*	–	2,860	4,209	–	–	–	–	–	–	7,069
Mr. Wang Congyuan *(Chief Executive Officer)*	545	2,302	665	153	–	–	18	–	–	3,683
Dr. Du Bo	205	3,877	1,265	118	–	–	18	–	–	5,483
Mr. Zhang Yuqiang	85	1,823	600	199	–	–	18	–	–	2,725
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 director										
Mr. Chen Anhua	240	–	–	–	–	–	–	–	–	240
	1,939	10,862	6,739	470	–	–	54	–	–	20,064

For the year ended 31 December 2021

	As director *(Note (ii))*									
	Directors' fees HK$'000	Salaries HK$'000	Discretionary bonuses HK$'000	Housing allowance HK$'000	Equity settled share-based payments HK$'000	Estimated money value of other benefits HK$'000	Employers' contributions to retirement benefit schemes HK$'000	Remunerations paid or receivable in respect of accepting office as director HK$'000	As management *(Note (iii))* HK$'000	Total HK$'000
Executive directors										
Mr. Cheng Wing On, Michael *(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 director										
Mr. Chen Anhua	240	–	–	–	–	–	–	–	–	240
	2,214	10,967	12,717	534	51	–	65	–	–	26,548

38 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 2022 and 2021.

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

During the years ended 31 December 2022 and 2021, 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 36, 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

	1.1.2022 to 31.12.2022	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)
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Consolidated results					
Revenue	**8,272,122**	6,098,655	5,128,897	7,873,375	7,507,891
(Loss)/profit before tax	**(483,712)**	260,719	208,914	319,208	387,331
Income tax expense	**(29,328)**	(7,074)	(14,757)	(75,941)	(85,474)
(Loss)/profit for the year	**(513,040)**	253,645	194,157	243,267	301,857
(Loss)/profit for the year attributable to Owners of the Company	**(587,983)**	259,051	218,057	238,842	225,298
Consolidated assets and liabilities					
Total assets	**12,179,430**	11,973,887	12,834,556	12,938,451	9,630,538
Total liabilities	**(9,011,179)**	(8,245,118)	(9,241,255)	(9,498,043)	(6,314,448)
Net assets	**3,168,251**	3,728,769	3,593,301	3,440,408	3,316,090