# CNQC INTERNATIONAL HOLDINGS LIMITED
# 青建國際控股有限公司

*(incorporated in the Cayman Islands with limited liability)*

**(Stock code: 1240)**

# FINAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2018

The board (the "Board") of directors (the "Directors") of CNQC International Holdings Limited (the "Company" and its subsidiaries, collectively the "Group") is pleased to present the Group's consolidated results for the year ended 31 December 2018 (the "Reporting Period"), together with the comparative figures for the year ended 31 December 2017 as follows:

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
*FOR THE YEAR ENDED 31 DECEMBER 2018*

| | *Note* | **2018** **HK\$'000** | 2017 HK\$'000 |
|---|---|---|---|
| Revenue | *3, 4* | **7,507,891** | 10,329,310 |
| Cost of sales | *5* | **(6,607,041)** | (9,031,581) |
| **Gross profit** | | **900,850** | 1,297,729 |
| Other income | *6* | **51,970** | 116,894 |
| Other losses — net | *7* | **(33,461)** | (38,549) |
| Selling and marketing expenses | *5* | **(93,867)** | (224,909) |
| General and administrative expenses | *5* | **(327,684)** | (332,086) |
| **Operating profit** | | **497,808** | 819,079 |
| Finance income | *8* | **74,380** | 51,199 |
| Finance costs | *8* | **(110,209)** | (36,778) |
| Share of losses of associated companies | | **(82,213)** | (25,801) |
| Share of profits of joint ventures | | **12,772** | 29 |
| **Profit before income tax** | | **392,538** | 807,728 |
| Income tax expense | *9* | **(87,328)** | (134,493) |
| **Profit for the year** | | **305,210** | 673,235 |

| | Note | 2018 HK$'000 | 2017 HK$'000 |
|---|---|---|---|
| **Other comprehensive (loss)/income** | | | |
| *Items that may be reclassified to profit or loss* | | | |
| — Currency translation differences | | **34,672** | 130,746 |
| — Fair value losses on available-for-sale financial assets | | **–** | (70,176) |
| — Fair value losses on financial assets at fair value through other comprehensive income | | **(17,514)** | – |
| | | **17,158** | 60,570 |
| **Total comprehensive income for the year** | | **322,368** | 733,805 |
| **Profit for the year attributable to:** | | | |
| Owners of the Company | | **224,887** | 512,050 |
| Non-controlling interests | | **80,323** | 161,185 |
| | | **305,210** | 673,235 |
| **Total comprehensive income for the year attributable to:** | | | |
| Owners of the Company | | **223,270** | 566,197 |
| Non-controlling interests | | **99,098** | 167,608 |
| | | **322,368** | 733,805 |
| **Earnings per share for profit attributable to owners of the Company** | *10* | | |
| Basic earnings per share | | | |
| — ordinary shares (HK$) | | **0.135** | 0.306 |
| — convertible preference shares (HK$) | | **0.135** | 0.306 |
| Diluted earnings per share | | | |
| — ordinary shares (HK$) | | **0.135** | 0.306 |
| — convertible preference shares (HK$) | | **0.135** | 0.306 |

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**
*AS AT 31 DECEMBER 2018*

| | Note | **2018** *HK$'000* | 2017 *HK$'000* |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | | **331,481** | 414,202 |
| Investment properties under development | | **561,012** | 518,546 |
| Goodwill | | **563,327** | 565,755 |
| Other intangible assets | | **38,475** | 44,708 |
| Financial assets at fair value through profit or loss | | **340,568** | 230,696 |
| Investments in associated companies | | **25,523** | 21,081 |
| Investments in joint ventures | | **13,049** | 415 |
| Deferred income tax assets | | **33,646** | 61,354 |
| Available-for-sale financial assets | | **–** | 28,489 |
| Financial assets at fair value through other comprehensive income | | **8,914** | – |
| Prepayments and other receivables | *12* | **915,709** | 973,127 |
| | | **2,831,704** | 2,858,373 |
| **Current assets** | | | |
| Development properties for sale | *13* | **2,102,129** | 4,375,337 |
| Trade and other receivables, prepayments and deposits | *12* | **2,147,891** | 1,798,183 |
| Contract assets | | **843,682** | – |
| Amounts due from customers for contract work | | **–** | 37,852 |
| Tax recoverable | | **27,534** | 25,981 |
| Pledged bank deposits | | **188,314** | 247,889 |
| Cash and cash equivalents | | **1,511,833** | 3,168,184 |
| | | **6,821,383** | 9,653,426 |
| **Total assets** | | **9,653,087** | 12,511,799 |
| **EQUITY AND LIABILITIES** | | | |
| **Equity attributable to owners of the Company** | | | |
| Share capital — ordinary shares | *16* | **14,559** | 14,852 |
| Share capital — convertible preference shares | *16* | **1,879** | 1,879 |
| Share premium | | **3,262,361** | 3,317,938 |
| Treasury shares | *16* | **(1,142)** | – |
| Other reserves | | **(1,133,277)** | (1,149,943) |
| Retained earnings | | **1,054,224** | 1,111,747 |
| | | **3,198,604** | 3,296,473 |
| **Non-controlling interests** | | **123,832** | 197,060 |
| **Total equity** | | **3,322,436** | 3,493,533 |

| | Note | **2018** *HK$'000* | 2017 *HK$'000* |
|---|---|---|---|
| **LIABILITIES** | | | |
| **Non-current liabilities** | | | |
| Borrowings | *14* | **2,268,331** | 2,566,405 |
| Derivative financial instruments | | **1,146** | 5,298 |
| Deferred income tax liabilities | | **61,494** | 55,150 |
| | | **2,330,971** | 2,626,853 |
| **Current liabilities** | | | |
| Trade and other payables | *15* | **2,038,087** | 3,801,074 |
| Contract liabilities | | **63,118** | – |
| Tax payables | | **71,718** | 148,244 |
| Borrowings | *14* | **1,824,714** | 2,438,880 |
| Derivative financial instruments | | **2,043** | 3,215 |
| | | **3,999,680** | 6,391,413 |
| **Total liabilities** | | **6,330,651** | 9,018,266 |
| **Total equity and liabilities** | | **9,653,087** | 12,511,799 |

## 1 GENERAL INFORMATION

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

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

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

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

## 2 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 in compliance with disclosure requirements of the Hong Kong Companies Ordinance ("HKCO") Cap. 622.

### (ii) Historical cost convention

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

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

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

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

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

*(a) Impact on the financial statements*

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

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

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

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

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

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

*(i) Classification and measurement*

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

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

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

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

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

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

*(ii) Impairment of financial assets*

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

— Trade receivables;

— Contract assets; and

— Other financial assets at amortised cost

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

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

*Trade receivables and contract assets*

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

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

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

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

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

*Other financial assets at amortised cost*

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

*Significant estimates and judgements*

The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Group uses judgement 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.

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

*Classification*

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

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

- those to be measured at amortised cost.

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

For assets measured at fair value, gains and losses will either be recorded in profit or loss or 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.

*Measurement*

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

*Equity instruments*

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

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

*Impairment*

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

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

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

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

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

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

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

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

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

*Presentation for contract assets and contract liabilities*

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

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

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

Details of contract assets are as follows:

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

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

Details of contract liabilities are as follows:

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

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

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

*Accounting for revenue recognition*

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

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

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

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

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

*(i) Property development*

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

For property development which has no alternative use to the Group due to contractual reasons and when the Group has an enforceable right to payment from the customers for performance completed to date. The Group 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.

*(iii) Judgements and estimates*

The preparation of the consolidated financial statements require 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.

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

*Judgements and estimates in revenue recognition for property development activities*

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

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

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

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

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

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

Management is in the process of making an assessment of the impact of these new standards and amendments to existing standards and is not yet in a position to state whether they will have a significant impact on the Group's results and financial position.

*Impact of HKFRS 16 Leases*

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

The accounting for lessors will not significantly change.

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

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

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

## 3 SEGMENT INFORMATION

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

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

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

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

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

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

Information regarding the above segments is reported below.

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

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

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

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

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

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

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

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

*Note:*

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

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

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

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

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

## 4 REVENUE AND GEOGRAPHICAL SEGMENT INFORMATION

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

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

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

## 5 EXPENSES BY NATURE

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

## 6 OTHER INCOME

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

## 7 OTHER LOSSES — NET

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

## 8 FINANCE (COSTS)/INCOME — NET

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

## 9 INCOME TAX EXPENSE

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

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

## 10 EARNINGS PER SHARE

**Basic**

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the respective years.

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

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

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares and convertible preference shares ("CPS") outstanding for each of the periods 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. Distributions beyond this amount are to be made on a pari passu basis among the holders of any class of shares including the CPS. Hence, the rights of the CPS to the entitlements of dividend and distribution of assets are substantially the same as those of the ordinary shares of the Company. Accordingly, the CPS is accounted for as an equity instrument and is included in the calculation of earnings per share.

**Diluted**

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

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

## 11 DIVIDENDS

A final dividend in respect of the year ended 31 December 2018 of HK$0.05 per share, amounting to a total dividend of HK$82,160,000 is to be proposed at the 2019 annual general meeting. These financial statements do not reflect this final dividend payable but will be reflected as an appropriation of retained earnings for the year ending 31 December 2019 once approved at the annual general meeting.

| | **2018** | 2017 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Interim dividend of HK$0.06 (2017: HK$0.06) per ordinary share and per CPS | **99,793** | 100,385 |
| Proposed final dividend of HK$0.05 (2017: HK$0.10) per ordinary share and per CPS | **82,160** | 167,307 |

## 12 TRADE AND OTHER RECEIVABLES

| | **2018** | 2017 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| **Current** | | |
| Trade receivables *(Note (b))* | | |
| — An associated company | **224,538** | 34,772 |
| — Other related parties | **2,439** | 5,787 |
| — Third parties | **560,234** | 611,802 |
| | **787,211** | 652,361 |
| Retention receivables from customers for contract work from *(Note (c))* | | |
| — Other related parties | **656** | – |
| — Third parties | **280,729** | 279,075 |
| | **281,385** | 279,075 |
| Development properties — due from customers | **3,353** | 605,619 |
| Other receivables *(Note (d))* | | |
| — Associated companies | **151,247** | 81,318 |
| — Joint venture | **112,204** | – |
| — Other related parties | **17,164** | 8,986 |
| — Third parties | **171,874** | 33,893 |
| Prepayments | **399,790** | 85,808 |
| Deposits | **48,380** | 35,822 |
| Staff advances | **3,410** | 3,097 |
| Goods and services tax receivable | **8,416** | 12,204 |
| | **912,485** | 261,128 |
| Loans receivables | | |
| — An associated company *(Note (e))* | **163,457** | – |
| | **2,147,891** | 1,798,183 |
| **Non-current** | | |
| Loans receivables | | |
| — Associated companies *(Note (e))* | **858,835** | 959,953 |
| — Other related parties | **37,244** | – |
| Prepayments and other receivables | **19,630** | 13,174 |
| | **915,709** | 973,127 |

*Notes:*

(a) The credit periods granted to customers were 14 to 60 days. No interest was charged on the outstanding balance.

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

| | **2018** | 2017 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| 1–30 days | **704,899** | 509,089 |
| 31–60 days | **35,759** | 18,409 |
| 61–90 days | **2,062** | 1,754 |
| Over 90 days | **44,491** | 123,109 |
| | **787,211** | 652,361 |

As at 31 December 2018, trade receivables of HK$82,312,000 (2017: HK$143,818,000) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The aging analysis of trade receivables past due but not impaired by overdue date is as follows:

| | **2018** | 2017 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| 1–30 days | **35,759** | 284 |
| 31–60 days | **2,062** | 18,558 |
| 61–90 days | **44,491** | 2,731 |
| Over 90 days | **–** | 122,245 |
| | **82,312** | 143,818 |

(c) Retention receivables in respect of the construction and foundation businesses are settled in accordance with the terms of the respective contracts. Retention receivables held by customers for construction and foundation work amounting to approximately HK$9,039,000 (2017: HK$43,724,000) are expected to be recovered in more than twelve months from 31 December 2018.

(d) The other receivables due from associated companies, other related parties, and third parties were unsecured, interest-free and repayable on demand. The other receivables did not contain any impaired assets.

(e) Loans to associated companies were lent to companies in which the Group invested to develop properties in Singapore. The loans were made in proportion to the percentages of the Group's shareholdings in these companies. The loans were unsecured, and interest-bearing at a fixed rate 5% (2017: 5%) per annum as at 31 December 2018.

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

## 13 DEVELOPMENT PROPERTIES FOR SALE

| | **2018** | 2017 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| **Properties in the course of development** | | |
| Leasehold land at cost | **1,096,230** | 2,834,435 |
| Development costs | **860,671** | 1,257,808 |
| Overheads expenditure capitalised | **20,349** | 29,576 |
| Interest expenses capitalised | **124,879** | 253,518 |
| | **2,102,129** | 4,375,337 |

Interest expenses on bank borrowings and loans from non-controlling shareholders of the subsidiaries were capitalised. The weighted average rates of capitalisation of the interest expenses were 1.4% (2017: 2.8%) per annum for bank borrowings and 2.9% (2017: 5.3%) per annum for loans from non-controlling shareholders of the subsidiaries for the year ended 31 December 2018.

As at 31 December 2018, development properties for sale with net carrying amounts of HK$2,100,107,000 (2017: HK$4,375,337,000) were pledged as securities for certain bank borrowings of the Group.

## 14 BORROWINGS

| | **2018** | 2017 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| **Current** | | |
| Bank borrowings — secured | **1,763,097** | 2,288,304 |
| Bank borrowings — mortgage | **18,394** | 20,464 |
| Loans from non-controlling shareholders of subsidiaries — unsecured | **40,099** | 117,591 |
| Finance lease liabilities | **3,124** | 12,521 |
| | **1,824,714** | 2,438,880 |
| **Non-current** | | |
| Bank borrowings — secured | **1,336,889** | 1,780,380 |
| Bank borrowings — mortgage | **9,444** | 9,174 |
| Medium term notes | **571,768** | 567,963 |
| Loans from non-controlling shareholders of subsidiaries — unsecured | **347,694** | 204,770 |
| Finance lease liabilities | **2,536** | 4,118 |
| | **2,268,331** | 2,566,405 |
| Total borrowings | **4,093,045** | 5,005,285 |

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

| | **2018** | 2017 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Within 1 year | **1,612,714** | 2,382,456 |
| Between 1 and 2 years | **1,857,419** | 325,303 |
| Between 2 and 5 years | **616,056** | 2,289,761 |
| Later than 5 years | **6,856** | 7,765 |
| Total | **4,093,045** | 5,005,285 |

## 15 TRADE AND OTHER PAYABLES

| | **2018** | 2017 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| **Current** | | |
| Trade payables to: | | |
| — Other related parties | **29,643** | 68,145 |
| — Third parties | **1,609,003** | 1,794,412 |
| | **1,638,646** | 1,862,557 |
| Non-trade payables to: | | |
| — Non-controlling shareholders of the subsidiaries | **44,184** | 120,722 |
| — Other related parties | **18,742** | 26,913 |
| — Third parties | **42,362** | 96,027 |
| — Goods and services tax payable | **9,401** | 2,355 |
| | **114,689** | 246,017 |
| Accruals for operating expenses | **129,016** | 171,409 |
| Accruals for construction costs | **6,568** | 65,596 |
| Advanced proceeds received from customers | **–** | 1,412,419 |
| Deferred gain | **107,270** | 29,798 |
| Put option exercisable by non-controlling shareholder of the subsidiaries | **13,614** | 13,278 |
| Provision for foreseeable losses on certain construction contracts | **28,284** | – |
| | **284,752** | 1,692,500 |
| Total trade and other payables | **2,038,087** | 3,801,074 |

The credit terms granted by the suppliers were usually within 14 to 60 days.

The aging analysis of trade payables (including amounts due to related parties and a fellow subsidiary of trading in nature) based on invoice date was as follows:

| | **2018** | 2017 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| 1–30 days | **1,583,570** | 1,784,567 |
| 31–60 days | **24,822** | 44,593 |
| 61–90 days | **3,965** | 15,218 |
| Over 90 days | **26,289** | 18,179 |
| | **1,638,646** | 1,862,557 |

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

## 16 SHARE CAPITAL

| | **Number of shares (thousands)** | **Share capital** | **Treasury shares** |
|---|---|---|---|
| | | ***HK$'000*** | ***HK$'000*** |
| **Authorised:** | | | |
| *Ordinary shares* | | | |
| At 1 January 2017, 31 December 2017and 31 December 2018 | 6,000,000 | 60,000 | – |
| *CPS* | | | |
| At 1 January 2017, 31 December 2017and 31 December 2018 | 1,000,000 | 10,000 | – |
| **Issued and fully paid:** | | | |
| *Ordinary shares* | | | |
| At 1 January 2017 | 1,429,396 | 14,294 | – |
| Conversion of CPS | 55,843 | 558 | – |
| At 31 December 2017 and 1 January 2018 | **1,485,239** | **14,852** | **–** |
| Buy-back of shares | **–** | **–** | **(57,012)** |
| Cancellation of shares | **(29,298)** | **(293)** | **55,870** |
| At 31 December 2018 | **1,455,941** | **14,559** | **(1,142)** |
| *CPS* | | | |
| At 1 January 2017 | **243,680** | **2,437** | **–** |
| Conversion during the year | **(55,843)** | **(558)** | **–** |
| At 31 December 2017, 1 January 2018 and 31 December 2018 | **187,837** | **1,879** | **–** |

The Group bought back a total of 29,880,000 shares during the year ended 31 December 2018 (2017: nil). The total consideration paid to buy back these shares was approximately HK$57,012,000 (2017: nil), which has been deducted from equity attributable to the owners of the Company.

## 17 CONTINGENT LIABILITIES

**(a)** At each statement of financial position date, the Group had the following contingent liabilities:

| | **2018** | 2017 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Guarantees on performance bonds in respect of construction contracts | **157,393** | 124,973 |

Subsidiaries of the Group also issued corporate guarantees to banks for borrowings of the Group's associated companies and related companies in which subsidiaries of the Company are non-controlling shareholders. As at 31 December 2018, these bank borrowings amounted to HK$2,774,170,000 (2017: HK$2,410,290,000).

**(b) Pending litigation**

In the ordinary course of the Group's contract works business, the Group has been subject to a number of claims due to personal injuries suffered by employees of the Group or the Group's subcontractors in accidents arising out of and in the course of their employment. The directors are of the opinion that such claims are well covered by insurance and will not result in any material adverse impact on the financial position or results and operations of the Group. No provision has been made in respect of these claims in the consolidated financial statements.

## FINAL DIVIDEND

The Board recommends the payment of a final dividend of HK$0.05 per ordinary share and CPS in respect of the year ended 31 December 2018 (2017: HK$0.10 per ordinary share and CPS). Subject to the passing of the relevant resolution at the annual general meeting of the Company to be held on 21 May 2019, the final dividend will be payable on or about 21 June 2019 to the Shareholders whose names appear on the register of members of the Company on 31 May 2019 and the holders of the CPS.

For the purpose of ascertaining the Shareholders' entitlement to attend and vote at the forthcoming annual general meeting, the register of members of the Company will be closed from 16 May 2019 to 21 May 2019, both days inclusive, during which period no transfer of Shares will be registered. In order to qualify for attending and voting at the forthcoming annual general meeting, all transfers accompanied by the relevant share certificates must be lodged with the Hong Kong branch share registrar and transfer office of the Company Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on 15 May 2019. For the purpose of ascertaining the Shareholders' entitlement to the proposed final dividend, the register of members of the Company will be closed from 29 May 2019 to 31 May 2019, both days inclusive, during which period no transfer of Shares will be registered. In order to qualify for the proposed final dividend, all transfers accompanied by the relevant share certificates must be lodged with the Hong Kong branch share registrar and transfer office of the Company, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on 28 May 2019.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Singapore Property Market Review

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

**Singapore Construction Market Review**

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

**Hong Kong Property Market Review**

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

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

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

**Hong Kong Construction Market Review**

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

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

**Business Review**

***Property Development Business***

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

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

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

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

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

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

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

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

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

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

*iNz Residence (46% owned by the Group)*

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

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

*Le Quest (73% owned by the Group)*

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

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

*Jadescape (45% owned by the Group)*

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

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

***Land bank status***

(1) *Goodluck Garden, Singapore*

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

(2) *Yau Tong project, Hong Kong*

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

(3) *Sham Shui Po project, Hong Kong*

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

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

***Construction Business***

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

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

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

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

**Financial Review**

***Revenue***

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

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

***Gross Profit Margin***

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

***Selling and Marketing Expenses***

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

***General and Administrative Expenses***

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

***Net Profit***

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

**Non-Competition Deed**

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

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

**Prospects**

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

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

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

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

**Debts and Charge on Assets**

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

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

**Liquidity, Financial Resources and Capital Structure**

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

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

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

**Foreign Exchange**

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

**Significant Investment, Material Acquisition and Disposal of Subsidiaries and Associated Companies**

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

**Capital Commitments**

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

**Contingent Liabilities**

Save as disclosed in note 17 to the financial information in this announcement, the Group had no other contingent liabilities as at 31 December 2018.

**Event After the Reporting Period**

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

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

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

## Employees and Remuneration Policy

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

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

## Share Options

*Share Option Scheme*

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

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

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

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

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

*Management Share Scheme*

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

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

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

**Purchase, Sale and Redemption of the Company's Securities**

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

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

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

All the Shares repurchased were cancelled.

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

Further details of the Share repurchase and other movements in the share capital of the Company during the Reporting Period are set out in note 16 to the financial statements.

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

**Corporate Governance**

***Corporate Governance Code***

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

**Code of Conduct Regarding Directors' Securities Transactions**

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

**Audit Committee and Review of Financial Information**

The audit committee of the Company has reviewed the Company's management accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters related to the preparation of the consolidated financial statements for the Reporting Period. It has also reviewed the audited consolidated financial statements for the Reporting Period and recommended them to the Board for approval.

**Scope of work of PricewaterhouseCoopers**

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of comprehensive income, and the related notes thereto for the year ended 31 December 2018 as set out in the preliminary announcement have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance.

By Order of the Board
**CNQC International Holdings Limited**
**Mr. Cheng Wing On, Michael**
*Chairman*

Hong Kong, 28 March 2019

*As at the date of this announcement, the Board comprises (i) three executive Directors, namely Mr. Cheng Wing On, Michael (Chairman), Mr. Wang Congyuan, and Mr. Zhang Yuqiang; (ii) one non-executive Director, namely Mr. Chen Anhua; and (iii) three independent non-executive Directors, namely Mr. Ching Kwok Hoo, Pedro, Mr. Tam Tak Kei, Raymond and Mr. Chan Kok Chung, Johnny.*