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## 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)**

### INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2018

The board (the “Board”) of directors (the “Directors”) of CNQC International Holdings Limited (the “Company”) is pleased to present the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively referred to as the “Group”) for the six months ended 30 June 2018 (the “Reporting Period”), together with the comparative figures for the six months ended 30 June 2017 as follows:

#### INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

*For the six months ended 30 June 2018*

		<b>Six months ended 30 June</b>	
		<b>2018</b>	<b>2017</b>
	<i>Note</i>	<b>HK\$'000</b>	<b>HK\$'000</b>
		<b>(Unaudited)</b>	<b>(Unaudited)</b>
Revenue	6	<b>5,138,744</b>	7,711,221
Cost of sales		<b>(4,477,174)</b>	(6,621,514)
<b>Gross profit</b>		<b>661,570</b>	1,089,707
Other income	7	<b>10,885</b>	44,020
Other losses — net	8	<b>(3,747)</b>	(30,714)
Selling and marketing expenses		<b>(70,737)</b>	(160,822)
General and administrative expenses		<b>(174,185)</b>	(186,324)
<b>Operating profit</b>	9	<b>423,786</b>	755,867
Finance income		<b>38,905</b>	37,048
Finance costs		<b>(59,450)</b>	(21,599)
Finance (costs)/income, net	10	<b>(20,545)</b>	15,449
Share of losses of associated companies		<b>(43,832)</b>	(14,626)
Share of profit of joint ventures		<b>4,345</b>	291
<b>Profit before income tax</b>		<b>363,754</b>	756,981
Income tax expense	11	<b>(81,004)</b>	(131,787)
<b>Profit for the period</b>		<b>282,750</b>	625,194

	<i>Note</i>	<b>Six months ended 30 June</b>	
		<b>2018</b> <b>HK\$'000</b> <b>(Unaudited)</b>	<b>2017</b> <b>HK\$'000</b> <b>(Unaudited)</b>
<b>Other comprehensive (loss)/income</b>			
Items that may be reclassified to profit or loss			
— Revaluation loss on available-for-sale financial assets		—	(22,226)
— Currency translation differences		<b>(35,688)</b>	<b>89,833</b>
<b>Total comprehensive income for the period</b>		<b>247,062</b>	<b>692,801</b>
<b>Profit for the period attributable to:</b>			
Owners of the Company		<b>223,591</b>	459,362
Non-controlling interests		<b>59,159</b>	165,832
		<b>282,750</b>	<b>625,194</b>
<b>Total comprehensive income for the period attributable to:</b>			
Owners of the Company		<b>187,903</b>	517,185
Non-controlling interests		<b>59,159</b>	175,616
		<b>247,062</b>	<b>692,801</b>
Earnings per share attributable to owners of the Company during the period	12		
Basic earnings per share			
— ordinary shares (HK cents)		<b>13.36</b>	27.45
— convertible preference shares (HK cents)		<b>13.38</b>	27.47
Diluted earnings per share			
— ordinary shares (HK cents)		<b>13.36</b>	27.45
— convertible preference share (HK cents)		<b>13.38</b>	27.47

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
*As at 30 June 2018*

		<b>30 June 2018</b>	31 December 2017
	<i>Note</i>	<b>HK\$'000</b>	<b>HK\$'000</b>
		<b>(Unaudited)</b>	<b>(Audited)</b>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment		384,988	414,202
Investment properties under development		547,079	518,546
Goodwill		554,685	565,755
Other intangible assets		41,236	44,708
Investments in associated companies		4,594	21,081
Investments in joint ventures		4,658	415
Deferred income tax assets		39,171	61,354
Financial assets at fair value through profit or loss		399,624	230,696
Available-for-sale financial assets		—	28,489
Financial assets at fair value through other comprehensive income		26,830	—
Prepayments and other receivables	13	1,466,842	973,127
		<b>3,469,707</b>	<b>2,858,373</b>
<b>Current assets</b>			
Development properties for sale		2,047,379	4,375,337
Trade and other receivables, prepayments and deposits	13	1,157,081	1,798,183
Contract assets	4(a)	1,957,201	—
Amounts due from customers for contract work		—	37,852
Tax recoverable		20,220	25,981
Pledged bank deposits		185,278	247,889
Cash and cash equivalents		2,125,044	3,168,184
		<b>7,492,203</b>	<b>9,653,426</b>
<b>Total assets</b>		<b>10,961,910</b>	<b>12,511,799</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity attributable to owners of the Company</b>			
Share capital — ordinary shares	15	14,852	14,852
Share capital — convertible preference shares	15	1,879	1,879
Share premium		3,317,938	3,317,938
Treasury shares		(12,958)	—
Other reserves		(1,175,933)	(1,149,943)
Retained earnings		1,162,206	1,111,747
		<b>3,307,984</b>	<b>3,296,473</b>
<b>Non-controlling interests</b>		<b>172,330</b>	<b>197,060</b>
<b>Total equity</b>		<b>3,480,314</b>	<b>3,493,533</b>

		<b>30 June 2018</b>	31 December 2017
	<i>Note</i>	<b>HK\$'000</b>	<b>HK\$'000</b>
		<b>(Unaudited)</b>	<b>(Audited)</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Borrowings		<b>2,388,242</b>	2,566,405
Derivative financial instruments		<b>2,484</b>	5,298
Deferred income tax liabilities		<b>57,342</b>	55,150
		<u><b>2,448,068</b></u>	<u>2,626,853</u>
<b>Current liabilities</b>			
Trade and other payables	<i>14</i>	<b>1,948,823</b>	3,801,074
Contract liabilities	<i>4(a)</i>	<b>365,110</b>	–
Tax payables		<b>125,973</b>	148,244
Borrowings		<b>2,591,501</b>	2,438,880
Derivative financial instruments		<b>2,121</b>	3,215
		<u><b>5,033,528</b></u>	<u>6,391,413</u>
<b>Total liabilities</b>		<u><b>7,481,596</b></u>	<u>9,018,266</u>
<b>Total equity and liabilities</b>		<u><b>10,961,910</b></u>	<u>12,511,799</u>

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 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 the foundation and superstructure construction business in Hong Kong and Macau, and construction in Singapore and Southeast Asia and property development businesses in Singapore.

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.

This condensed consolidated interim financial information is presented in Hong Kong Dollar (“HK\$”), unless otherwise stated. This condensed consolidated interim financial information was approved for issue on 30 August 2018.

## 2 BASIS OF PREPARATION

This condensed consolidated interim financial information for the six months ended 30 June 2018 has been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim financial reporting”. The condensed consolidated interim financial information should be read in conjunction with the consolidated financial statements for the year ended 31 December 2017 (“2017 Financial Statements”), which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”).

## 3 ACCOUNTING POLICIES

Except as described below, the accounting policies applied to prepare this unaudited condensed consolidated interim financial information for the six months ended 30 June 2018 are consistent with the 2017 Financial Statements.

### (a) Relevant new standards and amendments to existing standards effective for the financial year beginning 1 January 2018

		Effective for annual periods beginning on or after
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

The impact of the adoption of these standards and new accounting policies are disclosed in Note 4 below.

		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 (Amendment)	Classification and measurement of share-based payment transactions	1 January 2018
HKFRS 4 (Amendment)	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts	1 January 2018
HK (IFRIC) 22	Foreign currency transactions and advance consideration	1 January 2018

The adoption of above amendments to standards did not result in a significant impact to the financial position and results of the Group.

**(b) The following new standards and amendments to existing standards have been published but are not yet effective and which the Group has not early adopted:**

		Effective for annual periods beginning on or after
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
HKFRS 10 and HKAS 28 (Amendments)	Sale or contribution of assets between an investor and its associate and joint venture	To be determined

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

*Impact of HKFRS 16 Leases*

HKFRS 16, “Leases” was issued in January 2016. It provides new provisions for the accounting treatment of leases which no longer allows lessees to recognise leases outside of the consolidated statement of financial position. Instead, all non-current leases must be recognised in the form of assets (for the right-of-use) and financial liabilities (for the payment obligations) in the Group’s consolidated statement of financial position. Short-term leases of less than twelve months and leases of low-value assets are exempt from such reporting obligation.

The new standard will therefore result in a derecognition of prepaid operating leases, increase in right-of-use assets and increase in lease liabilities in the consolidated statement of financial position. In the consolidated statement of comprehensive income, as a result, the annual rental and amortisation expenses of prepaid operating leases under otherwise identical circumstances will decrease, while depreciation of right-of-use assets and interest expense arising from the lease liabilities will increase. Given that the total non-cancellable operating lease commitments account for 1.6% of the total liabilities of the Group as at 30 June 2018, the directors of the Company expect that the adoption of HKFRS 16 as compared with the current accounting policy would not result in significant impact on the Group's financial position.

The new standard is not expected to apply until the financial year beginning on or after 1 January 2019.

#### 4 CHANGE IN ACCOUNTING POLICIES

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 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.

##### (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 Note 4 (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 of the statement of condensed 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 HK\$'000	Impact of HKFRS 9 HK\$'000	Impact of HKFRS 15 HK\$'000	Restated HK\$'000
<b>Consolidated statement of financial position (extract)</b>				
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	–	(618,069)	1,180,114
Amounts due from customers for contract work	37,852	–	(37,852)	–
Contract assets	–	–	617,520	617,520
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	–	(5,832)	1,105,915
Non-controlling interests	197,060	–	8,770	205,830

**(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:

	<i>Notes</i>	<b>AFS</b> <i>HK\$'000</i>	<b>FVOCI</b> <i>HK\$'000</i>
<b>Financial assets — 1 January 2018</b>			
Closing balance 31 December 2017 — HKAS 39		28,489	—
Reclassify non-trading equities from AFS to FVOCI*		<u>(28,489)</u>	<u>28,489</u>
Opening balance 1 January 2018 — HKFRS 9		<u><u>—</u></u>	<u><u>28,489</u></u>

\* The closing balances as at 31 December 2017 show available-for-sale financial assets under 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:

	<i>Notes</i>	<b>Effect on AFS reserve</b> <i>HK\$'000</i>	<b>Effect on FVOCI reserve</b> <i>HK\$'000</i>
Closing balance 31 December 2017 — HKAS 39		13,509	—
Reclassify non-trading equities from AFS to FVOCI*	(a)	<u>(13,509)</u>	<u>13,509</u>
Opening balance 1 January 2018 — HKFRS 9		<u><u>—</u></u>	<u><u>13,509</u></u>

The Group elected to present in OCI changes in the fair value of all its equity investments previously classified as 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 revised 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 Note 4(a).

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 ("OCI"). 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 ("FVOCI").

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 Note 4(a).

	HKAS 18 carrying amount *	Reclassification	Remeasurement	HKFRS 15 carrying amount
	31 December 2017			1 January 2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Development properties for sale	4,375,337	(222,012)	42,007	4,195,332
Deferred income tax assets	61,354	—	(6,656)	54,698
Trade and other receivables, prepayments and deposits	1,798,183	(605,619)	(12,450)	1,180,114
Amounts due from customers for contract work	37,852	(37,852)	—	—
Contract assets	—	643,471	(25,951)	617,520
Trade and other payables	3,801,074	(1,412,419)	—	2,388,655
Contract liabilities	—	1,190,407	—	1,190,407
Tax payable	148,244	—	(5,988)	142,256
Retained earnings	1,111,747	—	(5,832)	1,105,915
Non-controlling interests	197,060	—	8,770	205,830

\* 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
<b>Closing retained earnings 31 December 2017 — After HKFRS 9 restatement</b>	1,111,747
Recognition of revenue and cost for properties development over time	(6,961)
Increase in deferred tax liabilities	1,129
Adjustment to retained earnings from adoption of HKFRS 15 on 1 January 2018	(5,832)
<b>Opening retained earnings 1 January 2018 — HKFRS 9 and HKFRS 15</b>	1,105,915

*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 advance proceeds received from customers.

Details of contract assets are as follows:

	<b>30 June 2018 HK\$'000</b>	<b>1 January 2018 HK\$'000</b>
Contract assets related to sale of properties	<b>1,903,634</b>	605,619
Contract assets related to construction contracts	<b>53,567</b>	11,901
Total contract assets	<b><u>1,957,201</u></b>	<b><u>617,520</u></b>

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:

	<b>30 June 2018 HK\$'000</b>	<b>1 January 2018 HK\$'000</b>
Contract liabilities	<b><u>365,110</u></b>	<b><u>1,190,407</u></b>

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; or
- Create and enhances an assets that the customer controls as the Group performs; or
- 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 legal title of the completed properties and the Group has present right to payment and the collection of the consideration is probable.

For property development which has no alternative use to the Group due to contractual reasons and when the Group has an enforceable right to payment from the customers for performance completed to date. The Group recognise revenue as the performance obligation is satisfied over time in accordance with the input method for measuring progress.

The excess of cumulative revenue recognised in profit or loss over the cumulative billings to purchasers of properties is recognised as contract assets. The excess of cumulative billings to purchasers of properties over the cumulative revenue recognised in profit or loss is recognised as contract liabilities.

*(ii) Construction Contract*

For construction contract which works directly on the customers' land, being eligible for recognition of revenue over time with creation and enhancement for the asset that customers controlled as the Group performs its performance obligation. The Group measures the progress of the project with reference to construction works certified by independent surveyors.

## 5 SEGMENT INFORMATION

The Group's reportable and operating segments, based on information reported to the executive directors (being the chief operating decision maker ("CODM") of the Company for the purpose of resource allocation and performance assessment under HKFRS 8 are as follows:

- Foundation and construction — Hong Kong and Macau (including foundation and superstructure operations)
- Construction — Singapore and Southeast Asia
- Property development — Singapore

Information regarding the above segments is reported below.

	Foundation and construction — Hong Kong and Macau <i>HK\$'000</i>	Construction — Singapore and Southeast Asia <i>HK\$'000</i>	Property development — Singapore <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>Six months ended 30 June 2018 (Unaudited)</b>				
<b>Sales</b>				
Sales to external parties	686,243	1,030,882	3,421,619	5,138,744
Inter-segment sales	—	254,906	—	254,906
Total segment sales	<u>686,243</u>	<u>1,285,788</u>	<u>3,421,619</u>	<u>5,393,650</u>
<b>Adjusted segment (loss)/profit</b>	(19,604)	37,847	327,440	345,683
Depreciation	28,700	10,268	1,152	40,120
Amortisation	—	2,956	—	2,956
Share-based payment expenses	<u>1,567</u>	<u>2,735</u>	<u>600</u>	<u>4,902</u>
<b>Six months ended 30 June 2017 (Unaudited)</b>				
<b>Sales</b>				
Sales to external parties	748,366	923,756	6,039,099	7,711,221
Inter-segment sales	—	243,415	—	243,415
Total segment sales	<u>748,366</u>	<u>1,167,171</u>	<u>6,039,099</u>	<u>7,954,636</u>
<b>Adjusted segment profit</b>	4,296	54,030	604,106	662,432
Depreciation	31,083	10,265	889	42,237
Amortisation	—	12,277	—	12,277
Share-based payment expenses	<u>3,027</u>	<u>4,445</u>	<u>963</u>	<u>8,435</u>

The following tables present segment assets and liabilities as at 30 June 2018 and 31 December 2017 respectively.

	Foundation and construction — Hong Kong and Macau <i>HK\$'000</i>	Construction — Singapore and Southeast Asia <i>HK\$'000</i>	Property development — Singapore <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>As at 30 June 2018 (Unaudited)</b>				
Segment assets	<u>1,201,473</u>	<u>3,185,483</u>	<u>5,609,164</u>	<u>9,996,120</u>
Segment liabilities	<u>319,143</u>	<u>1,955,134</u>	<u>4,342,757</u>	<u>6,617,034</u>
Segment assets include:				
Additions to property, plant and equipment	—	22,969	2,168	25,137
Additions to investment properties	—	—	53,537	53,537
Additions to intangible assets	—	119	—	119
Investments in associated companies	—	4,594	—	4,594
Increase in prepayment of land cost	—	—	321,113	321,113
<b>As at 31 December 2017 (Audited)</b>				
Segment assets	<u>1,564,151</u>	<u>3,461,540</u>	<u>6,841,392</u>	<u>11,867,083</u>
Segment liabilities	<u>472,353</u>	<u>1,918,934</u>	<u>6,014,983</u>	<u>8,406,270</u>
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:

	<b>Six months ended 30 June</b>	
	<b>2018</b>	<b>2017</b>
	<b><i>HK\$'000</i></b>	<b><i>HK\$'000</i></b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Adjusted segment profit for reportable segments	<b>345,683</b>	662,432
Unallocated expenses	<b>(28,507)</b>	(13,828)
Elimination	<b>106,610</b>	107,263
Finance income	<b>38,905</b>	37,048
Finance costs	<b>(59,450)</b>	(21,599)
Share of losses of associated companies	<b>(43,832)</b>	(14,626)
Share of profit of joint ventures	<b>4,345</b>	291
Profit before income tax	<u><b>363,754</b></u>	<u>756,981</u>

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

	As at 30 June 2018 <i>HK\$'000</i> (Unaudited)	As at 31 December 2017 <i>HK\$'000</i> (Audited)
Segment assets	9,996,120	11,867,083
Unallocated	1,683,045	1,422,475
Elimination	(717,255)	(777,759)
Total assets	<u>10,961,910</u>	<u>12,511,799</u>

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

	As at 30 June 2018 <i>HK\$'000</i> (Unaudited)	As at 31 December 2017 <i>HK\$'000</i> (Audited)
Segment liabilities	6,617,034	8,406,270
Unallocated	1,264,421	1,221,107
Elimination	(399,859)	(609,111)
Total liabilities	<u>7,481,596</u>	<u>9,018,266</u>

## 6 REVENUE

	Six months ended 30 June 2018 <i>HK\$'000</i> (Unaudited)	2017 <i>HK\$'000</i> (Unaudited)
<b>Revenue</b>		
Construction contract income	1,715,946	1,671,972
Sales of development properties	3,421,528	6,039,099
Rental of equipment	1,270	150
	<u>5,138,744</u>	<u>7,711,221</u>
Timing of revenue recognition:		
At a point in time	3,123,491	6,039,099
Over time	2,015,253	1,672,122
	<u>5,138,744</u>	<u>7,711,221</u>



## 7 OTHER INCOME

	Six months ended 30 June	
	2018	2017
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Income from default payments of development properties	33	4,611
Dividend income	—	28,003
Management fee income from an associated company	1,711	1,727
Rental income	5,314	101
Sundry income	3,827	9,578
	<u>10,885</u>	<u>44,020</u>

## 8 OTHER LOSSES — NET

	Six months ended 30 June	
	2018	2017
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
(Loss)/gain on disposal of property, plant and equipment	(4,576)	1,023
Fair value gain/(loss) on derivative financial instruments	1,727	(31,737)
Fair value loss on financial assets at fair value through profit or loss	(898)	—
	<u>(3,747)</u>	<u>(30,714)</u>

## 9 OPERATING PROFIT

Operating profit is stated after charging the following:

	Six months ended 30 June	
	2018	2017
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Subcontracting and material costs included in “cost of sales”	1,436,023	1,300,600
Property development costs included in “cost of sales”	2,804,810	5,045,837
Sales commissions	60,075	133,712
Show flat costs	2,567	2,497
Marketing expenses	8,096	24,613
Staff costs, including directors’ emoluments	303,875	355,422
Depreciation of owned assets	31,817	27,017
Depreciation of assets under finance leases	8,303	15,220
Amortisation of intangible assets	2,956	12,277
Legal and professional fees	12,743	3,781
Rental expenses on operating leases	22,394	18,304

During the six months ended 30 June 2018, staff costs included share-based payment expenses of approximately HK\$9,698,000 (six months ended 30 June 2017: approximately HK\$17,525,000).

## 10 FINANCE (COSTS)/INCOME — NET

	Six months ended 30 June	
	2018	2017
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
<b>Finance income</b>		
Interest income from bank deposits	13,387	4,578
Interest income from loans to associated companies	24,671	3,929
Interest income from loans to other related parties	847	1,035
	<u>38,905</u>	<u>9,542</u>
<b>Finance costs</b>		
Interest expenses on finance leases	(563)	(1,131)
Interest expenses on bank borrowings and arrangement fee amortised in respect of bank facilities	(71,881)	(92,452)
Interest expenses in medium term note	(14,779)	—
Interest expenses on loans from non-controlling shareholders of the subsidiaries	<u>(9,489)</u>	<u>(15,225)</u>
	(96,712)	(108,808)
Less: Interest expenses capitalised	<u>52,969</u>	<u>87,209</u>
	(43,743)	(21,599)
Net foreign exchange (losses)/gains	<u>(15,707)</u>	<u>27,506</u>
<b>Finance (costs)/income — net</b>	<u><u>(20,545)</u></u>	<u><u>15,449</u></u>

## 11 INCOME TAX EXPENSE

Hong Kong profits tax, Macau profits tax, Malaysia income tax and Singapore income tax have been provided for at the rate of 16.5%, 12%, 24% and 17% respectively for the six months ended 30 June 2018 and 2017 on the estimated assessable profit for the period in the respective jurisdiction.

	Six months ended 30 June	
	2018	2017
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Current income tax		
— Hong Kong profits tax	1,229	2,402
— Macau profits tax	2,750	—
— Malaysia income tax	417	—
— Singapore income tax	58,563	109,740
Deferred income tax	<u>18,045</u>	<u>19,645</u>
Income tax expense	<u><u>81,004</u></u>	<u><u>131,787</u></u>

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

## 12 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 periods.

	<b>Six months ended 30 June</b>			
	<b>2018</b>		<b>2017</b>	
	<b>HK\$'000</b>		<b>HK\$'000</b>	
	<b>(Unaudited)</b>		<b>(Unaudited)</b>	
Profit attributable to ordinary shares	<b>198,466</b>		392,428	
Profit attributable to CPS	<b>25,125</b>		66,934	
	<b>223,591</b>		459,362	
	<b>Six months ended</b>		<b>Six months ended</b>	
	<b>30 June 2018</b>		<b>30 June 2017</b>	
	<b>Ordinary</b>	<b>CPS</b>	<b>Ordinary</b>	<b>CPS</b>
	<b>shares</b>		<b>shares</b>	
	<b>(Unaudited)</b>	<b>(Unaudited)</b>	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Weighted average number of issued shares for the purpose of calculating basic earnings per share (in thousands)	<b>1,485,169</b>	<b>187,837</b>	1,429,396	243,680
Basic earnings per share (HK cents)	<b>13.36</b>	<b>13.38</b>	27.45	27.47

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") deemed to be in issue for each of the years presented.

In addition to a non-cumulative preferred distribution described therein, 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

	Six months ended 30 June 2018		Six months ended 30 June 2017	
	Ordinary shares (Unaudited)	CPS (Unaudited)	Ordinary shares (Unaudited)	CPS (Unaudited)
Weighted average number of issued shares for the purpose of calculating basic earnings per share (in thousands)	1,485,169	187,837	1,429,396	243,680
Adjustments for outstanding share options (in thousands)	58	–	43	–
	<u>1,485,227</u>	<u>187,837</u>	<u>1,429,439</u>	<u>243,680</u>
Dilutive earnings per share (HK cents)	<u>13.36</u>	<u>13.38</u>	<u>27.45</u>	<u>27.47</u>

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.

### 13 TRADE AND OTHER RECEIVABLES

	30 June 2018 HK\$'000 (Unaudited)	31 December 2017 HK\$'000 (Audited)
<b>Current</b>		
Trade receivables ( <i>Note (b)</i> )		
— An associated company	72,055	34,772
— Other related parties	314	5,787
— Third parties	540,112	611,802
	<u>612,481</u>	<u>652,361</u>
Retention receivables from customers for contract work from ( <i>Note (c)</i> )		
— Other related parties	25,467	—
— Third parties	259,662	279,075
	<u>285,129</u>	<u>279,075</u>
Development properties — due from customers	<u>—</u>	<u>605,619</u>
Other receivables ( <i>Note (d)</i> )		
— Associated companies	106,075	81,318
— Other related parties	2,027	8,986
— Third parties	71,449	33,893
— Non-controlling interests	2,073	—
Prepayments	32,336	85,808
Deposits	34,227	35,822
Staff advances	6,125	3,097
Goods and services tax receivable	5,159	12,204
	<u>259,471</u>	<u>261,128</u>
<b>Total</b>	<u><u>1,157,081</u></u>	<u><u>1,798,183</u></u>
<b>Non-current</b>		
Loans to		
— Associated companies ( <i>Note (e)</i> )	1,128,499	959,953
Prepayment for land costs	321,113	—
Prepayments and other receivables	17,230	13,174
	<u>1,466,842</u>	<u>973,127</u>

*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 trade receivables based on invoice date is as follows:

	<b>30 June 2018 HK\$'000 (Unaudited)</b>	31 December 2017 HK\$'000 (Audited)
1–30 days	<b>513,396</b>	509,089
31–60 days	<b>33,589</b>	18,409
61–90 days	<b>6,540</b>	1,754
Over 90 days	<b>58,956</b>	123,109
	<b><u>612,481</u></b>	<b><u>652,361</u></b>

During the six months ended 30 June 2018, no additional provision was recorded for its trade receivables (30 June 2017: Nil).

- (c) Retention receivables in respect of the construction and foundation businesses are settled in accordance with the terms of respective contracts. Retention receivables held by customers for construction and foundation work amounting to approximately HK\$42,379,000 (31 December 2017: HK\$43,724,000) are expected to be recovered in more than twelve months from the reporting date.
- (d) The other receivables due from related parties included amounts due from associated companies and other related parties. These balances were unsecured, interest-free and repayable on demand. The other receivables did not contain any impaired assets.
- (e) Loans to associated companies and other related companies were lent to companies in which the Group invested to develop real estates in Singapore. The loans were made in proportion to the percentages of the Group's shareholding in these companies. The loans were unsecured, and interest-bearing at a fixed rate at 5% per annum as at 30 June 2018 (5% per annum as at 31 December 2017).

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

## 14 TRADE AND OTHER PAYABLES

	<b>30 June 2018 HK\$'000 (Unaudited)</b>	31 December 2017 HK\$'000 (Audited)
<b>Current</b>		
Trade payables to:		
— Other related parties	34,483	68,145
— Third parties	<u>1,506,374</u>	<u>1,794,412</u>
	<u>1,540,857</u>	<u>1,862,557</u>
Non-trade payables to:		
— Non-controlling shareholders of the subsidiaries	54,101	120,722
— Other related parties	2,880	26,913
— Third parties	79,102	96,027
— Good and service tax payable	<u>3,703</u>	<u>2,355</u>
	<u>139,786</u>	<u>246,017</u>
Accruals for operating expenses	157,092	171,409
Accruals for construction costs	23,900	65,596
Advance proceeds received from customers	—	1,412,419
Deferred gain	73,794	29,798
Put option exercisable by non-controlling shareholder of the subsidiaries ( <i>Note</i> )	<u>13,394</u>	<u>13,278</u>
	<u>268,180</u>	<u>1,692,500</u>
Total trade and other payables	<u><u>1,948,823</u></u>	<u><u>3,801,074</u></u>

*Note:*

On 20 December 2016, the Group entered into shareholders' agreement which granted the non-controlling shareholder of the subsidiaries the right to sell its interest in the subsidiaries to the Group at a pre-determined price. The put option is exercisable during the period from 30 March 2021 to 29 April 2021.

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 of trading in nature) based on invoice date was as follows:

	<b>30 June 2018 HK\$'000 (Unaudited)</b>	31 December 2017 HK\$'000 (Audited)
1–30 days	1,472,836	1,784,567
31–60 days	40,836	44,593
61–90 days	13,728	15,218
Over 90 days	<u>13,457</u>	<u>18,179</u>
	<u><u>1,540,857</u></u>	<u><u>1,862,557</u></u>

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

## 15 SHARE CAPITAL

	Six months ended 30 June			
	2018		2017	
	Number of ordinary shares (thousands)	Nominal amount HK\$'000	Number of ordinary shares (thousands)	Nominal amount HK\$'000
<b>Authorised:</b>				
<i>Ordinary Shares</i>				
As at 1 January and 30 June	<u>6,000,000</u>	<u>60,000</u>	<u>6,000,000</u>	<u>60,000</u>
<i>Convertible preference shares</i>				
As at 1 January and 30 June	<u>1,000,000</u>	<u>10,000</u>	<u>1,000,000</u>	<u>10,000</u>
<b>Issued and fully paid:</b>				
<i>Ordinary shares</i>				
At 1 January and 30 June	<u>1,485,239</u>	<u>14,852</u>	<u>1,429,396</u>	<u>14,294</u>
<i>CPS</i>				
At 1 January and 30 June	<u>187,837</u>	<u>1,879</u>	<u>243,680</u>	<u>2,437</u>

*Note:*

The Group bought back a total of 5,792,500 (2017: Nil) of the Company's shares during the six months ended 30 June 2018. The total consideration paid including the expenses directly relating to buy back these shares was HK\$12,958,000 (2017: Nil), which has been deducted from equity attributable to the owners of the Company.

## 16 DIVIDENDS

- (a) At a meeting held on 30 August 2018, the directors declared an interim dividend of HK\$0.06 per ordinary share and CPS (totaling approximately HK\$99,793,000) for the year ending 31 December 2018. The dividend is not reflected as dividend payable in the interim financial information, but will be reflected as an appropriation of retained earnings for the year ending 31 December 2018. No interim dividends were paid for the six months ended 30 June 2018.
- (b) At a meeting held on 28 March 2018, the directors recommended a final dividend of HK\$0.10 per ordinary share and CPS (totaling approximately HK\$167,307,000) for the year ended 31 December 2017, which was paid during the period and had been reflected as an appropriation of retained earnings for the six months ended 30 June 2018.



## 17 COMMITMENTS

### Capital commitment

	<b>30 June 2018 HK\$'000 (Unaudited)</b>	<b>31 December 2017 HK\$'000 (Audited)</b>
Contracted but not provided for:		
Development expenditure	<b>15,681</b>	19,857
Investment in the fund	<b>474,298</b>	471,641
	<b>489,979</b>	491,498

### Operating lease commitments — Group as lessee

The Group leases land, offices, warehouse and construction equipment under non-cancellable operating lease agreements. The leases have varying terms, escalation clauses and renewal rights.

The future minimum lease payables under non-cancellable operating leases contracted for but not recognised as liabilities as at 30 June 2018 and 31 December 2017 were as follows:

	<b>30 June 2018 HK\$'000 (Unaudited)</b>	<b>31 December 2017 HK\$'000 (Audited)</b>
Not later than 1 year	<b>73,347</b>	44,617
1–5 years	<b>21,770</b>	27,423
Later than 5 years	<b>27,646</b>	30,050
	<b>122,763</b>	102,090

## 18 CONTINGENT LIABILITIES

### Guarantees

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

	<b>30 June 2018 HK\$'000 (Unaudited)</b>	<b>31 December 2017 HK\$'000 (Audited)</b>
Guarantees on performance bonds in respect of contracts	<b>112,637</b>	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 30 June 2018, these bank borrowings amounted to HK\$2,419,864,000 (31 December 2017: HK\$2,410,290,000).

## MANAGEMENT DISCUSSION AND ANALYSIS

### Business Review

During the Reporting Period, the Group had two major sources of income from construction business and property development business.

#### *Construction business — Hong Kong and Macau*

The construction projects undertaken by the Group can be broadly divided into construction work with focus on foundation works, ancillary services with particular specialisation in piling works and superstructure construction. The foundation work relates to projects in both the public sector, including building and infrastructure related projects, and the private sector in Hong Kong and Macau. In the meantime, the Group also contracts for superstructure construction for private developers.

Revenue from the construction contracts in Hong Kong for the Reporting Period was approximately HK\$686.2 million (six months ended 30 June 2017: approximately HK\$748.4 million). During the Reporting Period, the Group had undertaken four new projects, mainly superstructure work for residential projects in Hong Kong. The total contract sum of these projects was approximately HK\$30.3 million.

The revenue contribution of these projects together with other ongoing significant projects, including Area 56A Kau To, Ko Shan Road, Wing Lap Street and a hotel foundation project in Macau account for approximately HK\$604.3 million (representing approximately 88% of the total revenue from our Hong Kong and Macau construction business) during the Reporting Period. As at 30 June 2018, there were 9 projects on hand with outstanding contract sums of HK\$525.3 million.

#### *Construction business — Singapore and Southeast Asia*

The Group's revenue from the Singapore and other Southeast Asia countries construction contracts for the Reporting Period was approximately HK\$1,031.0 million (six months ended 30 June 2017: approximately HK\$923.8 million). The Group completed 6 construction projects including 4 Housing and Development Board ("HDB") construction projects, 1 private property development project and 1 owned property development project. As at 30 June 2018, there were 20 construction projects on hand and the outstanding contract sums are approximately HK\$7,560 million.

### Property development business — Singapore

During the reporting period, the sales revenue and average selling price (“ASP”) realised by the Group are set out in the table below (major projects only):

Project	Revenue (HK\$’ billion) 1H 2018	ASP (HK\$/sq.m) 1H 2018
I Visionaire	<b>3.10</b>	<b>51,421</b>
II Le Quest	<b>0.28</b>	<b>84,240</b>

The Group started to hand over units at The Visionaire which obtained its Temporary Occupation Permit (“TOP”) in June 2018. It recognised a sales area of 60,379 sq.m. during the Reporting Period.

Le Quest is a private mixed development project under development and it started to recognise pre-sales revenue from year 2018 based on its percentage of completion. As such, it recognised pre-sales revenue of HK\$277.9 million during the Reporting Period.

As at 30 June 2018, the Group’s portfolio of property development projects with majority interest consisted of 3 projects across Singapore, with majority focusing on the development of EC and private apartments.

Project	Location	Intended use	Site Area sq.m.	Total SFA sq.m.	Cumulative Contracted sales area sq.m.	Cumulative Contracted sales amount (HK\$ billion)	% of completion as at 30 June 2018	Estimated year of construction completion	Ownership interest
1 Le Quest	Bukit Batok West Avenue 6, Singapore	Residential, Private & Retail Space	14,697	37,565	22,008	1.85	27.1%	Mar-20	73%
2 iNz Residence	Choa Chu Kang Avenue 5 and Brickland Road junction, Singapore	Residential, EC	16,386	49,980	47,839	2.40	78.5%	Jun-19	46%
3 Jadescape	314–319 Shunfu Road, Singapore	Residential, Private and Retail Space	37,990	107,259	N/A	N/A	2.0%	May-21	45%

### Land bank status

On 8 March 2018, the Group’s tender has been duly accepted by the vendors of the Goodluck Garden, located at Toh Tuck Road in Singapore. It is a freehold land with a land area of approximately 33,457 sq. m. with an estimated GFA of 46,840 sq.m. and it is intended to be developed as a private condominium. The management will continue to replenish its land bank in order to attain long term development.

## **Financial Review**

### *Revenue*

The Group's total revenue for the Reporting Period was approximately HK\$5,138.7 million (six months ended 30 June 2017: approximately HK\$7,711.2 million), representing a decrease of approximately 33.4% over the six months ended 30 June 2017. The decrease was mainly due to the drop in less revenue from sales of property development recognised in the Reporting Period.

### *Gross Profit Margin*

The Group's gross profit margin during the Reporting Period was approximately 12.9% (six months ended 30 June 2017: approximately 14.1%). The slight decrease in margin is mainly due to the higher proportion of sales revenue from construction segment which has a lower 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\$70.7 million (six months ended 30 June 2017: approximately HK\$160.8 million), which was approximately 1.4% (six months ended 30 June 2017: approximately 2.1%) of the Group's total revenue. The increase was mainly attributable to the decrease in sales commission in relation to the property development projects in the Reporting Period.

### *General and Administrative Expenses*

The Group's general and administrative expenses for the Reporting Period were approximately HK\$174.2 million (six months ended 30 June 2017: approximately HK\$186.3 million), representing a decrease of approximately 6.5% over the six months ended 30 June 2017. This was mainly attributable to the decrease in staff remuneration during the Reporting Period.

### *Net Profit*

During the Reporting Period, the Group recorded a net profit of approximately HK\$282.8 million (six months ended 30 June 2017: approximately HK\$625.2 million), representing a decrease of approximately 54.8% over the six months ended 30 June 2017. The profit attributable to owners of the Company was approximately HK\$223.6 million (six months ended 30 June 2017: approximately HK\$459.4 million), representing a decrease of approximately 51.3% over the six months ended 30 June 2017. This is mainly attributable to less revenue from sales of property development recognised during the Reporting Period.

## **Prospects**

In the first half of 2018, trade protectionism had an increasing impact on the global economy and posed a mounting challenge to the global market. Despite this situation, we have, in line with the Company's "Localisation, Globalisation and Integration" strategies, remained steadfast to expand in the new markets of "Belt and Road" countries including Malaysia and Indonesia where we have advanced our new operations, while consolidating our position in Singapore, Hong Kong and Macau.

In Singapore, we received the "BCI Asia Top Ten Developers" award for the fifth time in April 2018. According to third-party statistics, we ranked first in Singapore in terms of new residential sales unit in 2017. This has fully demonstrated our robust development in Singapore's residential property development market where we have excelled for 19 years. In May 2018, our Le Quest residential project commenced its second round of presale and achieved satisfactory results.

Regarding the product quality, we continue to be the market leader with a high standard of quality. In 2018, we have been recognised with prestigious awards including environmental conservation, construction quality and safety awards. At the same time, we are implementing the PPVC technology which will significantly save labour and construction time and effectively advance the transition of the building construction industry from a labour-intensive industry to a technology-intensive industry. Our proprietary Hilife smart home/smart community software system has become more mature and stable and greatly increased the value of our residential properties, which has earned us a lot of market recognition while further elevating our brand image.

There is no denying that currently Singapore, Hong Kong and Macau markets provide the Group with a stable flow of profit and cash. To achieve an even higher profit growth, we are investigating potential property development projects and potential acquisition of property developers opportunities in Hong Kong, Macau and Southeast Asian markets. Meanwhile, we are considering introducing partners and investing through an investment fund to reduce risks. To enhance the capital use efficiency, the Group will consider investing in funds in the second half of the year to achieve superior investment returns. In addition, the Group will continue to strengthen cost control and increase construction efficiency to create long-term value for our shareholders.

## **Debts and Charge on Assets**

The total interest bearing bank borrowings of the Group, including bank loans and finance leases, maintained at approximately HK\$5.0 billion as at 31 December 2017 and 30 June 2018. 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\$153,060,000 (As at 31 December 2017: HK\$176,615,000), HK\$547,079,000 (As at 31 December 2017: HK\$518,546,000) and HK\$2,047,379,000 (As at 31 December 2017: HK\$4,375,337,000), respectively.

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.

## **Liquidity, Financial Resources and Capital Structure**

The Group has funded the liquidity and capital requirements primarily through capital contributions from the Shareholders, bank borrowings and cash inflows from the operating activities.

As at 30 June 2018, the Group had cash and cash equivalents of approximately HK\$2.13 billion (As at 31 December 2017: HK\$3.17 billion) of which approximately 61.6% was held in Singapore Dollar, 26.9% was held in Hong Kong dollar, 9.5% was held in US Dollars and the remaining was mainly held in Macau Patacas, Indonesian Rupiah, Vietnamese Dong and Malaysian Ringgit. The gearing ratio of the Group as at 30 June 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 43.4% (As at 31 December 2017: approximately 31.3%).

During the Reporting Period, the Group has employed foreign exchange forward contracts to mitigate its exposures of Singapore dollars against Hong Kong dollars in light of the foreseeable depreciation of Singapore dollars during the period ended 30 June 2018. The Board will continue to closely monitor the Group's foreign currency risk exposure and may use appropriate financial instruments for hedging purposes as and when necessary.

### **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 and has not adopted any currency hedging policy or other hedging instruments other than disclosed in "Liquidity, Financial Resources and Capital Structure" during the Reporting Period.

### **Significant Investment, Material Acquisitions and Disposal of Subsidiaries and Associated Companies**

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

### **Capital Commitments**

As at 30 June 2018, the Group had capital commitments of approximately HK\$15.7 million (31 December 2017: HK\$19.9 million) for development expenditure and HK\$474.3 million (31 December 2017: HK\$471.6 million) for investment in The Great Wall and CNQC B&R Industrial Development Fund LP.



## **Contingent Liabilities**

Save as disclosed in note 18 to the unaudited condensed consolidated interim financial information, the Group had no other contingent liabilities as at 30 June 2018 and 31 December 2017.

## **Event after the Reporting Period**

There were no significant events after the Reporting Period.

## **Employees and Remuneration Policy**

As at 30 June 2018, the Group had 1,802 full-time employees (31 December 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 are periodically reviewed. Apart from mandatory 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 Reporting Period was approximately HK\$303.9 million compared to approximately HK\$355.4 million for the six months ended 30 June 2017.

## **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 of the Company (the "Share"), representing 6.5% of the issued share capital of the Company as at the date of grant subject to certain vesting periods.

On 28 April 2016, the Company offered to grant an aggregate of 10,500,000 share options (the "2016 Share Options") to certain Directors of the Group (collectively, 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.

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

The Shareholders have approved at the annual general meeting of the Company held on 29 April 2016 the refreshment of the 10% scheme mandate limit of the Share Option Scheme, which the Directors are authorized to issue options to subscribe for a total of 66,020,250 Shares.

## *Management Share Scheme*

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

60,919,852 CPS and 55,843,197 CPS were vested and converted to Shares in 2016 and on 2017 respectively. As at the date of this interim report, there were 187,836,224 CPS remaining under the trust.

## **Interim Dividend**

The Board has resolved to declare an interim dividend of HK\$0.06 (six months ended 30 June 2017: HK\$0.06) per ordinary share and per CPS for the six months ended 30 June 2018 to the Shareholders whose names appear in the register of members of the Company on Monday, 8 October 2018. It is expected that the payment of the interim dividend will be made on or before Monday, 29 October 2018.

## **Closure of Register of Members**

The register of members of the Company will be closed from Wednesday, 3 October 2018 to Monday, 8 October 2018, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the interim dividend, all transfers of shares accompanied by the relevant share certificates must be lodged with the Company’s Branch Share Registrar in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong for registration not later than 4:30 p.m. on Tuesday, 2 October 2018.

## **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 “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 AGM, on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).



During the Reporting Period, the Company repurchased an aggregate of 5,792,500 Shares (2017: Nil) of its own issued ordinary share capital through the Stock Exchange at an aggregate consideration of HK\$12.93 million (2017: Nil). All the Shares repurchased were cancelled after the Reporting Period.

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 15 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 with the Company's management the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including the review of the unaudited interim financial statements for the Reporting Period.

## **Publication of Interim Results Announcement and Interim Report**

This announcement is published on the websites of the Company ([www.cnqc.com.hk](http://www.cnqc.com.hk)) and the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)). The 2018 interim report will be despatched to the Shareholders and available on the above websites in due course.

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

Hong Kong, 30 August 2018

*As at the date of this announcement, the Board comprises (i) five executive Directors, namely Mr. Cheng Wing On, Michael (Chairman), Mr. Wang Congyuan, Mr. Ho Chi Ling, Mr. Zhang Yuqiang and Mr. Wang Linxuan; (ii) three non-executive Directors, namely Dr. Sun Huiye, Mr. Wang Xianmao and Mr. Chen Anhua; and (iii) four independent non-executive Directors, namely Mr. Chuck Winston Calptor, Mr. Ching Kwok Hoo, Pedro, Mr. Tam Tak Kei, Raymond and Mr. Chan Kok Chung, Johnny*