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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)**

### FINAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2020

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 2020 (the “Reporting Period”), together with the comparative figures for the year ended 31 December 2019 as follows:

#### CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

*For the year ended 31 December 2020*

	<i>Note</i>	<b>2020</b> <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Revenue	3, 4	<b>5,128,897</b>	7,873,375
Cost of sales	5	<b>(4,877,323)</b>	(7,344,321)
<b>Gross profit</b>		<b>251,574</b>	529,054
Other income	6	<b>154,396</b>	37,585
Other gains — net	7	<b>25,670</b>	185,175
Selling and marketing expenses	5	<b>(74,102)</b>	(92,263)
General and administrative expenses	5	<b>(247,923)</b>	(308,418)
<b>Operating profit</b>		<b>109,615</b>	351,133
Finance income	8	<b>61,462</b>	56,957
Finance costs	8	<b>(152,611)</b>	(111,668)
Share of net profits/(losses) of associated companies		<b>227,646</b>	(7,497)
Share of net (losses)/profits of joint ventures		<b>(37,198)</b>	30,283

	<i>Note</i>	<b>2020</b> <i>HK\$'000</i>	2019 <i>HK\$'000</i>
<b>Profit before income tax</b>		<b>208,914</b>	319,208
Income tax expense	9	<u>(14,757)</u>	<u>(75,941)</u>
<b>Profit for the year</b>		<b>194,157</b>	243,267
<b>Other comprehensive income/(loss)</b>			
<i>Item that may be reclassified to profit or loss</i>			
— Currency translation differences		<b>27,539</b>	(26,682)
<i>Item that will not be reclassified to profit or loss</i>			
— Fair value (losses)/gains on financial assets at fair value through other comprehensive income		<u>(4,448)</u>	<u>1,024</u>
		<b>23,091</b>	(25,658)
<b>Total comprehensive income for the year</b>		<b>217,248</b>	217,609
<b>Profit for the year attributable to:</b>			
Owners of the Company		<b>218,057</b>	238,842
Non-controlling interests		<u>(23,900)</u>	<u>4,425</u>
		<b>194,157</b>	243,267
<b>Total comprehensive income for the year attributable to:</b>			
Owners of the Company		<b>239,031</b>	214,080
Non-controlling interests		<u>(21,783)</u>	<u>3,529</u>
		<b>217,248</b>	217,609
<b>Earnings per share for profit attributable to owners of the Company</b>	<i>10</i>		
Basic earnings per share			
— ordinary shares (HK\$)		<b>0.133</b>	0.145
— convertible preference shares (HK\$)		<b>0.133</b>	0.145
Diluted earnings per share			
— ordinary shares (HK\$)		<b>0.133</b>	0.145
— convertible preference shares (HK\$)		<b>0.133</b>	0.145

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

		31 December 2020	31 December 2019
	Note	HK\$'000	HK\$'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment		512,034	528,399
Right-of-use assets		82,516	80,094
Investment properties		620,642	613,632
Goodwill		570,685	568,298
Other intangible assets		27,228	32,634
Financial assets at fair value through profit or loss		432,635	259,432
Investments in associated companies		317,457	2,899
Investments in joint ventures		–	30,092
Deferred income tax assets		47,369	24,216
Financial assets at fair value through other comprehensive income		6,907	9,991
Prepayments and other receivables	12	1,163,805	924,183
		<u>3,781,278</u>	<u>3,073,870</u>
<b>Current assets</b>			
Development properties for sale	13	4,874,264	5,162,395
Inventories		57,935	13,967
Trade and other receivables, prepayments and deposits	12	1,992,568	1,709,788
Contract assets		736,875	1,504,861
Tax recoverable		5,450	3,265
Pledged bank deposits		212,210	199,106
Cash and cash equivalents		1,173,976	1,271,199
		<u>9,053,278</u>	<u>9,864,581</u>
<b>Total assets</b>		<u><u>12,834,556</u></u>	<u><u>12,938,451</u></u>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity attributable to owners of the Company</b>			
Share capital — ordinary shares	16	15,183	15,183
Share capital — convertible preference shares	16	1,249	1,249
Share premium		3,261,225	3,261,225
Other reserves		(1,127,102)	(1,149,765)
Retained earnings		1,254,286	1,101,957
		<u>3,404,841</u>	<u>3,229,849</u>
<b>Non-controlling interests</b>		<u>188,460</u>	<u>210,559</u>
<b>Total equity</b>		<u><u>3,593,301</u></u>	<u><u>3,440,408</u></u>

		<b>31 December 2020</b>	31 December 2019
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Borrowings	<i>14</i>	<b>4,012,766</b>	3,978,257
Lease liabilities		<b>57,134</b>	58,988
Derivative financial instruments		<b>8,917</b>	–
Deferred income tax liabilities		<b>39,816</b>	100,262
		<u><b>4,118,633</b></u>	<u>4,137,507</u>
<b>Current liabilities</b>			
Trade and other payables	<i>15</i>	<b>2,162,157</b>	2,008,119
Contract liabilities		<b>440,056</b>	54,277
Tax payables		<b>128,909</b>	102,291
Borrowings	<i>14</i>	<b>2,358,681</b>	3,170,190
Lease liabilities		<b>26,419</b>	23,804
Derivative financial instruments		<b>6,400</b>	1,855
		<u><b>5,122,622</b></u>	<u>5,360,536</u>
<b>Total liabilities</b>		<u><b>9,241,255</b></u>	<u>9,498,043</u>
<b>Total equity and liabilities</b>		<u><b>12,834,556</b></u>	<u>12,938,451</u>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 1 GENERAL INFORMATION

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

The Company is a limited liability company incorporated in the Cayman Islands. The address of the Company’s registered office is Windward 3, Regatta Office Park, PO Box 1350, Grand Cayman KY1-1108, Cayman Islands.

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

These consolidated financial statements are presented in thousands of units of Hong Kong dollars (“**HK\$’000**”), unless otherwise stated.

## 2 BASIS OF PREPARATION

### (i) Compliance with HKFRS and HKCO

The consolidated financial statements of the Company have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRS**”) and disclosure requirements of the Hong Kong Companies Ordinance (“**HKCO**”) Cap. 622.

### (ii) Historical cost convention

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

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

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

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

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

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

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

The following are new standards and amendments to standards that have been published and are not mandatory for the Group's accounting periods beginning on or after 1 January 2020 and have not been early adopted by the Group:

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

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

### **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 equipment in Hong Kong and Macau. The “Property development — Singapore and Southeast Asia” and “Property development — Hong Kong” segment represent the sales of completed property units in Singapore and Southeast Asia and Hong Kong. The “Construction — Singapore and Southeast Asia” segment mainly represents provision of construction work to property developers, sales of goods, loaning of labour and rental of equipment in Singapore and Southeast Asia.

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

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

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

Information regarding the above segments is reported below.

	Foundation and construction — Hong Kong and Macau <i>HK\$'000</i>	Property development — Hong Kong <i>HK\$'000</i>	Construction — Singapore and Southeast Asia <i>HK\$'000</i>	Property development — Singapore and Southeast Asia <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>Year ended 31 December 2020</b>					
<b>Sales</b>					
Sales to external parties	1,323,257	–	2,781,246	1,024,394	5,128,897
Inter-segment sales	–	–	30,220	201	30,421
Total segment sales	<u>1,323,257</u>	<u>–</u>	<u>2,811,466</u>	<u>1,024,595</u>	<u>5,159,318</u>
<b>Adjusted segment profit/(loss)</b>	<b>7,038</b>	<b>(49)</b>	<b>(25,639)</b>	<b>186,821</b>	<b>168,171</b>
Depreciation of right-of-use assets	5,097	–	22,935	2,898	30,930
Depreciation of owned assets	60,050	–	11,116	220	71,386
Depreciation of investment properties	–	–	–	6,232	6,232
Amortisation	–	–	5,129	569	5,698
Share-based payment expenses	637	–	944	108	1,689
	<u>637</u>	<u>–</u>	<u>944</u>	<u>108</u>	<u>1,689</u>
	Foundation and construction — Hong Kong and Macau <i>HK\$'000</i>	Property development — Hong Kong <i>HK\$'000</i>	Construction — Singapore and Southeast Asia <i>HK\$'000</i>	Property development — Singapore and Southeast Asia <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>Year ended 31 December 2019</b>					
<b>Sales</b>					
Sales to external parties	935,705	–	3,075,924	3,861,746	7,873,375
Inter-segment sales	–	–	368,569	–	368,569
Total segment sales	<u>935,705</u>	<u>–</u>	<u>3,444,493</u>	<u>3,861,746</u>	<u>8,241,944</u>
<b>Adjusted segment (loss)/profit</b>	<b>(45,747)</b>	<b>(3,666)</b>	<b>157,158</b>	<b>368,433</b>	<b>476,178</b>
Depreciation of right-of-use assets	3,251	–	22,313	2,066	27,630
Depreciation of owned assets	53,685	–	19,633	190	73,508
Amortisation	–	–	5,902	–	5,902
Share-based payment expenses	852	–	7,005	576	8,433
	<u>852</u>	<u>–</u>	<u>7,005</u>	<u>576</u>	<u>8,433</u>

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

The following tables present segment assets and liabilities as at 31 December 2020 and 2019 respectively.

	Foundation and construction — Hong Kong and Macau <i>HK\$'000</i>	Property development — Hong Kong <i>HK\$'000</i>	Construction — Singapore and Southeast Asia <i>HK\$'000</i>	Property development — Singapore and Southeast Asia <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>As at 31 December 2020</b>					
Segment assets	<u>1,000,813</u>	<u>669,444</u>	<u>3,780,267</u>	<u>8,118,272</u>	<u>13,568,796</u>
Segment liabilities	<u>590,232</u>	<u>648,535</u>	<u>2,705,399</u>	<u>7,290,394</u>	<u>11,234,560</u>
<b>Segment assets include:</b>					
Additions to right-of-use assets	2,006	–	29,644	1,763	33,413
Additions to property, plant and equipment	38,122	–	15,587	468	54,177
Additions to investment properties	–	–	–	7,871	7,871
Investments in associated companies	–	–	80,597	–	80,597
Investments in joint ventures	–	–	–	–	–
	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>
	Foundation and construction — Hong Kong and Macau <i>HK\$'000</i>	Property development — Hong Kong <i>HK\$'000</i>	Construction — Singapore and Southeast Asia <i>HK\$'000</i>	Property development — Singapore and Southeast Asia <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>As at 31 December 2019</b>					
Segment assets	<u>971,789</u>	<u>644,631</u>	<u>3,548,908</u>	<u>8,432,040</u>	<u>13,597,368</u>
Segment liabilities	<u>560,397</u>	<u>649,987</u>	<u>2,640,058</u>	<u>7,243,315</u>	<u>11,093,757</u>
<b>Segment assets include:</b>					
Additions to right-of-use assets	22,457	–	31,840	3,570	57,867
Additions to property, plant and equipment	271,077	–	8,709	32	279,818
Additions to investment properties	–	–	–	49,927	49,927
Investments in associated companies	–	–	2,899	–	2,899
Investments in joint ventures	–	–	30,092	–	30,092
	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>



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

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

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

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

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

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

#### 4 REVENUE AND GEOGRAPHICAL SEGMENT INFORMATION

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

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

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

## 5 EXPENSES BY NATURE

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

## 6 OTHER INCOME

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

*Note:*

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

## 7 OTHER GAINS — NET

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

## 8 FINANCE COSTS — NET

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

## 9 INCOME TAX EXPENSE

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

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

## 10 EARNINGS PER SHARE

### Basic

	<b>2020</b> <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Profit attributable to ordinary shares	<b>201,454</b>	218,627
Profit attributable to convertible preference shares (“CPS”)	<b>16,603</b>	20,215
Profit attributable to owners of the Company	<b>218,057</b>	238,842

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

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

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

## Diluted

	2020		2019	
	Ordinary shares	CPS	Ordinary shares	CPS
Weighted average number of issued shares for the purpose of calculating basic earnings per share (in thousands)	1,518,320	124,876	1,504,373	138,837
Adjustments for outstanding share options (in thousands)	–	–	–	–
	<u>1,518,320</u>	<u>124,876</u>	1,504,373	138,837
Diluted earnings per share (HK\$)	<u>0.133</u>	<u>0.133</u>	<u>0.145</u>	<u>0.145</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. For the year ended 31 December 2020 and 2019, the calculation of diluted earnings per share does not assume the exercise of the share options issued by the Company as they would have anti-dilutive impact to the basic earnings per share.

## 11 DIVIDENDS

A final dividend in respect of the year ended 31 December 2020 of HK\$0.08 per share, amounting to a total dividend of HK\$131,456,000, is to be proposed at the 2021 annual general meeting. These consolidated financial statements do not reflect this final dividend payable but will be reflected as an appropriation of retained earnings for the year ending 31 December 2021 once approved at the annual general meeting.

	2020 HK\$’000	2019 HK\$’000
Interim dividend of HK\$Nil (2019: HK\$0.06) per ordinary share and per CPS	–	98,592
Proposed final dividend of HK\$0.08 (2019: HK\$0.04) per ordinary share and per CPS	<u>131,456</u>	<u>65,728</u>

## 12 TRADE AND OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS

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

Notes:

- (a) The credit periods granted to customers were in general 30 days. No interest was charged on the outstanding balance.
- (b) The aging analysis of the trade receivables based on invoice date is as follows:

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

- (c) Retention receivables in respect of the construction and foundation businesses are settled in accordance with the terms of the respective contracts. Retention receivables held by customers for construction and foundation work amounting to approximately HK\$159,548,000 (2019: HK\$42,555,100) are expected to be recovered in more than twelve months from 31 December 2020.
- (d) Apart from the HK\$40,000,000 other receivable due from a third party that was interest-bearing at a fixed rate of 3% per annum, the remaining other receivables due from associated companies, joint venture, other related parties, and third parties were unsecured, interest-free and repayable on demand. The other receivables did not contain any impaired assets.
- (e) Loans to associated companies were lent to companies in which the Group invested to develop properties in Singapore and Hong Kong. The loans were made in proportion to the percentages of the Group's shareholdings in these companies. The loans were unsecured, and interest-bearing at a fixed rate ranging from 5% to 6% (2019: 5%) per annum as at 31 December 2020.

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

### 13 DEVELOPMENT PROPERTIES FOR SALE

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

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

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



## 14 BORROWINGS

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

*Note:*

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

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

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

## 15 TRADE AND OTHER PAYABLES

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

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

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

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

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

## 16 SHARE CAPITAL

	Number of shares <i>(thousands)</i>	Share capital <i>HK\$'000</i>	Treasury Shares <i>HK\$'000</i>
<b>Authorised:</b>			
<i>Ordinary shares</i>			
At 1 January 2019, 31 December 2019 and 31 December 2020	<u>6,000,000</u>	<u>60,000</u>	<u>–</u>
<i>CPS</i>			
At 1 January 2019, 31 December 2019 and 31 December 2020	<u>1,000,000</u>	<u>10,000</u>	<u>–</u>
<b>Issued and fully paid:</b>			
<i>Ordinary shares</i>			
At 1 January 2019	1,455,941	14,559	(1,142)
Conversion of CPS	62,961	630	–
Cancellation of shares	<u>(582)</u>	<u>(6)</u>	<u>1,142</u>
At 31 December 2019 and 31 December 2020	<u>1,518,320</u>	<u>15,183</u>	<u>–</u>
<i>CPS</i>			
At 1 January 2019	187,837	1,879	–
Conversion during the year	<u>(62,961)</u>	<u>(630)</u>	<u>–</u>
At 31 December 2019 and 31 December 2020	<u>124,876</u>	<u>1,249</u>	<u>–</u>

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

## 17 CONTINGENT LIABILITIES

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

	<b>2020</b> <b><i>HK\$'000</i></b>	2019 <i>HK\$'000</i>
Guarantees on performance bonds in respect of construction contracts in Hong Kong	<u><b>194,212</b></u>	<u>241,940</u>

Subsidiaries of the Group also issued corporate guarantees to banks for borrowings of the Group's associated companies and related companies in which subsidiaries of the Company are non-controlling shareholders. As at 31 December 2020, these bank borrowings amounted to HK\$3,793,433,000 (2019: HK\$3,686,387,000).

## **FINAL DIVIDEND**

The Board recommends the payment of a final dividend of HK\$0.08 per ordinary share and CPS in respect of the year ended 31 December 2020 (2019: HK\$0.04 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 2021, the final dividend will be payable on or about 22 June 2021 to the shareholders of the Company (the “Shareholders”) whose names appear on the register of members of the Company on 31 May 2021 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 17 May 2021 to 21 May 2021, both days inclusive, during which period no transfer of the ordinary shares in the capital of the Company (the “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 branch share registrar, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong for registration no later than 4:30 p.m. on 14 May 2021. For the purpose of ascertaining the Shareholders’ entitlement to the proposed final dividend, the register of members of the Company will be closed from 27 May 2021 to 31 May 2021, 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 branch share registrar, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong for registration no later than 4:30 p.m. on 26 May 2021.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **Singapore Property Market Review**

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

## **Singapore Construction Market Review**

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

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

## **Malaysia Construction Market Review**

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

## **Hong Kong Property Market Review**

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

## **Hong Kong Construction Market Review**

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

## **Business Review**

### *Property Development Business*

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

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

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

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

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

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

<b>Sales Revenue 2020</b>	<b>ASP 2020</b>
<i>(HK\$’ million)</i>	<i>(HK\$/sq.m.)</i>

## Projects

I	Le Quest	838.1	83,836
II	Forett at Bukit Timah	88.3	116,802

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

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

As at 31 December 2020, the Group’s current portfolio of property projects under development with significant interest consisted of 3 private condominium development projects across Singapore. The project details are as follows:

Project	Location	Intended use	Site area <i>sq.m.</i>	Total SFA <i>sq.m.</i>	Cumulative contracted sales area <i>sq.m.</i>	Cumulative contracted sales amount <i>HK\$ billion</i>	% of completion as at	Estimated year of construction completion	Ownership interest
							31 December 2020		
Jadescape	314–319 Shunfu Road, Singapore	Residential, Private and Retail Space	37,991	106,955	71,412	7.31	66.4%	December 2021	45%
Forett at Bukit Timah	32–46 Toh Tuck Road, Singapore	Residential, Private and Retail Space	33,457	49,859	15,497	1.81	4.9%	April 2023	51%
Phoenix Road project	2/2A/2B–24/24A/24B Phoenix Road, Singapore	Residential, Private and Retail Space	5,938	8,313	0	0	0%	December 2024	63%

### *Jadescape (45% owned by the Group)*

Jadescape is a private condominium project consisting of 7 blocks of 21 to 23-storey apartments with 1,200 residential units and 6 retail shops, basement car parks and communal facilities. The project is located at 314–319 Shunfu Road.

The total SFA of this project is 106,955 sq.m. and the percentage of saleable area pre-sold was 66.8% as at 31 December 2020. The construction is scheduled to be completed in December 2021.

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

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

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

*Phoenix Road Project (63% owned by the Group)*

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

***Land bank status***

*(1) Yau Tong project, Hong Kong*

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

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

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

*(3) Tai Po project, Hong Kong*

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



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

### ***Construction Business***

The construction projects undertaken by the Group can be broadly divided into two major geographical segments, namely "Singapore & other Southeast Asia" and "Hong Kong & Macau". In Singapore & Southeast Asia, the Group tenders for public construction works, external private construction works and being engaged in the Group's property development projects whereas in Hong Kong & Macau, the Group is mainly responsible for superstructure construction, foundation works and ancillary services with particular specialization in piling works.

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

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

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

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

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

## **Financial Review**

### ***Revenue***

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

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

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

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

### ***Gross Profit Margin***

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

### ***Selling and Marketing Expenses***

The Group's selling and marketing expenses for the Reporting Period were approximately HK\$74.1 million (2019: approximately HK\$92.3 million), which was approximately 1.4% (2019: approximately 1.2%) of the Group's total revenue. The decrease was due to the lower sales commission paid for the development projects recognized during the Reporting Period.

### ***General and Administrative Expenses***

The Group's general and administrative expenses for the Reporting Period were approximately HK\$247.9 million (2019: approximately HK\$308.4 million), which was approximately 4.8% (2019: approximately 3.9%) of the Group's total revenue. The decrease was mainly attributable to the decrease in share based payment and staff costs recognized during the Reporting Period.

## ***Net Profit***

During the Reporting Period, the Group reported a net profit of approximately HK\$194.2 million (2019: approximately HK\$243.3 million), representing a decrease of 20.2% as compared with last year. The profit attributable to owners of the Company was HK\$218.1 million (2019: approximately HK\$238.8 million, representing a decrease of approximately 8.7% over the last year. Basic earnings per share was HK\$0.133 (2019: HK\$0.145).

## **Non-Competition Deed**

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

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

## **Prospects**

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

To meet the challenges of the post-pandemic era and as the economy reboots, Singapore’s 2021 budget introduces numerous measures to stimulate economic development, and the government will shift its focus from mitigating the impact of the pandemic to restructuring the economy and continuing to provide support to the people, employees and businesses of the country. Previously, a joint announcement was released by the Ministry of National Development, Ministry of Finance, Ministry of Law and Ministry of Trade and Industry of Singapore on May 6, 2020, which announced a series of temporary relief measures, including an extension of the time frame for completion and divestment of developments to help developers and buyers cope with the impact of the pandemic. With remarkable results of the anti-epidemic efforts, Singapore’s economic indicators such as unemployment rate and GDP have shown signs of stabilization, which has a relatively positive impact on the recovery

timeline of the local economy. In the long run, Singapore's overall economy is likely to slow down but remain solid, as it was ranked as the world's most competitive economy for the second consecutive year in 2020 by IMD's World Competitiveness Ranking. At the same time, Singapore's real estate market still has a good investment background. According to the 2021 Emerging Trends in Asia Pacific Real Estate Market report jointly released by PricewaterhouseCoopers and the Urban Land Institute, Singapore was ranked first out of 22 Asia Pacific cities with a real estate investment outlook index score of 6.24 in 2020. The Singapore market continues to provide the Group with long-term growth opportunities and room for expansion as the global quantitative easing has boosted asset prices and made the local property market more active. The Group will continue to build on its roots in the Singapore market and seek out quality projects to capitalize on its leading position in property development and consolidate its position as a leading local developer.

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

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

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

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

### **Debts and Charge on Assets**

The total interest bearing bank borrowings of the Group, including bank loans and lease liabilities, decreased from approximately HK\$7.2 billion as at 31 December 2019 to approximately HK\$6.5 billion as at 31 December 2020. Borrowings were denominated mainly in Singapore Dollar, Hong Kong Dollar, Renminbi and US Dollar. Interests on bank borrowings were charged at floating rates. The Group currently does not have an interest rate hedging policy and the Group monitors interest risks continuously and considers hedging any excessive risk when necessary.

These banking facilities were secured by the Group’s property, plant and equipment and development properties for sale with net carrying amounts of HK\$256,408,000 (2019: HK\$265,127,000), and HK\$4,842,716,000 (2019: HK\$4,539,629,000), respectively.

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

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

As at 31 December 2020, the Group had cash and cash equivalents of approximately HK\$1.2 billion (2019: approximately HK\$1.3 billion) of which approximately 62.8% was held in Singapore Dollar, 32.1% was held in Hong Kong dollar, 2.2% was held in US Dollars, 2.1% was held in Malaysian Ringgit and the remaining was mainly held in Macau Patacas and Indonesian Rupiah. The gearing ratio of the Group as at 31 December 2020 (defined as the net debt divided by total equity plus net debt, where net debt is defined as borrowings less cash and cash equivalents and pledged bank deposits) was approximately 58.5% (2019: approximately 62.6%).

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



## **Foreign Exchange**

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

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

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

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

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

1. an expert in the biological and medical device industry who has experience in the operation of medical device companies and medical laboratory and has a strong knowledge of drugs good manufacture practice in the PRC, ISO13485 and European regulatory requirements, and has participated in the unannounced inspection of drugs at the national and state levels and CE qualification audits;
2. a fund manager who is currently managing four funds with an aggregate size of approximately RMB300 million and investing in 10 projects involving fields such as the manufacturing of Chinese patent medicine. The past track record includes the investment in a medicine manufacturer achieving returns on capital of 58% and a biological product manufacturer with expected returns of 500%; and
3. an expert who has proven track record in investments in biomedical sector, including an investment in a CRO which had achieved 300% return on capital within 1.5 years; investment in a start-up on development of small molecule oncology drugs in angel round, which the valuation is now in series C stage has been grown by 500% within three years; and investment in a start-up on development of vaccines in angel round, which the valuation is now in series C stage has been grown by 300% within three years.

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

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

### **Capital Commitments**

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

### **Contingent Liabilities**

Save as disclosed in note 17 to the financial information in this announcement, the Group had no other contingent liabilities as at 31 December 2020 and 31 December 2019.

## **Event after the Reporting Period**

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

## **Employees and Remuneration Policy**

As at 31 December 2020, the Group had 2,026 full-time employees (2019:2,223 full-time employees). Most of the Group's employees were based in Singapore and Hong Kong. The remuneration policy and package of the Group's employees were periodically reviewed. Apart from provident fund and in-house training programmes, salaries increment and discretionary bonuses may be awarded to employees according to the assessment of individual performance.

The total remuneration cost incurred by the Group for the Reporting Period was approximately HK\$599.1 million (2019: approximately HK\$637.4 million).

## **Share Options**

### *Share Option Scheme*

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

On 28 April 2016, the Company offered to grant an aggregate of 10,500,000 (the "2016 Share Options") to certain Directors (the "2016 Grantees"), subject to acceptance of the 2016 Grantees, under the Share Option Scheme. The 2016 Share Options will enable the 2016 Grantees to subscribe for an aggregate of 10,500,000 new Shares, representing 1.59% of the issued share capital of the Company as at the date of grant subject to certain vesting periods. For further details, please refer to the announcement of the Company dated 28 April 2016. Since then, the Group has not granted any new options under the Share Option Scheme nor is there any option being exercised as at the date of this announcement.

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 2020, the maximum number of options issuable under the Scheme was 66,020,250 Shares, which represented 4.35% of the issued share capital of the Company.



## **Management Share Scheme**

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

During the Reporting Period, no CPS were transferred to the Selected Participants and 124,875,197 CPS remain under the trust.

## **Purchase, Sale and Redemption of the Company’s Securities**

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

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

## **Corporate Governance**

### ***Corporate Governance Code***

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

### **Code of Conduct Regarding Directors’ Securities Transactions**

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

## **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 comprehensive income, consolidated statement of financial position and the related notes thereto for the year ended 31 December 2020 as set out in this preliminary announcement have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's audited 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 has been expressed by PricewaterhouseCoopers on this preliminary announcement.

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

Hong Kong, 30 March 2021

*As at the date of this announcement, the Board comprises (i) four executive Directors, namely Mr. Cheng Wing On, Michael (Chairman), Mr. Wang Congyuan (Chief Executive Officer), Dr. Du Bo 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.*