



青建國際控股有限公司

CNQC International Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 1240



2020

INTERIM REPORT

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CORPORATE INFORMATION

DIRECTORS

Executive Directors

Mr. Cheng Wing On, Michael (*Chairman*)
Mr. Wang Congyuan (*Chief Executive Officer*)
Dr. Du Bo (appointed on 31 March 2020)
Mr. Zhang Yuqiang

Non-executive Director

Mr. Chen Anhua

Independent Non-executive Directors

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

COMPANY SECRETARY

Mr. Chan Tat Hung

AUDIT COMMITTEE

Mr. Tam Tak Kei, Raymond
(*Chairman of the Audit Committee*)
Mr. Ching Kwok Hoo, Pedro
Mr. Chan Kok Chung, Johnny

REMUNERATION COMMITTEE

Mr. Ching Kwok Hoo, Pedro
(*Chairman of the Remuneration Committee*)
Mr. Zhang Yuqiang
Mr. Wang Congyuan
Mr. Chan Kok Chung, Johnny
Mr. Tam Tak Kei, Raymond

NOMINATION COMMITTEE

Mr. Cheng Wing On, Michael
(*Chairman of the Nomination Committee*)
Dr. Du Bo (appointed on 31 March 2020)
Mr. Tam Tak Kei, Raymond
Mr. Ching Kwok Hoo, Pedro
Mr. Chan Kok Chung, Johnny

STRATEGY AND INVESTMENT COMMITTEE

Mr. Wang Congyuan (appointed as the chairman of Strategy and Investment Committee on 31 March 2020)
Dr. Du Bo (appointed on 31 March 2020)
Mr. Cheng Wing On, Michael (resigned as the chairman of Strategy and Investment Committee on 31 March 2020 but continues to serve as a member)
Mr. Zhang Yuqiang
Mr. Chan Kok Chung, Johnny
Mr. Chen Anhua

AUTHORIZED REPRESENTATIVES

Mr. Cheng Wing On, Michael
Mr. Chan Tat Hung

REGISTERED OFFICE

Clifton House, 75 Fort Street
PO Box 1350, Grand Cayman, KY1-1108
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

8/F, Enterprise Square Three
39 Wang Chiu Road
Kowloon Bay, Hong Kong

LEGAL ADVISERS AS TO HONG KONG LAWS

Norton Rose Fulbright Hong Kong

AUDITOR

PricewaterhouseCoopers
Certified Public Accountants
Registered Public Interest Entity Auditor

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Estera Trust (Cayman) Limited
Clifton House, 75 Fort Street
PO Box 1350, Grand Cayman, KY1-1108
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

PRINCIPAL BANKERS

United Overseas Bank
Hang Seng Bank Limited
China Development Bank
The Export-Import Bank Of China
Hong Leong Finance Limited
China Minsheng Banking Corp., LTD.
Hong Kong Branch

STOCK CODE

1240

WEBSITE

www.cnqc.com.hk

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 2020 (the "Reporting Period"), together with the comparative figures for the six months ended 30 June 2019 as follows:

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2020

	Note	Six months ended 30 June	
		2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Revenue	7	2,203,181	5,021,909
Cost of sales		(2,072,584)	(4,754,260)
Gross profit		130,597	267,649
Other income	8	77,582	26,925
Other gains — net	9	3,305	168,850
Selling and marketing expenses		(26,056)	(69,592)
General and administrative expenses		(118,022)	(133,040)
Operating profit	10	67,406	260,792
Finance income		29,723	28,629
Finance costs		(84,470)	(62,516)
Finance costs, net	11	(54,747)	(33,887)
Share of profit of associated companies		14,704	492
Share of profit of joint ventures		1,982	6,129
Profit before income tax		29,345	233,526
Income tax expense	12	(6,544)	(34,093)
Profit for the period		22,801	199,433
Other comprehensive loss			
Item that may be reclassified to profit or loss			
— Currency translation differences		(70,641)	(29,770)
Item that will not be reclassified to profit or loss			
— Fair value loss on financial assets at fair value through other comprehensive income		(345)	(9,210)
Total comprehensive (loss)/income for the period		(48,185)	160,453

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2020

	Note	Six months ended 30 June	
		2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Profit/(loss) for the period attributable to:			
Owners of the Company		38,212	195,207
Non-controlling interests		(15,411)	4,226
		22,801	199,433
Total comprehensive (loss)/income for the period attributable to:			
Owners of the Company		(25,844)	157,095
Non-controlling interests		(22,341)	3,358
		(48,185)	160,453
Earnings per share attributable to owners of the Company during the period			
	13		
Basic earnings per share			
— ordinary shares (HK\$)		0.024	0.119
— convertible preference shares (HK\$)		0.024	0.119
Diluted earnings per share			
— ordinary shares (HK\$)		0.024	0.119
— convertible preference share (HK\$)		0.024	0.119

The above interim condensed consolidated statement of comprehensive income should be read in conjunction with the accompany notes.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2020

	Note	30 June 2020 HK\$'000 (Unaudited)	31 December 2019 HK\$'000 (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment	14	522,474	528,399
Right-of-use assets	14	68,363	80,094
Investment properties	14	598,500	613,632
Goodwill	14	558,410	568,298
Other intangible assets	14	28,692	32,634
Investments in associated companies		21,938	2,899
Investments in joint ventures		33,755	30,092
Deferred income tax assets		26,204	24,216
Financial assets at fair value through profit or loss		354,883	259,432
Financial assets at fair value through other comprehensive income		9,646	9,991
Prepayments and other receivables	15	959,001	924,183
		3,181,866	3,073,870
Current assets			
Development properties for sale	16	5,058,528	5,162,395
Inventories		55,466	13,967
Trade and other receivables, prepayments and deposits	15	1,510,059	1,709,788
Contract assets		731,028	1,504,861
Tax recoverable		2,648	3,265
Derivative financial instruments		3,009	–
Pledged bank deposits		16,447	199,106
Cash and cash equivalents		1,621,439	1,271,199
		8,998,624	9,864,581
Total assets		12,180,490	12,938,451

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2020

	Note	30 June 2020 HK\$'000 (Unaudited)	31 December 2019 HK\$'000 (Audited)
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital — ordinary shares	19	15,183	15,183
Share capital — convertible preference shares	19	1,249	1,249
Share premium		3,261,225	3,261,225
Other reserves		(1,212,237)	(1,149,765)
Retained earnings		1,074,441	1,101,957
		3,139,861	3,229,849
Non-controlling interests		242,784	210,559
Total equity		3,382,645	3,440,408
LIABILITIES			
Non-current liabilities			
Borrowings	17	4,404,775	3,978,257
Lease liabilities		54,016	58,988
Deferred income tax liabilities		107,077	100,262
		4,565,868	4,137,507
Current liabilities			
Trade and other payables	18	1,497,644	2,008,119
Contract liabilities		38,439	54,277
Tax payables		95,340	102,291
Borrowings	17	2,581,376	3,170,190
Lease liabilities		19,178	23,804
Derivative financial instruments		–	1,855
		4,231,977	5,360,536
Total liabilities		8,797,845	9,498,043
Total equity and liabilities		12,180,490	12,938,451

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2020

	Attributable to owners of the Company							
	Share capital — ordinary shares HK\$'000	Share capital — convertible preference shares HK\$'000	Share premium HK\$'000	Other reserves HK\$'000	Retained earnings HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total equity HK\$'000
For the six months ended 30 June 2020 (unaudited)								
Balance at 31 December 2019	15,183	1,249	3,261,225	(1,149,765)	1,101,957	3,229,849	210,559	3,440,408
Comprehensive income								
Profit/(loss) for the period	-	-	-	-	38,212	38,212	(15,411)	22,801
Other comprehensive loss								
Currency translation difference	-	-	-	(63,711)	-	(63,711)	(6,930)	(70,641)
Fair value change on financial assets at fair value through other comprehensive income	-	-	-	(345)	-	(345)	-	(345)
Total comprehensive (loss)/income	-	-	-	(64,056)	38,212	(25,844)	(22,341)	(48,185)
Transactions with owners in their capacity as owners								
Contribution from non-controlling interests	-	-	-	-	-	-	54,566	54,566
Employee share option scheme — share based compensation benefits	-	-	-	1,584	-	1,584	-	1,584
Dividend paid	-	-	-	-	(65,728)	(65,728)	-	(65,728)
Total transactions with owners in their capacity as owners	-	-	-	1,584	(65,728)	(64,144)	54,566	(9,578)
Balance at 30 June 2020 (unaudited)	15,183	1,249	3,261,225	(1,212,237)	1,074,441	3,139,861	242,784	3,382,645

The above interim condensed consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2020

	Attributable to owners of the Company								
	Share capital — ordinary shares HK\$'000	Share capital — convertible preference shares HK\$'000	Share premium HK\$'000	Treasury shares HK\$'000	Other reserves HK\$'000	Retained earnings HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total HK\$'000
For the six months ended 30 June 2019 (unaudited)									
Balance at 31 December 2018	14,559	1,879	3,262,361	(1,142)	(1,133,277)	1,054,224	3,198,604	123,832	3,322,436
Change in accounting policies for interest capitalisation	–	–	–	–	–	13,773	13,773	(13,655)	118
Adoption of HKFRS 16	–	–	–	–	–	(7,841)	(7,841)	–	(7,841)
Balance at 1 January 2019, as restated	14,559	1,879	3,262,361	(1,142)	(1,133,277)	1,060,156	3,204,536	110,177	3,314,713
Comprehensive income									
Profit for the period	–	–	–	–	–	195,207	195,207	4,226	199,433
Other comprehensive (loss)/income									
Currency translation difference	–	–	–	–	(28,902)	–	(28,902)	(868)	(29,770)
Fair value change on financial assets at fair value through other comprehensive income	–	–	–	–	(9,210)	–	(9,210)	–	(9,210)
Total comprehensive income/(loss)	–	–	–	–	(38,112)	195,207	157,095	3,358	160,453
Transactions with owners in their capacity as owners									
Conversion of convertible preference shares	630	(630)	–	–	–	–	–	–	–
Contribution from non-controlling interests	–	–	–	–	–	–	–	74,313	74,313
Non-controlling interests arising on a business combination	–	–	–	–	–	–	–	165,719	165,719
Employee share option scheme — share based compensation benefits	–	–	–	–	4,590	–	4,590	–	4,590
Dividend paid	–	–	–	–	–	(82,160)	(82,160)	–	(82,160)
Cancellation of shares	(6)	–	(1,136)	1,142	–	–	–	–	–
Total transactions with owners in their capacity as owners	624	(630)	(1,136)	1,142	4,590	(82,160)	(77,570)	240,032	162,462
Balance at 30 June 2019 (unaudited)	15,183	1,249	3,261,225	–	(1,166,799)	1,173,203	3,284,061	353,567	3,637,628

The above interim condensed consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2020

	Six months ended 30 June	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Cash flows from operating activities		
Net cash generated from/(used in) operations	504,746	(2,500,787)
Interest paid	(129,055)	(101,282)
Income tax paid	(12,052)	(19,698)
Net cash generated from/(used in) operating activities	363,639	(2,621,767)
Cash flows from investing activities		
Step acquisition of subsidiary, net of cash acquired	–	115,688
Addition of property, plant and equipment	(34,008)	(252,001)
Proceeds from disposal of property, plant and equipment and right-of-use assets	930	610
Addition of other intangible assets	–	(132)
Additions of financial assets at fair value through profit or loss	(95,601)	–
Proceeds from disposal of subsidiaries	–	1,735
Proceeds from disposal of financial assets fair value through profit or loss	–	115,117
Addition of investment properties under development	(6,107)	(12,885)
(Loan to)/repayment from related parties	(68,070)	202,029
Interest received	29,723	28,629
Investment in an associated company	(2,214)	–
Dividends received	–	5,765
Settlement of derivative financial instruments	(410)	810
Net cash (used in)/generated from investing activities	(175,757)	205,365
Cash flows from financing activities		
Contribution from non-controlling interests of subsidiaries	54,566	74,313
Dividends paid	(65,728)	(82,160)
Drawdown on bank borrowings	2,146,495	2,401,595
Repayment of bank borrowings	(2,109,369)	(348,385)
Repayment on principal element of lease liabilities	(15,719)	(8,868)
Repayment on interest element of lease liabilities	(1,115)	(629)
Decrease in pledged bank deposits for bank borrowings	182,659	99,880
Net cash generated from financing activities	191,789	2,135,746
Net increase/(decrease) in cash and cash equivalents	379,671	(280,656)
Cash and cash equivalents at beginning of the period	1,271,199	1,511,833
Exchange losses on cash and cash equivalents	(29,431)	(28,689)
Cash and cash equivalents at end of the period	1,621,439	1,202,488

The above interim condensed consolidated statement of cash flows should be read in conjunction with the accompanying notes.

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 property development, foundation and construction business in Singapore and Southeast Asia, Hong Kong and Macau.

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

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

This unaudited condensed consolidated interim financial information (“Interim Financial Information”) is presented in thousands of units of Hong Kong Dollar (“HK\$”), unless otherwise stated.

2 BASIS OF PREPARATION

This Interim Financial Information for the six months ended 30 June 2020 has been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim financial reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) as well as with the applicable disclosure requirements of Appendix to the Rules Governing the Listing of Security on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

The Interim Financial Information should be read in conjunction with the consolidated financial statements for the year ended 31 December 2019 (“2019 Financial Statements”), which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”) issued by HKICPA.

This Interim Financial Information has been prepared on the historical cost basis, except for 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.

3 ACCOUNTING POLICIES

Except as described below, the accounting policies applied to prepare this unaudited Interim Financial Information for the six months ended 30 June 2020 are consistent with the 2019 Financial Statements.

(a) Relevant new standard and amendments to existing standards effective for the financial year beginning 1 January 2020:

Amendment to HKAS 1 and HKAS 8	Definition of material
Amendment to HKAS 39, HKFRS 7 and HKFRS 9	Hedge accounting
Amendment to HKFRS 3	Definition of a business
Conceptual Framework for Financial Reporting 2018	Revised conceptual framework for financial reporting

The Group will adopt these new standards and amendments to existing standards in the period of initial application. It is not expected to have a significant impact on the Group’s results of operations and its financial position and did not require retrospective adjustments.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

3 ACCOUNTING POLICIES (CONTINUED)

(b) The following new standard 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 16 (Amendments)	COVID-19-related rent concessions	1 June 2020
HKAS 16 (Amendments)	Property, plant, equipment: proceeds before intended use	1 January 2022
HKAS 37 (Amendments)	Onerous contracts — cost of fulfilling a contract	1 January 2022
HKFRS 3 (Amendments)	Reference to the conceptual framework	1 January 2022
Annual improvement projects	Annual improvements 2018–2020 Cycle (Amendments)	1 January 2022
HKAS 1 (Amendments)	Classification of liabilities as current or non-current	1 January 2023
HKFRS 17	Insurance contracts	1 January 2023
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 standard and amendments to existing standards. The management will adopt the new standard and amendments to standards when they become effective.

4 JUDGEMENTS AND ESTIMATES

The preparation of Interim Financial Information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this Interim Financial Information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements of the Company for the year ended 31 December 2019.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

5 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

5.1 Financial risk factors

The Group's activities expose it to market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management strategy seeks to minimise any adverse effects from the unpredictability of financial markets on the Group's financial performance.

The Interim Financial Information do not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2019.

There have been no changes in the risk management policies since year end.

5.2 Liquidity risk

The Group's policy is to regularly monitor current and expected liquidity requirements and its compliance with debt covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from banks and other financial institutions to meet their liquidity requirements in the shorter and longer term. Management believes there is no significant liquidity risk as the Group has sufficient committed facilities to fund their operations.

As at 30 June 2020, the Group had cash and cash equivalents of HK\$1,621,439,000 (31 December 2019: HK\$1,271,199,000) of which approximately 45.6% was held in Singapore Dollar ("SGD"), 25.2% was held in US Dollar, 15.7% was held in HK\$, 11.8% was held in Renminbi and the remaining was mainly held in Malaysian Ringgit, Australian Dollar, Macau Patacas, Indonesian Rupiah, and Vietnamese Dong. The gearing ratio of the Group as at 30 June 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 62% (31 December 2019: approximately 63%).

5.3 Fair value measurements

The table below analyses the Group's financial instruments carried at fair value as at 30 June 2020 and 31 December 2019 by level of the inputs to valuation techniques used to measure fair value. Such inputs are categorised into three levels within a fair value hierarchy as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

5 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (CONTINUED)

5.3 Fair value measurements (Continued)

(i) The following table shows an analysis of financial instruments carried at fair value by level of fair value hierarchy.

	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
30 June 2020				
Assets				
Financial assets at fair value through other comprehensive income	–	–	9,646	9,646
Financial assets at fair value through profit or loss				
— Unlisted investment funds	–	–	354,883	354,883
Derivative financial instruments:				
— Foreign exchange forward contracts	–	3,009	–	3,009
	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
31 December 2019				
Assets				
Financial assets at fair value through other comprehensive income	–	–	9,991	9,991
Financial assets at fair value through profit or loss				
— Unlisted investment fund	–	–	259,432	259,432
Liability				
Derivative financial instruments:				
— Foreign exchange forward contracts	–	1,855	–	1,855

The fair values of derivative financial instruments that are not traded in an active market are determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2. The fair value of foreign exchange forward contracts is determined using forward exchange rates at the consolidated statement of financial position date, with the resulting value discounted back to present value.

The investments in unquoted financial assets at fair value through other comprehensive income held by the Group as at 31 December 2019 and 30 June 2020 are equity investments in property development companies that are not traded in an active market. The fair value of these investments is determined by using a dividend discount model for which the assumptions are based on the estimated future dividend plans of the underlying investments. These investments are classified as Level 3.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

5 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (CONTINUED)

5.3 Fair value measurements (Continued)

- (i) The following table shows an analysis of financial instruments carried at fair value by level of fair value hierarchy. (Continued)

Financial assets at fair value through profit or loss held by the Group as at 30 June 2020 are investment funds established for property development project in Singapore and medicine development project in the People's Republic of China (the "PRC") that are not traded in an active market. The fair value of these investments is determined by using a discounted cash flow model for which the assumptions are based on the estimated distribution of return of the underlying investments. These investments are classified as Level 3.

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

	Financial assets at fair value through other comprehensive income HK\$'000	Financial assets at fair value through profit or loss HK\$'000
1 January 2020	9,991	259,432
Additions	–	95,601
Fair value changes	(345)	9,605
Exchange differences	–	(9,755)
30 June 2020	9,646	354,883
1 January 2019	8,914	340,568
Disposal	–	(114,000)
Exchange differences	1,967	1,581
30 June 2019	10,881	228,149

During the six months ended 30 June 2020 and 2019, there were no transfers of financial assets and liabilities between level 1, level 2 and level 3.

The fair value of financial assets at fair value through other comprehensive income is determined by using a dividend discount model. The unobservable inputs used in the fair value measurement include forecast dividend earnings and discount rate. Should the forecast dividend earnings increased, other comprehensive income would have been higher. Should the discount rate be increased, other comprehensive income would have been lower.

The fair value of financial assets at fair value through profit or loss is determined by using a discounted cash flow model. The unobservable inputs used in the fair value measurement include discount rate. Should the discount rate increased, profit for the year would have been lower.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

5 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (CONTINUED)

5.4 Fair values of financial assets and liabilities measured at amortised cost

The fair values of the following financial assets and liabilities approximate their carrying amounts:

- Trade receivables
- Deposits and other receivables
- Cash and cash equivalents
- Pledged bank deposits
- Trade payables
- Accruals and other payables
- Borrowings
- Lease liabilities

6 SEGMENT INFORMATION

The Group's reportable and operating segments, which are 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
- Property development — Hong Kong
- Construction — Singapore and Southeast Asia
- Property development — Singapore and Southeast Asia

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

6 SEGMENT INFORMATION (CONTINUED)

Information regarding the above segments is reported below.

	Foundation and construction — Hong Kong and Macau HK\$'000	Property development — Hong Kong HK\$'000	Construction — Singapore and Southeast Asia HK\$'000	Property development — Singapore and Southeast Asia HK\$'000	Total HK\$'000
Six months ended 30 June 2020 (Unaudited)					
Sales					
Sales to external parties	600,719	–	1,174,143	428,319	2,203,181
Inter-segment sales	–	–	26,265	198	26,463
Total segment sales	600,719	–	1,200,408	428,517	2,229,644
Adjusted segment profit/(loss)	19,307	(1,746)	(8,094)	76,427	85,894
Depreciation of owned assets	31,276	–	5,373	126	36,775
Depreciation of right-of-use assets	1,627	–	11,784	1,471	14,882
Amortisation	–	–	2,950	–	2,950
Share-based payment expenses	503	–	472	–	975

	Foundation and construction — Hong Kong and Macau HK\$'000	Property development — Hong Kong HK\$'000	Construction — Singapore and Southeast Asia HK\$'000	Property development — Singapore and Southeast Asia HK\$'000	Total HK\$'000
Six months ended 30 June 2019 (Unaudited)					
Sales					
Sales to external parties	314,924	–	1,408,836	3,298,149	5,021,909
Inter-segment sales	–	–	227,086	–	227,086
Total segment sales	314,924	–	1,635,922	3,298,149	5,248,995
Adjusted segment profit/(loss)	(35,184)	551	139,610	130,019	234,996
Depreciation of owned assets	24,615	–	6,833	1,361	32,809
Depreciation of right-of-use assets	2,524	–	7,885	–	10,409
Amortisation	–	–	2,897	–	2,897
Share-based payment expenses	719	–	1,323	289	2,331

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

6 SEGMENT INFORMATION (CONTINUED)

The following tables present segment assets and liabilities as at 30 June 2020 and 31 December 2019 respectively.

	Foundation and construction — Hong Kong and Macau HK\$'000	Property development — Hong Kong HK\$'000	Construction — Singapore and Southeast Asia HK\$'000	Property development — Singapore and Southeast Asia HK\$'000	Total HK\$'000
As at 30 June 2020 (Unaudited)					
Segment assets	954,426	666,461	3,472,075	7,404,262	12,497,224
Segment liabilities	479,694	652,428	2,466,136	6,752,168	10,350,426
Segment assets include:					
Additions to property, plant and equipment	21,891	—	12,099	18	34,008
Additions to right-of-use assets	703	—	7,623	1,636	9,962
Additions to investment properties under development	—	—	—	6,107	6,107
Investments in associated companies	—	—	21,938	—	21,938
Investments in joint ventures	—	—	33,755	—	33,755

	Foundation and construction — Hong Kong and Macau HK\$'000	Property development — Hong Kong HK\$'000	Construction — Singapore and Southeast Asia HK\$'000	Property development — Singapore and Southeast Asia HK\$'000	Total HK\$'000
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As at 31 December 2019 (Audited)

Segment assets	971,789	644,631	3,548,908	8,432,040	13,597,368
Segment liabilities	560,397	222,511	2,640,058	7,243,315	10,666,281

Segment assets include:

Additions to property, plant and equipment	271,077	—	8,709	32	279,818
Additions to right-of-use assets	22,457	—	31,840	3,570	57,867
Additions to investment properties under development	—	—	—	49,927	49,927
Investments in associated companies	—	—	2,899	—	2,899
Investments in joint ventures	—	—	30,092	—	30,092

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

6 SEGMENT INFORMATION (CONTINUED)

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

	Six months ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Adjusted segment profit for reportable segments	85,894	234,996
Unallocated expenses	(20,051)	(16,524)
Elimination	1,563	42,320
Finance income	29,723	28,629
Finance costs	(84,470)	(62,516)
Share of profit of associated companies	14,704	492
Share of profit of joint ventures	1,982	6,129
Profit before income tax	29,345	233,526

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

	As at	As at
	30 June	31 December
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Segment assets	12,497,224	13,597,368
Unallocated	4,488,654	2,744,722
Elimination	(4,805,388)	(3,403,639)
Total assets	12,180,490	12,938,451

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

6 SEGMENT INFORMATION (CONTINUED)

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

	As at 30 June 2020 HK\$'000 (Unaudited)	As at 31 December 2019 HK\$'000 (Audited)
Segment liabilities	10,350,426	10,666,281
Unallocated	2,924,841	2,238,540
Elimination	(4,477,422)	(3,406,778)
Total liabilities	8,797,845	9,498,043

7 REVENUE

	Six months ended 30 June 2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Revenue		
Construction contracts income	1,771,893	1,723,335
Sales of development properties	426,664	3,296,504
Sales of goods	1,636	143
Income from loaning labour to other contractors	2,969	397
Rental of equipment	–	1,502
Service income	19	28
	2,203,181	5,021,909
Revenue from contracts with customers		
— recognised at a point in time	38,324	3,310,625
— recognised over time	2,164,857	1,709,782
	2,203,181	5,020,407
Revenue from other sources		
— rental of equipment	–	1,502
	2,203,181	5,021,909

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

8 OTHER INCOME

	Six months ended 30 June	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Management fee income	16,039	7,699
Rental income	1,190	8,468
Dividend income	–	5,765
Government grants (Note)	52,730	1,272
Forfeited customer deposits	2,661	299
Sundry income	4,962	3,422
	77,582	26,925

Note: Government grants represent subsidies granted by local governments against the COVID-19 pandemic. These subsidies were granted in the form of cash payment.

9 OTHER GAINS — NET

	Six months ended 30 June	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Gain/(loss) on disposal of property, plant and equipment	17	(515)
Gain on disposal of right-of-use assets	18	–
Foreign exchange forward contracts		
— fair value gain	4,780	372
— loss on settlement, net	(591)	(1,413)
Provision for foreseeable losses on certain construction contracts	(10,524)	–
Fair value gain on financial assets at fair value through profit or loss	9,605	–
Gain on deemed disposal of previously owned interest in an associated company	–	168,671
Gain on disposal of subsidiaries	–	1,735
Other gains— net	3,305	168,850

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

10 OPERATING PROFIT

Operating profit is stated after charging the following:

	Six months ended 30 June	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Contractor and material costs included in "Cost of sales"	1,550,395	1,732,316
Property development costs included in "Cost of sales"	323,692	2,643,079
Sales commissions	8,806	60,001
Show flat costs	336	2,218
Marketing expenses	16,914	7,438
Staff costs, including directors' emoluments	225,047	389,615
Depreciation of owned assets	36,775	32,809
Depreciation of right-of-use assets	14,882	10,409
Amortisation of intangible assets	2,950	2,897
Legal and professional fees	9,270	11,493
Rental expenses on operating leases	12,127	33,400

During the six months ended 30 June 2020, staff costs included share-based payment expenses of approximately HK\$1,584,000 (six months ended 30 June 2019: approximately HK\$4,590,000).

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

11 FINANCE COSTS — NET

	Six months ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Finance income		
Interest income from bank deposits	4,252	5,626
Interest income from loans to associated companies	23,183	17,336
Interest income from loans to other related parties	532	5,667
Others	1,756	–
	29,723	28,629
Finance costs		
Interest expenses on lease liabilities	(1,115)	(978)
Interest expenses on bank borrowings and arrangement fee amortised in respect of bank facilities	(91,462)	(57,986)
Interest expenses on medium term note	(16,758)	(14,500)
Interest expenses on loans from non-controlling interests of subsidiaries	(19,720)	(9,811)
	(129,055)	(83,275)
Less: Interest expenses capitalised	38,509	15,214
	(90,546)	(68,061)
Net foreign exchange gains	6,076	5,545
	(84,470)	(62,516)
Finance costs — net	(54,747)	(33,887)

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

12 INCOME TAX EXPENSE

Hong Kong profits tax and Singapore income tax have been provided for at the rate of 16.5% and 17% respectively, others have been provided for at the applicable rate for the six months ended 30 June 2020 and 2019 on the estimated assessable profit for the period in the respective jurisdiction.

	Six months ended 30 June	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Current income tax expense		
— Hong Kong profits tax	1,139	1,088
— Singapore income tax	3,187	68,110
— Others	1,173	924
Deferred income tax	1,045	(36,029)
Income tax expense	6,544	34,093

13 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.

	Six months ended 30 June	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Profit attributable to ordinary shares	35,276	176,980
Profit attributable to convertible preference shares ("CPS")	2,936	18,227
Profit attributable to owners of the Company	38,212	195,207

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

13 EARNINGS PER SHARE (CONTINUED)

Basic (Continued)

	Six months ended 30 June 2020		Six months ended 30 June 2019	
	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)	1,518,320	124,876	1,490,116	153,108
Basic earnings per share (HK\$)	0.024	0.024	0.119	0.119

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 CPS outstanding for each of the periods presented.

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

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

13 EARNINGS PER SHARE (CONTINUED)

Diluted

	Six months ended 30 June 2020		Six months ended 30 June 2019	
	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)	1,518,320	124,876	1,490,116	153,108
Adjustments for outstanding share options (in thousands)	–	–	42	–
	1,518,320	124,876	1,490,158	153,108
Diluted earnings per share (HK\$)	0.024	0.024	0.119	0.119

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 period 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.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

14 RIGHT-OF-USE ASSETS, PROPERTY, PLANT AND EQUIPMENT, INVESTMENT PROPERTIES, GOODWILL AND OTHER INTANGIBLE ASSETS

	Right-of-use assets HK\$'000 (Unaudited)	Property, plant and equipment HK\$'000 (Unaudited)	Investment properties under development HK\$'000 (Unaudited)	Completed investment properties HK\$'000 (Unaudited)	Goodwill HK\$'000 (Unaudited)	Other intangible assets HK\$'000 (Unaudited)
Six months ended 30 June 2020						
Opening net book amount as at 1 January 2020	80,094	528,399	613,632	-	568,298	32,634
Additions	9,962	34,008	6,107	-	-	-
Disposal	(443)	(452)	-	-	-	-
Depreciation and amortisation	(14,882)	(36,775)	-	-	-	(2,950)
Exchange differences	(6,368)	(2,706)	(21,239)	-	(9,888)	(992)
Transfer upon completion	-	-	(598,500)	598,500	-	-
Closing amount as at 30 June 2020	68,363	522,474	-	598,500	558,410	28,692
Six months ended 30 June 2019						
Opening amount as at 31 December 2018	-	331,481	561,012	-	563,327	38,475
Adoption of HKFRS 16	50,400	(6,498)	-	-	-	-
Opening net book amount as at 1 January 2019, as restated	50,400	324,983	561,012	-	563,327	38,475
Additions	26,513	252,001	12,885	-	-	132
Disposal	(1,023)	(1,334)	-	-	-	-
Depreciation and amortisation	(10,409)	(32,809)	-	-	-	(2,897)
Exchange differences	272	(160)	3,813	-	(4,348)	(84)
Closing amount as at 30 June 2019	65,753	542,681	577,710	-	558,979	35,626

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

15 TRADE AND OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS

	30 June 2020 HK\$'000 (Unaudited)	31 December 2019 HK\$'000 (Audited)
Current		
Trade receivables (Note (b))		
— An associated company	33,726	146,274
— Other related parties	2,200	–
— Third parties	464,935	594,609
	500,861	740,883
Retention receivables from customers for contract work (Note (c))		
— Non-controlling interests of subsidiaries	4,428	–
— Other related parties	7,320	–
— Third parties	308,901	337,904
	320,649	337,904
Other receivables (Note (d))		
— Associated companies	200,572	173,850
— A joint venture	125,450	111,450
— Other related parties	8,927	890
— Third parties	151,691	141,409
Prepayments	139,571	144,248
Deposits	44,147	48,667
Staff advances	1,482	4,408
Goods and services tax receivable	16,709	5,215
Dividend receivable	–	864
	688,549	631,001
	1,510,059	1,709,788
Non-current		
Loans receivables		
— Associated companies (Note (e))	948,737	912,072
— Other related parties	9,781	10,133
Prepayments and other receivables	483	1,978
	959,001	924,183

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

15 TRADE AND OTHER RECEIVABLES (CONTINUED)

Notes:

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

	30 June 2020 HK\$'000 (Unaudited)	31 December 2019 HK\$'000 (Audited)
1–30 days	344,619	615,701
31–60 days	63,825	74,104
61–90 days	14,434	12,760
Over 90 days	77,983	38,318
	500,861	740,883

During the six months ended 30 June 2020, no additional provision was recorded for its trade receivables (30 June 2019: 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\$99,395,000 (31 December 2019: HK\$42,555,100) are expected to be recovered in more than twelve months from the reporting date.
- (d) The other receivables due from associated companies, a 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. 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 2020 (31 December 2019: same).

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

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

16 DEVELOPMENT PROPERTIES FOR SALE

	30 June 2020 HK\$'000 (Unaudited)	31 December 2019 HK\$'000 (Audited)
Properties in the course of development		
Leasehold land at cost	4,144,194	4,131,090
Development costs	700,512	850,182
Overheads expenditure capitalised	17,487	18,256
Interest expenses capitalised	196,335	162,867
	5,058,528	5,162,395

The capitalised interest rate applied to funds borrowed and used for the development of properties is between 3.2% and 5.0% per annum (Year ended 31 December 2019: between 3.2% and 5.0% per annum).

As at 30 June 2020, development properties with net carrying amounts of HK\$4,466,915,000 (31 December 2019: HK\$4,539,629,000) were pledged as securities for certain bank loans of the Group (Note 17(a)(i)).

17 BORROWINGS

	30 June 2020 HK\$'000 (Unaudited)	31 December 2019 HK\$'000 (Audited)
Current		
Bank borrowings — secured (Note (a))	610,016	753,396
Bank borrowings — unsecured (Note (b))	1,331,984	1,799,552
Bank borrowings — mortgaged (Note (c))	88,144	20,672
Medium term notes (Note (e))	527,745	575,081
Loans from non-controlling interests of subsidiaries — unsecured (Note (d))	23,487	21,489
	2,581,376	3,170,190
Non-current		
Bank borrowings — secured (Note (a))	2,557,017	2,632,656
Bank borrowings — unsecured (Note (b))	800,001	436,726
Bank borrowings — mortgaged (Note (c))	175,237	80,333
Loans from non-controlling interests of subsidiaries — unsecured (Note (d))	872,520	828,542
	4,404,775	3,978,257
Total borrowings	6,986,151	7,148,447

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

17 BORROWINGS (CONTINUED)

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

	30 June 2020 HK\$'000 (Unaudited)	31 December 2019 HK\$'000 (Audited)
Within 1 year	2,456,141	3,170,190
Between 1 and 2 years	731,381	671,201
Between 2 and 5 years	3,740,748	3,246,421
Later than 5 years	57,881	60,635
Total	6,986,151	7,148,447

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

	<i>Note</i>	30 June 2020 HK\$'000 (Unaudited)	31 December 2019 HK\$'000 (Audited)
Secured by:			
Development properties for sale, investment properties under development and joint guarantee from directors of certain subsidiaries	<i>(i)</i>	2,618,512	2,716,041
Fixed bank deposits	<i>(ii)</i>	–	74,615
Interests in construction contracts and corporate guarantee from an intermediate holding company	<i>(iii)</i>	548,521	595,396
		3,167,033	3,386,052
Represented by:			
— Current portion		610,016	753,396
— Non-current portion		2,557,017	2,632,656

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

17 BORROWINGS (CONTINUED)

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

Notes:

- (i) As at 30 June 2020, the amounts comprise land and development loans of approximately HK\$2,618,512,000 (31 December 2019: HK\$2,716,041,000), and bore interest at rates from 2% over the relevant bank's one month SGD Cost of Funds ("COF") and 1.65% over Singapore Swap Offer Rate (31 December 2019: same) per annum. The loans were secured by mortgages over the Group's development properties for sale (Note 16), investment properties (Note 14) and legal assignment of all rights, title and interests in the construction contracts, insurance policies, performance bonds (if any), tenancy agreements and sale and purchase agreements in respect of the development properties for sale and personal and joint guarantee of the directors of certain subsidiaries.
- (ii) As at 31 December 2019, the bank borrowings were secured by fixed deposits of RMB160,000,000 (approximately HK\$178,176,000) and bore interest at 0.87% over one month Singapore Interbank Offered Rate ("SIBOR") calculated daily based on a 365-day year.
- (iii) As at 30 June 2020, the bank borrowings bore interest at fixed rates of 3.5% (31 December 2019: same) and floating rate at 1.6% over the 6-months London Interbank Offered Rate ("LIBOR") per annum (31 December 2019: same).
- (b) As at 30 June 2020 and 31 December 2019, unsecured bank borrowings were guaranteed by the Company.
- (c) As at 30 June 2020, bank borrowings of approximately HK\$263,381,000 (31 December 2019: approximately HK\$101,005,000) were secured by mortgages over part of the Group's leasehold land and buildings. The effective interest rates of the loan were between 1.8% and 3.3% (31 December 2019: between 2.8% and 3.7%) per annum as at 30 June 2020. The loans will be repaid by fixed monthly payment over 15 years to 20 years (31 December 2019: same).
- (d) The loans from non-controlling interests of subsidiaries were unsecured and not expected to be repaid within 1 year, except for the current portions which were expected to be repaid within 1 year. The loans are subject to variable interest rates which contractually re-price within 12 months from the financial reporting date. The effective interest rate was 5.0% as at 30 June 2020 (31 December 2019: same).
- (e) On 7 November 2017, the Company issued medium term notes with nominal value of SGD100,000,000 at coupon of 4.9% per annum for a period of 3 years under a medium term note programme established during the year. The interest is payable semi-annually in arrears. The net proceeds, after deducting the direct issuance costs, amounted to approximately SGD99,625,000. The medium term notes due 2020 will mature on 7 November 2020. The notes are listed on Singapore Exchange Securities Trading Limited. During the period ended 30 June 2020, the Group has redeemed the medium term notes representing an aggregated principal of SGD5,000,000. The carrying amount approximates its fair value.
- (f) The fair values of the bank borrowings and the loans from related parties approximate their respective carrying values as at 30 June 2020 and 31 December 2019, as these borrowings were charged at market interest rates.
- (g) These committed banking facilities were subject to annual review. As at 30 June 2020, the undrawn banking facilities amounted to approximately HK\$894,150,000 (31 December 2019: approximately HK\$393,916,000).

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

18 TRADE AND OTHER PAYABLES

	30 June 2020 HK\$'000 (Unaudited)	31 December 2019 HK\$'000 (Audited)
Current		
Trade payables to:		
— Other related parties	4,752	3,296
— Third parties	632,026	701,133
	636,778	704,429
Non-trade payables to:		
— Non-controlling interests of subsidiaries	41,117	51,066
— Other related parties	57,162	47,676
— An associated company	18,254	18,696
— Third parties	110,907	100,912
	227,440	218,350
Accruals for operating expenses	48,465	91,144
Accruals for construction costs	456,822	795,501
Deposits received from customers	5,409	5,787
Deferred gain	54,603	50,378
Put option exercisable by non-controlling interests of subsidiaries	14,086	14,278
Provision for foreseeable losses on certain construction contracts	13,531	39,047
Good and services tax payable	1,605	10,215
Dividend payable — non-controlling interest of subsidiaries	38,905	78,990
	633,426	1,085,340
Total trade and other payables	1,497,644	2,008,119

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

18 TRADE AND OTHER PAYABLES (CONTINUED)

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

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

	30 June 2020 HK\$'000 (Unaudited)	31 December 2019 HK\$'000 (Audited)
1–30 days	564,279	551,331
31–60 days	29,299	100,718
61–90 days	6,454	14,760
Over 90 days	36,746	37,620
	636,778	704,429

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

19 SHARE CAPITAL

	Number of shares (thousands)	Share capital HK\$'000	Treasury Shares HK\$'000
Authorised:			
<i>Ordinary Shares</i>			
As 1 January 2019, 30 June 2019, 1 January 2020 and 30 June 2020	6,000,000	60,000	–
<i>CPS</i>			
As 1 January 2019, 30 June 2019, 1 January 2020 and 30 June 2020	1,000,000	10,000	–
Issued and fully paid:			
<i>Ordinary shares</i>			
At 1 January 2019	1,455,941	14,559	(1,142)
Conversion of CPS	62,961	630	–
Cancellation of shares	(582)	(6)	1,142
At 30 June 2019	1,518,320	15,183	–
At 1 January 2020 and 30 June 2020	1,518,320	15,183	–

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

19 SHARE CAPITAL (CONTINUED)

	Number of shares (thousands)	Share capital HK\$'000	Treasury Shares HK\$'000
Issued and fully paid: (Continued)			
<i>CPS</i>			
At 1 January 2019	187,837	1,879	–
Conversion during the period	(62,961)	(630)	–
At 30 June 2019	124,876	1,249	–
At 1 January 2020 and 30 June 2020	124,876	1,249	–

20 DIVIDENDS

- (a) The directors do not recommend the payment of an interim dividend for the six months ended 30 June 2020 (six months ended 30 June 2019: declared an interim dividend of HK\$0.06 per ordinary share and CPS (totalling approximately HK\$98,592,000)).
- (b) At a meeting held on 30 March 2020, the directors recommended a final dividend of HK\$0.04 per ordinary share and CPS (totalling approximately HK\$65,728,000) for the year ended 31 December 2019, which was paid during the period and had been reflected as an appropriation of retained earnings for the six months ended 30 June 2020.

21 COMMITMENTS

Capital commitments

	30 June 2020 HK\$'000 (Unaudited)	31 December 2019 HK\$'000 (Audited)
Contracted but not provided for:		
Development expenditure	21,879	24,371
Investment in funds	607,837	472,337
Purchase of property, plant and equipment	98,690	2,304
	728,406	499,012

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

22 RELATED PARTY TRANSACTIONS

Related parties are those parties that have the ability to control, jointly control or exert significant influence over the other party in making financial or operational decisions. Parties are also considered to be related if they are subject to common control or joint control. Related parties may be individuals or other entities.

- (a) The following is a summary of significant related party transactions, in addition to those disclosed elsewhere in the Interim Financial Information, which were carried out in accordance with the terms agreed between the Group and the related parties and in the ordinary and usual course of business:

	Six months ended 30 June	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Construction contracts revenue from an associated company	191,541	115,053
Construction contracts revenue from a related party	3,818	–
Construction services provided by a related party	2,446	8,462
Management fee income from an associated company	16,039	6,020
Dividend received from an associated company	–	5,770
Sales commission paid to a related party	–	576
Interest income from related parties	532	5,667
Interest income from associated companies	23,183	25,828
Interest charged by non-controlling interests of subsidiaries	19,720	14,502

Outstanding balances as at the year-end dates arising from sale/purchase of goods and services, were unsecured and receivable/payable within 12 months from year-end dates, and were disclosed in Notes 15 and Note 18.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

22 RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Key management compensation

	Six months ended 30 June	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Directors' fee, salaries, wages and allowances	10,529	9,258
Share-based payments	1,079	4,253
Contribution to retirement benefit scheme	89	156
	11,697	13,667

23 CONTINGENT LIABILITIES

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

	30 June 2020 HK\$'000 (Unaudited)	31 December 2019 HK\$'000 (Audited)
	Guarantees on performance bonds in respect of construction contracts in Hong Kong	80,364

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 2020, these bank borrowings amounted to HK\$2,950,098,000 (31 December 2019: HK\$3,686,387,000).

24 EVENT AFTER THE REPORTING PERIOD

On 29 July 2020, a tender submitted through a project company with another developer for a land lease of Tai Po Town Lot No.243, at a total consideration of approximately HK\$3.7 billion has been duly accepted by the Lands Department of the Hong Kong Government. It is a strata development with a total land area of approximately 243,353 sq.ft.. The land site is planned for developing into residential units. The Group holds a minority share of this project.

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 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. The Group also provides for superstructure works for developers.

Revenue from the construction contracts in Hong Kong and Macau for the Reporting Period was approximately HK\$600.7 million (six months ended 30 June 2019: approximately HK\$314.9 million). During the Reporting Period, the Group had undertaken 8 new projects, mainly foundation and superstructure work for residential and commercial projects in Hong Kong. The total contract sum of these projects was approximately HK\$1.1 billion. As at 30 June 2020, there were 18 projects on hand with outstanding contract sums of HK\$1.7 billion.

Construction business — Singapore and Southeast Asia

The Group's revenue from Singapore and Southeast Asia for the Reporting Period was approximately HK\$1,174.1 million (six months ended 30 June 2019: approximately HK\$1,408.8 million). The Group completed 2 construction projects including 1 Housing and Development Board ("**HDB**") construction project and 1 owned property development project. As at 30 June 2020, there were 31 construction projects on hand and the outstanding contract sums were approximately HK\$6.5 billion.

Property development business — Singapore

During the Reporting Period, the sales revenue and average selling price ("**ASP**") of the major development project realised by the Group are set out in the table below:

Project	Sales	ASP
	Revenue	1H 2020
	1H 2020	1H 2020
	(HK\$' million)	(HK\$/sq.m.)
Le Quest	390	82,229

The Group started to hand over units at Le Quest which obtained its Temporary Occupation Permit ("**TOP**") in March 2020. Le Quest is a private condominium development project and it recognize sales revenue based on its percentage of completion. The Group holds 73% interest of this project.

MANAGEMENT DISCUSSION AND ANALYSIS

As at 30 June 2020, the Group's portfolio of property projects under development with significant interest consisted of 2 projects across Singapore, focusing on the development of private apartments.

Project	Location	Intended use	Site Area sq.m.	Total SFA sq.m.	Cumulative Contracted sales amount (HK\$ billion)	% of completion as at 30 June 2020	Estimated year of construction completion	Ownership interest
1 Jadescape	314-319 Shunfu Road, Singapore	Residential, Private & Retail Space	37,991	106,955	4.90	43%	November 2021	45%
2 Forett at Bukit Timah	32-46 Toh Tuck Road, Singapore	Residential, Private & Retail Space	33,457	49,859	N/A	0%	September 2023	51%

Land bank status

(1) Phoenix Heights project, Singapore

A tender submitted for the purchase of the development known as Phoenix Heights, at a total consideration of SGD42.6 million (equivalent to approximately HK\$236.8 million) was duly accepted on 25 July 2019 by the vendors of Phoenix Heights, representing over 80% of the total owners of Phoenix Heights. It is a strata development with a total land area of approximately 63,000 sq.ft. and the total estimated GFA is 88,200 sq.ft. The land site is planned for redeveloping into private condominiums with around 100 units.

(2) Yau Tong project, Hong Kong

The Group acquired the land parcels at Yau Tong Marine Lot No. 58 and 59 and the extensions thereto for a total consideration of HK\$530 million. The total site area of the lots and its extensions to the harbour are approximately 17,400 sq.ft. and 5,400 sq.ft. respectively and the maximum plot ratio under the approved outline zoning plan is 5. It is intended to be a residential redevelopment. In June 2020, Town Planning Board approved the planning application. The redevelopment is undergoing.

(3) Sham Shui Po project, Hong Kong

The Group acquired over 80% ownership of two blocks of old residential buildings in Sham Shui Po, Hong Kong through joint venture and it is intended as a residential redevelopment project after 100% ownership is acquired. Application for Compulsory Sales for Redevelopment has been processing by Lands Tribunal.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue

The Group's total revenue for the Reporting Period was approximately HK\$2,203.2 million (six months ended 30 June 2019: approximately HK\$5,021.9 million), representing a decrease of approximately 56.1% over the six months ended 30 June 2019. 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 period for the Group's private condominium development projects which recognize 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 the Reporting Period.

The revenue of the "Foundation and construction — Hong Kong and Macau" segment for the Reporting Period was approximately HK\$600,719,000 (six months ended 30 June 2019: HK\$ approximately HK\$314,924,000), representing an increase of approximately 90.8% over the corresponding period in 2019.

Gross Profit Margin

The Group's gross profit margin during the Reporting Period was approximately 5.9% (six months ended 30 June 2019: approximately 5.3%).

Selling and Marketing Expenses

The Group's selling and marketing expenses for the Reporting Period were approximately HK\$26.1 million (six months ended 30 June 2019: approximately HK\$69.6 million), which was approximately 1.2% (six months ended 30 June 2019: approximately 1.4%) of the Group's total revenue.

General and Administrative Expenses

The Group's general and administrative expenses for the Reporting Period were approximately HK\$118.0 million (six months ended 30 June 2019: approximately HK\$133.0 million), representing a decrease of approximately 11.3% over the six months ended 30 June 2019. 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\$22.8 million (six months ended 30 June 2019: approximately HK\$199.4 million), representing a decrease of approximately 88.6% over the six months ended 30 June 2019. The profit attributable to owners of the Company was approximately HK\$38.2 million (six months ended 30 June 2019: HK\$195.2 million), representing a decrease of approximately 80.4% over the six months ended 30 June 2019. Basic earnings per share was HK\$0.024 (six months ended 30 June 2019: HK\$0.119).

MANAGEMENT DISCUSSION AND ANALYSIS

OUTLOOK

The novel coronavirus (COVID-19) epidemic has spread across the world since early 2020. Many countries and regions implemented various measures from March to April 2020 to contain the epidemic, including lockdown and quarantine measures which led to a steep fall or even a suspension in economic activities. The economic activities have gradually recovered since June 2020 as the lockdown was lifted in some regions. However, different regions have been facing various difficulties during the recovery of their economies, and the global economy was hit to varying degrees. In addition, there are still other uncertainties in the global economy in the coming future, including the development of Sino-US trade tensions as well as the geopolitical risks, which will bring real challenges to the global economy.

The U.S. Federal Reserve cut Federal Fund Rates twice in March this year by 150 basis points and the rate was close to zero after the cut. Meanwhile, many countries around the world are adopting quantitative easing policies to improve liquidity in the market. It is generally expected that market interest rates would remain at an extremely low level in the near future, which is conducive to the recovery of the global economy.

The International Monetary Fund (“IMF”) updated the “World Economic Outlook Report” in late June 2020. It was estimated that the global GDP in 2020 would contract by 4.9%, a noticeable downgrade by 1.9 percentage points from its previous estimate of 3% shrink in April 2020, which was the most severe downturn since the Great Depression in the 1930s. However, the IMF expects that the world economy will resume growth in 2021 by 5.4%, and it remains a positive outlook to the economic development in the medium to long term.

The Group initiated the pre-sale of the property development project “Forett at Bukit Timah (福瑞軒)” in Singapore in August 2020. This project is a private apartment development project on freehold land with a total of 633 residential units and 2 shops and equipped with an underground parking lot and public facility. The Group will continue to sell completed units of other property development projects as planned and accelerate the construction projects in progress. In addition, the Group will continue to evaluate the high-quality land and real estate projects in Hong Kong, Singapore and Southeast Asia and increase its land bank when there are opportunities.

In recent years, the Hong Kong government has strongly encouraged the Modular Integrated Construction (MiC), also known as Prefabricated Prefinished Volumetric Construction (“PPVC”) in Singapore, which upgrades the conventional in-situ construction to the industrialized construction production in order to control the quality of construction through advanced large-scale production equipment and instruments, so as to enhance construction productivity and shorten the construction period. The production within the factory could also reduce construction waste and community pollution, thereby achieving the environmental protection goal in reducing resource consumption. The Group, as one of the pioneers of PPVC construction technology in Singapore with years of experience, is introducing this technology and experience to Hong Kong in order to contribute to the local industry and community.

With the outbreak of the epidemic, we believe that the global focus on the pharmaceutical and healthcare industries will increase significantly. Upon careful consideration, the Group invested in a pharmaceutical fund in the first half of this year in which the Group has agreed to invest up to HK\$200 million. The fund mainly invests in new drug development and manufacturing companies to deliver products including super antibiotics against super bacteria, and new drugs for the treatment of rheumatoid arthritis, chronic obstructive pulmonary disease, and atopic dermatitis.

For the benefit of the long-term and steady development of the Group, we will continue to expand into the countries and areas in the “Belt and Road” initiative, including Malaysia, Indonesia, Vietnam, Cambodia, etc., and vigorously grasp the investment opportunities in the Guangdong-Hong Kong-Macau Greater Bay Area.

MANAGEMENT DISCUSSION AND ANALYSIS

DEBTS AND CHARGE ON ASSETS

The total interest bearing bank borrowings of the Group, including bank loans, lease liabilities, decreased from approximately HK\$7.2 billion as at 31 December 2019 to approximately HK\$7.1 billion as at 30 June 2020. These banking facilities were secured by the Group's property, plant and equipment and development properties for sale with net carrying amounts of HK\$267,550,000 (As at 31 December 2019: HK\$265,127,000) and HK\$4,466,915,000 (As at 31 December 2019: HK\$4,539,629,000), respectively.

Borrowings were denominated mainly in Singapore Dollar and Hong Kong 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 2020, the Group had cash and cash equivalents of approximately HK\$1.6 billion (As at 31 December 2019: HK\$1.3 billion) of which approximately 45.6% was held in Singapore Dollar, 15.7% was held in Hong Kong dollar, 25.2% 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 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 61.6% (As at 31 December 2019: approximately 62.6%).

During the Reporting Period, the Group employed foreign exchange forward contracts for 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 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.

MANAGEMENT DISCUSSION AND ANALYSIS

SIGNIFICANT INVESTMENT, MATERIAL ACQUISITIONS 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 spans to experts in different fields. The GP is currently inviting other potential investors to subscribe 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, some of which are expected to be eligible for application as an investigational new drug for clinical trial in the second half of 2020.

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 of three experienced professionals and in view of their investment performance track record as set forth below, the Board consider 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, acquisitions and disposals of subsidiaries and associated companies during the Reporting Period.

MANAGEMENT DISCUSSION AND ANALYSIS

CAPITAL COMMITMENTS

As at 30 June 2020, the Group had capital commitments of approximately HK\$21.9 million (31 December 2019: HK\$24.4 million) for development expenditure, HK\$472.3 million (31 December 2019: HK\$472.3 million) for investment in Great Wall and CNQC Fund, HK\$135.5 million (31 December 2019: NIL) for investment in Medicine Fund and HK\$98.7 million (31 December 2019: HK\$2.3 million) for purchase of property, plant and equipment.

CONTINGENT LIABILITIES

Save as disclosed in note 23 to the Interim Financial Information, the Group had no other contingent liabilities as at 30 June 2020 and 31 December 2019.

EVENT AFTER THE REPORTING PERIOD

On 29 July 2020, a tender submitted through a project company with another developer for a land lease of Tai Po Town Lot No.243, at a total consideration of approximately HK\$3.7 billion has been duly accepted by the Lands Department of the Hong Kong Government. It is a strata development with a total land area of approximately 243,353 sq.ft.. The land site is planned for developing into residential units. The Group holds a minority share of this project.

EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2020, the Group had 2,286 full-time employees (31 December 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 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\$225.0 million compared to approximately HK\$389.6 million for the six months ended 30 June 2019.

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 DISCUSSION AND ANALYSIS

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, 55,843,197 CPS and 62,961,027 CPS were vested and converted to Shares in 2016, 2017 and 2019 respectively. During the Reporting Period, no CPS were vested and converted to Shares. As at the date of this interim report, there were 124,875,197 CPS remaining under the trust.

INTERIM DIVIDEND

The Board does not recommend the payment of interim dividend for the six months ended 30 June 2020 (six months ended 30 June 2019: declared an interim dividend of HK\$0.06 per ordinary share and CPS).

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 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 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.

CHANGE IN INFORMATION OF DIRECTORS

Pursuant to Rule 13.51B of the Listing Rules, the changes of information of the Directors since the date of the Company's 2019 annual report are set out below:

- With effect from 31 March 2020, Dr. Du Bo has been appointed as an executive Director, a member of the Nomination Committee of the Company and a member of the Strategy and Investment Committee of the Company. Further details were disclosed in the Company's announcement dated 31 March 2020.
- With effect from 31 March 2020, Mr. Cheng Wing On, Michael has resigned as the chairman of the Strategy and Investment Committee of the Company but will continue to serve as a member of the Strategy and Investment Committee of the Company. Mr. Wang Congyuan has been appointed as the chairman of the Strategy and Investment Committee of the Company with effect from 31 March 2020. Further details were disclosed in the Company's announcement dated 31 March 2020.

DISCLOSURE OF INTEREST

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY OF THE ASSOCIATED CORPORATIONS

As at 30 June 2020, interests or short positions in the shares, underlying shares and debentures of the Company and any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (“SFO”)) which have been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have under such provisions of the SFO) or have been entered in the register maintained by the Company pursuant to section 352 of the SFO, or otherwise have been notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) in Appendix 10 to the Listing Rules are as follows:

Name of director	Capacity	Number of Shares and underlying Shares held in long position	Approximate percentage of interests
Mr. Cheng Wing On, Michael	Beneficial owner (note 1)	3,000,000	0.198%
	Beneficial owner (note 3)	3,000,000	0.198%
Mr. Wang Congyuan	Beneficial owner (note 3)	2,100,000	0.139%
	Beneficiary of a trust (note 2)	6,189,663	0.409%
	Beneficial owner	1,944,916	0.128%
Dr. Du Bo	Interest in controlled corporation (note 4)	1,024,759,528	67.49%
	Beneficiary of a trust (note 2)	45,689,892	3.01%
	Beneficial owner	12,504,972	0.82%
Mr. Zhang Yuqiang	Beneficial owner (note 1)	2,400,000	0.162%
	Beneficiary of a trust (note 2)	2,010,540	0.133%
	Beneficial owner	502,635	0.033%

Notes:

- This represents long position in the underlying Shares under share options granted on 27 June 2014 pursuant to the share option scheme of the Company.
- This represents long position in the underlying CPS under the Awards granted under the Management Share Scheme. Please refer to the paragraph headed “Share Options — Management Share Scheme” in this report for more details.
- This represents long position in the underlying Shares under share options granted on 28 April 2016 pursuant to the share option scheme of the Company.
- The 1,024,759,528 Shares are deemed to be interest by Dr. Du Bo, as the Shares are held by Guotsing Holding Company Limited (“Guotsing BVI”), which is a company wholly owned by Hao Bo Investments Limited, which in turn is held as to 48.55% by Top Elate Investments Limited and 51.45% by Bliss Wave Holding Investments Limited. Bliss Wave Holding Investments Limited is a company held as to 74.53% by Hui Long Enterprises Limited, which is a company wholly-owned by Dr. Du Bo. Top Elate Investments Limited is a company wholly-owned by Qingdao Qingjian Holdings Co. which in turn is wholly-owned by the Qingdao Qingjian Holdings Co Staff Shareholding Union.

Save as disclosed above, as at 30 June 2020, none of the Directors nor chief executive of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DISCLOSURE OF INTEREST

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

As at 30 June 2020, the following persons (not being a Director or chief executive of the Company) had interests or short positions in the Shares or underlying Shares which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO:

Long position in the Shares and underlying Shares

Name of substantial shareholder	Capacity/Nature of interest	Number of Shares and underlying Shares held/interested	Approximate Shareholding Percentage
Hui Long Enterprises Limited	Interest in controlled corporation (Note 1)	1,024,759,528	67.49%
Bliss Wave Holding Investments Limited	Interest in controlled corporation (Note 1)	1,024,759,528	67.49%
Top Elate Investments Limited	Interest in controlled corporation (Note 1)	1,024,759,528	67.49%
Hao Bo Investments Limited	Interest in controlled corporation (Note 1)	1,024,759,528	67.49%
Guotsing Holding Company Limited	Beneficial owner (Note 1) Interest in controlled corporation (Notes 1, 2 and 3)	756,421,520 268,338,008	49.82% 17.67%
Trustee	Trustee (Note 5)	124,875,197	8.22%
Qingdao Qingjian Holding Co Staff Shareholding Union	Interest in controlled corporation (Note 1)	1,024,759,528	67.49%
Qingdao Qingjian Holdings Co	Interest in controlled corporation (Note 1)	1,024,759,528	67.49%
CNQC Development Limited	Beneficial owner (Note 2)	224,145,000	14.76%
Guotsing Finance Holding Limited	Interest in controlled corporation (Note 3)	44,193,008	2.91%
Guotsing Asset Management Limited	Interest in controlled corporation (Note 3)	44,193,008	2.91%
Guotsing Growth Fund LP I	Beneficial owner	44,193,008	2.91%
Great Wall Pan Asia International Investment Company Limited	Beneficial owner	142,000,000	9.35%
Sino Concord Ventures Limited	Beneficial owner	100,000,000	6.59%
Sun East Development Limited	Interest in Controlled corporation (Note 6)	100,000,000	6.59%

DISCLOSURE OF INTEREST

Notes:

- (1) Guotsing BVI is a company wholly owned by Hao Bo Investments Limited, which in turn is held as to 48.55% by Top Elate Investments Limited and 51.45% by Bliss Wave Holding Investments Limited. Bliss Wave Holding Investments Limited is a company held as to 74.53% by Hui Long Enterprises Limited, which is a company wholly-owned by Dr. Du Bo. Top Elate Investments Limited is a company wholly-owned by Qingdao Qingjian Holdings Co. which in turn is wholly-owned by the Qingdao Qingjian Holdings Co Staff Shareholding Union. Thus, Dr. Du Bo is deemed to be interested in the 1,024,759,528 Shares.
- (2) The 224,145,000 Shares were held by CNQC Development Limited ("**CNQC Development**") as at 30 June 2020. CNQC Development is wholly-owned by Guotsing BVI.
- (3) Guotsing Asset Management Limited is the General Partner of Guotsing Growth Fund LP I, and is in turn wholly held by Guotsing Finance Holding Limited, which is wholly-owned by Guotsing BVI.
- (4) This represents long position in the underlying CPS under the Awards granted under the Management Share Scheme. Please refer to the paragraph headed "Management Share Scheme" in this report for more details.
- (5) This represents the CPS under the Awards held by the Trustee pursuant to the Management Share Scheme. Please refer to the paragraph headed "Share Options — Management Share Scheme" in this report for more details.
- (6) Sino Concord Ventures Limited is owned as to 80% by Sun East Development Limited.

Save as disclosed above, as at 30 June 2020, to the best information, knowledge and belief of the Directors, no person (other than the Directors and chief executive of the Company), had registered an interest or short position in the Shares or underlying Shares of the Company that was required to be recorded pursuant to section 336 of the SFO.

SHARE OPTION SCHEME

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

The Company adopted a share option scheme (the “**Share Option Scheme**” or the “**Scheme**”) to attract and retain the best available personnel and to provide additional incentive to the eligible participants under the Scheme. Pursuant to the Scheme, the Board is authorised, at its absolute discretion and subject to the terms of the Scheme, to grant options to subscribe the Shares to any employees (full-time or part-time), directors, consultants or advisor of the Group, or any substantial shareholder of the Group, or any distributor, contractor, supplier, agent, customer, business partner or service provider of the Group. The Scheme shall be valid and effective for a period of ten years commencing on 11 September 2012, subject to early termination provisions contained in the Scheme.

An offer for the grant of options must be accepted within seven days inclusive of the day on which such offer was made. The amount payable by the grantee of an option to the Company on acceptance of the offer for the grant of an option is HK\$1.00. The subscription price of a Share in respect of any particular option granted under the Scheme shall be a price solely determined by the Board and notified to a participant and shall be at least the highest of: (i) the closing price of the Shares as stated in the Stock Exchange’s daily quotations sheet on the date of grant of the option; (ii) the average of the closing prices of the Shares as stated in the Stock Exchange’s daily quotations sheets for the 5 business days immediately preceding the date of grant of the option; and (iii) the nominal value of a Share on the date of grant of the option.

The Company shall be entitled to issue options, provided that the total number of Shares which may be issued upon exercise of all options to be granted under the Scheme and any other share option schemes of the Company must not exceed 10% of the Shares in issue on 18 October 2012, the date of listing of the Company. The Company may at any time refresh such limit, subject to the shareholders’ approval and issue of a circular in compliance with the Listing Rules, provided that the total number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under all the share option schemes of the Company does not exceed 30% of the Shares in issue from time to time. The total number of Shares issued and to be issued upon exercise of the options granted to each participant (including both exercised and outstanding options) in any 12-month period must not exceed 1% of the Shares in issue unless approved by the shareholders of the Company and issue of a circular in compliance with the Listing Rules.

An option may be exercised in accordance with the terms of the Scheme at any time during a period as the Board may determine which shall not exceed ten years from the date of grant subject to the provisions of early termination thereof.

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

As at the date of this report, the total number of securities available for issue under the Scheme was 66,020,250 Shares, which represented 4.35% of the issued share capital of the Company.

SHARE OPTION SCHEME

The outstanding share options granted entitled the relevant grantees to subscribe for an aggregate 30,000,000 new Shares of HK\$0.01 each in the share capital of the Company. Detail of movements of the options granted under the Scheme for the period ended 30 June 2020 is as follows:

Grantees	Date of Grant	Exercise price per share	As at 1 January 2020	Granted during the period	Number of options			As at 30 June 2020	Vesting Period	Exercise period
					Exercised during the period	Lapsed during the period	Cancelled during the period			
Executive directors										
Cheng Wing On, Michael	27/6/2014	HK\$2.70	3,000,000	-	-	-	-	3,000,000	27/06/2015	27/6/2015-27/6/2020
	28/04/2016	HK\$3.022	3,000,000	-	-	-	-	3,000,000	28/04/2017	28/04/2017-27/04/2022
Wang Congyuan	28/04/2016	HK\$3.022	2,100,000	-	-	-	-	2,100,000	28/04/2017	28/04/2017-27/04/2022
Zhang Yuqiang	27/6/2014	HK\$2.70	2,400,000	-	-	-	-	2,400,000	27/06/2015	27/6/2015-27/6/2020
Employees of the Group in aggregate	27/6/2014	HK\$2.70	3,900,000	-	-	-	-	3,900,000	27/06/2015	27/6/2015-27/6/2020
	28/04/2016	HK\$3.022	5,400,000	-	-	-	-	5,400,000	28/04/2017	28/04/2017-27/04/2022
Other participants of the Group in aggregate	27/6/2014	HK\$2.70	10,200,000	-	-	-	-	10,200,000	27/06/2015	27/6/2015-27/6/2020
			30,000,000	-	-	-	-	30,000,000		

Save as disclosed above, as at 30 June 2020 no Directors had interest in the share options to subscribe for the shares.

CORPORATE GOVERNANCE AND OTHER INFORMATION

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, risk management and financial reporting matters including the review of the unaudited interim financial statements for the Reporting Period.

By order of the Board
Mr. Cheng Wing On, Michael
Chairman

Hong Kong
31 August 2020