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## HONG KONG INTERNATIONAL CONSTRUCTION INVESTMENT MANAGEMENT GROUP CO., LIMITED

*(Incorporated in Bermuda with limited liability)*

**(Stock code: 687)**

### ANNOUNCEMENT OF RESULTS FOR THE YEAR ENDED 31 DECEMBER 2018

The board of directors (the “Board”) of Hong Kong International Construction Investment Management Group Co., Limited (the “Company”) is pleased to announce the consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31 December 2018 together with the comparative figures for the year ended 31 December 2017 as follows:

#### Consolidated Statement of Profit or Loss

	<i>Notes</i>	<b>2018</b> <i>HK\$'000</i>	2017 <i>HK\$'000</i>
<b>REVENUE</b>	3	<b>2,971,170</b>	3,290,156
Cost of sales		<u>(2,846,748)</u>	<u>(3,090,007)</u>
Gross profit		<b>124,422</b>	200,149
Other income and gains	4	<b>220,518</b>	56,847
Gain on disposal of subsidiaries, net	16	<b>1,030,055</b>	–
Selling expenses		<b>(24,553)</b>	(39,590)
Administrative expenses		<b>(297,789)</b>	(90,946)
Changes in fair value of investment properties		–	23,175
Other expenses, net		<b>(498,837)</b>	(35,677)
Finance costs	5	<b>(60,584)</b>	(18,490)
<b>PROFIT BEFORE TAX</b>	6	<b>493,232</b>	95,468
Income tax expense	7	<b>(132,336)</b>	(90,035)
<b>PROFIT FOR THE YEAR</b>		<b><u>360,896</u></b>	<b><u>5,433</u></b>
Attributable to:			
Ordinary equity holders of the Company		<b>360,908</b>	6,004
Non-controlling interests		<b>(12)</b>	(571)
		<b><u>360,896</u></b>	<b><u>5,433</u></b>
<b>EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY</b>			
Basic	9	<b><u>HK10.64 cents</u></b>	<u>HK0.25 cent</u>
Diluted		<b><u>HK10.59 cents</u></b>	<u>N/A</u>

## Consolidated Statement of Comprehensive Income

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
<b>PROFIT FOR THE YEAR</b>	<b><u>360,896</u></b>	<b><u>5,433</u></b>
<b>OTHER COMPREHENSIVE INCOME/(EXPENSES)</b>		
Other comprehensive income/(expenses) that may be reclassified to profit or loss in subsequent periods:		
Exchange differences:		
Exchange difference on translation of foreign operations	(62,413)	118,634
Release of exchange difference upon disposal of subsidiaries	(73,971)	–
Release of exchange difference upon deregistration of a subsidiary	(561)	–
<b>OTHER COMPREHENSIVE INCOME/(EXPENSES) FOR THE YEAR, NET OF TAX</b>	<b><u>(136,945)</u></b>	<b><u>118,634</u></b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>	<b><u>223,951</u></b>	<b><u>124,067</u></b>
Attributable to:		
Ordinary equity holders of the Company	223,963	124,638
Non-controlling interests	(12)	(571)
	<b><u>223,951</u></b>	<b><u>124,067</u></b>

## Consolidated Statement of Financial Position

	<i>Notes</i>	<b>2018</b> <i>HK\$'000</i>	2017 <i>HK\$'000</i>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		<b>254,270</b>	244,120
Prepayments, deposits and other receivables		<b>2,197</b>	899
Interests in an associate		–	–
Other assets		–	1,080
Deferred tax assets		<b>367</b>	1,128
		<hr/>	<hr/>
Total non-current assets		<b>256,834</b>	247,227
<b>CURRENT ASSETS</b>			
Properties under development		<b>7,476,000</b>	13,214,929
Inventories		<b>32,312</b>	28,369
Properties held for sale		–	–
Amounts due from customers for contract works		–	279,411
Trade and retention receivables	10	<b>167,135</b>	638,810
Contract assets		<b>923,526</b>	–
Prepayments, deposits and other receivables	11	<b>1,033,451</b>	39,448
Financial assets at fair value through profit or loss	12	<b>1,292,262</b>	738,865
Tax prepaid		<b>30,778</b>	29,302
Structured deposits		<b>580,686</b>	–
Pledged bank balances		<b>37,469</b>	41,414
Restricted cash		<b>1,430,897</b>	–
Cash and cash equivalents		<b>2,854,257</b>	2,327,460
		<hr/>	<hr/>
Assets of disposal groups classified as held for sale	17	<b>15,858,773</b> <b>1,202,864</b>	17,338,008 2,183,957
		<hr/>	<hr/>
Total current assets		<b>17,061,637</b>	19,521,965

## Consolidated Statement of Financial Position (continued)

	<i>Notes</i>	<b>2018</b> <i>HK\$'000</i>	2017 <i>HK\$'000</i>
<b>CURRENT LIABILITIES</b>			
Trade and retention payables and accruals	13	<b>693,071</b>	581,468
Other payables, deposits received and receipts in advance		<b>3,755</b>	34,395
Contract liabilities		<b>69,197</b>	–
Amounts due to customers for contract works		–	247,027
Interest-bearing bank borrowings		<b>232,952</b>	5,809,375
Tax payable		<b>80,136</b>	1,954
		<b>1,079,111</b>	6,674,219
Liabilities directly associated with the assets classified as held for sale	17	<b>459,272</b>	416,209
Total current liabilities		<b>1,538,383</b>	7,090,428
<b>NET CURRENT ASSETS</b>		<b>15,523,254</b>	12,431,537
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>15,780,088</b>	12,678,764
<b>NON-CURRENT LIABILITIES</b>			
Interest-bearing bank borrowings		<b>3,001,340</b>	70,642
Interest-bearing other borrowing		<b>300,000</b>	–
Guaranteed notes		<b>298,857</b>	295,343
Deferred tax liabilities		<b>17,228</b>	94,778
Total non-current liabilities		<b>3,617,425</b>	460,763
Net assets		<b>12,162,663</b>	12,218,001
<b>EQUITY</b>			
Equity attributable to ordinary equity holders of the Company			
Issued capital		<b>336,483</b>	340,249
Reserves		<b>11,826,182</b>	11,877,742
		<b>12,162,665</b>	12,217,991
Non-controlling interests		<b>(2)</b>	10
Total equity		<b>12,162,663</b>	12,218,001

## Consolidated Statement of Cash Flows

	<i>Notes</i>	<b>2018</b> <i>HK\$'000</i>	2017 <i>HK\$'000</i>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before tax		<b>493,232</b>	95,468
Adjustments for:			
Finance costs		<b>60,584</b>	18,490
Gain on disposal of subsidiaries, net		<b>(1,030,055)</b>	–
Gain on disposal of interests in an associate	4	<b>(143)</b>	–
Interest income	4	<b>(41,675)</b>	(15,844)
Gain on disposal of items of property, plant and equipment	4	<b>(4,683)</b>	(7,308)
Equity-settled share option expense		<b>160,060</b>	–
Depreciation	6	<b>48,465</b>	61,388
Fair value gain on financial assets at fair value through profit or loss	4	<b>(153,777)</b>	(10,865)
Gain on disposal of an investment fund at fair value through profit or loss		–	(11,163)
Fair value loss on a derivative financial instrument		–	33,057
Changes in fair value of investment properties		–	(23,175)
Write-down of properties under development	6	<b>452,903</b>	–
Impairment of contract assets	6	<b>2,048</b>	–
Impairment/(write-back of impairment) of other receivables	6	<b>(144)</b>	1,029
Impairment/(write-back of impairment) of an amount due from an associate	6	<b>(13)</b>	13
		<b>(13,198)</b>	141,090
Increase in properties under development and properties held for sale, net		<b>(121,267)</b>	(12,570,514)
Increase in inventories		<b>(3,943)</b>	(11,858)
Decrease in amounts due from customers for contract works		–	16,482
Increase in contract assets		<b>(225,224)</b>	–
Decrease/(increase) in trade and retention receivables		<b>(40,463)</b>	158,572
Decrease/(increase) in prepayments, deposits and other receivables		<b>(44,029)</b>	21,399
Decrease in an amount due to a related company		<b>(9,668)</b>	–
Increase in trade and retention payables and accruals		<b>(41,456)</b>	(129,287)
Increase/(decrease) in other payables, deposits received and receipts in advance		<b>(56,334)</b>	28,594
Decrease in amounts due to customers for contract works		–	(172,277)
Increase in contract liabilities		<b>(132,770)</b>	–
Decrease in deposits received		–	(43,839)
Cash used in operations		<b>(688,352)</b>	(12,561,638)

## Consolidated Statement of Cash Flows (continued)

	<i>Notes</i>	<b>2018</b> <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Taxes paid in the People's Republic of China (the "PRC"):			
Hong Kong		<b>(1,896)</b>	(136,679)
Elsewhere		<b>(114,933)</b>	(268,169)
Taxes refunded in the PRC:			
Hong Kong		<b>485</b>	1,777
Elsewhere		<b>3</b>	2,444
Effect of foreign exchange rate changes, net		<b>(4,905)</b>	(10,721)
Net cash flows used in operating activities		<b>(809,598)</b>	(12,972,986)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest received		<b>41,675</b>	15,844
Purchases of items of property, plant and equipment		<b>(58,775)</b>	(11,397)
Deposits paid for acquisition of items of property, plant and equipment		<b>(335)</b>	(41)
Proceeds from disposal of items of property, plant and equipment		<b>4,866</b>	8,234
Proceeds from disposal of subsidiaries	16	<b>6,650,083</b>	–
Proceeds from disposal of an associate		<b>143</b>	–
Decrease/(increase) in an amount due from an associate		<b>13</b>	(13)
Capital injection to a financial asset at fair value through profit or loss	12(i)	<b>(633,160)</b>	(728,000)
Return of initial capital from financial assets at fair value through profit or loss	12(i)	<b>1,361,160</b>	–
Purchase of an investment fund at fair value through profit or loss	12(ii)	<b>(345,246)</b>	(600,600)
Proceeds from disposal of an investment fund at fair value through profit or loss		–	611,763
Subscription of convertible bonds	12(iii)	<b>(800,000)</b>	–
Advance payment for capital contribution to a financial asset at fair value through profit or loss	11	<b>(367,700)</b>	–
Investment income from a financial asset at fair value through profit or loss		<b>17,626</b>	–
Increase in a derivative financial instrument		–	(2,351)
Redemption of a derivative financial instrument		–	7,767
Increase in restricted cash		<b>(1,430,897)</b>	–
Increase in structured deposits		<b>(580,686)</b>	–
Decrease/(increase) in non-pledged time deposits with original maturity of more than three months when acquired		<b>(2,000,000)</b>	34,237
Net cash flows from/(used in) investing activities		<b>1,858,767</b>	(664,557)

## Consolidated Statement of Cash Flows (continued)

	<i>Notes</i>	<b>2018</b> <i>HK\$'000</i>	2017 <i>HK\$'000</i>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from issue of shares		<b>2,100</b>	2,323,624
Advance receipt for issue of shares		<b>2,100</b>	–
Share issue expenses		–	(4,174)
Shares repurchased		<b>(58,015)</b>	–
Proceeds from issue of guaranteed notes		–	305,000
Guaranteed notes issue expenses		–	(10,849)
Interest paid		<b>(214,040)</b>	(106,992)
New bank borrowings		<b>2,929,000</b>	6,983,434
New other borrowing		<b>300,000</b>	–
Repayment of bank borrowings		<b>(5,580,353)</b>	(1,579,304)
Loan from non-controlling interests		–	2,506
Loan from the immediate holding company		–	9,150,000
Loan from an intermediate holding company		–	460,040
Repayment of loan to the immediate holding company		–	(2,218,830)
Repayment of loan to an intermediate holding company		–	(460,040)
Repayment of loan to non-controlling interests		–	(2,506)
Acquisition of additional interest in a subsidiary		–	(104,598)
Dividends paid to non-controlling interests		–	(3,000)
Dividends paid		<b>(340,249)</b>	(113,416)
Net cash flows from/(used in) financing activities		<b>(2,959,457)</b>	14,620,895
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>			
		<b>(1,910,288)</b>	983,352
Cash and cash equivalents at beginning of year		<b>2,817,211</b>	1,824,211
Effect of foreign exchange rate changes, net		<b>8,486</b>	9,648
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>			
		<b>915,409</b>	2,817,211
<b>ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS</b>			
Cash and bank balances		<b>854,257</b>	2,077,460
Non-pledged time deposits		<b>2,000,000</b>	250,000
Cash and cash equivalents as stated in the consolidated statement of financial position		<b>2,854,257</b>	2,327,460
Less: Non-pledged time deposits with original maturity of over three months when acquired		<b>(2,000,000)</b>	–
Add: Pledged bank balances		<b>37,469</b>	41,414
Add: Cash and cash equivalents attributable to the disposal groups		<b>23,683</b>	448,337
Cash and cash equivalents as stated in the consolidated statement of cash flows		<b>915,409</b>	2,817,211

## Notes:

### 1. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements.

Amendments to HKFRS 2	<i>Classification and Measurement of Share-based Payment Transactions</i>
Amendments to HKFRS 4	<i>Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts</i>
HKFRS 9	<i>Financial Instruments</i>
HKFRS 15	<i>Revenue from Contracts with Customers</i>
Amendments to HKFRS 15	<i>Clarifications to HKFRS 15 Revenue from Contracts with Customers</i>
Amendments to HKAS 40	<i>Transfers of Investment Property</i>
HK(IFRIC)-Int 22	<i>Foreign Currency Transactions and Advance Consideration</i>
<i>Annual Improvements 2014-2016 Cycle</i>	<i>Amendments to HKFRS 1 and HKAS 28</i>

Other than as explained below regarding the impact of HKFRS 9 and HKFRS 15, the adoption of the above new and revised standards has had no significant financial effect on these financial statements.

- (a) HKFRS 9 *Financial Instruments* replaces HKAS 39 *Financial Instruments: Recognition and Measurement* for annual periods beginning on or after 1 January 2018, bringing together all three aspect of the accounting for financial instruments: classification and measurement, impairment and hedge accounting.

The Group has applied HKFRS 9 retrospectively to items that existed at 1 January 2018 in accordance with the transition requirements. There is no significant impact on the Group's financial position and financial performance upon initial application at 1 January 2018.

Further details of the nature and effect of the changes to previous accounting policies and the transition approach are set out below:

#### *Classification and measurement*

HKFRS 9 categorises financial assets into three principal classification categories: measured at amortised cost, at fair value through other comprehensive income and at fair value through profit or loss. These supersede HKAS 39's categories of held-to-maturity investments, loans and receivables, available-for-sale financial assets and financial assets measured at fair value through profit or loss. The classification of financial assets under HKFRS 9 is based on the business model under which the financial asset is managed and its contractual cash flow characteristics.

Under HKFRS 9, the classification for all of the Group's financial assets measured at amortised cost and at fair value through profit or loss remain the same. Trade receivables, financial assets included in prepayments, deposits and other receivables, pledged bank balances and cash and cash equivalents which are previously classified as loans and receivables under HKAS 39 are classified as financial assets at amortised cost upon initial application of HKFRS 9. The carrying amounts for all financial assets at 1 January 2018 have not been impacted by the initial application of HKFRS 9.



## 1. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

(a) (continued)

### *Impairment*

HKFRS 9 requires an impairment on debt instruments recorded at amortised cost or at fair value through other comprehensive income, lease receivables, loan commitments and financial guarantee contracts that are not accounted for at fair value through profit or loss under HKFRS 9, to be recorded based on an expected credit loss (“ECL”) model either on a twelve-month basis or a lifetime basis. The Group applies the simplified approach and record lifetime expected credit loss based on the present values of all cash shortfalls over the remaining life of all of its trade receivables and contract assets. Furthermore, the Group applies the general approach and records twelve-month expected credit loss that are estimated based on the possible default events on its other receivables and other financial assets at amortised cost within the next twelve months. There is no impact on the Group’s accumulated impairment losses recorded on financial assets at 1 January 2018 upon initial adoption of the ECL requirements under HKFRS 9.

(b) HKFRS 15 and its amendments replace HKAS 11 *Construction Contracts*, HKAS 18 *Revenue* and related interpretations and it applies, with limited exceptions, to all revenue arising from contracts with customers. HKFRS 15 establishes a new five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in HKFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. As a result of the application of HKFRS 15, the Group has changed the accounting policy with respect to revenue recognition.

The Group has adopted HKFRS 15 using the modified retrospective method of adoption. Under this method, the standard can be applied either to all contracts at the date of initial application or only to contracts that are not completed at this date. The Group has elected to apply the standard to contracts that are not completed as at 1 January 2018.

The cumulative effect of the initial application of HKFRS 15 was recognised as an adjustment to the opening balance of retained profits as at 1 January 2018. Therefore, the comparative information was not restated and continues to be reported under HKAS 11, HKAS 18 and related interpretations.

The nature of the adjustments as at 1 January 2018 and the reasons for the significant changes in the statement of financial position as at 31 December 2018 are described below:

### *Construction services*

Before the adoption of HKFRS 15, contract balances relating to construction contracts in progress were presented in the statement of financial position under “Amounts due from customers for contract works” or “Amounts due to customers for contract works” respectively. Under HKFRS 15, a receivable is recognised only if the Group has an unconditional right to consideration. If the Group recognises the related revenue before being unconditionally entitled to the promised goods or services in the contract, then the entitlement to consideration is classified as a contract asset. Similarly, a contract liability, rather than a payable, is recognised when a customer pays consideration, or is contractually required to pay consideration and the amount is already due, before the Group recognises the related revenue. For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

## 1. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

(b) (continued)

### *Construction services* (continued)

Before the adoption of HKFRS 15, retention receivables arising from construction contracts, that were conditional on the satisfaction of the service quality by the customers over a certain period as stipulated in the contracts, were included in trade receivables. Upon adoption of HKFRS 15, retention receivables are reclassified to contract assets or contract liabilities on an individual contract basis.

Set out below are the amounts by which each financial statement line item was affected as at 1 January 2018 as a result of the adoption of HKFRS 15:

	<b>Increase/ (decrease) HK\$'000</b>
<b>Assets</b>	
Amounts due from customers for contract works	(279,411)
Trade and retention receivables	(511,850)
Contract assets	<u>700,350</u>
Total assets	<u><u>(90,911)</u></u>
<b>Liabilities</b>	
Trade and retention payables and accruals	1,481
Amounts due to customers for contract works	(247,027)
Contract liabilities	<u>148,706</u>
Total liabilities	<u><u>(96,840)</u></u>
<b>Equity</b>	
Retained profits	<u><u>5,929</u></u>

**1. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)**

(b) (continued)

*Construction services (continued)*

Set out below are the amounts by which each financial statement line item was affected for the year ended 31 December 2018 as a result of the adoption of HKFRS 15. The adoption of HKFRS 15 has had no impact on the Group's other comprehensive income or on the Group's operating, investing and financing cash flows. The first column shows the amounts recorded under HKFRS 15 and the second column shows what the amounts would have been had HKFRS 15 not been adopted:

Consolidated statement of profit or loss for the year ended 31 December 2018:

	Amounts prepared under		Increase/ (decrease) HK\$'000
	HKFRS 15 HK\$'000	Previous HKFRS HK\$'000	
Revenue	2,971,170	3,030,858	(59,688)
Cost of sales	(2,846,748)	(2,900,621)	53,873
Gross profit	<u>124,422</u>	<u>130,237</u>	<u>(5,815)</u>
Profit before tax	493,232	499,047	(5,815)
Income tax expense	(132,336)	(132,336)	–
Profit for the year	<u>360,896</u>	<u>366,711</u>	<u>(5,815)</u>
Attributable to:			
Ordinary equity holders of the Company	360,908	366,723	(5,815)
Non-controlling interests	(12)	(12)	–
	<u>360,896</u>	<u>366,711</u>	<u>(5,815)</u>
Earnings per share attributable to ordinary equity holders of the Company			
Basic	<u>HK10.64 cents</u>	<u>HK10.81 cents</u>	<u>(HK0.17 cent)</u>
Diluted	<u>HK10.59 cents</u>	<u>HK10.76 cents</u>	<u>(HK0.17 cent)</u>

## 1. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

(b) (continued)

*Construction services* (continued)

Consolidated statement of financial position as at 31 December 2018:

	Amounts prepared under		Increase/ (decrease) HK\$'000
	HKFRS 15 HK\$'000	Previous HKFRS HK\$'000	
Amounts due from customers for contract works	–	404,036	(404,036)
Trade and retention receivables	167,135	734,188	(567,053)
Contract assets	923,526	–	923,526
<b>Total assets</b>	<b>1,090,661</b>	<b>1,138,224</b>	<b>(47,563)</b>
Trade and retention payables and accruals	693,071	677,580	15,491
Amounts due to customers for contract works	–	132,365	(132,365)
Contract liabilities	69,197	–	69,197
<b>Total liabilities</b>	<b>762,268</b>	<b>809,945</b>	<b>(47,677)</b>
<b>Net assets</b>	<b>328,393</b>	<b>328,279</b>	<b>114</b>
Retained profits	1,169,963	1,169,849	114
<b>Total equity</b>	<b>1,169,963</b>	<b>1,169,849</b>	<b>114</b>

### *Sale of properties*

The Group's property development activities are carried out in the PRC and Hong Kong. Taking into account the contract terms, the Group's business practice and the legal and regulatory environment of the PRC and Hong Kong, the Group has assessed that its property sales contracts do not meet the criteria for recognising revenue over time and therefore revenue from property sales continues to be recognised at a point in time. Previously the Group recognised revenue from property sales upon handover of the property to buyer, which is taken to be the point in time when the risks and rewards of ownership of the property have been transferred to the buyer. Under the transfer-of-control approach in HKFRS 15, revenue from property sales is generally recognised when the legal assignment is completed, which is the point in time when the customer has the ability to direct the use of the property and obtain substantially all of the remaining benefits of the property.

Prior to the adoption of HKFRS 15, the Group presented sales proceeds received from customers in connection with the Group's sale of properties as deposits received in the consolidated statement of financial position. No significant financing component with a customer is recognised if the time period is one year or less.

The adoption of HKFRS 15 has had no significant impact on when the Group recognised revenue from sale of properties.

## 2. ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

Amendments to HKFRS 3	<i>Definition of a Business</i> <sup>2</sup>
Amendments to HKFRS 9	<i>Prepayment Features with Negative Compensation</i> <sup>1</sup>
Amendments to HKFRS 10 and HKAS 28 (2011)	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> <sup>4</sup>
HKFRS 16	<i>Leases</i> <sup>1</sup>
HKFRS 17	<i>Insurance Contracts</i> <sup>3</sup>
Amendments to HKAS 1 and HKAS 8	<i>Definition of Material</i> <sup>2</sup>
Amendments to HKAS 19	<i>Plan Amendment, Curtailment or Settlement</i> <sup>1</sup>
Amendments to HKAS 28	<i>Long-term Interests in Associates and Joint Ventures</i> <sup>1</sup>
HK(IFRIC)-Int 23	<i>Uncertainty over Income Tax Treatments</i> <sup>1</sup>
<i>Annual Improvements 2015-2017 Cycle</i>	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23 <sup>1</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2019

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2020

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2021

<sup>4</sup> No mandatory effective date yet determined but available for adoption

Further information about those HKFRSs that are expected to be applicable to the Group is described below.

Amendments to HKFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group expects to adopt the amendments prospectively from 1 January 2020.

## 2. ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (continued)

HKFRS 16 replaces HKAS 17 *Leases*, HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease*, HK(SIC)-Int 15 *Operating Leases – Incentives* and HK(SIC)-Int 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise assets and liabilities for most leases. The standard includes two elective recognition exemptions for lessees – leases of low-value assets and short-term leases. At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). The right-of-use asset is subsequently measured at cost less accumulated depreciation and any impairment losses unless the right-of-use asset meets the definition of investment property in HKAS 40, or relates to a class of property, plant and equipment to which the revaluation model is applied. The lease liability is subsequently increased to reflect the interest on the lease liability and reduced for the lease payments. Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will also be required to remeasure the lease liability upon the occurrence of certain events, such as change in the lease term and change in future lease payments resulting from a change in an index or rate used to determine those payments. Lessees will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. Lessor accounting under HKFRS 16 is substantially unchanged from the accounting under HKAS 17. Lessors will continue to classify all leases using the same classification principle as in HKAS 17 and distinguish between operating leases and finance leases. HKFRS 16 requires lessees and lessors to make more extensive disclosures than under HKAS 17. Lessees can choose to apply the standard using either a full retrospective or a modified retrospective approach. The Group will adopt HKFRS 16 from 1 January 2019. The Group plans to adopt the transitional provisions in HKFRS 16 to recognise the cumulative effect of initial adoption as an adjustment to the opening balance of retained earnings at 1 January 2019 and will not restate the comparatives. In addition, the Group plans to apply the new requirements to contracts that were previously identified as leases applying HKAS 17 and measure the lease liability at the present value of the remaining lease payments, discounted using the Group’s incremental borrowing rate at the date of initial application. The right-of-use asset will be measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before the date of initial application. The Group plans to use the exemptions allowed by the standard on lease contracts whose lease terms end within 12 months as of the date of initial application. During 2018, the Group has performed a detailed assessment on the impact of adoption of HKFRS 16. The Group has estimated that right-of-use assets of HK\$43,668,000 and lease liabilities of HK\$43,668,000 will be recognised at 1 January 2019.

Amendments to HKAS 1 and HKAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. The Group expects to adopt the amendments prospectively from 1 January 2020. The amendments are not expected to have any significant impact on the Group’s financial statements.

### 3. OPERATING SEGMENT INFORMATION

2018

	Foundation piling <i>HK\$'000</i>	Property development and investment <i>HK\$'000</i>	Investment <i>HK\$'000</i>	Corporate and others <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
<b>Segment revenue:</b>					
Sales to external customers	2,530,539	282,973	122,206	35,452	2,971,170
Intersegment sales	393,409	–	–	1,151	394,560
Other income and gains, net	7,697	16,443	137,013	17,690	178,843
Total	<u>2,931,645</u>	<u>299,416</u>	<u>259,219</u>	<u>54,293</u>	3,544,573
<i>Reconciliation:</i>					
Elimination of intersegment sales					<u>(394,560)</u>
Revenue					<u>3,150,013</u>
<b>Segment results</b>	<u>(23,306)</u>	<u>578,524</u>	<u>242,826</u>	<u>(285,903)</u>	512,141
Interest income					41,675
Finance costs					<u>(60,584)</u>
Profit before tax					493,232
Income tax expense					<u>(132,336)</u>
Profit for the year					<u>360,896</u>

### 3. OPERATING SEGMENT INFORMATION (continued)

2018

	Foundation piling HK\$'000	Property development and investment HK\$'000	Investment HK\$'000	Corporate and others HK\$'000	Consolidated HK\$'000
<b>Assets and liabilities</b>					
Segment assets	<u>1,502,496</u>	<u>11,171,091</u>	<u>1,044,951</u>	<u>988,102</u>	14,706,640
Unallocated					<u>2,611,831</u>
					<u>17,318,471</u>
Segment liabilities	<u>708,062</u>	<u>475,430</u>	<u>2,092</u>	<u>338,568</u>	1,524,152
Unallocated					<u>3,631,656</u>
					<u>5,155,808</u>
<b>Other segment information:</b>					
Depreciation	30,701	7,784	–	9,980	48,465
Impairment of contract assets	2,048	–	–	–	2,048
Write-back of impairment of other receivables	–	(144)	–	–	(144)
Write-off of other receivables	–	–	232	–	232
Write-down of properties under development	–	452,903	–	–	452,903
Loss/(gain) on disposal of items of property, plant and equipment, net	(4,669)	5	–	(20)	(4,684)
Loss/(gain) on disposal of subsidiaries, net	–	(1,030,771)	–	716	(1,030,055)
Gain on disposal of interests in an associate	–	–	–	(143)	(143)
Fair value gain on financial assets at fair value through profit of loss	–	–	(137,012)	(16,765)	(153,777)
Capital expenditure	<u>56,733</u>	<u>–</u>	<u>–</u>	<u>2,083</u>	<u>58,816</u>



### 3. OPERATING SEGMENT INFORMATION (continued)

2017

	Foundation piling <i>HK\$'000</i>	Property development and investment <i>HK\$'000</i>	Investment <i>HK\$'000</i>	Corporate and others <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
<b>Segment revenue:</b>					
Sales to external customers	2,494,053	738,420	6,443	51,240	3,290,156
Intersegment sales	100,560	–	–	1,815	102,375
Other income and gains, net	11,203	6,296	10,865	12,639	41,003
Total	<u>2,605,816</u>	<u>744,716</u>	<u>17,308</u>	<u>65,694</u>	3,433,534
<i>Reconciliation:</i>					
Elimination of intersegment sales					<u>(102,375)</u>
Revenue					<u>3,331,159</u>
<b>Segment results</b>	<u>146,873</u>	<u>51,807</u>	<u>15,546</u>	<u>(83,055)</u>	131,171
Interest income					15,844
Fair value loss on derivative instrument – transaction not qualifying as hedge					(33,057)
Finance costs					<u>(18,490)</u>
Profit before tax					95,468
Income tax expense					<u>(90,035)</u>
Profit for the year					<u>5,433</u>

### 3. OPERATING SEGMENT INFORMATION (continued)

2017

	Foundation piling <i>HK\$'000</i>	Property development and investment <i>HK\$'000</i>	Investment <i>HK\$'000</i>	Corporate and others <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
<b>Assets and liabilities</b>					
Segment assets	<u>1,196,000</u>	<u>15,473,222</u>	<u>745,308</u>	<u>2,074,232</u>	19,488,762
Unallocated					<u>280,430</u>
					<u>19,769,192</u>
Segment liabilities	<u>775,201</u>	<u>474,569</u>	<u>455</u>	<u>324,217</u>	1,574,442
Unallocated					<u>5,976,749</u>
					<u>7,551,191</u>
<b>Other segment information:</b>					
Depreciation	41,630	1,208	–	18,550	61,388
Impairment of other receivables	–	1,029	–	–	1,029
Loss/(gain) on disposal of items of property, plant and equipment, net	(6,969)	36	–	(375)	(7,308)
Changes in fair value of investment properties	–	(23,175)	–	–	(23,175)
Gain on disposal of an investment fund at fair value through profit or loss	–	–	–	(11,163)	(11,163)
Fair value gain on a financial asset at fair value through profit or loss	–	–	(10,865)	–	(10,865)
Capital expenditure	<u>9,509</u>	<u>144</u>	<u>–</u>	<u>3,738</u>	<u>13,391</u>

### 3. OPERATING SEGMENT INFORMATION (continued)

#### Geographical information

##### (a) Revenue from external customers

	Hong Kong		Macau		Elsewhere in the PRC		Consolidated	
	2018	2017	2018	2017	2018	2017	2018	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue:								
Sales to external customers	<u>2,698,625</u>	<u>2,553,979</u>	<u>-</u>	<u>3,122</u>	<u>272,545</u>	<u>733,055</u>	<u>2,971,170</u>	<u>3,290,156</u>

The revenue information above is based on the locations of the customers.

##### (b) Non-current assets

	Hong Kong		Macau		Elsewhere in the PRC		Consolidated	
	2018	2017	2018	2017	2018	2017	2018	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	<u>256,467</u>	<u>246,081</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>18</u>	<u>256,467</u>	<u>246,099</u>

The non-current assets information above is based on the locations of the assets and excludes deferred tax assets.

#### Information about major customers

Revenue of approximately HK\$565,430,000, HK\$388,882,000 and HK\$321,732,000 were derived from sales by the foundation piling segment to Customer A, Customer B and Customer C, respectively, during the year. Revenue of approximately HK\$844,447,000 was derived from sales by the foundation piling segment to Customer A during the year ended 31 December 2017.

### 4. REVENUE AND OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	2018	2017
	HK\$'000	HK\$'000
<i>Revenue from contracts with customers</i>	<b>2,951,990</b>	-
Foundation piling and site investigation	-	2,494,053
Property development and investment	-	738,420
Management fee income from an investment fund	-	6,443
Others	-	51,240
<i>Revenue from other sources</i>		
Gross rental income	<u>19,180</u>	-
	<u><b>2,971,170</b></u>	<u>3,290,156</u>

#### 4. REVENUE AND OTHER INCOME AND GAINS (continued)

##### Revenue from contracts with customers

##### (i) Disaggregated revenue information

For the year ended 31 December 2018

Segments	Foundation piling HK\$'000	Property development and investment HK\$'000	Investment HK\$'000	Corporate and others HK\$'000	Total HK\$'000
<b>Types of goods or services</b>					
Machinery trading	–	–	–	2,101	2,101
Sale of properties held for sale	–	266,654	–	–	266,654
Construction services	2,530,539	–	–	–	2,530,539
Machinery engineering services	–	–	–	20,062	20,062
Management services	–	10,428	122,206	–	132,634
Total revenue from contracts with customers	<u>2,530,539</u>	<u>277,082</u>	<u>122,206</u>	<u>22,163</u>	<u>2,951,990</u>
<b>Geographical markets</b>					
Hong Kong	2,530,539	10,428	122,206	22,163	2,685,336
Mainland China	–	266,654	–	–	266,654
Total revenue from contracts with customers	<u>2,530,539</u>	<u>277,082</u>	<u>122,206</u>	<u>22,163</u>	<u>2,951,990</u>
<b>Timing of revenue recognition</b>					
Good transferred at a point of time	–	266,654	–	2,101	268,755
Services transferred over time	2,530,539	10,428	122,206	20,062	2,683,235
Total revenue from contracts with customers	<u>2,530,539</u>	<u>277,082</u>	<u>122,206</u>	<u>22,163</u>	<u>2,951,990</u>

#### 4. REVENUE AND OTHER INCOME AND GAINS (continued)

##### Revenue from contracts with customers (continued)

##### (i) Disaggregated revenue information (continued)

Set out below is the reconciliation of the revenue from contracts with customers with the amounts disclosed in the segment information:

##### For the year ended 31 December 2018

Segments	Foundation piling HK\$'000	Property development and investment HK\$'000	Investment HK\$'000	Corporate and others HK\$'000	Total HK\$'000
<b>Revenue from contracts with customers</b>					
External customers	2,530,539	277,082	122,206	22,163	2,951,990
Intersegment sales	393,409	–	–	1,151	394,560
	2,923,948	277,082	122,206	23,314	3,346,550
Intersegment adjustments and eliminations	(393,409)	–	–	(1,151)	(394,560)
Total revenue from contracts with customers	<u>2,530,539</u>	<u>277,082</u>	<u>122,206</u>	<u>22,163</u>	<u>2,951,990</u>

##### (ii) Performance obligations

Information about the Group's performance obligations is summarised below:

##### *Construction services*

The performance obligation is satisfied over time as services are rendered and payment is generally due within 30 days from the date of billing. A certain percentage of payment is retained by customers until the end of the retention period as the Group's entitlement to the final payment is conditional on the satisfaction of the service quality by the customers over a certain period as stipulated in the contracts.

##### *Sale of properties held for sale*

The performance obligation is satisfied when the customer has the ability to direct the use of the property and obtain substantially all of the remaining benefits of the property and payment is due upon delivery of the property to the customer.

##### *Management services*

The performance obligation is satisfied over time as services are rendered. Management service contracts are for periods of one year or less, or are billed based on the time incurred.

##### *Machinery engineering services*

The performance obligation is satisfied over time as the customer simultaneously receives and consumes the support services as the Group continues to provide support services to the customer.

##### *Machinery trading*

The performance obligation is satisfied upon delivery of the products and payment is generally due within 30 days from delivery.

#### 4. REVENUE AND OTHER INCOME AND GAINS (continued)

##### Revenue from contracts with customers (continued)

##### (ii) Performance obligations (continued)

The transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December 2018 are as follows:

	<i>HK\$'000</i>
Within one year	2,185,433
More than one year	404,644
	<u>2,590,077</u>

The remaining performance obligations expected to be recognised in more than one year relate to construction services that are to be satisfied within two years. All the other remaining performance obligations are expected to be recognised within one year. The amounts disclosed above do not include variable consideration which is constrained.

	<b>2018</b>	2017
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
Other income and gains:		
Interest income	<b>41,675</b>	15,844
Insurance claims	<b>1,039</b>	1,623
Subsidy income*	<b>212</b>	–
Fair value gains on financial assets at fair value through profit or loss	<b>153,777</b>	10,865
Gain on disposal of an investment fund at fair value through profit or loss	–	11,163
Management service income	–	247
Gain on disposal of interests in an associate	<b>143</b>	–
Gain on disposal of items of property, plant and equipment	<b>4,683</b>	7,308
Foreign exchange gains, net	–	4,928
Write-back of impairment of an amount due from an associate	<b>13</b>	–
Write-back of impairment of other receivables	<b>144</b>	–
Others	<b>18,832</b>	4,869
	<u><b>220,518</b></u>	<u>56,847</u>

\* There are no unfulfilled conditions or contingencies relating to this income.

## 5. FINANCE COSTS

	<b>2018</b>	2017
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
Interest on bank borrowings	<b>169,452</b>	115,576
Interest on other borrowing	<b>18,764</b>	–
Interest on guaranteed notes	<b>24,864</b>	7,944
Interest on loans from related companies	<b>11,533</b>	–
Less: Interest capitalised in properties under development	<b>(164,029)</b>	(105,030)
	<b><u>60,584</u></b>	<u>18,490</u>

## 6. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	<b>2018</b>	2017
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
Depreciation	<b>48,465</b>	61,388
Impairment of contract assets	<b>2,048</b>	–
Impairment/(write-back of impairment) of other receivables	<b>(144)</b>	1,029
Write-off of other receivables	<b>232</b>	–
Gain on disposal of items of property, plant and equipment	<b>(4,683)</b>	(7,308)
Fair value losses/(gains), net		
Financial assets at fair value through profit or loss	<b>(153,777)</b>	(10,865)
Derivative instrument – transaction not qualifying as hedge	–	33,057
Gain on disposal of an investment fund at fair value through profit or loss	–	(11,163)
Gain on disposal of interests in an associate	<b>(143)</b>	–
Changes in fair value of investment properties	–	(23,175)
Write-down of properties under development	<b>452,903</b>	–
Impairment/(write-back of impairment) of an amount due from an associate	<b>(13)</b>	13
	<b><u>(13)</u></b>	<u>13</u>

## 7. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2017: 16.5%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable elsewhere in the PRC have been calculated at the applicable tax rates prevailing in the areas in which the Group operates.

	<b>2018</b> <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Current:		
Provision for tax in respect of profit for the year:		
PRC:		
Hong Kong	<b>21,086</b>	31,747
Elsewhere	<b>175,576</b>	14,175
	<b>196,662</b>	45,922
Overprovision in the prior years:		
PRC:		
Hong Kong	<b>(65)</b>	(60)
Elsewhere	<b>(381)</b>	(53,748)
	<b>(446)</b>	(53,808)
Deferred tax	<b>(63,880)</b>	97,921
	<b>132,336</b>	90,035

## 8. DIVIDENDS

	<b>2018</b> <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Dividends paid during the year:		
Final in respect of the financial year ended 31 December 2017 – HK10.0 cents (2016: HK10.0 cents) per ordinary share	<b>340,249</b>	113,416
Proposed final dividend:		
Final – Nil (2017: HK10.0 cents per ordinary share)	<b>–</b>	340,249



## 9. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of the basic earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the Company of HK\$360,908,000 (2017: HK\$6,004,000), and the weighted average number of ordinary shares of 3,391,088,497 (2017: 2,380,256,154) in issue during the year. The weighted average number of shares in issue for the year ended 31 December 2017 used in the basic earnings per share calculation have been adjusted to reflect the effect of the rights issue completed in June 2017.

The calculation of diluted earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the Company of HK\$360,908,000. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at nil consideration on the deemed exercise of all dilutive potential ordinary shares of share options into ordinary shares during the year of 3,407,641,645. The Group had no potentially dilutive ordinary shares in issue during the year ended 31 December 2017.

## 10. TRADE AND RETENTION RECEIVABLES

An ageing analysis of the trade receivables as at the end of the reporting period, based on the invoice date and net of loss allowance, is as follows:

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Trade receivables:		
Within 90 days	164,729	401,869
91 to 180 days	1,296	12,637
181 to 360 days	558	2,154
Over 360 days	552	333
	<hr/>	<hr/>
	167,135	416,993
Retention receivables	–	221,817
	<hr/>	<hr/>
	<b>167,135</b>	<b>638,810</b>

Included in the trade and retention receivables are amounts due from related companies of HK\$32,291,000 (2017: HK\$111,454,000), which are repayable on credit terms similar to those offered to the major customers of the Group.

The Group has established credit policies that follow local industry standards. The average normal credit periods offered to trade customers other than for retention receivables are within 30 days, and are subject to periodic review by management.

## 11. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

Included in prepayments, deposits and other receivables are (i) advance payment for capital injection of HK\$367,700,000 made during the year to Hengqin Zhonghang Equity Investment Fund Partnership (Limited Partnership) (“Hengqin Zhonghang”), of which the general partner and the initial limited partner are subsidiaries of HNA Group Co., Ltd. (“HNA Group”), which in turn is an intermediate holding company of HNA Finance I Co., Limited (“HNA Finance I”), the then controlling shareholder of the Company, (ii) remaining consideration receivables of RMB510,800,000 (equivalent to approximately HK\$581,597,000) from Hainan HNA Shou Fu Investment Co., Ltd. (“HNA Shou Fu”), a subsidiary of HNA Group, for disposal of subsidiaries, details of which are set out in note 16(a) to this announcement, and (iii) an amount due from Tysan Building Construction Company Limited (“TBC”), a related company of the Company, of HK\$102,000 which is unsecured, interest-free and repayable on demand. TBC is controlled by Mr. Fung Chiu Chak, Victor (“Mr. Fung”), who is an executive director of the Company.

## 12. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	<i>Notes</i>	<b>2018</b> <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Unlisted investment funds, at fair value	(i)	<b>96,519</b>	738,865
Unlisted wealth management investment in a fund, at fair value	(ii)	<b>362,011</b>	–
Convertible bonds, at fair value	(iii)	<b>833,732</b>	–
		<b><u>1,292,262</u></b>	<b><u>738,865</u></b>

### *Notes:*

- (i) During the year ended 31 December 2017, the Group entered into an amended and restated exempted limited partnership agreement with Hisea International Co., Ltd (“Hisea International”) in relation to the formation of HKICIM Fund II, L.P. (“Fund II”) and subscribed 12.07% of the committed fund size amounting to HK\$728,000,000. Hisea International was a then wholly-owned subsidiary of HNA Holding Group Co., Ltd. (“HNA Holding Group”), which in turn is an intermediate holding company of HNA Finance I, the then controlling shareholder of the Company.

During the year ended 31 December 2018, the Group entered into an amended and restated exempted limited partnership agreement with Hisea International in relation to the formation of HKICIM Fund III, L.P. (“Fund III”) and subscribed 16.57% of the committed fund size amounting to HK\$633,160,000.

Fund II and Fund III (collectively, the “Funds”) primarily invested in Total Thrive Holdings Limited (“Total Thrive”) and Sky Hero Developments Limited (“Sky Hero”) (which, through intermediate holding companies, holding two property development projects at Kai Tak, Kowloon). On 12 February 2018, the Funds entered into separate sale and purchase agreements in relation to the disposal of their entire equity interests in Total Thrive and Sky Hero with Shibo Investment Limited and Easco Investment Limited, wholly-owned subsidiaries of Henderson Land Development Company Limited. This disposal was completed on 14 February 2018. Further details of this disposal were set out in the Company’s announcement dated 12 February 2018.

During the year, the Funds have returned the initial committed capital of HK\$1,361,160,000 in total to the Group. The fair values of the Funds as at 31 December 2018 were HK\$96,519,000 (2017: HK\$738,865,000) which were estimated with reference to the fair values of the underlying assets held by the Funds and aggregate fair value gains of HK\$103,280,000 (2017: HK\$10,865,000) were resulted and credited to the consolidated statement of profit or loss during the year.

- (ii) During the year, the Group purchased an unlisted investment fund from a third party financial institution at a cost of HK\$345,246,000 and was classified as held for trading. As at 31 December 2018, the fair value of the unlisted investment fund was HK\$362,011,000 based on the quoted prices from the fund manager and a fair value gain of HK\$16,765,000 was resulted and credited to the consolidated statement of profit or loss during the year.
- (iii) On 30 June 2018, the Group subscribed for 3-year unsecured convertible bonds of an aggregate principal amount of HK\$800,000,000, which bear interest at 8% per annum and carry a conversion option to convert the convertible bonds into 95% of the issued and outstanding share capital of Holistic Capital Investment Limited (“Holistic”), an indirectly wholly-owned subsidiary of Hong Kong Airlines Limited (“HKA”). The Group has the right to convert the bonds to issued share capital of Holistic at any time prior to the maturity date and to request early redemption of the bonds at any time after 31 December 2018 if the potential investment has not been consummated on or before 31 December 2018. The convertible bonds are irrevocably and unconditionally guaranteed by HKA and Hong Kong Air Cargo Carrier Limited, a subsidiary of HKA and the sole shareholder of the convertible bonds issuer. The fair value of the convertible bonds as at 31 December 2018 was HK\$833,732,000, based on an external valuation report prepared by Vigers Appraisal and Consulting Limited, an independent professional valuer, and a fair value gain of HK\$33,732,000 was resulted and credited to the consolidated statement of profit or loss during the year.

### 13. TRADE AND RETENTION PAYABLES AND ACCRUALS

An ageing analysis of the trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	<b>2018</b> <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Trade payables:		
Within 90 days	<b>370,655</b>	243,992
91 to 180 days	<b>879</b>	359
Over 180 days	<b>25</b>	204
	<b>371,559</b>	244,555
Retention payables	<b>74,348</b>	75,197
Accruals	<b>247,164</b>	261,716
	<b>693,071</b>	581,468

The trade and retention payables are non-interest-bearing and are normally settled on 90-day terms.

### 14. CONTINGENT LIABILITIES

- (a) At the end of the reporting period, contingent liabilities not provided for in the financial statements were as follows:

	<b>2018</b> <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Guarantees in respect of performance bonds in relation to subsidiaries	<b>325,219</b>	255,782

As at 31 December 2017, performance bonds of HK\$36,980,000 were also supported by pledged bank balances of HK\$41,414,000.

- (b) As at 31 December 2018, the Group provided guarantees in respect of mortgage facilities granted by Shenyang Housing Fund Management Center relating to the mortgage loans arranged for purchases of certain properties developed by a subsidiary of the Company and the outstanding mortgage loans under these guarantees amounted to HK\$4,645,000 (2017: HK\$21,908,000).

The Group's guarantee period starts from the dates of grant of the relevant mortgage loans and ends upon issuance of the relevant ownership certificates.

The fair value of the guarantees is not significant and the directors consider that in case of default in payments, the net realisable value of the related properties can cover the repayment of the outstanding mortgage principal together with the accrued interest and penalty and therefore no provision has been made for these guarantees in the financial statements.

## 15. COMMITMENTS

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
(a) Property, plant and equipment: – contracted, but not provided for	<u>692</u>	<u>23,041</u>
(b) Construction works relating to properties under development: – contracted, but not provided for	<u>20,916</u>	<u>68,022</u>
(c) Capital contributions to an investment fund: – contracted, but not provided for	<u>–</u>	<u>633,160</u>
(d) Commitments under non-cancellable operating leases for land and buildings to make payments:		
– Within one year	<u>29,874</u>	<u>28,491</u>
– In the second to fifth years, inclusive	<u>30,219</u>	<u>14,073</u>
	<u>60,093</u>	<u>42,564</u>

## 16. DISPOSAL OF SUBSIDIARIES

### (a) Disposal of Tysan Shanghai and Tysan Tianjin

On 13 November 2017, Great Regent Investments Limited, Shanghai Changning Duncan Property Consulting Company Limited, Red Shine Investment Limited and Carriway Limited (collectively, the “Shanghai Sellers”), each being a wholly-owned subsidiary of the Company, entered into an equity transfer agreement with HNA Shou Fu, a subsidiary of HNA Group, which in turn is an intermediate holding company of HNA Finance I, the then controlling shareholder of the Company, for disposal of the Shanghai Sellers’ entire equity interests in Tysan Land (Shanghai) Limited (“Tysan Shanghai”) at a cash consideration of RMB585.8 million (the “Shanghai Disposal”). Tysan Shanghai is a single project company established in the PRC engaging in the operation of a residential and commercial property development project, namely The Waterfront, in Shanghai. It primarily derives its revenue from the sales of residential property and to a relatively minor extent, leasing of property. The Shanghai Disposal was completed on 30 April 2018.

On 13 November 2017, Great Prosper Limited (the “Tianjin Seller”), a wholly-owned subsidiary of the Company, entered into an equity transfer agreement with HNA Shou Fu for disposal of Tianjin Seller’s entire equity interest in Tysan Property Development (Tianjin) Company Limited (“Tysan Tianjin”) at a cash consideration of RMB435.8 million (the “Tianjin Disposal”). Tysan Tianjin is a single project company established in the PRC engaging in the operation of a residential and commercial property development project, namely The Riverside, in Tianjin. It primarily derives its revenue from the sales of residential property. The Tianjin Disposal was completed on 30 April 2018.

## 16. DISPOSAL OF SUBSIDIARIES (continued)

### (a) Disposal of Tysan Shanghai and Tysan Tianjin (continued)

	<i>HK\$'000</i>
Net assets disposed of:	
Property, plant and equipment	2,291
Investment properties	235,810
Available-for-sale investment	1,239
Deferred tax assets	1,035
Loans to the Group	364,119
Property held for sale	35,462
Properties under development	15,137
Amounts due from the Group	21,777
Trade receivables	421
Prepayments, deposits and other receivables	4,991
Cash and cash equivalents	321,209
Trade payables and accruals	(5,279)
Deposits received and other payables	(3,104)
Tax payable	(5,498)
Deferred tax liabilities	(42,856)
	<hr/>
	946,754
Release of exchange fluctuation reserve	(72,962)
Release of statutory reserve	(48,750)
Gain on disposal of subsidiaries credited to profit or loss	440,209
	<hr/>
	1,265,251
	<hr/> <hr/>
Satisfied by:	
Cash consideration	632,625
Other receivables	632,626
	<hr/>
Total consideration	1,265,251
	<hr/> <hr/>
An analysis of the net inflow of cash and cash equivalents in respect of the Shanghai Disposal and Tianjin Disposal during the year was as follows:	
Cash consideration	632,625
Cash and cash equivalents disposed of	(321,209)
	<hr/>
Net inflow of cash and cash equivalents in respect of the Shanghai Disposal and Tianjin Disposal	311,416
	<hr/> <hr/>

## 16. DISPOSAL OF SUBSIDIARIES (continued)

### (b) Disposal of Onwards Asia Limited

On 16 May 2018, Omnilink Assets Limited (“Omnilink”), a wholly-owned subsidiary of the Company, disposed of its entire equity interest in Onwards Asia Limited and assigned all amounts which Onwards Asia Limited owes to Omnilink as at that date to an independent third party, Fabulous New Limited, at cash consideration of HK\$6,348,343,000 (the “Onwards Asia Disposal”). The principal assets of Onwards Asia Limited comprise all the issued share capital of Top Genius Holdings Limited, which engages in a property development project at Kai Tak, Kowloon.

	<i>HK\$'000</i>
Net assets disposed of:	
Properties under development	5,772,749
Cash and cash equivalents	4,081
Trade and retention payables and accruals	(14,893)
Loan from the Group	<u>(5,820,366)</u>
	(58,429)
Loan from the Group assigned	5,820,366
Gain on disposal of a subsidiary credited to profit or loss	<u>586,406</u>
	<u><u>6,348,343</u></u>
Satisfied by:	
Cash consideration	<u><u>6,348,343</u></u>
An analysis of the net inflow of cash and cash equivalents in respect of the Onwards Asia Disposal during the year was as follows:	
Cash consideration	6,348,343
Cash and cash equivalents disposed of	<u>(4,081)</u>
Net inflow of cash and cash equivalents in respect of the Onwards Asia Disposal	<u><u>6,344,262</u></u>

## 16. DISPOSAL OF SUBSIDIARIES (continued)

### (c) Disposal of Fund House Limited

On 2 October 2018, Beneficial Enterprises Limited, a wholly-owned subsidiary of the Company, entered into an equity transfer agreement with an independent party to dispose of its entire equity interest in Fund House Limited and assigned all amounts which Fund House Limited owes to Beneficial Enterprises Limited, at cash consideration of HK\$17,000 (the “Fund House Disposal”). The principal assets of Fund House Limited comprise all issued share capital of Duncan Property Management (Shanghai) Co., Limited, which engages in the provision of property management services in the PRC. The Fund House Disposal was completed on 12 October 2018.

	<i>HK\$'000</i>
Net assets disposed of:	
Property, plant and equipment	14
Trade receivables	308
Prepayments, deposits and other receivables	52
Cash and cash equivalents	5,976
Trade payables and accruals	(213)
Other payables, deposits received and receipt in advance	(6,078)
Due to a related company	(2,825)
Loan from the Group	(10,939)
	<u>(13,705)</u>
Loan from the Group assigned	10,939
Release of exchange fluctuation reserve	(1,009)
Release of statutory reserve	(364)
Gain on disposal of subsidiaries credited to profit or loss	4,156
	<u>17</u>
Satisfied by:	
Cash consideration	<u>17</u>
An analysis of the net outflow of cash and cash equivalents in respect of the Fund House Disposal during the year was as follows:	
Cash consideration	17
Cash and cash equivalents disposed of	(5,976)
	<u>(5,959)</u>

## 16. DISPOSAL OF SUBSIDIARIES (continued)

### (d) Disposal of Upwealth International Limited and Fortune Fortress Limited

On 14 December 2018, Tysan Investment Limited (“TIL”), a wholly-owned subsidiary of the Company, disposed of its entire equity interests in Upwealth International Limited and Fortune Fortress Limited and assigned all amounts which Upwealth International Limited and Fortune Fortress Limited owe to TIL as at that date to Mr. Fung, at a cash consideration of HK\$272,000 (the “Upwealth Disposal”) and HK\$92,000 (the “Fortune Fortress Disposal”), respectively. Upwealth International Limited and Fortune Fortress Limited were both an investment holding company which held a golf club membership.

	<i>HK\$'000</i>
Net assets disposed of:	
Other assets	1,080
Loan from the Group	<u>(1,281)</u>
	(201)
Loan from the Group assigned	1,281
Loss on disposal of subsidiaries debited to profit or loss	<u>(716)</u>
	<u>364</u>
Satisfied by:	
Cash consideration	<u>364</u>
An analysis of the net inflow of cash and cash equivalents in respect of the Upwealth Disposal and Fortune Fortress Disposal during the year was as follows:	
Cash consideration and inflow of cash and cash equivalents in respect of the Upwealth Disposal and Fortune Fortress Disposal	<u>364</u>

## 17. DISPOSAL GROUPS CLASSIFIED AS HELD FOR SALE

On 13 November 2017, Sparkle Key Limited (the “Shenyang Seller”), a wholly-owned subsidiary of the Company, entered into an equity transfer agreement with Hainan HNA Infrastructure Investment Group Co., Ltd. (“HNA Infrastructure”), a company established in the PRC with limited liability whose shares are listed on the Shanghai Stock Exchange and a subsidiary of HNA Group, for disposal of the Shenyang Seller’s entire equity interest in Tysan Land (Shenyang) Limited (“Tysan Shenyang”) at a cash consideration of RMB762 million (the “Shenyang Disposal”). Tysan Shenyang is a single project company established in the PRC engaging in the operation of a residential and commercial property development project, namely The Pinnacle, in Shenyang. It primarily derives its revenue from the sale of residential properties. Upon completion of the Shenyang Disposal, Tysan Shenyang will cease to be a subsidiary of the Company and the Company will no longer have any interest in the property development projects. As at 31 December 2017, the Shenyang Disposal had not been completed.

As at 31 December 2018, certain completion conditions, originally expected to be completed in 2018, were delayed and remained not completed. The Group re-evaluated the progress and expects the Shenyang Disposal to be completed in 2019. Accordingly, the assets and liabilities of Tysan Shenyang as at 31 December 2018 were classified as disposal groups classified as held for sale.



## 17. DISPOSAL GROUPS CLASSIFIED AS HELD FOR SALE (continued)

The major classes of assets and liabilities classified as held for sale as at the end of the reporting period are as follows:

	<b>2018</b> <i>HK\$'000</i>	2017 <i>HK\$'000</i>
<i>Assets</i>		
Property, plant and equipment	<b>1,967</b>	4,278
Investment properties	–	227,814
Available-for-sale investment	–	1,196
Deferred tax assets	–	960
Properties under development	–	14,864
Properties held for sale	<b>1,165,888</b>	1,460,278
Trade and retention receivables	<b>55</b>	496
Prepayments, deposits and other receivables	<b>3,505</b>	10,085
Tax prepaid	<b>7,766</b>	15,649
Cash and cash equivalents	<b>23,683</b>	448,337
	<hr/>	<hr/>
Assets classified as held for sale	<b>1,202,864</b>	2,183,957
<i>Liabilities</i>		
Trade and retention payables and accruals (note a)	<b>118,246</b>	280,400
Contract liabilities (note c)	<b>1,167</b>	–
Other payables, deposits received and receipts in advance	<b>2,048</b>	34,824
Deposits received	–	54,428
Loans from related companies (note b)	<b>334,748</b>	–
Tax payable	<b>1,121</b>	5,428
Deferred tax liabilities	<b>1,942</b>	41,129
	<hr/>	<hr/>
Liabilities directly associated with the assets classified as held for sale	<b>459,272</b>	416,209
	<hr/>	<hr/>
Net assets directly associated with the disposal groups	<b>743,592</b>	1,767,748

### Notes:

- (a) Included in the balances as at 31 December 2018 are amount due to Tysan Shanghai of HK\$2,118,000 and Tysan Tianjin of HK\$198,000 which are unsecured, interest-free and have no fixed terms of repayment.
- (b) As at 31 December 2018, the balances include a loan from Tysan Shanghai of HK\$170,790,000 which is unsecured, bears interest at the interest rate published by The People's Bank of China ("PBOC") and is repayable on 29 September 2020, and a loan from Tysan Tianjin of HK\$163,958,000 which is unsecured, bears interest at the interest rate published by PBOC and is repayable on 21 December 2019.
- (c) Deposits received on properties sold as at 31 December 2018 which were previously included as "Deposits received" were reclassified to contract liabilities upon adoption of HKFRS 15.

## 17. DISPOSAL GROUPS CLASSIFIED AS HELD FOR SALE (continued)

As at 31 December 2017, the disposal groups classified as held for sale included the assets and liabilities of Tysan Shanghai, Tysan Tianjin and Tysan Shenyang. The disposals of Tysan Shanghai and Tysan Tianjin were completed on 30 April 2018, details of which were disclosed in note 16(a) to this announcement.

Further details of the Shanghai Disposal, Shenyang Disposal and Tianjin Disposal were disclosed in the Company's announcement dated 13 November 2017 and a circular dated 7 December 2017.

## 18. EVENTS AFTER THE REPORTING PERIOD

### (a) Disposal of subsidiaries

On 1 February 2019, Omnilink and the Company (as Omnilink's guarantor) entered into a sale and purchase agreement with independent third parties, Fabulous New Limited and Wheelock Properties Limited (as Fabulous' guarantor), respectively, pursuant to which, Fabulous New Limited agreed to acquire from Omnilink the entire issue capital of Twinpeak Assets Limited and all amounts which Twinpeak Assets Limited owes to Omnilink as at the date of completion at cash consideration of HK\$3,912,225,000. The principal assets of Twinpeak Assets Limited comprise all the issued share capital of Milway Development Limited, the owner of the development under construction on New Kowloon Inland Lot No. 6563 on Kai Tak Area 1L Site 2, Kai Tak, Kowloon, Hong Kong. The disposal was completed on 15 February 2019. Details of the disposal were set out in the Company's announcements dated 1 February 2019 and 15 February 2019 and the circular dated 25 February 2019.

### (b) Acquisition of subsidiaries

On 28 February 2019, Fundamental Assets IV Limited, a wholly-owned subsidiary of the Company, and Jinshang International Investment Company Limited ("Jinshang International"), an independent party, entered into a sale and purchase agreement, pursuant to which, Fundamental Assets IV Limited agreed to purchase and Jinshang International agreed to sell the entire issue capital of Superior Choice Holdings Limited ("Superior Choice") and the loans owed by Superior Choice and its subsidiary to Jinshang International at cash consideration of HK\$700,000,000. The principal assets of Superior Choice comprise all the issued share capital of Excel Pointer Limited, the sole legal and beneficial owner of a property known as "CentreHollywood" located at No. 151 Hollywood Road, Hong Kong. The acquisition was completed on 28 February 2019.

### (c) Acquisition of approximately 69.54% of issued shares of the Company by Times Holdings II Limited

Pursuant to the joint announcement dated 8 March 2019 ("Joint Announcement"), the Company and Times Holdings II Limited jointly announced that, on 8 March 2019, Times Holdings II Limited and HNA Finance I, the Company's then controlling shareholder, entered into a sale and purchase agreement pursuant to which, Times Holdings II Limited has conditionally agreed to purchase, and HNA Finance I has conditionally agreed to sell, 2,340,904,131 shares, which represent approximately 69.54% of issued shares of the Company as at the date of entering into the sale and purchase agreement, for an aggregate cash consideration of approximately HK\$7,022,712,000 (representing HK\$3.00 per share) (the "Times Transaction").

Upon closing of the Times Transaction on 27 March 2019, Times Holdings II Limited has become the controlling shareholder of the Company.

Further details of Times Transaction were disclosed in the Joint Announcement and the closing announcement dated 27 March 2019.

## **ACQUISITION OF CONTROLLING INTEREST AND MANDATORY UNCONDITIONAL CASH OFFER**

The board of directors of the Company (the “Board”) notes that, in the joint announcement dated 8 March 2019 (the “Joint Announcement”), Times Holdings II Limited (“Times Holdings II”) and the Company jointly announced that HNA Finance I Co., Ltd. (“HNA Finance I”) has entered into a sale and purchase agreement with Times Holdings II to acquire approximately 69.54% of the issued shares of the Company (“Times Transaction”).

Upon closing of the Times Transaction on 27 March 2019, Times Holdings II has become the controlling shareholder of the Company. Pursuant to Rule 26.1 and Rule 13.5 of the Hong Kong Code on Takeovers and Mergers, following the completion of the Times Transaction, Times Holdings II is required to make a mandatory unconditional general offer in cash for all the issued shares other than those already owned or agreed to be acquired by Times Holdings II and its concert parties and to make comparable offers to the optionholders for all share options (which confer rights on the optionholders to subscribe for new shares of the Company) by way of cancellation of the share options (collectively, the “Offers”). For details, please refer to the Joint Announcement, the announcement dated 27 March 2019 (the “Closing Announcement”) and the composite offer document relating to the Offers made by Times Holdings II expected to be despatched in or about April 2019 (the “Composite Document”).

### **DIVIDEND**

In view of the change of controlling shareholder and the Offers to be made by Times Holdings II as set out in the Joint Announcement and the Closing Announcement and Times Holdings II’s intention in relation to the Company, the Board has resolved to defer the decision to the new management of the Company whose appointment is expected to become effective after despatching the Composite Document.

### **BUSINESS REVIEW**

#### **Hong Kong Market**

##### *Foundation Piling*

During the year under review, turnover of the Group’s foundation piling segment was HK\$2,531 million (31 December 2017: HK\$2,494 million). The segment recorded a net loss of HK\$23 million as compared to profit of HK\$147 million last year. Contribution to net profit decreased as profit arisen from the Foundation Division’s work performed for the Group’s own property development projects were considered as inter-division profits and was not accounted for in the Group’s net profit, and market competition remained intense. During the year under review, EBITDA for the foundation piling segment was HK\$17 million as compared to HK\$189 million last year; the overall EBITDA margin for the segment was about 1% for the year under review (31 December 2017: about 8%). The Group’s major contracts on hand include, inter alia, public housing projects at Pak Tin Estate Phase 10, Queen’s Hill in Fanling and Tung Chung Area 54; private residential development projects at Fan Garden Police Married Quarters in Fanling, New Kowloon Inland Lots No. 6563 and No. 6564 in Kai Tak, Tin Shui Wai Area 33 and Area 54, Siu Hong, Tuen Mun; and commercial development projects at Kai Tak twin towers and Taikoo Place Phase 2B.

## ***Property Development and Investment***

### *Disposal of subsidiaries holding the land parcels known as New Kowloon Inland Lot No. 6564 and New Kowloon Inland Lot No. 6563*

On 28 March 2018, Omnilink Assets Limited (“Omnilink”), a wholly-owned subsidiary of the Company, disposed of the entire issued capital of Onwards Asia Limited (“Onwards Asia”) and all amounts owed to Omnilink at the date of completion, at a total cash consideration of HK\$6,348 million. One of the principal assets of Onwards Asia comprised the entire issued capital of Top Genius Holdings Limited, the owner of the development under construction on New Kowloon Inland Lot No. 6564 on Kai Tak Area 1L Site 1, Kai Tak, Kowloon, Hong Kong. Completion of this disposal took place on 16 May 2018. Details of the said disposal have been set out in the announcements of the Company dated 12 March 2018, 21 March 2018 and 11 May 2018 and in the Company’s circular dated 19 April 2018.

On 15 February 2019, Omnilink disposed of the entire issued capital of Twinpeak Assets Limited (“Twinpeak”) and all amounts owed to Omnilink at the date of completion, at a total cash consideration of HK\$3,912 million. One of the principal assets of Twinpeak comprised the entire issued capital of Milway Development Limited, the owner of the development under construction on New Kowloon Inland Lot No. 6563 on Kai Tak Area 1L Site 2, Kai Tak, Kowloon, Hong Kong. Completion of this disposal took place on 15 February 2019 (“NKIL 6563 Disposal”). Details of the said disposal have been set out in the announcements of the Company dated 1 February 2019 and 15 February 2019 and in the Company’s circular dated 25 February 2019.

### *Acquisition of companies holding CentreHollywood*

On 28 February 2019, Fundamental Assets IV Limited, a wholly-owned subsidiary of the Company, completed the acquisition of the entire issued capital of Superior Choice Holdings Limited (“Superior Choice”) and all amounts which Superior Choice and Excel Pointer Limited (“Excel Pointer”), the wholly-owned subsidiary of Superior Choice, owed to Jinshang International Investment Company Limited as at the date of completion, at a total cash consideration of HK\$700 million. One of the principal assets of Superior Choice comprise the entire issued capital of Excel Pointer, the owner of “CentreHollywood” situated at No.151 Hollywood Road, Hong Kong. Details of the said acquisition have been set out in the announcement of the Company dated 28 February 2019.

## **PRC Market**

### *Updates on disposal of subsidiaries holding The Waterfront in Shanghai (“Shanghai Disposal”), The Riverside in Tianjin (“Tianjin Disposal”) and The Pinnacle in Shenyang (“Shenyang Disposal”) (collectively, the “Disposals”)*

Both Shanghai Disposal and Tianjin Disposal were completed in April 2018. The Company expects the Shenyang Disposal will be completed in 2019. Details of the Disposals have been set out in the announcements of the Company dated 13 November 2017, 4 December 2017 and 27 December 2017, respectively and the circular of the Company dated 7 December 2017.

EBITDA for the property development and investment segment increased from about HK\$66 million in 2017 to about HK\$608 million for the year under review.

## **Investment Activities**

### *Investment in Hainan Railway*

The Group entered into a partnership agreement with Haikou Xincheng District Equity Investment Fund Management Co., Ltd.\* (海口新城區股權投資基金管理有限公司) on 6 June 2018 to prepay the capital contribution of RMB300 million to Hengqin Zhonghang Equity Investment Fund Partnership (Limited Partnership)\* (橫琴眾航股權投資基金合夥企業(有限合夥)) that will participate in a tender for acquisition of 38.73% interest in Hainan Railway Company Limited\* (海南鐵路有限公司) (“Hainan Railway”) which mainly engages in the operation and management of Roundabout High Speed Railway in Hainan province\* (海南省環島高鐵).

### *Convertible Bonds*

On 13 June 2018, the Group agreed to subscribe for the convertible bonds (the “Convertible Bonds”) and the Convertible Bonds was issued by Holistic Capital Investment Limited (the “Subscription”) in the principal amount of HK\$800 million on 30 June 2018. The coupon rate of the Convertible Bonds is 8% and the term of the Convertible Bonds is 3 years. Holistic Capital Investment Limited is a wholly-owned subsidiary of Hong Kong Air Cargo Carrier Limited, which in turn is wholly-owned by Hong Kong Airlines Limited.

## **Internal Restructuring of HNA Group Co., Ltd.**

On 22 March 2018, the Company was informed by HNA Group Co., Ltd. (“HNA Group”) that the subsidiaries of HNA Group had on a conditional basis, as part of an internal restructuring, entered into equity transfer agreements (“Equity Transfer Agreements”) in relation to the disposal of about 74.68% of the shares in the Company held by HNA Finance I to HNA Infrastructure Investment Group Co., Ltd\* (海航基礎設施投資集團股份有限公司) (“HNA Infrastructure”, a company listed on the Shanghai Stock Exchange, stock code: 600515), another subsidiary of HNA Group.

On 8 August 2018, each of (i) Hong Kong HNA Holding Group Co. Limited and Beijing HNA Financial Holdings Co., Ltd.\* (北京海航金融控股有限公司) (“Beijing HNA Financial”) and (ii) Beijing HNA Financial and HNA Infrastructure entered into a termination agreement in respect of the respective Equity Transfer Agreements.

For details, please refer to the announcements of the Company dated 22 March 2018, 26 June 2018 and 8 August 2018 and the monthly update announcements of the Company dated 20 April 2018, 18 May 2018, 15 June 2018 and 25 July 2018.

## **Financing Activities**

### *Facility Agreement*

Milway Development Limited (the “Borrower”), a then indirect wholly-owned subsidiary of the Company, entered into a facility agreement with a syndicate of banks in respect of term loan facilities of up to HK\$5,047 million for a term of 48 months (the “Loan”). The Loan was used to refinance part of the premium paid by the Borrower in respect of its acquisition of the parcel of land at New Kowloon Inland Lot No. 6563 and the construction costs for the development of the land. For details of the facility agreement, please refer to the announcement of the Company dated 6 June 2018. Following the completion of NKIL 6563 Disposal, the Loan was assigned to the purchaser of the said disposal.

## **PROSPECTS**

The Board notes that, upon completion of the Times Transaction, Times Holdings II has become the controlling shareholder of the Company. It is stated in the Joint Announcement that Times Holdings II intends that the Group will continue with the Group's existing foundation piling business (being the principal businesses of the Group). It is also stated that save and except for the proposed change of Board composition, Times Holdings II has no intention to introduce any significant changes to the management of the Company, or to discontinue the employment of the employees. For further details, please refer to the Joint Announcement, the Closing Announcement and the Composite Document.

## **FINANCIAL REVIEW**

The Group continues to adopt a prudent financial policy and sustain a sound capital structure with healthy cashflow. As at 31 December 2018, the Group's cash on hand was about HK\$4,903 million (31 December 2017: HK\$2,369 million) while total assets and net assets (after deducting non-controlling interests) were about HK\$17,318 million (31 December 2017: HK\$19,769 million) and HK\$12,163 million (31 December 2017: HK\$12,218 million), respectively. As at 31 December 2018, the Group's net current assets amounted to HK\$15,523 million (31 December 2017: HK\$12,432 million). As at 31 December 2018, the Group's interest-bearing borrowings (excluding those interest-bearing borrowings of a subsidiary to be disposed of) were about HK\$3,833 million (31 December 2017: HK\$6,175 million), out of which about HK\$299 million (31 December 2017: HK\$295 million) were borrowings of fixed interest rate. The Group's gearing ratio, calculated on the basis of total interest-bearing borrowings (excluding those interest-bearing borrowings of a subsidiary to be disposed of) divided by shareholders' equity, was 32% as at 31 December 2018 (31 December 2017: 51%). Contingent liabilities in relation to guarantees of performance bonds increased from HK\$256 million as at 31 December 2017 to HK\$325 million as at 31 December 2018 while guarantees for end user mortgage loans amounted to HK\$5 million (31 December 2017: HK\$22 million). Certain of the Group's assets with an aggregate carrying amount of about HK\$7,667 million have been pledged to secure certain banking facilities of the Group. The Group's bank borrowings are primarily denominated in Hong Kong dollars. Currency exposure has been monitored and forward contracts will be considered as required.

## **EMPLOYMENT AND REMUNERATION POLICIES**

The Group, including its subsidiaries in Hong Kong, Macau and the PRC, employed approximately 816 employees as at 31 December 2018. The Group's remuneration policies are primarily based on prevailing market salary levels and the performance of the respective companies and individuals concerned. Fringe benefits include provident fund, medical insurance and training. In addition, share options may also be granted in accordance with the terms of the Group's approved share option scheme.

## PURCHASE, REDEMPTION AND SALE OF LISTED SECURITIES OF THE COMPANY

During the year, the Company repurchased certain of its shares on the Hong Kong Stock Exchange and these shares were subsequently cancelled by the Company. The summary details of those transactions are as follows:

Month	Number of shares repurchased	Price per share		Total price paid HK\$'000
		Highest HK\$	Lowest HK\$	
July 2018	926,000	1.81	1.67	1,639
August 2018	9,864,000	1.50	1.47	14,785
September 2018	28,072,000	1.51	1.43	41,591
Total	<u>38,862,000</u>			<u>58,015</u>

The purchase of the Company's shares during the year was effected by the directors, pursuant to the mandate from shareholders received at the last annual general meeting, with a view to benefiting shareholders as a whole by enhancing the net asset value per share and earnings per share of the Group.

Except as disclosed above, neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year.

### COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

In the opinion of the directors of the Company, the Company has complied with the code provisions set out in the Corporate Governance Code (the "CG Code") and Corporate Governance Report contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the year ended 31 December 2018 except for the following deviation:

***CG Code Provision A4.1 stipulates that non-executive directors should be appointed for a specific term subject to re-election***

Non-executive directors of the Company and independent non-executive directors of the Company are not appointed for a specific term but are subject to retirement by rotation and re-election at the annual general meeting in accordance with the Bye-laws of the Company. As such, the Board is of the view that the non-executive directors of the Company and independent non-executive directors of the Company do not have to be appointed for a specific term.

### Model Code for Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 of the Listing Rules as its own code of conduct regarding securities transactions by the directors of the Company. Having made specific enquiry of the Company's directors, they all confirmed that they have complied with the required standard set out in the Model Code during the year ended 31 December 2018.

## AUDIT COMMITTEE

The Group's Audit Committee comprises five members, namely, Mr. Fan Chor Ho, Mr. Tse Man Bun, Mr. Lung Chee Ming, George, Mr. Li Kit Chee and Mr. Chong Kin Ho, who are independent non-executive directors of the Company. The Committee conducted a review with the management of such accounting principles and practices adopted by the Group and discussed the auditing, internal control and financial reporting matters including the review of the Group's consolidated results and financial statements for the year ended 31 December 2018.

The Committee has also met with the external auditors of the Company, Messrs. Ernst & Young, and reviewed the accounting principles and practices adopted by the Group and the annual results of the Group for the year.

## REVIEW OF PRELIMINARY ANNOUNCEMENT

The figures in respect of the Group's results for the year ended 31 December 2018 as set out in this preliminary announcement have been agreed by the Group's independent auditors, Messrs. Ernst & Young, to the amounts set out in the Group's consolidated financial statements for the year. The work performed by Messrs. Ernst & Young in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently, no assurance has been expressed by Messrs. Ernst & Young on this preliminary announcement.

## APPRECIATION

On behalf of the Board, I would also like to express my sincere gratitude to all our staff for their dedication, hard work and contribution during the year and to thank all our shareholders for their support.

By order of the Board  
**HONG KONG INTERNATIONAL CONSTRUCTION  
INVESTMENT MANAGEMENT GROUP CO., LIMITED**  
**Sun Kin Ho Steven**  
*Co-Chairman*

Hong Kong, 29 March 2019

*As at the date of this announcement, the executive directors are Mr. Chen Chao, Mr. Sun Kin Ho Steven, Mr. He Jiafu, Mr. Fung Chiu Chak, Victor, Mr. Liu Junchun, Mr. Huang Qijun, Mr. Guo Ke and Mr. Zhang Peihua; the non-executive directors are Mr. Tang King Shing and Mr. Yang Han Hsiang; and the independent non-executive directors are Mr. Fan Chor Ho, Mr. Tse Man Bun, Mr. Lung Chee Ming, George, Mr. Li Kit Chee and Mr. Chong Kin Ho.*

*Company website: [www.hkicimgroup.com](http://www.hkicimgroup.com)*

\* *English translations of the Company names from the Chinese language are marked with "\*" and are provided for identification purpose only.*