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HSIN新昌
CHONG

HSIN CHONG GROUP HOLDINGS LIMITED
新昌集團控股有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 00404)

ANNOUNCEMENT OF UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2018

The board (the "**Board**") of directors (the "**Directors**") of Hsin Chong Group Holdings Limited (the "**Company**" or "**Hsin Chong**") is pleased to announce the unaudited interim results of the Company and its subsidiaries (collectively, the "**Group**") for the six months ended 30 June 2018, financial highlights of which are as follows:

A. REVIEW OF BUSINESS AND PROSPECTS

1. Financial Overview

(In HK$ million)

	Six months ended 30 June		**Change**	
	2018	2017	Amount	%
	(Unaudited)	(Unaudited)		
Revenue	**2,450**	3,437	-987	-29%
Revenue – excluding NSC#	**2,440**	3,386	-946	-28%
Gross Profit	**118**	96	22	23%
Gross profit margin	**4.8%**	2.8%	2.0%	
Gross profit margin – excluding NSC#	**4.8%**	2.8%	2.0%	
Fair value gain/(loss) on investment properties	**412**	(288)	700	243%
Provision for impairment of properties under development	**(861)**	(515)	-346	-67%
EBITDA	**(662)**	(1,124)	462	41%
Net finance cost	**(150)**	(139)	-11	-8%
Loss attributable to shareholders	**(705)**	(1,087)	382	35%
Basic loss per share *(in HK cents)*	**(12.4)**	(19.0)	6.6	35%
Interim dividend *(in HK cents)*	**–**	–	N/A	N/A

Note:

\# Nominated subcontractors' work of Macau Galaxy Resort Phase 2 project ("**NSC**")

2. Business Overview

Hsin Chong is an integrated construction and property group in the region, which pursues a strategic transformation in its business portfolio by establishing a dynamic property company. While we await the property business to deliver significant revenue contribution to the Group, our Group's construction business remained profitable.

(In HK$ million)	**Six months ended 30 June** **2018**	2017	**Change** Amount	%
Revenue				
Construction – excluding NSC	**2,388**	3,353	-965	-29%
Property development and investment	**52**	33	19	58%
	2,440	3,386	-946	-28%
Construction – NSC	**10**	51	-41	-80%
	2,450	3,437	-987	-29%
Gross profit				
Construction	**87**	85	2	2%
Property development and investment	**31**	11	20	182%
	118	96	22	23%
EBITDA				
Construction	**17**	13	4	31%
Property development and investment	**(618)**	(1,079)	461	43%
Corporate overhead and others	**(61)**	(58)	-3	-5%
	(662)	(1,124)	462	41%
Gross profit margin (excluding NSC)				
Construction	**3.6%**	2.5%		
Property development and investment	**59.6%**	33.3%		

2.1 Construction Business Review

During the first half of 2018, the Construction Division received total new orders of HK$23 million (2017: HK$136 million), including the following contracts:

(i) a construction management contract in Malaysia for a residential development project located at Genting Sempah, comprises of 41-storey twin residential towers and a multi-storey carpark; and

(ii) a MVAC and fire services installation for Ex-Central Police Station Compound.

As of 30 June 2018, the outstanding workload (excluding NSC) reported HK$4.7 billion. Among all the contracts on hand, 89% were from the public sector and MTR; and 11% were from private clients.

(i) Government & Public Institutions: M+ Museum Main Works Contract at West Kowloon Cultural District, Design & Construction of Kowloon East Regional Headquarters and Operational Base cum Ngau Tau Kok Divisional Police Station and Civil Engineering and Development Department; and

(ii) MTR Corporation: Elevated Road along LOHAS Park Road and the Pedestrian Footbridge FBI and Shatin to Central Link contract for Sung Wong Toi and To Kwa Wan Stations and Tunnels.

On 17 August 2018, Hsin Chong Construction Company Limited received a termination notice of the M+ Museum Main Works Contract from the employer, the West Kowloon Cultural District Authority, allegedly based on their concerns. Had this Contract been excluded, the outstanding workload (excluding NSC) at the end of this reporting period would reduce from HK$4.7 billion to HK$2.3 billion.

During the period under review, the Group's core Construction Business recorded revenue (excluding NSC) of HK$2.4 billion (2017: HK$3.4 billion) and gross profit of HK$87 million (2017: HK$85 million). The revenue for the period decreased by 28% comparing to that of last year and the gross profit increased by 2%, our gross margin then increased by 1.1 percentage point to 3.6%.

2.2 Property Development and Investment Business Review

Over the course of last few years, Hsin Chong has pursued a strategic transformation in its property business portfolio. Currently, the Group has two completed properties in the first-tier cities of Beijing and Guangzhou and four properties under development in Foshan, Tai'an, Tianjin and Tieling.

During the period under review, this division delivered a revenue of HK$52 million and a gross profit of HK$31 million.

Property Portfolio

Completed properties for investment and/or sale

(i) New Times Plaza, Beijing

The property is a commercial development, comprising 15 storeys aboveground and 3 storeys of basement. The shopping mall and car park occupy 9 floors of the property (from 3rd floor of the basement to 6th floor) with a total gross floor area ("**GFA**") of 55,798 square metres ("**sqm**"). The apartments are located on the 7th to 15th floors of the property. As at 30 June 2018, approximately 11,962 sqm of GFA are available for sale or lease.

As of 30 June 2018, the occupancy rate of the shopping mall was more than 90%. The contribution has been improving since acquisition. The New Times Plaza has generated stable rental and related income for the period.

(ii) Xiyang Computer City, Commercial Portion of Tian Cheng Ming Yuan

The property, which consists of a commercial property and a car park with around 325 carparking spaces, has a total GFA of 26,306 sqm.

Property under development

(i) Foshan Hsin Chong Town

Foshan Hsin Chong Town project is located at the "Ninety-Ninth Hill" of Dushugang, Lubao Town, Sanshui District of Foshan City. The project is 40 kilometers east to the downtown of Guangzhou and close to Hong Kong and Macau in the south. With the established three-dimensional transportation network in the surrounding area, it only takes one hour to get to main cities in the Pearl River Delta Economic Zone, including Guangzhou, Shenzhen, Zhuhai, Dongguan, Zhongshan, Yunfu, Zhaoqing, Huizhou, Qingyuan and Jiangmen, directly covering more than 100 million consumers in Greater Bay Area.

The planned core layout includes Venice water town, super five star resort hotel, featured shopping center, children's playground, experience education base, wedding celebration square, hot spring, golf course, regional commercial facilities, service apartment, high-end residential area, egret nature reserve, etc.

The project is positioned as a fashion shopping center and tourist destinations of short vacations in the Pearl River Delta targeted at Guangzhou and Foshan in the short term, and the health preservation resort targeted at Guangdong and the whole country in the medium and long-term (the second residence for improved living conditions in Guangdong Province, and suitable for health preservation of northern tourists in winter).

The retail outlets with an area of approximately 98,588 sqm was put into trial operation on 28 April 2017, and opened for business on 29 May 2017, attracting more than 500,000 customers in the first three days. The wedding plaza and the pet paradise were completed in 2017, and are currently in normal operation. The ancillary facilities, such as the club, catering service, container hotel and happy farm have been completed and put into operation. The water entertainment facilities such as the water park, sightseeing boat and fishing have been put into use. The construction of the commercial residence project with an area of 83,000 sqm is in process, which is expected to satisfy the pre-sales conditions in October this year. The project has been initially positioned as the first recreation and shopping resort town in Guangzhou-Foshan area.

(ii) Tai'an project

The project is located in the new town in the south of Tai'an city, Shandong Province – Tai'an New and High Tech Industrial Development Zone. It is 70 kilometers from Ji'nan city in its north, approximately 12 kilometers from Dongyue Street in the downtown area of Tai'an city, and 14 kilometers from the trailhead of Mountain Taishan. The project includes commercial properties with a total GFA of approximately 274,977 sqm. The project aims at building an integrated commercial complex featured with tourism and leisure element by integrating traditional business and tourism industry. Based on this comprehensive development framework, the tourism and leisure-oriented project will develop a variety of ancillary facilities integrating various functions such as recreation, leisure, sports, health preservation, catering, and retail, etc. As at the date of this announcement, a total of 34 blocks of two-storey commercial retail outlet mall with a total GFA of over 100,000 sqm are under construction.

(iii) Commercial development project, Tianjin

The project is located in the core area of Tianjin Binhai Free Trade Zone, adjacent to Haihe River on three fronts. The project is planned to have two core themes: the first theme is to build a world famous cultural relics industry service zone centered on cultural relics exhibition, identification, transaction and supporting finance; the second theme is to build a children's education and entertainment industry base centered on research and development, application, experiment and promotion of augmented reality and virtual reality technology. There are supporting functions such as office, catering, entertainment and business for core themes, all of which are still in the planning stage.

(iv) La Viva, Tieling

La Viva, Tieling is located alongside the south bank of Fanhe River in the Tieling New Town, 8 kilometres north to the old town and over 30 kilometres south to the downtown of Shenyang city. The project includes numerous facilities such as retail, entertainment, tourist attractions, hotel, international school, water park, residence, office buildings and conference and exhibition facilities. It covers an area of 180 hectares and a total GFA of approximately 3 million sqm.

Residential development Phase 1 owns a total saleable area of approximately 225,000 sqm. Upon completion, there will be a total of 2,100 units available for sale, with average size per unit of 107 sqm. The residential sales will be tied with the phased opening of the retail outlets and water park.

Phase 1 of the commercial development of La Viva comprises exhibition centre, banquet hall, club house, outlet mall and a water park which is one of the key components of the unparalleled La Viva experience. It will be the first round-the-year water recreation facility in the northeast region of PRC. The total GFA of the Phase 1 commercial development approximates to 214,743 sqm.

3. Looking Forward

The Group's financial situation has been restraining its ability to obtain new projects since the beginning of the year, which resulted in decrease of the Construction Business' turnover. This in turn cause reduction in the Group's cashflow and increase the financing cost.

Hsin Chong has pursued strategic measures include but not limited to disposal of assets and refinance the current facilities to restore the Group's cashflow and liquidity. During such restoration period, the management notice and foresee that (i) the operating progress of various projects may be affected; (ii) short term financing cost may increase; (iii) new tenders will be restricted until the cashflow and liquidity of the Group restored; and (iv) key staffs turnover may increase.

The Company is currently in discussions with Poly Property Group Co., Limited (Stock Code: 00119) (the "**Potential Investor**"), which has expressed an interest in investing in the Company's equity securities, details of which had been disclosed in the Company's announcement dated 2 and 18 May 2018.

Construction business

In the coming five years from 2019-20 to 2023-24, Hong Kong is expected to have 25 sites available for production of more than 60,000 flats of which more than 80% are for public housing.

With Hsin Chong's leading construction industry position and remarkable track record in Hong Kong, we strive our best to take part in the city's infrastructure and building plans.

On 29 August 2018, the Company and an independent third party (the "**Purchaser**") entered into a non-legally binding memorandum of understanding ("**MOU**") in relation to the potential disposal of the entire issued share capital of Hsin Chong Construction Company Limited ("**HCC**"), a wholly owned subsidiary of the Company. Based on the MOU, the Purchaser may provide financial support in the amount of HK$600 million as working capital for the projects of HCC. Details of the MOU had been disclosed in the Company's announcement dated 29 August 2018.

After the Group manages to sort out its current financial issues, Hsin Chong, as one of Asia's longest-standing construction groups with its firm foundation in the industry, will continue to strengthen our solid position to sustain further successes in Hong Kong.

Apart from the public sector, we will also pay our attention to high-end private sector customers with our professionalism and corporate tradition. We have been a major player in Hong Kong's infrastructural development, and will continue to focus our efforts on soliciting new opportunities in the competitive construction market.

PRC Property business

Hsin Chong is experiencing a strategic transformation in diversifying our business segment with the expansion in PRC property development. We hope to grasp the new opportunities in the Mainland China's fast developing property market to form new profit-making points.

(i) New Times Plaza, Beijing and Xiyang Computer City (Commercial Portion of Tian Cheng Ming Yuan)

The Group is actively seeking opportunities to dispose the two projects entirely in 2018 to realise value to stakeholders and improve the Group's cashflow position.

(ii) Foshan Hsin Chong Town

The Company is applying for related licenses for the low density residence with an area of approximately 24,000 sqm, which is expected to be completed and commence its pre-sales in the end of this year. The commercial residence projects with an area of 83,000 sqm are expected to be available for sales in the end of this year upon satisfaction with pre-sales conditions. It is planned that the construction of the low density residence project for sales with an area of 130,000 sqm will be commenced in the second half of 2018, and that the construction of the commercial residence project for sales with an area of 510,000 sqm will be commenced in 2019, which will realize continuous cash inflow upon satisfaction with pre-sales conditions.

The supporting facilities for Outlets Business will be further improved in the second half of 2018 to attract more customers and increase revenue.

Meanwhile, the project will continue with the application for "Featured Town" in the second half of 2018, in order to obtain the special support from the State in terms of policies and financing.

The Company has recently successfully negotiated with a PRC Real Estate Partner ("**the Real Estate Partner**") on a Cooperation Framework Agreement ("**Foshan Framework Agreement**") in relation to: (1) share arrangements; (2) project re-financing; (3) project management and (4) property sales of the Company's real estate project in the Guangdong Foshan Sanshui District.

Should a co-operation agreement be signed with the Real Estate Partner, the Company will work closely with them to reduce project development and finance costs and speed up the development process, thereby enhancing the value of the project and creating better commercial value which will benefit the adjacent communities.

(iii) Tai'an project

The Company plans to complete the commercial project under construction with an area of over 100,000 sqm in the second half of 2019, and finalize the planning scheme of apartment for sales with an area of 175,000 spm, which will commence development and construction and ready for sales in the second half of 2019.

(iv) Commercial development project, Tianjin

An underwriting contract in respect of the project has been signed with a state-owned enterprise. It not only solved the funding of the construction of the project, but also solved the sales problem of the saleable property of the project. According to the underwriting contract, the project will soon provide the Group with continuous cash inflow. It is also worth mentioned that the project is intended to introduce the world's third "bank of cultural relics", which will add substantial commercial value to the project and be beneficial to the significant increase of value of our self-owned properties.

(v) La Viva, Tieling

The Phase I residence with an area of 225,000 sqm will be available for sale in 2018. The Company plans to cooperate with powerful institutions to increase the capital investment in projects, liquidise assets and optimise the model of operation in 2018.

Meanwhile, the Company will continue with the application for "Featured Town" in 2018 with an aim to obtain the special support from the State in terms of policies and financing.

International Infrastructure Business – Belt and Road Initiative

The International Infrastructure Business Division continues its success in building up business relationships and connections with key ministers and Consul Generals of various overseas countries with the objectives of exploring and pursuing opportunities in Asia, Africa, Europe, Middle East and South America.

Pivoting on its competitive advantages in project management, construction management and contract administration, Hsin Chong further expands its international business by promoting connectivity, integrating and creating a regional economic cooperation framework under the Belt and Road Initiative.

Green Building and Sustainability Concept

Green building, which is designing and constructing buildings using eco-friendly materials and techniques, will continue to influence the global construction industry in 2018. The social trends such as sustainable and healthy living are set to shape in future years. As an influential construction industry leader in Hong Kong, we hope to act as a pioneer on sustainable development to maintain our superior position.

4. Financial Position

The Group monitors its liquidity requirements and arranges refinancing of the Group's borrowings when appropriate. As of 30 June 2018, the total debts were HK$14.7 billion of which HK$9.9 billion were from entrusted loans, HK$3.5 billion were from senior notes, HK$770 million were from other loans and HK$27 million were from private bonds. Total bank borrowings were at HK$530 million.

As of 30 June 2018, cash and bank deposits stood at HK$412.4 million (31 December 2017: HK$1,179.6 million).

Net gearing, representing net debt over tangible net assets (net assets less intangible assets) as at 30 June 2018, was 134% (31 December 2017: 114%).

Based on the current financial position, the Group has taken various measures to improve its liquidity including disposal of assets, refinancing current facilities, and in active negotiation with holders of the senior notes for a consensual restructuring plan.

5. Funding cost

The Group's bank borrowings are charged at a spread to floating interest rates. Interest on the other borrowings including entrusted loans for PRC properties and other loans are subject to fixed interest rate.

6. Pledge of assets

As at 30 June 2018, the Group pledged its investment properties with carrying amount of HK$9,686 million (31 December 2017: HK$9,210 million), property, plant and equipment and leasehold land with carrying amount of HK$1,762 million (31 December 2017: HK$1,794 million), properties under development with carrying amount of HK$7,933 million (31 December 2017: HK$8,746 million), stocks of properties with carrying amount of HK$558 million (31 December 2017: HK$562 million) and bank balances with carrying amount of HK$60 million (31 December 2017: HK$392 million), and its equity interest in certain subsidiaries, as collaterals to various banks, financial institutions and other third parties to secure its borrowings.

7. Exposure to fluctuations in exchange rates and related hedges

The Group operates in Hong Kong, Macau, the PRC, Saipan and Cambodia with most of the transactions denominated and settled in local currencies. Foreign exchange risk exposure arising from the Group's operation in Macau and the PRC is monitored by proper synchronisation of receipts and payments in different operating currencies. For the Group's companies with USD as functional currency, it is not expected that there are any significant movements in the USD/HKD exchange rate as the HKD is pegged to the USD. As at 30 June 2018, the Group did not use any derivative financial instruments to hedge its exposure to foreign exchange risk (31 December 2017: nil).

8. Commitments

As at 30 June 2018, the Group had capital commitments in respect of contracted but not provided for capital expenditures on properties under development, commercial properties under development under investment properties and construction in progress under property, plant and equipment and leasehold land amounting to HK$2,521 million (31 December 2017: HK$2,569 million).

9. Contingent liabilities

At 30 June 2018 and 31 December 2017, the Group is subject to various claims on liquidated damages of certain construction contracts during the normal course of business. The Directors are of the opinion that the Group has applied extension of time to mitigate the liquidated damages and any resulting liability would not materially affect the financial position of the Group.

B. INTERIM DIVIDEND

To preserve funds for the Company, the Board has resolved not to declare the payment of an interim dividend for the six months ended 30 June 2018 (30 June 2017: nil).

C. CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT

For the six months ended 30 June 2018

		Unaudited	
		Six months ended 30 June	
		2018	2017
	Notes	***HK$'000***	*HK$'000*
Revenue	*2*	**2,450,068**	3,436,563
Cost of sales	*7*	**(2,332,134)**	(3,340,732)
Gross profit		**117,934**	95,831
Other losses, net	*4*	**(109,238)**	(110,106)
Fair value gain/(loss) on investment properties		**412,033**	(287,664)
Provision for impairment of properties under development		**(860,955)**	(515,349)
Net exchange gain/(loss)		**26,085**	(36,220)
Selling and general administrative expenses		**(286,100)**	(325,458)
Amortisation of intangible assets		**(14,911)**	(10,323)
Interest income		**26,900**	24,503
Interest expenses	*5*	**(177,058)**	(163,264)
Loss before taxation		**(865,310)**	(1,328,050)
Taxation	*6*	**222,904**	256,513
Loss for the period	*7*	**(642,406)**	(1,071,537)
(Loss)/profit attributable to:			
Equity holders of the Company		**(704,973)**	(1,086,726)
Non-controlling interests		**62,567**	15,189
		(642,406)	(1,071,537)
Basic loss per share *(HK cents)*	*8*	**(12.4)**	(19.0)
Diluted loss per share *(HK cents)*	*8*	**(12.4)**	(19.0)

D. CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2018

	Unaudited Six months ended 30 June	
	2018	2017
	HK$'000	*HK$'000*
Loss for the period	**(642,406)**	(1,071,537)
Other comprehensive income		
Items that will not be reclassified to profit or loss:		
Fair value gain on leasehold land and building	**–**	32,924
Deferred tax on fair value gain of leasehold land and building	**–**	(5,432)
Fair value loss on financial asset at fair value through other comprehensive income	**(1,485)**	–
Deferred tax on fair value loss of financial asset at fair value through other comprehensive income	**371**	–
Items that may be subsequently reclassified to profit or loss:		
Fair value gain on available-for-sale financial asset	**–**	159
Deferred tax on fair value gain of available-for-sale financial asset	**–**	(40)
Exchange differences arising on translation of foreign operations	**(114,028)**	444,162
Other comprehensive income for the period, net of tax	**(115,142)**	471,773
Total comprehensive income for the period, net of tax	**(757,548)**	(599,764)
Total comprehensive income attributable to:		
Equity holders of the Company	**(811,036)**	(632,564)
Non-controlling interests	**53,488**	32,800
	(757,548)	(599,764)

E. CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 June 2018

	Notes	**Unaudited 30 June 2018** *HK$'000*	Audited 31 December 2017 *HK$'000*
Non-current assets			
Property, plant and equipment and leasehold land		**2,376,851**	2,486,922
Investment properties		**11,697,203**	11,317,718
Intangible assets		**175,630**	186,018
Financial asset at fair value through other comprehensive income		**26,479**	–
Available-for-sale financial asset		**–**	27,964
Receivables and prepayments	*10*	**352,916**	534,203
Deferred tax assets		**5,064**	5,044
		14,634,143	14,557,869
Current assets			
Properties under development		**16,082,197**	15,916,556
Stocks and contracting work-in-progress		**575,529**	2,007,585
Contract assets		**2,279,343**	–
Receivables and prepayments	*10*	**1,291,755**	2,524,837
Amounts due from non-controlling interests		**1,992**	2,250
Amounts due from other partners of joint operations		**9,239**	8,369
Tax recoverable		**7,223**	7,277
Deposits, cash and cash equivalents		**352,431**	784,137
Restricted cash		**59,983**	395,454
		20,659,692	21,646,465
Current liabilities			
Bank loans		**(530,376)**	(1,039,886)
Other borrowings		**(10,694,364)**	(7,224,732)
Senior notes		**(3,487,500)**	(2,317,069)
Private bonds		**(27,200)**	–
Payables and accruals	*11*	**(4,643,266)**	(5,583,736)
Contract liabilities		**(233,554)**	–
Amounts due to other partners of joint operations		**(43,103)**	(44,772)
Current tax liabilities		**(97,858)**	(89,180)
		(19,757,221)	(16,299,375)
Net current assets		**902,471**	5,347,090
Total assets less current liabilities		**15,536,614**	19,904,959

	Note	Unaudited 30 June 2018 *HK$'000*	Audited 31 December 2017 *HK$'000*
Non-current liabilities			
Other borrowings		**–**	(2,115,044)
Senior notes		**–**	(1,141,161)
Private bonds		**–**	(21,903)
Long service payment liabilities		**(2,943)**	(2,943)
Deferred tax liabilities		**(4,657,466)**	(4,918,922)
Total non-current liabilities		**(4,660,409)**	(8,199,973)
Net assets		**10,876,205**	11,704,986
Equity			
Capital and reserves attributable to the Company's equity holders			
Share capital	*12*	**1,141,084**	1,141,084
Other reserves		**9,274,338**	9,391,099
(Accumulated losses)/retained profits		**(424,640)**	340,868
		9,990,782	10,873,051
Non-controlling interests		**885,423**	831,935
Total equity		**10,876,205**	11,704,986

F. NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of preparation and accounting policies

The unaudited interim condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard ("**HKAS**") 34, Interim Financial Reporting, issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") and the disclosure requirements of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Stock Exchange").

These interim condensed consolidated financial statements have been prepared in accordance with the accounting policies adopted in the Group's annual consolidated financial statements for the year ended 31 December 2017, except for the adoption of the following revised Hong Kong Financial Reporting Standards ("**HKFRSs**") effective for the first time for periods beginning on or after 1 January 2018:

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers
HK(IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration
Annual Improvements to HKFRSs 2014 – 2016 Cycle	Amendments to HKFRS 1, First-time Adoption of Hong Kong Financial Reporting Standards
Annual Improvements to HKFRSs 2014 – 2016 Cycle	Amendments to HKAS 28, Investments in Associates and Joint Ventures
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 15	Revenue from Contracts with Customers (Clarifications to HKFRS 15)
Amendments to HKAS 40	Transfers of Investment Property

The impact of the adoption of HKFRS 9 "Financial Instruments" and HKFRS 15 "Revenue from Contracts with Customers" have been summarised below. The other new or amended HKFRSs that are effective from 1 January 2018 did not have any material impact in these interim condensed consolidated financial statements.

A. HKFRS 9 Financial Instruments ("HKFRS 9")

(i) Classification and measurement of financial instruments

HKFRS 9 replaces HKAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: (1) classification and measurement; (2) impairment and (3) hedge accounting. The adoption of HKFRS 9 from 1 January 2018 has resulted in changes in accounting policies of the Group and the amounts recognised in these interim condensed consolidated financial statements.

1. Basis of preparation and accounting policies (Continued)

A. HKFRS 9 Financial Instruments (“HKFRS 9”) (Continued)

(i) Classification and measurement of financial instruments (Continued)

The following tables summarised the impact, net of tax, of transition to HKFRS 9 on the opening balance of reserves and retained profits as of 1 January 2018 as follows (increase/(decrease)):

	HK$’000
Retained profits	
Retained profits as at 31 December 2017	340,868
Increase in expected credit losses (“ECLs”) in trade and other receivables and contract assets *(Note 1(ii) below)*	(71,233)
Restated retained profits as at 1 January 2018	269,635

HKFRS 9 basically retains the existing requirements in HKAS 39 for the classification and measurements of financial liabilities. However, it eliminates the previous HKAS 39 categories for financial assets of held to maturity financial assets, loans and receivables and available-for-sale financial assets. The adoption of HKFRS 9 has no material impact on the Group’s accounting policies related to financial liabilities and derivative financial instruments. The impact of HKFRS 9 on the Group’s classification and measurement of financial assets is set out below.

Under HKFRS 9, except for certain receivables (that the receivables do not contain a significant financing component in accordance with HKFRS 15), an entity shall, at initial recognition, measure a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (“FVTPL”), transaction costs. A financial asset is classified as: (i) financial assets at amortised cost; (ii) financial assets at fair value through other comprehensive income (“FVOCI”); or (iii) financial assets designated at FVTPL (as defined in above). The classification of financial assets under HKFRS 9 is generally based on two criteria: (i) the business model under which the financial asset is managed and (ii) its contractual cash flow characteristics (the “solely payments of principal and interest” criterion, also known as “SPPI criterion”). Under HKFRS 9, embedded derivatives are no longer required to be separated from a host financial asset. Instead, the hybrid financial instrument is assessed as a whole for the classification. A financial asset is measured at amortised cost if it meets both of the following conditions and it has not been designated as at FVTPL:

- It is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

- The contractual terms of the financial asset give rise on specified dates to cash flows that meet the SPPI criterion.

1. Basis of preparation and accounting policies (Continued)

A. HKFRS 9 Financial Instruments ("HKFRS 9") (Continued)

(i) Classification and measurement of financial instruments (Continued)

A debt investment is measured at FVOCI if it meets both of the following conditions and it has not been designated as at FVTPL:

- It is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that meet the SPPI criterion.

On initial recognition of an equity investment that is not held for trading, the Group could irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis. All other financial assets not classified at amortised cost or FVOCI as described above are classified as FVTPL. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or FVOCI at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

The following accounting policies are applied to the Group's financial assets as follows:

Amortised costs	Financial assets at amortised cost are subsequently measured using the effective interest rate method. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain on derecognition is recognised in profit or loss.
FVOCI (equity investments)	Equity investments at FVOCI are measured at fair value. Dividend income are recognised in profit or loss unless the dividend income clearly represents a recovery of part of the cost of the investments. Other net gains and losses are recognised in other comprehensive income and are not reclassified to profit or loss.

As at 1 January 2018, listed equity investments were reclassified from available-for-sale financial asset to financial asset at FVOCI.

The following table summarises the original measurement categories under HKAS 39 and the new measurement categories under HKFRS 9 for each class of the Group's financial assets as at 1 January 2018:

Financial assets	**Original classification under HKAS 39**	**New classification under HKFRS 9**	**Carrying amount as at 1 January 2018 under HKAS 39** *HK$'000*	**Carrying amount as at 1 January 2018 under HKFRS 9** *HK$'000*
Listed equity investments	Available-for-sale financial asset	FVOCI	27,964	27,964
Amounts due from other partners of joint operations	Loans and receivables (Note 1A(ii)(b))	Amortised cost	8,369	8,369
Amounts due from non–controlling interests	Loans and receivables (Note 1A(ii)(b))	Amortised cost	2,250	2,250
Receivables and prepayments	Loans and receivables (Note 1A(ii)(a))	Amortised cost	2,097,688	2,028,504
Contract assets	Loans and receivables (Note 1A(ii)(a))	Amortised cost	2,380,937	2,378,888
Deposits, cash and cash equivalents	Loans and receivables	Amortised cost	784,137	784,137
Restricted cash	Loans and receivables	Amortised cost	395,454	395,454

1. Basis of preparation and accounting policies (Continued)

A. HKFRS 9 Financial Instruments ("HKFRS 9") (Continued)

(ii) Impairment of financial assets at amortised costs

The adoption of HKFRS 9 has changed the Group's impairment model by replacing the HKAS 39 "incurred loss model" to the "ECLs model". HKFRS 9 requires the Group to recognised ECLs for trade receivables, financial assets at amortised costs and contract assets earlier than HKAS 39. Cash and cash equivalents are subject to ECLs model but the impairment is immaterial for the current period.

Under HKFRS 9, the loss allowances are measured on either of the following bases: (1) 12 months ECLs: these are the ECLs that result from possible default events within the 12 months after the reporting date; and (2) lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

Measurement of ECLs

ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the assets' original effective interest rate.

The Group has elected to measure loss allowances for trade receivables and contract assets using HKFRS 9 simplified approach and has calculated ECLs based on lifetime ECLs. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Group considers a financial asset to be in default when: (1) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (2) the financial asset is more than 90 days past due.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

Presentation of ECLs

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

1. Basis of preparation and accounting policies (Continued)

A. HKFRS 9 Financial Instruments ("HKFRS 9") (Continued)

(ii) Impairment of financial assets at amortised costs (Continued)

Impact of the ECLs model

(a) Impairment of trade receivables and contract assets

As mentioned above, the Group applies the HKFRS 9 simplified approach to measure ECLs which adopts a lifetime ECLs for all receivables and contract assets. To measure the ECLs, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. The contract assets have substantially the same risk as the trade receivables. The loss allowance as at 1 January 2018 was determined for trade receivables and contract assets as follows:

1 January 2018	**Current**	**1-30 days past due**	**31-90 days past due**	**91-180 days past due**	**More than 180 days past due**	**Total**
Trade receivables						
Expected credit loss rate *(%)*	0%*	0%*	0%*	1%*	32%	
Gross carrying amount *(HK$'000)*	584,107	187	2,514	17,564	17,726	622,098
Loss allowance *(HK$'000)*	–	–	–	–	5,640	5,640
Contract assets						
Expected credit loss rate *(%)*	0.01%	–	–	–	–	
Gross carrying amount *(HK$'000)*	2,380,937	–	–	–	–	2,380,937
Loss allowance *(HK$'000)*	2,049	–	–	–	–	2,049

* *rounded to nearest percentage for disclosure purpose only.*

The increase in loss allowance for trade receivables and contract assets upon the transition to HKFRS 9 as of 1 January 2018 were approximately HK$5,640,000 and HK$2,049,000, respectively. The loss allowances further increased for approximately HK$32,000 for trade receivables and approximately HK$38,000 for contract assets during the six months ended 30 June 2018 respectively.

(b) Impairment of other receivables, amounts due from non-controlling interests and amounts due from other partners of joint operations

Other financial assets at amortised cost of the Group includes other receivables, amounts due from non-controlling interests and amounts due from other partners of joint operations. The increase in loss allowance for other receivables upon the transition to HKFRS 9 as at 1 January 2018 were approximately HK$63,544,000. The loss allowance further increased for approximately HK$9,924,000 for other receivables during the six months ended 30 June 2018. Other than this, applying the ECLs model does not result in significant impact of ECLs on 1 January 2018 and for the six months ended 30 June 2018.

(iii) Hedge accounting

Hedge accounting under HKFRS 9 has no impact on the Group as the Group does not apply hedge accounting in its hedging relationships.

1. Basis of preparation and accounting policies (Continued)

A. HKFRS 9 Financial Instruments ("HKFRS 9") (Continued)

(iv) Transition

The Group has applied the transitional provision in HKFRS 9 such that HKFRS 9 was generally adopted without restating comparative information. The reclassifications and the adjustments arising from the new ECLs rules are therefore not reflected in the consolidated balance sheet as at 31 December 2017, but are recognised in the consolidated balance sheet on 1 January 2018. This means that differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of HKFRS 9 are recognised in retained profits as at 1 January 2018. Accordingly, the information presented for 2017 does not reflect the requirements of HKFRS 9 but rather those of HKAS 39.

The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application of HKFRS 9:

- The determination of the business model within which a financial asset is held; and
- The designation of certain investments in equity investments not held for trading as at FVOCI.

B. HKFRS 15 Revenue from Contracts with Customers ("HKFRS 15")

HKFRS 15 supersedes HKAS 11 "Construction Contracts", HKAS 18 "Revenue" and related interpretations. HKFRS 15 has established a five-steps model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at the amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The following tables summarised the impact of adopting HKFRS 15 on the Group's condensed consolidated balance sheet as at 30 June 2018. There was no material impact on the Group's condensed consolidated interim income statement, condensed consolidated interim statement of comprehensive income and condensed consolidated interim statement of cash flow for the six months ended 30 June 2018:

Impact on the items affected in the condensed consolidated balance sheet as of 30 June 2018 (increase/(decrease)):

	HK$'000
Assets	
Current assets	
Stocks and contracting work-in-progress *(Note 1B(a)&(b))*	(1,434,833)
Receivables and prepayments	(846,597)
Contract assets *(Note 1B(a) & (b))*	2,281,430
Total current assets	–
Liabilities	
Current tax liabilities	
Payables and accruals *(Note 1B(a)&(b))*	233,554
Contract liabilities *(Note 1B(a)&(b))*	(233,554)
Total current liabilities	–

1. Basis of preparation and accounting policies (Continued)

B. HKFRS 15 Revenue from Contracts with Customers ("HKFRS 15") (Continued)

Details of the new significant accounting policies and the nature of the changes to previous accounting policies in relation to the Group's various key goods and services are set out below:

Note	Product/service	Nature of the goods or services, satisfaction of performance obligations and payment terms	Nature of change in accounting policy and impact on 1 January 2018
(a)	Building construction	The Group has determined that for contracts with customers under building construction, there is one performance obligation, which is the construction of buildings. The Group has determined that the customers simultaneously receive and consume the benefits of the Group's performance and thus the Group concludes that the service should be recognised over time. Further, the Group determines that the customers control all the work in progress as the infrastructure is being constructed, in the course of the construction, the work in progress is being enhanced during the terms of the contracts. Therefore, revenue from these contracts are recognised over time.	**Impact** HKFRS 15 did not result in significant impact on the Group's accounting policies. However, upon the adoption of HKFRS 15, the Group has made reclassification from trade and other receivables to contract assets since under HKFRS 15, if there is any satisfied performance obligation but where the entity does not have an unconditional right to consideration, an entity should recognise a contract asset. The Group has also made reclassification from payables and accruals to contract liabilities since under HKFRS 15, if when a customer pay consideration, or is contractually required to pay consideration and the amount is already due, before the Group recognises the related revenue.
(b)	Civil engineering and electrical and mechanical services	The Group has determined that for contracts with customers under civil engineering and electrical and mechanical services, there is one performance obligation, which is the provision of engineering, electrical and mechanical services. The Group has determined that the customers simultaneously receive and consume the benefits of the Group's performance and thus the Group concludes that the service should be recognised over time. Further, the Group determines that the customers control all the work in progress as the project progresses, the work in progress is being enhanced during the terms of the contracts. Therefore, revenue from these contracts are recognised over time.	**Impact** HKFRS 15 did not result in significant impact on the Group's accounting policies. Same as above, upon the adoption of HKFRS 15, the Group has made reclassification from trade and other receivables to contract assets since under HKFRS 15, if there is any satisfied performance obligation but where the entity does not have an unconditional right to consideration, an entity should recognise a contract asset. The Group has also made reclassification from payables and accruals to contract liabilities since under HKFRS 15, if when a customer pay consideration, or is contractually required to pay consideration and the amount is already due, before the Group recognises the related revenue.

1. Basis of preparation and accounting policies (Continued)

B. HKFRS 15 Revenue from Contracts with Customers ("HKFRS 15") (Continued)

Note	Product/service	Nature of the goods or services, satisfaction of performance obligations and payment terms	Nature of change in accounting policy and impact on 1 January 2018
(c)	Rental income	Rental income from investment property is recognised in profit or loss on a straight-line basis over the term of the lease.	**Impact** HKFRS 15 did not result in significant impact on how the Group recognises revenue from rental income from investment properties.
(d)	Sale of properties	The Group has determined that, depending on the terms of the contract and the laws that apply to the contract associated with the sale of properties, control of the asset may be transferred over time or at a point in time. Control of the asset is transferred over time if the Group's performance do not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date. If control of the asset transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the asset. The progress towards complete satisfaction of the performance obligation is measured based on the Group's efforts or inputs to the satisfaction of the performance obligation, by reference to the contract costs incurred up to the end of reporting period as a percentage of total estimated costs for each contract.	**Impact** HKFRS 15 did not result in a significant impact on how the Group recognises revenue from sale of properties.
(e)	Sale of goods	Customers obtain control of the goods when the goods are delivered to and have been accepted. Revenue is thus recognised upon when the customers accepted the goods. There is only one performance obligation.	**Impact** HKFRS 15 did not result in a significant impact on how the Group recognises revenue from sale of goods.

1. Basis of preparation and accounting policies (Continued)

Going concern basis

For the six months ended 30 June 2018, the Group reported loss attributable to the owners of the Company of HK$705 million (2017: profit of HK$1,087 million) and had a net operating cash outflow of HK$1,418 million (2017: HK$1,327 million). As at the same date, the Group's total borrowings amounted to HK$14,739 million (31 December 2017: HK$10,852 million) were all classified as current liabilities while its unrestricted cash and cash equivalents amounted to HK$352 million only.

As at 30 June 2018, total borrowings of the Group of HK$4,525 million were overdue. Up to the date of this report, total borrowings of the Group of HK$5,064 million were overdue. These overdue borrowings included the US$300 million 8.75% per annum senior notes (the "**US$300 million Senior Notes**"). However, the Group has not been able to obtain extensions of repayments of such balances prior to the date of this announcement. These overdue borrowings without extension would be immediately repayable if requested by the lenders. Included in these overdue borrowings, total borrowings of HK$168 million did not meet certain financial ratios as set out in the covenants in the relevant borrowing agreements. Furthermore, the US$300 million Senior Notes, equivalent to HK$2,325 million, issued by the Group, fell due for redemption on 18 May 2018. The Group has not paid the amounts outstanding under the US$300 million Senior Notes (the "**Payment Default**"). This has resulted in the event of default of the US$300 million Senior notes and cross default of the US$150 million, 8.5% per annum senior notes, equivalent to HK$1,163 million. The Payment Default has also resulted in cross-defaults of certain bank loans of certain HK$353 million and other borrowings of HK$2,230 million which become immediately repayable and are all classified as current liabilities as at 30 June 2018.

On 17 August 2018, the Group received a notification from the West Kowloon Cultural District Authority to terminate the Group's construction service contract for the M + project. As at the date of this announcement, the directors of the Company were in the process of estimating any negative financial effect on the Group arising from the termination including any potential claims against the Group.

On 27 August 2018, a wholly-owned subsidiary of the Company (the "**Wholly-owned Subsidiary**") received a petition filed by its creditor for an order that the Wholly-owned Subsidiary may be wound up by the High Court. The petition was filed against the Wholly-owned Subsidiary for its failure to settle a sum of approximately HK$8,285,000 for construction costs payable.

These conditions indicate the existence of material uncertainties which may cast significant doubt about the Group's ability to continue as a going concern.

In view of such circumstances, the directors of the Company have given careful consideration to the future liquidity and performance of the Group and its available sources of financing in assessing whether the Group will have sufficient financial resources to continue as a going concern. Certain measures have been taken to mitigate the liquidity pressure and to improve its financial position which include, but are not limited to, the following:

i. The Group has been actively negotiating with a number of commercial banks and other financial institutions for renewal and extension of bank and other borrowings and credit facilities. Specifically, the Group is in active negotiations with the lenders to extend the repayment dates of the overdue borrowings, and to obtain waivers from complying with certain restrictive covenants contained in the loan agreements of certain borrowings;

ii. The Group is working with its financial and legal advisers on evaluating its options and implementing a consensual restructuring of the senior notes issued by the Company. In addition, the Company is actively negotiating with the holders of the senior notes (the "**Notesholders**") to find a consensual restructuring plan;

1. Basis of preparation and accounting policies (Continued)

Going concern basis (Continued)

iii. In addition, the Group is identifying various options for financing the Group's working capital and commitments in the foreseeable future by obtaining finance from shareholders, issuance of shares and debt instruments;

iv. The Group has accelerated disposal plan of its property, plant and equipment and leasehold land, investment properties, properties under development and completed properties held for sale (the "**Group Properties**"). Apart from selling the Group Properties, the Group expects to launch pre-sales of certain residential units in Foshan, which are expected to improve the Group's operating cash inflow in the second half of 2018;

v. The Group is exploring every good opportunity to realise its investment and business operation. On 29 August 2018, the Company and an independent third party purchaser entered into a non-legal binding memorandum of understanding (the "**MOU**"), pursuant to which the Company has conditionally agreed to sell and the purchaser has conditionally agreed to acquire the entire issued share capital of Hsin Chong Construction Company Limited ("**HCC**"), a wholly-owned subsidiary of the Company. Further details on the MOU is disclosed in Note 13(e); and

vi. The Group will continue to take active measures to control administrative costs through various channels including human resources optimisation and management remuneration adjustment and containment of capital expenditures.

The directors have reviewed the Group's cash flow projections prepared by management. The cash flow projections cover a period of not less than twelve months from 30 June 2018. They are of the opinion that, taking into account the above-mentioned plans and measures, the Group will have sufficient working capital to finance its operations and to meet its financial obligations as and when they fall due within twelve months from 30 June 2018. Accordingly, the directors are satisfied that it is appropriate to prepare the interim condensed consolidated financial statements on a going concern basis.

Notwithstanding the above, significant uncertainties exist as to whether management of the Company will be able to achieve its plans and measures as described above. Whether the Group will be able to continue as a going concern would depend upon the Group's ability to generate adequate financing and operating cash flows through the following:

i. Successful negotiations with the lenders and the Noteholders for the renewal of or extension for repayment of outstanding borrowings and senior notes, including those with overdue principals and interests;

ii. Successful obtaining additional new sources of financing as and when needed;

iii. Successful in reaching a consensual restructuring plan with the noteholders of the senior notes;

iv. Successful in execution of the MOU in relation to the potential disposal of HCC;

1. Basis of preparation and accounting policies (Continued)

Going concern basis (Continued)

v. Successful implementation and acceleration of its disposal plans described above to accelerate its sales of the Group Properties, including timely execution of definitive sales agreements and timely collection of the disposal proceeds, and the successful deferral of capital expenditures for the Group's projects on hand;

vi. Successful pre-sales of certain residential units in Foshan so as to generate operating cash inflows;

vii. Successful negotiations with the Group's existing lenders such that no action will be taken by the relevant lenders to demand immediate repayment of the borrowings in any breach of loan covenant or default, including those with cross-default terms;

viii. Successful maintenance of relationship with the suppliers of the Group, in particular those in relation to the Group's construction business and the property development projects such that no actions will be taken by those suppliers against the Group should the Group not be able to meet all the payment obligations on a timely basis and notwithstanding a supplier creditor filed a petition against HCC on 27 August 2018; and

(ix) the potential purchaser of HCC may provide financial support to the Group at its discretion in the amount of HK$300 million within one week from 29 August 2018 and another HK$300 million within two weeks from 29 August 2018 as working capital to HCC. These financial support provisions are contained in a non-legally binding MOU. Among other conditions, the execution of the MOU, including the provision of financial support, is subject to risk control assessment to be conducted by the potential purchaser.

Should the Group fail to achieve the above-mentioned plans and measures, it might not be able to continue operate as a going concern, and adjustments would have to be made to write down the carrying values of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively. The effects of these adjustments have not been reflected in these interim condensed consolidated financial statements.

2. Segment information

(a) Operating segments

In accordance with the Group's internal financial reporting provided to the chief operating decision-maker, identified as the Executive Committee, who are responsible for allocating resources, assessing performance of the operating segments and making strategic decisions, the reportable operating segments are (1) building construction; (2) civil engineering; (3) electrical and mechanical engineering; and (4) property development and investment.

Unaudited **For the six months ended 30 June 2018**	**Building construction** *HK$'000*	**Civil engineering** *HK$'000*	**Electrical and mechanical engineering** *HK$'000*	**Property development and investment** *HK$'000*	**Corporate and others** *(Note 1)* *HK$'000*	**Total** *HK$'000*
Revenue (excl. NSC *(Note 2)*)	**1,446,205**	**468,533**	**473,203**	**51,667**	**460**	**2,440,068**
Gross profit	**54,855**	**17,576**	**14,528**	**30,664**	**311**	**117,934**
Other gains/(losses), net	**48**	**-**	**-**	**(109,593)**	**307**	**(109,238)**
Provision for impairment of properties under development	**–**	**–**	**–**	**(860,955)**	**–**	**(860,955)**
Fair value gain on investment properties	**–**	**–**	**–**	**412,033**	**–**	**412,033**
Net exchange (loss)/gain	**(375)**	**–**	**2**	**28,922**	**(2,464)**	**26,085**
Selling and marketing expenses	**–**	**–**	**–**	**(6,406)**	**–**	**(6,406)**
General and administrative expenses	**(47,970)**	**(13,895)**	**(10,686)**	**(144,207)**	**(62,936)**	**(279,694)**
Operating profit/(loss)	**6,558**	**3,681**	**3,844**	**(649,542)**	**(64,782)**	**(700,241)**
Amortisation of intangible assets	**–**	**–**	**–**	**(11,089)**	**(3,822)**	**(14,911)**
Interest income	**–**	**–**	**–**	**24,920**	**1,980**	**26,900**
Interest expenses	**–**	**–**	**–**	**(130,439)**	**(46,619)**	**(177,058)**
Profit/(loss) before taxation	**6,558**	**3,681**	**3,844**	**(766,150)**	**(113,243)**	**(865,310)**
Taxation						**222,904**
Loss for the period						**(642,406)**
Timing of revenue recognition (excl. NSC *(Note 2)*)						
At a point in time	**–**	**–**	**–**	**20,160**	**460**	**20,620**
Transferred over time	**1,446,205**	**468,533**	**473,203**	**31,507**	**–**	**2,419,448**
	1,446,205	**468,533**	**473,203**	**51,667**	**460**	**2,440,068**
Capital expenditure	**(580)**	**–**	**(94)**	**(127,892)**	**(18)**	**(128,584)**
Depreciation	**(3,229)**	**(23)**	**(79)**	**(31,774)**	**(3,520)**	**(38,625)**
As at 30 June 2018						
Deposits, cash and cash equivalents	**–**	**–**	**–**	**25,650**	**326,781**	**352,431**
Bank loans	**–**	**–**	**–**	**(352,886)**	**(177,490)**	**(530,376)**
Other borrowings	**–**	**–**	**–**	**(9,944,081)**	**(750,283)**	**(10,694,364)**
Senior notes	**–**	**–**	**–**	**–**	**(3,487,500)**	**(3,487,500)**
Private bonds	**–**	**–**	**–**	**–**	**(27,200)**	**(27,200)**

2. Segment information (Continued)

(a) Operating segments (Continued)

Unaudited **For the six months ended 30 June 2017**	Building construction *HK$'000*	Civil engineering *HK$'000*	Electrical and mechanical engineering *HK$'000*	Property development and investment *HK$'000*	Corporate and others (Note 1) *HK$'000*	Total *HK$'000*
Revenue (excl. NSC *(Note 2)*)	2,358,698	560,954	432,659	32,999	753	3,386,063
Gross profit	55,363	6,742	22,429	11,164	133	95,831
Other gains/(losses), net	100	–	–	(111,689)	1,483	(110,106)
Provision for impairment of properties under development	–	–	–	(515,349)	–	(515,349)
Fair value loss on investment properties	–	–	–	(287,664)	–	(287,664)
Net exchange gain/(loss)	154	–	5	(46,384)	10,005	(36,220)
Selling and marketing expenses	–	–	–	(15,559)	–	(15,559)
General and administrative expenses	(46,501)	(18,807)	(10,910)	(159,922)	(73,759)	(309,899)
Operating profit/(loss)	9,116	(12,065)	11,524	(1,125,403)	(62,138)	(1,178,966)
Amortisation of intangible assets	–	–	–	(10,241)	(82)	(10,323)
Interest income	–	–	–	24,469	34	24,503
Interest expenses	–	–	–	(106,374)	(56,890)	(163,264)
Profit/(loss) before taxation	9,116	(12,065)	11,524	(1,217,549)	(119,076)	(1,328,050)
Taxation						256,513
Loss for the period						(1,071,537)
Timing of revenue recognition (excl. NSC *(Note 2)*)						
At a point in time	–	–	–	8,683	753	9,436
Transferred over time	2,358,698	560,954	432,659	24,316	–	3,376,627
	2,358,698	560,954	432,659	32,999	753	3,386,063
Capital expenditure	(93)	(94)	(85)	(236,106)	(121)	(236,499)
Depreciation	(4,147)	(66)	(128)	(46,303)	(3,857)	(54,501)
As at 30 June 2017						
Deposits, cash and cash equivalents	–	–	–	147,621	364,369	511,990
Bank overdrafts	–	–	–	–	(9,108)	(9,108)
Bank loans	–	–	–	(611,753)	(284,418)	(896,171)
Convertible bonds	–	–	–	–	(49,774)	(49,774)
Other borrowings	–	–	–	(6,980,079)	(1,030,017)	(8,010,096)
Financial derivative liability	–	–	–	–	(1,174)	(1,174)
Senior notes	–	–	–	–	(3,437,739)	(3,437,739)
Private bonds	–	–	–	–	(21,446)	(21,446)

Notes:

1. Corporate mainly represents corporate and administrative activities, and shared services; others mainly represent retailing business.

2. Nominated subcontractors' works of Macau Galaxy Resort Phase 2 project ("NSC").

2. Segment information (Continued)

(b) Geographical analysis

	Unaudited Six months ended 30 June	
	2018	2017
	HK$'000	*HK$'000*
Revenue		
Hong Kong	**2,111,307**	3,132,487
Macau	**307,636**	265,702
PRC	**31,125**	34,427
Others	**–**	3,947
	2,450,068	3,436,563

	Unaudited	Audited
	30 June	31 December
	2018	2017
	HK$'000	*HK$'000*
Non-current assets		
Hong Kong	**17,835**	23,416
Macau	**13**	16
PRC	**14,231,836**	13,967,226
	14,249,684	13,990,658
Financial asset at FVOCI	**26,479**	–
Available-for-sale financial asset	**–**	27,964
Receivables and prepayments	**352,916**	534,203
Deferred tax assets	**5,064**	5,044
Total non-current assets	**14,634,143**	14,557,869

2. **Segment information (Continued)**

(c) Customer base analysis

The Group's customer base is diversified and includes two (2017: three) customers with each of whom transactions exceeded 10% of the Group's total revenue. Aggregate revenue from these customers amounted to HK$1,376 million and was derived from building construction, civil engineering and electrical and mechanical (2017: HK$1,702 million from building construction, civil engineering and electrical and mechanical).

(d) Reconciliation of reportable segment revenue

	Unaudited Six months ended 30 June	
	2018	2017
	HK$'000	*HK$'000*
Reportable segment revenue	**2,440,068**	3,386,063
Revenue – NSC	**10,000**	50,500
	2,450,068	3,436,563

3. **Revenue**

The Group's revenue is derived from contracts with customers, rental income from its investment properties, sale of stocks of properties and sale of goods from retailing.

The following table provides information about trade receivables, contract assets and contract liabilities from contracts with customers.

	Unaudited	
	30 June 2018	1 January 2018
	HK$'000	*HK$'000*
Trade receivables	**115,057**	616,458
Contract assets	**2,279,343**	2,378,888
Contract liabilities	**(233,554)**	(333,081)

The contract assets primarily relate to the Group's rights to consideration for work completed but not billed at the reporting date on revenue related to the provisions of infrastructure construction. The contract assets are transferred to trade receivables when the rights become unconditional. This usually occurs when the Group provides the invoice to the customer.

The contract labilities primarily relate to the Group's obligation to transfer the control of performance obligation to the customers for which the Group has received consideration from the customers before the Group recognises the related revenue.

4. Other losses, net

	Unaudited Six months ended 30 June	
	2018	2017
	HK$'000	*HK$'000*
Net gain/(loss) on disposal of property, plant and equipment and leasehold land	**106**	(12)
Change in fair value in financial derivatives	**–**	(991)
Provision for impairment of property, plant and equipment and leasehold land	**(98,670)**	(107,801)
Provision for impairment of contract assets	**(38)**	–
Provision for impairment of trade receivables	**(32)**	–
Provision for impairment of other receivables	**(9,924)**	–
Provision for impairment of stock	**(3,447)**	(4,359)
Miscellaneous	**2,767**	3,057
	(109,238)	(110,106)

5. Interest expenses

	Unaudited Six months ended 30 June	
	2018	2017
	HK$'000	*HK$'000*
Interest on bank loans and overdrafts	**27,417**	28,480
Interest expense on convertible bonds	**–**	5,683
Interest expense on other borrowings	**1,163,230**	953,778
Interest expense on senior notes	**155,272**	170,325
Interest expense on private bonds	**5,967**	208
Others	**–**	1,337
	1,351,886	1,159,811
Less: amounts capitalised on qualifying assets	**(1,174,828)**	(996,547)
	177,058	163,264

6. Taxation

Hong Kong profits tax has been provided at the rate of 16.5% (2017: 16.5%) on the estimated assessable profit for the six months ended 30 June 2018 and 2017 after taking into account the available tax losses brought forward. Taxation on overseas profits has been calculated at the rates of taxation prevailing in the countries in which the Group operates.

	Unaudited Six months ended 30 June	
	2018	2017
	HK$'000	*HK$'000*
Hong Kong profits tax	**7,624**	8,456
PRC income tax	**–**	2,539
Overseas profits tax	**1,592**	2,887
Deferred tax credit	**(232,120)**	(270,395)
	(222,904)	(256,513)

7. Loss for the period

Loss for the period has been arrived at after charging the following items:

	Unaudited Six months ended 30 June	
	2018	2017
	HK$'000	*HK$'000*
Cost of sales		
Cost of construction		
– Staff costs	**292,266**	408,714
– Other construction costs	**2,018,716**	2,909,563
	2,310,982	3,318,277
Cost of property development and investment		
– Staff costs	**3,791**	3,232
– Stock of properties sold	**4,936**	6,785
– Others	**12,276**	11,818
	21,003	21,835
Cost of retailing		
– Others	**149**	620
	2,332,134	3,340,732
Depreciation of property, plant and equipment and leasehold land	**38,625**	54,501
Auditor's remuneration	**4,047**	2,533
Operating lease rentals for land and buildings	**28,747**	19,251
Outgoings in respect of		
– Investment properties	**9,520**	11,012
– Owner occupied property	**–**	2,318
Staff costs, included in general and administrative expenses	**104,950**	145,501

8. Loss per share

Basic and diluted loss per share is calculated by dividing the Group's unaudited loss attributable to the equity holders of the Company by the weighted average number of ordinary shares in issue during the corresponding period.

	Unaudited Six months ended 30 June	
	2018	2017
Loss attributable to equity holders *(HK$'000) (Note 1)*	**704,973**	1,086,726
Weighted average number of ordinary shares issued *('000)*	**5,706,671**	5,706,671
Basic and diluted loss per share *(HK cents)*	**12.4**	19.0

Notes:

1. Pursuant to the terms of the convertible preference shares, the holders are at all times entitled to dividends or other distributions of the same amount with respect to the Company's ordinary shares, except in the case of winding up the Company. There was no dividend declared by the board for the six months ended 30 June 2018 and 2017 and accordingly no adjustment has been made in the calculation of the basic loss per share for the respective periods.

2. The diluted loss per share for the six months ended 30 June 2018 and 2017 is the same as the basic loss per share because the exercise of the Group's share options, convertible preference shares and convertible bonds would result in a decrease in loss per share for the period.

9. Dividends

The Board has resolved not to declare the payment of an interim dividend for the six months ended 30 June 2018 (2017: nil).

10. Receivables and prepayments

	Unaudited **30 June** **2018** ***HK$'000***	Audited 31 December 2017 *HK$'000*
Trade receivables		
– third parties	**120,729**	622,098
– provision for impairment	**(5,672)**	–
	115,057	622,098
Retention receivables *(Note 1)*		
– third parties	**–**	961,352
– provision for impairment	**–**	–
	–	961,352
	115,057	1,583,450
Other receivables		
– third parties	**165,405**	271,258
– companies owned by a former director of the Company *(Note 2)*	**528,613**	507,691
– provision for impairment	**(73,468)**	–
	620,550	778,949
Deposits and prepayments		
– third parties	**909,064**	696,641
	1,644,671	3,059,040
Less: non-current portion	**(352,916)**	(534,203)
	1,291,755	2,524,837

Note 1: Upon the adoption of HKFRS 15, retention receivables are included in contract assets.

Note 2: These companies represented two companies incorporated in the PRC, which are owned by a former director of the Company, who resigned on 8 June 2017, and/or close member of his family. Balances represent two borrowings granted to the two related companies which carry interest at 12% per annum and at 0.91667% per month and is repayable by 21 August 2024 and 12 November 2018 respectively. During the six months ended 30 June 2018, a settlement agreement was entered into with two related companies in relation to the settlement of these two borrowings within four months from the date of signing of the settlement agreement on 23 March 2018. Accordingly, these balances are classified as current assets as at 30 June 2018.

10. Receivables and prepayments (Continued)

The aging analysis of trade receivables by due date is as follows:

	Unaudited 30 June 2018 *HK$'000*	Audited 31 December 2017 *HK$'000*
Not yet due	**99,796**	584,107
1 to 30 days	**1,669**	187
31 to 90 days	**293**	2,514
91 to 180 days	**4,775**	17,564
Over 180 days	**8,524**	17,726
	115,057	622,098

The Group's credit terms for its construction business and property rental services are negotiated with and entered into under normal commercial terms with its trade customers. The credit period for the trade receivables for construction business generally ranges from 30 to 60 days (31 December 2017: 30 to 60 days). Retention receivables in respect of construction business are settled in accordance with the terms of respective contracts. Rental income is billed in advance of the rental period.

11. Payables and accruals

	Unaudited 30 June 2018 *HK$'000*	Audited 31 December 2017 *HK$'000*
Trade payables – third parties	**984,437**	1,207,937
Retention payables – third parties	**628,070**	743,119
Accruals for builders' work	**1,052,931**	1,276,571
	2,665,438	3,227,627
Other payables, deposits and accruals		
– third parties	**1,664,396**	2,039,982
– accruals for tax liabilities on acquisition of land parcels in Tieling	**313,432**	316,127
	4,643,266	5,583,736

11. Payables and accruals (Continued)

The aging analysis of trade payables by due date is as follows:

	Unaudited 30 June 2018 ***HK$'000***	Audited 31 December 2017 *HK$'000*
Not yet due	**166,951**	402,184
1 to 30 days	**134,816**	72,456
31 to 90 days	**89,502**	124,497
91 to 180 days	**63,444**	99,813
Over 180 days	**529,724**	508,987
	984,437	1,207,937

12. Share capital

	Unaudited 30 June 2018		Audited 31 December 2017	
	Number of shares '000	***HK$'000***	*Number of shares '000*	*HK$'000*
Authorised, ordinary shares of HK$0.1 each:				
At 1 January, 30 June and 31 December	**30,000,000**	**3,000,000**	30,000,000	3,000,000
Authorised, preference shares of HK$0.1 each:				
At 1 January, 30 June and 31 December	**15,000,000**	**1,500,000**	15,000,000	1,500,000
Ordinary shares, issued and fully paid:				
At 1 January, 30 June and 31 December	**5,706,671**	**570,667**	5,706,671	570,667
Preference shares, issued and fully paid:				
At 1 January, 30 June and 31 December	**5,704,166**	**570,417**	5,704,166	570,417
	11,410,837	**1,141,084**	11,410,837	1,141,084

13. Events after the reporting period

(a) Appointment of receivers of Wisdom Top International Limited

As disclosed in the Company's announcement dated 25 July 2018, the Company received a notification that Industrial and Commercial Bank of China (Asia) Limited ("**ICBC**") has appointed Ms. Koo Chi Sum and Ms. Yeung Mei Lee (the "**Receivers**") as the joint and several receivers and managers of the issued share capital of Wisdom Top International Limited ("**Wisdom Top**"), a wholly-owned subsidiary of the Company. As at 25 July 2018 and up to the date of this report, certain loan facilities amounted to approximately HK$352,886,000 repayable by Wisdom Top to ICBC have been overdue, and pursuant to the share mortgage made between ICBC and Diamond Summit Limited, another wholly-owned subsidiary of the Company and the immediate holding company of Wisdom Top, the Receivers have been appointed by ICBC accordingly.

Wisdom Top owns a commercial property (the "**Property**") in Guangzhou, the PRC, and Wisdom Top manages the lease of the property. The Company has been contemplating the disposal of the Property, and based on the estimated market value of the Property, the management of the Company expects that in the event that the Property is disposed in the open market, the proceeds shall be sufficient to fully repay the overdue loan and the amounts thereunder.

(b) Transactions and balances relating Mr. Zhou Wei, a former executive director of the Company and his related entities

As disclosed in the announcement of the Company dated 2 May 2018, as a measure to resolve transactions and balances relating to Mr. Zhou Wei and the Group, on 23 March 2018, the Company and the relevant subsidiary of the Company, namely Hsin Chong Holdings (China) Limited ("Hsin Chong (China)"), entered into a settlement agreement with two related companies, pursuant to which, two related companies agreed to repay to Hsin Chong (China), within 4 months from the date of the agreement. Pursuant to the settlement agreement, in order to finance the repayment of the loan outstanding to a financial institution ("Trust Loan"), the two related companies undertook to (i) sell the BJ Properties; or (ii) procure a third party to provide the loan amount to Hsin Chong (China) for repayment of the Trust Loan; or (iii) procure a third party to purchase the RMB129 million and RMB247.5 million loans borrowed by two related companies and repay the said loans to the Hsin Chong (China). Upon repayment of the Trust Loan in accordance with any of the above methods, the relevant subsidiary of the Company and the Company's liabilities and obligations under the Trust Loan shall be fully released and discharged. In case of payment by a third party to the relevant subsidiary of the Company for repayment of the Trust Loan, the relevant subsidiary of the Company shall no longer be liable for repayment to the third party.

To recover such balances, on 23 July 2018, the Company's PRC lawyers have issued demand letters to these two related companies to (i) declare that the loans to them and all interest accrued thereon respectively be due and payable forthwith; and (ii) notify them that the Company will proceed to sell the underlying mortgaged properties in Beijing to finance the repayment.

13. Events after the reporting period (Continued)

(c) Termination of M+construction project

Subsequent to 30 June 2018, on 17 August 2018, the Group received a notice from the West Kowloon Cultural District Authority to terminate the employment under the contract for the M+ construction project with HCC. The contract included work on the M+Building, the Conservation and Storage Building, a retail, dinning and entertainment building. Currently, the Group is still estimating all possible potential outcomes, including negative financial effect of any potential claims, arising from the termination of M + project to the Group and such an estimate cannot be made up to the date of this announcement.

(d) Receive a petition

On 27 August 2018, HCC received a petition filed by Kenworth Engineering Limited (the "Petitioner") for an order that HCC may be wound up by the High Court of the Hong Kong Special Administrative Region (the "High Court") pursuant to the Companies Ordinance. The petition was filed against HCC for failure to settle a sum of approximately HK$8,285,000 for construction costs payable.

(e) MOU in relation to the disposal the entire issued share capital of HCC

On 29 August 2018, the Company and a Purchaser entered into a MOU in relation to the disposal of the entire issued share capital of HCC. Based on the MOU, the Purchaser may provide financial support in the amount of HK$600 million as working capital for the projects of HCC. Out of such HK$600 million, the Purchaser will provide HK$300 million within one week of the date of the MOU and the remaining HK$300 million will be provided within two weeks of the date of the MOU.

Details of the MOU were set out in the Company's announcement dated 29 August 2018.

G. PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any to the Company's listed securities during the period.

H. HUMAN RESOURCES

As at 30 June 2018, the total number of employees in the Group was 1,614 full time staff, which included staff in different business segments, such as construction, property development, international business and related services. They are employed in Hong Kong, Macau and Chinese Mainland, and overseas countries.

The Group adopts sound policies of management incentives and competitive remuneration, which align the interests of management, employees and Shareholders. The chief asset of the Group remains the skills and expertise of our loyal staff and we have rightly invested much time and effort in the selection, training, retention and personal improvement of our staff.

The Group sets its remuneration policy by making reference to the prevailing market conditions and a performance-based reward system. It is to ensure that the Group is able to attract, retain and motivate executives of the highest caliber, which is essential to the successful leadership and effective management of the Group. The performance measures are balanced between financial and industrial comparatives. The components of the remuneration package consisted of base salary, allowances, benefits-in-kind, fringe benefits including medical insurance and contributions to pension funds, as well as incentives like discretionary bonus, participation in share option scheme and long-term rewards.

I. REVIEW OF INTERIM FINANCIAL STATEMENTS

The Audit Committee of the Company comprises four members, namely Mr. CHENG Sui Sang (Chairman of the Audit Committee), Mr. CHUI Kwong Kau, Mr. George YUEN Kam Ho, Mr. LAI Chik Fan (resigned with effect from 14 May 2018) and Dr. LO Wing Yan William, *JP* (appointed with effect from 28 June 2018). The Audit Committee, together with management and the external auditor of the Company, BDO Limited, have reviewed the unaudited interim condensed consolidated financial statements of the Company for the six months ended 30 June 2018.

J. MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Board has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") (as amended from time to time by the Stock Exchange) as its own code of conduct for regulating securities transactions by the Directors. Having been made specific enquiries by the Company, all Directors confirmed that they had complied with the required standard set out in the Model Code throughout the six months ended 30 June 2018.

K. PROSPECTS

The Board will closely work with professional parties on the application for the resumption of trading of the Company's shares on the Stock Exchange in the near future and strive for the best return to the shareholders of the Company.

L. COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Company has applied the principles of the code provisions and certain recommended best practices contained in the Corporate Governance Code (the "**CG Code**") as set out in Appendix 14 to the Listing Rules. During the six months ended 30 June 2018, the Company complied with all code provisions of the CG Code except for the following deviation:

Code provision A.6.7 of the CG Code provides that Independent Non-executive Directors and other Non-executive Directors should attend general meetings and develop a balanced understanding of the views of the Shareholders. Due to the other important business engagements, all Non-executive Directors (including Independent Non-executive Directors) were not able to attend the annual general meeting held on 27 June 2018.

Connected transactions

As stated in the 2016 Annual Report, the Group entered into a series of transactions and provide financial assistance to entities associated with a former executive director, Mr. Zhou Wei, which constitute connected transactions for the Company under Chapter 14A of the Listing Rules.

The Company had omitted to comply with the reporting, announcement and independent Shareholders' approval requirements of Rule 14A.35 of the Listing Rules and failed to announce the provisions of financial assistance to the connected entities at the time of the execution of the relevant agreements at the material time.

As additional time is required to prepare and finalise the contents of the Circular and the letter of advice from the independent financial adviser, the Company expects that the despatch of the Circular will be postponed to a later date.

Details of the connected transactions with respect to the provision of financial assistance by the Company mentioned above are set out in the announcements of the Company dated 30 March 2017, 24 April 2017, 28 June 2017, 28 August 2017, 30 October 2017, 28 December 2017, 28 February 2018, 2 May 2018, 29 June 2018 and 31 August 2018 in respect of the delay in despatch of the circular in relation to the aforesaid connected transaction.

Auditor's Disclaimer of Conclusion

As disclosed in sections headed "Basis of Disclaimer of Conclusion" and "Disclaimer of Conclusion" in Extract of Report on Review of Interim Condensed Consolidated Financial Statements For The Six Months Ended 30 June 2018 contained on pages 40 to 45 of this announcement, the auditor of the Company (the "Auditor") did not express a conclusion on the condensed consolidated interim financial statements of the Group for the period ended 30 June 2018 as a result of certain matters, including: (1) Multiple uncertainties relating to going concern; and (2) Transactions and balances relating to Mr. Zhou Wei and his related entities.

M. COMPOSITION OF THE BOARD OF DIRECTORS

Pursuant to Rule 3.10A of the Listing Rules, the Company must appoint Independent Non-executive Directors representing at least one-third of the Board. Upon the resignation of Independent Non-executive Director of Mr. LAI Chik Fan with effect from 14 May 2018, and with the appointments of Independent Non-executive Director – Dr. LAM Lee G. with effect from 17 May 2018 and Dr. LO Wing Yan William, *JP* with effect from 28 June 2018 respectively, the number of the Independent Non-executive Directors has fulfilled with the minimum number required under Rule 3.10(1) and Rule 3.10A of the Listing Rule.

N. EXTRACT OF REPORT ON REVIEW OF CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2018

The Company's auditor did not express a conclusion on the Company's condensed consolidated interim financial statements for the six months ended 30 June 2018, an extract of which is as follows:

Basis for Disclaimer of Conclusion

(1) Multiple uncertainties relating to going concern

As described in Note 2 to the condensed consolidated interim financial statements, the Group reported loss attributable to the owners of the Company of HK$705 million and had a net operating cash outflow of approximately HK$1,418 million during the six-month period ended 30 June 2018. As at the same date, the Group's total borrowings amounted to HK$14,739 million and were all classified as current liabilities, while its unrestricted cash and cash equivalents amounted to HK$352 million only.

As at 30 June 2018, total borrowings of the Group of HK$4,525 million were overdue. Up to the date of this report, total borrowing of the Group of HK$5,064 million were overdue. These overdue borrowings included the US$300 million 8.75% per annum senior notes (the "**US$300 million Senior Notes**"). However, the Group has not been able to obtain extensions of repayments of such balances prior to the date of this report. These overdue borrowings without extension would be immediately repayable if requested by the lenders. Included in these overdue borrowings, total borrowings of HK$168 million did not meet certain financial ratios as set out in the covenants in the relevant borrowing agreements. Furthermore, the US$300 million Senior Notes, equivalent to HK$2,325 million, issued by the Group, fell due for redemption on 18 May 2018. The Group has not paid the amounts outstanding under the US$300 million Senior Notes (the "**Payment Default**"). This has resulted in the event of default of the US$300 million Senior notes and cross default of the US$150 million, 8.5% per annum senior notes, equivalent to HK$1,163 million. The Payment Default has also resulted in cross-defaults of certain bank loans of HK$353 million and other borrowings of HK$2,230 million which become immediately repayable and are all classified as current liabilities as at 30 June 2018.

On 17 August 2018, the Group received a notification from the West Kowloon Cultural District Authority to terminate the Group's construction service contract for the M + project. As at the date of this report, the directors of the Company were in the process of estimating any negative financial effect on the Group arising from the termination including any potential claims against the Group.

On 27 August 2018, a wholly-owned subsidiary of the Company (the "**Wholly-owned Subsidiary**") received a petition filed by its creditor for an order that the Wholly-owned Subsidiary may be wound up by the High Court. The petition was filed against the Wholly-owned Subsidiary for its failure to settle a sum of approximately HK$8,285,000 for construction costs payable.

These conditions indicate the existence of material uncertainties which may cast significant doubt about the Group's ability to continue as a going concern.

The directors of the Company have been undertaking a number of measures to improve the Group's liquidity and financial position, and to remediate certain delayed repayments to financial institutions, which are set out in Note 2 to the interim condensed consolidated financial statements. The interim condensed consolidated financial statements have been prepared on a going concern basis, the validity of which depends on the outcome of these measures, and the court decision of the legal case in which the Group is a defendant, which are subject to multiple uncertainties, including (i) the successful negotiations with the lenders for the renewal of or extensions for repayments of outstanding borrowings, including those with overdue principals and interests; (ii) the success of obtaining additional new sources of financing as and when needed; (iii) the success in reaching a consensual restructuring plan with the noteholders of the senior notes; (iv) the successful execution of the memorandum of understanding (the "**MOU**") in relation to the potential disposal of the Wholly-owned Subsidiary; (v) the successful implementation and acceleration of its disposal plan of its property, plant and equipment and leasehold land, investment properties, properties under development and completed properties held for sale, including timely execution of definitive sales agreements and timely collection of the disposal proceeds, and the successful deferral of capital expenditures for the Group's projects held on hand; (vi) the successful pre-sales of certain residential units in Foshan so as to generate operating cash inflows; (vii) the successful negotiation with the Group's existing lenders such that no action will be taken by the relevant lenders to demand immediate repayments of the borrowings in any breach of loan covenants or default, including those with cross-default terms; (viii) the successful maintenance of relationship with the suppliers of the Group, in particular those in relation to the Group's construction business and the property development projects such that no actions will be taken by those suppliers against the Group should the Group not be able to meet all the payment obligations on a timely basis and notwithstanding a supplier creditor filed a petition against the Wholly-owned Subsidiary on 27 August 2018; and (ix) the potential purchaser of the Wholly-owned Subsidiary of the Group may provide financial support to the Group at its discretion in the amount of HK$300 million within one week from 29 August 2018 and another HK$300 million within two weeks from 29 August 2018 as working capital to the Wholly-owned Subsidiary. These financial support provisions are contained in a non-legally binding MOU. Among other conditions, the execution of the MOU, including the provision of financial support, is subject to risk control assessment to be conducted by the potential purchaser.

We did not express a review conclusion on the Company's interim condensed consolidated financial statements for the six months ended 30 June 2017 and we did not express audit opinion on the Company's consolidated financial statements for the year ended 31 December 2017 (the "Company 2017 financial statements") due to the potential interaction of the above-mentioned uncertainties including (i), (ii), (v) to (viii) relating to going concern and the possible cumulative effect on the Company's financial statements, and the other limitations on our scope of procedures. The multiple uncertainties remain unresolved as of 30 June 2018 and their possible cumulative effects on the interim condensed consolidated financial statements could be both material and pervasive.

Should the Group fail to achieve the above mentioned plans and measures, it might not be able to continue to operate as a going concern, and adjustments would have to be made to write down the carrying values of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively. The effects of these adjustments have not been reflected in the interim condensed consolidated financial statements.

(2) Transactions and balances relating to Mr. Zhou Wei, former executive director of the Company and his related entities

In response to the following matters, we have encountered various limitations during the course of our review of the interim condensed consolidated financial statements for the six month period ended 30 June 2018.

(2)(i) Funding arrangements in relation to certain properties in Beijing

A set of agreements ("**Agreement A**"), which was not complete and fully executed, was entered into by a wholly-owned subsidiary of the Group ("**Subsidiary A**"), Mr. Zhou Wei ("**Mr. Zhou**"), and a People's Republic of China (the **"PRC**") incorporated company indirectly owned by Mr. Zhou and his relative ("**Mr. Zhou's Company A**"). Pursuant to Agreement A, Mr. Zhou's Company A sold certain properties in Beijing, the PRC (the "**BJ Properties**") to the Group at a consideration of RMB500 million. According to Agreement A, the Group made a first instalment of RMB130 million upon fulfilling certain conditions, of which RMB129 million had been paid by Subsidiary A to Mr. Zhou's Company A in August 2016.

Another set of agreements ("**Complete Agreement A**") were entered by the Subsidiary A, Mr. Zhou and Mr. Zhou's Company A which was the same as Agreement A except that they were complete and fully executed. Pursuant to further documents entered by Subsidiary A, another wholly-owned subsidiary of the Group ("**Subsidiary B**") and Mr. Zhou's Company A ("**Further Documents**"), Complete Agreement A was terminated as Subsidiary A did not provide the remaining funding of RMB370 million under that agreement. Furthermore, the balance of RMB129 million advanced by Subsidiary A was treated as an unsecured loan to Mr. Zhou's Company A, which carries interest at 12% per annum and is repayable before 21 August 2024.

This balance of RMB129 million was recorded as "Receivables and prepayments" under current assets in the Group's condensed consolidated balance sheet as at 30 June 2018 (31 December 2017: RMB129 million classified as non-current assets).

Interest receivables of RMB 23.2 million were included as "Receivables and prepayments" under current assets in the Group's condensed consolidated balance sheet as at 30 June 2018 (31 December 2017: RMB16 million).

For the six-month period ended 30 June 2018, interest income of RMB7.2 million (six-month period ended 30 June 2017: RMB7.2 million) was recognised in the Group's interim condensed consolidated income statement.

(2)(ii) Cooperation agreement in relation to the BJ Properties

A cooperation agreement was entered into between another wholly-owned subsidiary of the Group ("**Subsidiary C**") and another PRC incorporated company owned by Mr. Zhou's relatives ("**Mr. Zhou's Company B**") together with a guarantee agreement entered into amongst Subsidiary C, Mr. Zhou's Company A and Mr. Zhou (collectively, "**Agreement B**"). Pursuant to Agreement B, as considerations for certain services provided by Mr. Zhou's Company B, Subsidiary C should pay a total amount of RMB247.5 million to Mr. Zhou's Company B. Payments of RMB126.2 million and RMB121.3 million were made by Subsidiary C to another company indirectly owned by Mr. Zhou on 29 December 2016 and 13 January 2017, respectively, which were financed by a long-term loan facility of RMB420 million provided by a financial institution in the PRC to the Group on 28 December 2016. Pursuant to the relevant loan agreement, Mr. Zhou's Company A agreed to pledged the BJ Properties to the financial institution as a security to the loan facility of RMB420 million (the "Trust Loan") provided to subsidiary C.

Pursuant to another agreement ("**Agreement C**"), Agreement B was subsequently terminated and a loan agreement ("**Agreement D**") was entered into, pursuant to which total payments of RMB247.5 million, made on 13 January 2017 in accordance with Agreement B, are treated as a loan from Subsidiary C to Mr. Zhou's Company B for a term of period from 28 December 2016 to 12 November 2018, which carries interest at 0.91667% per month.

As at 30 June 2018, the total payment of RMB247.5 million was recorded as "Receivables and prepayments" under current assets in the Group's condensed consolidated balance sheet. Interest receivable of RMB39.9 million was recorded as "Receivables and prepayment" under current assets in the Group's condensed consolidated balance sheet as at 30 June 2018 (31 December 2017: RMB27 million). For the six-month period ended 30 June 2018, interest income of RMB12.9 million (six-month period ended 30 June 2017: RMB12.9 million) was recognised in the Group's interim condensed consolidated income statement.

During the six-month period ended 30 June 2018, on 23 March 2018, the Company and relevant subsidiary of the Company, entered into a settlement agreement with Mr. Zhou's Company A and Mr. Zhou's Company B (the "**Settlement Agreement**") pursuant to which Mr. Zhou's Company A and Mr. Zhou's Company B agreed to repay to the relevant subsidiary of the Company, within four months from the date of the Settlement Agreement, all the outstanding amounts arising from the Trust Loan. The Settlement Agreement was not executed up to the settlement deadline on 22 July 2018.

On 23 July 2018, the Company issued demand letters to Mr. Zhou's Company A and Mr. Zhou's Company B to (i) declare that the loans to them and all interest accrued thereon respectively are due and payable forthwith; and (ii) notify them that the Company would proceed to sell the BJ Properties to finance the repayment.

As at the date of this report, the directors of the Company were unable to provide us explanations about the business rationale and commercial substance of all related transactions and balances. Because of the above scope limitation, the following issues which were highlighted in our review report on the Company's interim condensed consolidated financial statements for the six months ended 30 June 2017 and in our audit report on the Company's consolidated financial statements for the year ended 31 December 2017 remained unresolved:

(i) ascertain the business rationale and commercial substance, occurrence, accuracy, completeness and presentation of these transactions and the related balances as at 31 December 2017 and 30 June 2018 and during the six-month period ended 30 June 2017 and 30 June 2018; and

(ii) whether the effects of these transactions have been properly accounted for and disclosed, including the accuracy and completeness of any related party transaction disclosures.

Disclaimer of Conclusion

Due to the significance of the matters described in the "Basis for Disclaimer of Conclusion" paragraphs above, we were unable to obtain sufficient appropriate evidence to form a conclusion on the interim condensed consolidated financial statements. Accordingly, we do not express a conclusion on these interim condensed consolidated financial statements .

O. PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

This results announcement is published on the Stock Exchange's website (www.hkex.com.hk) and the Company's website (http://www.hsinchong.com). The interim report of the Company will be despatched to the shareholders and will be available on websites of the Stock Exchange and the Company in due course.

P. CONTINUED SUSPENSION OF TRADING IN THE SHARES AND DEBT SECURITIES

Trading in the ordinary shares and debt securities of the Company has been suspended since 3 April 2017 and will continue to be suspended until further notice. Conditions of the resumption of trading have been set out in the Company's announcement dated 12 June 2017.

Shareholders of the Company and potential investors are advised to exercise caution when dealing in the shares and other securities of the Company.

By Order of the Board of
Hsin Chong Group Holdings Limited
LIN Zhuo Yan
Non-executive Chairman and Non-executive Director

Hong Kong, 31 August 2018

As at the date of this announcement, the Board comprises Mr. LIN Zhuo Yan as the Non-executive Chairman and Non-executive Director; Ir Dr Joseph CHOI Kin Hung (Chief Executive Officer), Mr. Wilfred WU Shek Chun (Chief Risk Officer) and Mr. Eric TODD as Executive Directors; Mr. YAN Jie, Mr. CHEN Lei, Mr. CHUI Kwong Kau and Mr. LUI Chun Pong as Non-executive Directors; and Mr. CHENG Sui Sang, Mr. George YUEN Kam Ho, Dr. LAM Lee G. and Dr. LO Wing Yan William, JP as Independent Non-executive Directors.