THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt about this circular or as to the action you should take, you should consult your stockbroker, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your Shares in **CNQC International Holdings Limited**, you should at once hand this circular together with the accompanying form of proxy to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

CNQC INTERNATIONAL HOLDINGS LIMITED
青建國際控股有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 1240)

(1) MAJOR AND CONNECTED TRANSACTION IN RELATION TO THE ACQUISITION OF THE TARGET COMPANY AND (2) NOTICE OF EGM

Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders

ALTUS CAPITAL LIMITED

A letter from the Board is set out on pages 6 to 20 of this circular. A letter from the Independent Board Committee containing its recommendation to the Shareholders is set out on pages 21 to 22 of this circular. A letter from Altus Capital Limited, the Independent Financial Adviser, containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 23 to 44 of this circular.

A notice convening an extraordinary general meeting of the Company to be held on 11 July 2016 (Monday) at 11:30 a.m. at Room 601, 6/F, Exchange Tower, 33 Wang Chiu Road, Kowloon Bay, Hong Kong is set out on pages EGM-1 to EGM-2 of this circular. Whether or not you are able to attend the EGM, you are requested to complete and return the enclosed proxy form in accordance with the instructions printed thereon to the office of the Hong Kong branch share registrar and transfer office of the Company, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding the EGM. Completion and return of the proxy form will not preclude you from attending and voting in person at the extraordinary general meeting or any adjourned meeting thereof should you so desire.

23 June 2016

Page

In this circular, unless the context otherwise requires, the following expressions shall have the following meanings:

"Acquisition"	the acquisition of the entire issued share capital in the Target Company by the Company pursuant to the terms and conditions of the Agreement
"Agreement"	the sale and purchase agreement dated 26 May 2016 entered into between the Sellers and the Company in respect of the Acquisition
"Announcement"	the announcement of the Company dated 26 May 2016 in relation to, among other things, the Acquisition and the Agreement
"Board"	the board of Directors
"Business Day"	a day (other than a Saturday or Sunday or days on which a tropical cyclone warning number 8 or above or a "black" rain warning signal is hoisted in Hong Kong at any time between 9 a.m. and 5 p.m.) on which Hong Kong clearing banks are open for the transaction of normal banking business
"BVI"	the British Virgin Islands
"CNQC Development"	CNQC Development Limited, a company incorporated in the BVI with limited liability
"Company"	CNQC International Holdings Limited (青建國際控股有限公司), a company incorporated under the laws of Cayman Islands with limited liability and the issued Shares of which are listed on the Main Board of the Stock Exchange
"Completion"	the completion of the Acquisition in accordance with the terms and conditions of the Agreement
"Completion Date"	the second Business Day after all the conditions precedent of the Agreement have been fulfilled or waived (or such other date as the parties to the Agreement shall agree)
"Consideration"	SGD101,000,000, being the consideration for the Acquisition
"Consideration Shares"	the 100,000,000 Shares to be issued and allotted by the Company for settlement of part of the Consideration

"Conversion Shares"	the 300,000,000 Shares or the 77,273,454 Shares, as the case may be, as converted from the CPS held by New Guotsing Holdco pursuant to the CPS Conversion
"CPS"	the non-redeemable convertible preference share(s) of HK$0.01 each the share capital of the Company
"CPS Conversion"	the conversion of CPS into Shares by New Guotsing Holdco of 300,000,000 CPS held by it if the completion of the Subscriptions takes place after the Completion or the conversion of CPS into Shares by New Guotsing Holdco of 77,273,454 CPS held by it if the completion of the Subscriptions takes place before the Completion, as the case may be
"Director(s)"	director(s) of the Company
"EGM"	an extraordinary general meeting of the Company to be convened for the purpose of considering, and if thought fit, approving, among other things, the Acquisition, the Agreement and the transactions contemplated thereunder
"Enlarged Group"	the Group and the Target Group upon Completion
"Executive"	the Executive Director of the Corporate Finance Division of the Securities and Futures Commission of Hong Kong or any of his delegate
"Group"	the Company and its subsidiaries
"Guotsing PRC"	國清控股集團有限公司 (Guotsing Holding Group Co Ltd.*), a company incorporated in the PRC with limited liability
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Hui Long"	Hui Long Enterprises Limited, a company incorporated in the BVI with limited liability, which is wholly-owned by Dr. Du Bo, a controlling Shareholder and a former Director
"Independent Board Committee"	an independent committee of the Board, comprising all the independent non-executive Directors, formed for the purpose of advising the independent Shareholders in respect of the Acquisition and the Agreement

"Independent Financial Adviser"	Altus Capital Limited, a corporation licensed to conduct type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities as defined under the Securities and Futures Ordinance (Cap. 571 of Laws of Hong Kong), being the independent financial adviser to the Independent Board Committee and the independent Shareholders in respect of the Acquisition and the Agreement
"Issue Price"	HK$2.80 per Consideration Share
"Latest Practicable Date"	21 June 2016, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information for inclusion in this circular
"Listing Committee"	has the meaning ascribed to it under the Listing Rules
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"New Guotsing Holdco"	Guotsing Holding Company Limited, a company incorporated in the BVI with limited liability
"percentage ratios"	any of the five ratios set out in Rule 14.07 of the Listing Rules
"Poll Result Announcement"	the announcement of the Company dated 14 October 2015 in relation to, among others, the poll result of the extraordinary general meeting convened by the Company on 14 October 2015
"PRC"	The People's Republic of China, which shall, for the purposes of this circular, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
"Qingdao Bohai"	青島博海建設集團有限公司 (Qingdao Bohai Construction Group Co Ltd*), a company incorporated in the PRC with limited liability
"Rally Tech"	Rally Tech Investment Limited, a company incorporated in the BVI with limited liability, which is held, amongst others, as to 41.25% by Dr. Du Bo, a controlling Shareholder and a former Director and as to 12.50% by Mr. Wang Linxuan, an executive Director
"Sellers"	Sino Concord and Rally Tech

"SFO"	Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong)
"SGD" or "S$"	Singapore Dollar, the lawful currency of Singapore
"Share(s)"	shares(s) of the Company of HK$0.01 each
"Shareholder(s)"	the holder(s) of the Shares
"Sino Concord"	Sino Concord Ventures Limited, a company incorporated in the BVI with limited liability
"Subscriptions"	the subscription of 55,000,000 new Shares by each of Great Wall Pan Asia International Investment Company Limited and Suhang Investment Holdings Limited respectively, as detailed in the announcement of the Company dated 19 June 2016
"Specific Mandate"	the specific mandate to be approved by the independent Shareholders at the EGM for the allotment and issuance of the Consideration Shares under the Agreement
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Takeovers Code"	The Hong Kong Code on Takeovers and Mergers
"Target Company"	New Chic International Limited, a company incorporated in the BVI with limited liability, which is held as to 76% by Sino Concord and as to 24% by Rally Tech
"Target Group"	the Target Company and its subsidiaries
"Welltech"	Welltech Construction Pte. Ltd., a company incorporated in Singapore with limited liability, which is wholly-owned by the Target Company
"Whitewash Waiver"	a waiver in respect of the obligation of New Guotsing Holdco to make a mandatory general offer to other Shareholders in respect of the Shares not already owned or agreed to be acquired by New Guotsing Holdco as a result of the conversion of the CPS issued and allotted to New Guotsing Holdco by the Company pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code, the relevant resolution of which was passed by the independent Shareholders at the extraordinary general meeting of the Company convened on 14 October 2015
"%"	per cent

In this circular, unless the context otherwise requires, the terms "associate(s)", "connected person(s)", "connected transaction(s)", "controlling shareholder(s)", "subsidiary(ies)" and "substantial shareholder(s)" shall have the meanings given to such terms in the Listing Rules, as modified by the Stock Exchange from time to time.

For the purpose of this circular, unless the context otherwise requires, conversion of SGD into HK$ is based on the approximate exchange rate of SGD1.00 to HK$5.62. Such exchange rate is for the purpose of illustration only and does not constitute a representation that any amounts in HK$ or SGD have been, could have been or may be converted at such or any other rate or at all.

Certain amounts and percentage figures set out in this circular have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables and the currency conversion or percentage equivalents may not be an arithmetic sum of such figures.

The English names of Chinese entities marked with "" are translations of their Chinese names and are included in this circular for identification purpose only, and should not be regarded as their official English translation. In the event of any inconsistency, the Chinese name prevails.*

CNQC INTERNATIONAL HOLDINGS LIMITED
青建國際控股有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 1240)

Executive Directors:
Mr. Cheng Wing On, Michael *(Chairman)*
Mr. Wang Congyuan *(Chief Executive)*
Mr. Zhang Yuqiang
Mr. Ho Chi Ling
Mr. Wang Linxuan

Non-executive Directors:
Mr. Zhang Zhihua
Dr. Ding Hongbin
Dr. Sun Huiye

Independent Non-executive Directors:
Mr. Chuck Winston Calptor
Mr. Ching Kwok Hoo, Pedro
Mr. Tam Tak Kei, Raymond
Mr. Chan Kok Chung, Johnny

Registered Office:
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PO Box 1350
Grand Cayman KY1-1108
Cayman Islands

Headquarters, Head Office and Principal Place of Business in Hong Kong:
Unit 601, 6/F, Exchange Tower
33 Wang Chiu Road
Kowloon Bay
Hong Kong

23 June 2016

To the Shareholders

Dear Sir or Madam,

(1) MAJOR AND CONNECTED TRANSACTION IN RELATION TO THE ACQUISITION OF THE TARGET COMPANY AND (2) NOTICE OF EGM

INTRODUCTION

On 26 May 2016, the Company as purchaser entered into the Agreement with the Sellers as sellers, pursuant to which the Company conditionally agreed to acquire, and the Sellers conditionally agreed to sell, the entire issued share capital of the Target Company at the Consideration of SGD101,000,000 (equivalent to approximately HK$567,620,000) in accordance with the terms and conditions of the Agreement. The Consideration shall be satisfied by: (i) the allotment and issuance at the Issue Price of 100,000,000 Consideration

Shares to Sino Concord at Completion; and (ii) the payment of SGD51,000,000 (equivalent to approximately HK$286,620,000) by the Company to the Sellers in cash within 30 days from the Completion Date.

The purpose of this circular is to provide the Shareholders with (i) further information of the Acquisition; (ii) the letter from the Independent Board Committee; (iii) the letter from the Independent Financial Adviser; (iv) the notice of the EGM; and (v) other information as required under the Listing Rules.

THE AGREEMENT

Details of the Agreement are set out below:

Date

26 May 2016

Parties

(1) the Company as purchaser; and

(2) Sino Concord and Rally Tech as sellers.

As at the Latest Practicable Date:

(a) Sino Concord is held as to 20% by Hui Long (which is controlled by Dr. Du Bo, a connected person of the Company) and 80% by Sun East (which is in turn held as to 4.88% by Mr. Wang Linxuan, an executive Director and the remaining 95.12% held by ten other shareholders who are independent third parties; and

(b) Rally Tech is held as to 41.25% by Dr. Du Bo, a controlling Shareholder and a former Director and accordingly, Rally Tech is a connected person of the Company.

Subject matter

The Company agreed to acquire, and the Sellers agreed to sell, the entire issued share capital of the Target Company, subject to the terms and conditions of the Agreement.

Consideration and Payment Terms

The Consideration shall be SGD101,000,000 (equivalent to approximately HK$567,620,000), which shall be satisfied by:

(i) allotment and issuance by the Company at the Issue Price of 100,000,000 Consideration Shares at Completion to Sino Concord; and

(ii) the payment of SGD51,000,000 (equivalent to approximately HK$286,620,000) by the Company to the Sellers in cash within 30 days from the Completion Date, of which SGD26,760,000 (equivalent to approximately HK$150,391,200) will be paid to Sino Concord and SGD24,240,000 (equivalent to approximately HK$136,228,800) will be paid to Rally Tech.

Basis of the Consideration

The Consideration was determined after arm's length negotiation between the Company and the Sellers on normal commercial terms after taking into account a number of factors including but not limited to the results and market value of seven comparable companies, which consist of all of the Singapore listed companies that are principally engaged in construction business in Singapore and over 50% of their revenue in the latest published financial year were contributed by the construction segment (the "**Comparable Companies**"), the financial performance and prospect of the business of the Target Group and the benefits to the Group following Completion. The Consideration represents a price-to-earnings ratio of approximately 5.5 times based on the net profit for the year ended 31 December 2015 adjusted by the non-recurring rental income, dividend income and performance bonus, which is lower than the median price-to-earnings ratio of 7.0 times of the Comparable Companies and the Directors (including the independent non-executive Directors) are of the view that the price-to-earnings ratio of approximately 5.5 times is reasonable.

The Issue Price

The Issue Price of HK$2.80 per Consideration Share represents:

(a) a discount of approximately 4.11% to the closing price of the Shares of HK$2.92 per Share as quoted on the Stock Exchange on 26 May 2016, being the date of the Agreement; and

(b) a discount of approximately 2.57% to the average of the closing price of the Shares as quoted on the Stock Exchange for the five consecutive trading days immediately prior to the date of the Agreement of approximately HK$2.87 per Share.

Conditions Precedent to Completion

Completion of the Agreement is conditional upon the satisfaction (or, if applicable, the waiver) of the following conditions precedent:

(a) approvals having been obtained from the independent Shareholders at the EGM for, *inter alia* (i) the terms and conditions of the Agreement; and (ii) the proposed grant of the Specific Mandate for the issuance of the Consideration Shares;

(b) all necessary licences, consents, approvals, authorisations, permissions, waivers, orders, exemptions or notifications of, among others, creditors and shareholders of the Target Company, other relevant third parties and/or governmental or regulatory authorities or bodies (including the relevant Singapore, the PRC, Hong Kong, the BVI and the Cayman Islands bodies), which are required for the execution and performance of the Agreement or Completion, having been obtained and not having been revoked prior to Completion;

(c) no relevant government, governmental, quasi-governmental, statutory or regulatory body, court or agency having granted any order or made any decision that restricts or prohibits the implementation of the transactions contemplated under the Agreement;

(d) approval having been obtained from the Listing Committee for the listing of, and permission to deal in, the Consideration Shares on the Main Board of the Stock Exchange;

(e) the warranties given by the Company in the Agreement remaining true and accurate and not misleading in any material respect if they were repeated at any time prior to Completion by reference to the facts and circumstances then existing;

(f) the warranties given by the Sellers in the Agreement remaining true and accurate and not misleading in any material respect if they were repeated at any time prior to Completion by reference to the facts and circumstances then existing;

(g) no material adverse change or prospective material adverse change in the business, operations, financial condition or prospects of the Target Group having occurred since 31 December 2015;

(h) the Sellers having performed and complied with all agreements, obligations and conditions contained in the Agreement that are required to be performed or complied with by it on or before Completion;

(i) the acquisition of the remaining 50% shareholding of Bohai Investments (S) Group Pte Ltd, an indirect 50% owned subsidiary of the Target Group, by the Target Group being duly completed in compliance ith all applicable laws and regulations, to the satisfaction of the Company;

(j) the Company having conducted and completed due diligence on all business, legal and financial matters, and all such other matters as deemed necessary by the Company in its absolute discretion in relation to the Target Group, and the Company being satisfied with the results of such due diligence in its absolute discretion; and

(k) the Sellers having delivered to the Company a certificate signed by one of the directors of Sino Concord and one of the directors of Rally Tech certifying that the conditions set out in paragraphs (f) to (i) above have been fulfilled.

Neither the Company nor the Sellers shall have the right to waive any of the conditions set out in paragraphs (a) to (d) above. The Company may at its discretion waive any of the conditions set out in paragraphs (f) to (k) above and the Sellers may at its discretion waive the condition set out in paragraph (e) above. The above conditions are expected to be satisfied or waived on or before 31 December 2016 (or such later date as the parties to the Agreement may agree in writing). If any of the conditions has not been satisfied or waived by then, the Agreement shall be terminated and no party shall have any claim against any of the others, except in respect of any antecedent breach of the terms thereof.

As at the Latest Practicable Date, the condition set out in paragraph (i) had been satisfied. If any of the other conditions is not fulfilled on or before Completion, the Company shall, with reference to the circumstances leading to and the extent of the non-fulfilment of such condition, assess its impact on the transaction structure, the business, financial position and valuation of the Target Group, and the potential adverse impact on the Company after Completion. As at the Latest Practicable Date, the Company was not aware of any circumstance which will result in any of the conditions under paragraphs not being able to be fulfilled on or before Completion. Accordingly, the Company has no intention to waive any of such conditions.

Completion

Completion of the Agreement will take place on the Completion Date after all the conditions to the Agreement as set out in the section headed "Conditions precedent to Completion" above have either been fulfilled or (as the case may be) waived.

An application will be made by the Company to the Listing Committee for the listing of, and permission to deal in, the Consideration Shares on the Main Board of the Stock Exchange.

Following Completion, the Target Company will become a wholly-owned subsidiary of the Company and its financial results will be consolidated into the financial statements of the Group.

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Target Group is principally engaged in the provision of construction service as main contractor for governmental authorities in Singapore and the investments as financial investors in property development projects in Singapore.

The Acquisition is in line with one of core businesses of the Group and would create synergy from combining the capabilities of both the Group and the Target Group in providing construction services in Singapore. It is expected that the overall competitiveness of the Group would be further enhanced through cost savings and other synergies resulting from the Acquisition, and would enable the Company to further develop its operations in the construction industry as well as benefiting from the management team and workers under the Target Group.

The Acquisition of the Target Group marks a significant milestone in realizing the Group's vertical integration of its construction business, which adds to the depth and breadth of the Group's various business segments. Leveraging on the Target Group's business network, the Acquisition will allow the Group to further develop and expand its construction business in Singapore, including, (i) the municipal infrastructure construction business in Singapore, in particular, residential construction opportunities under the Housing & Development Board of Singapore; and (ii) construction projects of a larger development scale under the PRC's "One Belt, One Road" strategy. With the injection of the Target Group's expertise, skills and experience in the property development and construction industries, the Enlarged Group will be better equipped in handling property development projects of a larger scale in Singapore and will be available to more business opportunities in the future and extend its market coverage. Upon Completion, the Group and the Target Group will integrate their resources in order to serve broader client base and strength the Enlarged Group's leading position in the construction industry in Singapore.

Taking into consideration the reasons for and benefit of the Acquisition to the Group, the Directors (including the independent non-executive Directors) are of the view that the Acquisition is in the interests of the Company and the Shareholders as a whole. The Directors (including the independent non-executive Directors) are also of the view that the terms of the Agreement, including the Consideration which have been reached after arm's length negotiations among the parties, are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

INFORMATION ON THE COMPANY, THE SELLERS AND THE TARGET COMPANY

Information on the Company

The Company was incorporated in the Cayman Islands with limited liability and the Shares are listed on the Main Board of the Stock Exchange. The Company is an investment holding company and the Group is principally engaged in property development business in Singapore and the construction business both in Singapore and Hong Kong.

Information on the Sellers

Each of Sino Concord and Rally Tech is a company incorporated in the BVI with limited liability, which is principally engaged in investment holding.

Information on the Target Company

The Target Company is a company incorporated in the BVI with limited liability, which together with its subsidiaries, is primarily engaged in the provision of construction service as main contractor for governmental authorities in Singapore including the Housing & Development Board of Singapore and the investments as financial investors in property development projects in Singapore.

Financial Information of the Target Company

Based on the accountant's report of the Target Group, the net profit before and after taxation for the year ended 31 December 2014 were approximately SGD12.76 million and SGD10.95 million respectively; and for the year ended 31 December 2015 were approximately SGD35.87 million and SGD32.01 million respectively.

Based on the accountant's report of the Target Group, the audited net asset value and total assets of the Target Group as at 31 December 2015 were approximately SGD37.44 million and SGD134.84 million respectively.

Please refer to the paragraph headed "Management discussion and analysis on the Target Group" in this section below, and the accountant's report of the Target Company for the three years ended 31 December 2015 set out in Appendix II to this circular for further details of the financial information of the Target Group.

MANAGEMENT DISCUSSION AND ANALYSIS ON THE TARGET GROUP

Set out below is the key financial information of the Target Group for the three years ended 31 December 2015.

Operating Results

The Target Group is primarily engaged in the provision of construction service as main contractor for governmental authorities in Singapore including the Housing & Development Board of Singapore and the investments as financial investors in property development projects in Singapore. It is owned as to 76% by Sino Concord and as to 24% by Rally Tech as at the Latest Practicable Date. The revenue of the Target Group, which represented the income generated from the provision of construction service, amounted to approximately SGD66.17 million, SGD119.58 million and SGD219.36 million for the three years ended 31 December 2015, respectively.

As a result of the foregoing, the gross profit of the Target Group has increased by approximately 1201.02% from SGD700,362 for the year ended 31 December 2013 to SGD9,111,861 for the year ended 31 December 2014 and in turn increased by approximately 126.88% to SGD20,673,183 for the year ended 31 December 2015. The gross profit margin of the Target Group was 1.06%, 7.62% and 9.42% for the three years ended 31 December 2015, respectively.

The Target Group also recorded a year on year increase in other income, which amounted to SGD907,901, SGD3,616,809 and SGD15,596,393 for the three years ended 31 December 2015. The significant increase in other income for the year ended 31 December 2015 comprises mainly of the (i) dividend income derived from the Target Group's property development investment in Qingjian Realty (Sengkang) Pte. Ltd. and Qingjian Realty (Punggol Central) Pte. Ltd.; and (ii) performance bonus based on the principle of shared responsibilities of the management among the shareholders received from Qingjian Realty (Punggol Central) Pte. Ltd.

The Target Group recorded a net profit of approximately SGD1.56 million, SGD10.95 million and SGD32.01 million for the three years ended 31 December 2015, respectively. The year on year increase in net profit was mainly attributable to the increase in construction revenue from projects in progress.

Financing of the Target Group

The Target Group generally financed its operation through borrowings. The Target Group's borrowings comprised of bank loans denominated in Singapore dollars and loan from a director of a subsidiary. Total borrowings of the Target Group increased by 10.72% from SGD32,515,000 as at 31 December 2014 to SGD36,000,000 as at 31 December 2015. The Target Group did not have any bank or other borrowings during the year ended 31 December 2013.

Short-term bank borrowings has decreased by 54.4% from SGD25,000,000 as at 31 December 2014 to SGD11,400,000 as at 31 December 2015. Further, the Target Group has obtained long-term bank borrowings of SGD24,600,000 as at 31 December 2015. These bank borrowings bore interest at rates ranging from 1.75% per annum over prevailing Singapore Interbank Offered Rate to 5.00% per annum as at 31 December 2014 and 1.75% per annum over prevailing Singapore Interbank Offered Rate to 4.90% per annum as at 31 December 2015. A bank borrowing of SGD20,000,000 as at 31 December 2014 was secured by the letter of credit issued by a bank.

During the year ended 31 December 2014 and 2015, a loan of SGD7,515,000 was obtained by the Target Group from a director of a subsidiary of the Target Company, which bore interest of 5% to 7% in 2014 and 2015 per annum respectively and was unsecured and payable on demand. Such loan was fully repaid during the year ended 31 December 2015.

Major Assets

The major assets of the Target Group as at 31 December 2013, 2014 and 2015 include: (i) its loan receivables, comprises of loan to Qingdao Bohai which bore interest at 12% per annum as at 31 December 2014 which has been fully repaid and loans to associated companies and other related parties which bore interest as at 31 December 2013, 2014 and 2015 at 2.18% to 7.22%, 5.00% to 12.00%, and 5.00% to 8.00% each per annum respectively and were unsecured and receivable on demand, which amounted to approximately SGD40.25 million, SGD72.09 million and SGD32.20 million as at 31 December 2013, 2014 and 2015, respectively; (ii) its trade receivables which amounted to approximately SGD16.73 million, SGD17.98 million and SGD42.91 million, respectively; (iii) its cash and cash equivalents which amounted to SGD9.88 million, SGD10.40 million and SGD17.31 million, respectively;

(iv) its prepayments and other receivables, comprises mainly of the interest receivable received from Qingdao Bohai in connection to the abovementioned loan and advances from staffs which were unsecured, interest-free and repayable upon reimbursement, which amounted to approximately SGD5.96 million, SGD11.33 million and SGD28.86 million, respectively; and (v) its available-for-sale financial assets, comprises of the quoted equity securities and unquoted equity securities in the property development companies, which amounted to SGD13,571,507, SGD16,290,121 and SGD12,208,744 respectively.

Save as disclosed in this circular, as at 31 December 2013, 2014 and 2015, the Target Group did not have any other major assets.

Share of losses of associated companies

Share of losses of the associated companies of the Target Group were SGD1,727, SGD200,254 and SGD98,059 respectively for the years ended 31 December 2013, 2014 and 2015. Net losses were recorded for the associated companies as the property development projects were still under construction and the revenue would only be recognised upon the delivery of the completed properties to the purchasers.

Liquidity and Financial Resources

As at 31 December 2013, 2014 and 2015, the Target Group had cash and cash equivalents in an amount of approximately SGD9.88 million, SGD10.40 million and SGD17.31 million, respectively, of which the increase as at 31 December 2014 was mainly attributable to the net cash generated from financing activities and the increase as at 31 December 2015 was mainly attributable to the net cash generated from the operating activities.

The carrying amounts of the cash and cash equivalents of the Target Group are mainly denominated in Singapore Dollars.

The general credit terms granted by suppliers of the Target Group to settle payables ranged from 30 days to 60 days. The total trade payables of the Target Group for the years ended 31 December 2013, 2014 and 2015 amounted to approximately SGD12.41 million, SGD16.75 million and SGD32.80 million, respectively, of which approximately SGD12.36 million, SGD16.52 million and SGD32.79 million, respectively were aged between 0 to 30 days and the remaining were aged between 31 to 60 days.

Commitments

The Target Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of construction equipment and office premises amounted to approximately SGD72,000, SGD1,404,275 and SGD561,600 for the years ended 31 December 2013, 2014 and 2015 respectively. The lease periods of the above operating leases range from 1 year to 2 years.

In 2014, the Target Group made capital commitment of SGD27,245 for making additions to property, plant and equipment.

Save as disclosed in this circular, as at 31 December 2013, 2014 and 2015, the Target Group had no other material capital or operating lease commitments.

Capital Structure

The capital structure of the Target Group consists of equity attributable to holders of the Target Company (comprising capital, reserves and retained profits) and net debt.

As at 31 December 2013, 2014 and 2015, the total assets of the Target Group amounted to approximately SGD90.30 million, SGD131.57 million and SGD134.84 million, respectively. The total liabilities of the Target Group amounted to SGD33.71 million, SGD67.38 million and SGD97.41 million, respectively. The gearing ratio was 30.3%, 48.1% and 67.8% as at 31 December 2013, 2014 and 2015, respectively.

Employees and Remuneration Policies

As at 31 December 2013, 2014 and 2015, the Target Group had a total of 54, 89 and 101 employees, respectively and a total of 128, 217 and 256 workers, respectively. Total staff costs of the Target Group for the year ended 31 December 2013, 2014 and 2015 were approximately SGD8.09 million, SGD10.53 million and SGD14.36 million respectively.

Contingent Liabilities

The Target Group provided guarantees in respect of bank borrowings of associated companies, which such bank borrowings amounted to approximately SGD121.80 million, SGD117.28 million and SGD136.73 million as at 31 December 2013, 2014 and 2015 respectively.

Save as disclosed in this circular, the Target Group did not have any significant contingent liabilities as at 31 December 2013, 2014 and 2015.

Foreign Exchange Exposure

As the Target Group's activities are mainly conducted in Singapore Dollars with its revenue, operating costs and expenses being denominated in Singapore Dollars, the Target Group's foreign currency exposure is minimal.

Material Acquisition, Disposals, Significant Investment and Future Plans of Material Investments

On 27 October 2015, Qingdao Bohai had transferred the entire issued share capital of Welltech to the Target Company for a consideration of SGD47,317,967 pursuant to a group reorganisation.

Further, during the years ended 31 December 2013 and 2014, the Target Group had also invested in the joint arrangement for Sengkang N3C18 Project, joint venture of which was formed by Welltech and Capital Trust Pte. Ltd. The issued share capital of the joint venture is SGD1,000,000 which is held as to 51% by Welltech and 49% by Capital Trust Pte. Ltd.

Save as disclosed in this circular, for the years ended 31 December 2013, 2014 and 2015, the Target Group did not have any other material acquisitions, disposals and significant investment. The Target Group has no future plan of material investments or capital assets in the coming year after the Acquisition.

Pledge of and Charges on Assets

As at 31 December 2013, 2014 and 2015, the Target Group did not have any pledge of and/or charge over assets.

Please refer to the accountant's report of the Target Group for the three years ended 31 December 2015 set out in Appendix II to this circular for further details of the financial information of the Target Group.

FINANCIAL EFFECT OF THE ACQUISITION

Upon Completion, the Target Company will become a wholly-owned subsidiary of the Company and the consolidated profit or loss and assets and liabilities of the Target Company will be accounted for in the consolidated financial statements of the Company. The unaudited pro forma financial information of the Enlarged Group is set out in Appendix IV to this circular.

Based on the unaudited pro forma financial information of the Enlarged Group as set out in Appendix IV to this circular, the unaudited pro forma consolidated assets of the Group as at 31 December 2015 would increase from approximately HK$14.93 billion to approximately HK$15.82 billion and the unaudited pro forma consolidated total liabilities of the Group as at 31 December 2015 would increase from approximately HK$13.45 billion to HK$14.13 billion as a result of the Acquisition.

PROPOSED GRANT OF SPECIFIC MANDATE

The Company will issue 100,000,000 Consideration Shares as part of the Consideration of the Acquisition. The Consideration Shares will be issued and allotted under the Specific Mandate proposed to be granted by the independent Shareholders at the EGM.

CPS CONVERSION

As disclosed in the announcement of the Company dated 17 December 2015, the Company received a conversion notice from New Guotsing Holdco in respect of the conversion of 647,273,454 CPS held by it, subject to the Company meeting the minimum public float requirement under Rule 8.08 of the Listing Rules.

Assuming the Consideration Shares are allotted and issued pursuant to the Agreement and the completion of the Subscriptions takes place after the Completion, the Company will allot and issue a total of 300,000,000 Conversion Shares to New Guotsing Holdco and 300,000,000 CPS held by New Guotsing Holdco will be cancelled upon Completion. Assuming the Consideration Shares are allotted and issued pursuant to the Agreement and the completion of the Subscriptions takes place before the Completion, the Company will allot and issue a total of 77,273,454 Conversion Shares to New Guotsing Holdco and 77,273,454 CPS held by New Guotsing Holdco will be cancelled upon Completion. The Conversion Shares will rank *pari passu* with all the existing Shares at the date of allotment and among themselves in all respects. The 300,000,000 Conversion Shares represent approximately 28.3% of the issued Shares as enlarged by the Consideration Shares allotted and issued under the Agreement and the CPS Conversion, or if the completion of the Subscriptions takes place before the Completion, the 77,273,454 Conversion Shares represent approximately 6.19% of the issued Shares as enlarged by the Consideration Shares allotted and issued under the Agreement, the CPS Conversion and the Subscriptions.

As stated in the Poll Result Announcement, the Executive has granted the Whitewash Waiver to New Guotsing Holdco pursuant to Note 1 on dispensation from Rule 26 of the Takeovers Code and New Guotsing Holdco is not required to make a mandatory offer under the Takeovers Code which will otherwise be required as a result of the CPS Conversion. The relevant resolution in relation to the Whitewash Waiver was also duly passed by the independent Shareholders in the extraordinary general meeting of the Company convened on 14 October 2015.

EFFECT ON THE SHAREHOLDING OF THE COMPANY FOLLOWING COMPLETION OF THE AGREEMENT AND THE CPS CONVERSION

Assuming there will not be any change in the issued share capital of the Company from the Latest Practicable Date up to the Completion of the Agreement and completion of CPS Conversion (other than changes as a result of Acquisition, CPS Conversion and the Subscriptions), set out below is the table of the shareholdings in the Company (i) as at the Latest Practicable Date; (ii) upon completion of the Acquisition and the CPS Conversion (assuming the completion of the Subscriptions takes place after the Completion); and (iii) upon completion of the Acquisition and the CPS Conversion (assuming the completion of the Subscriptions takes place before the Completion):

	As at the Latest Practicable Date			Upon completion of Acquisition and the CPS Conversion (assuming the completion of the Subscriptions takes place after the Completion)			Upon completion of Acquisition and the CPS Conversion (assuming the completion of the Subscriptions takes place before the Completion)		
	Number of Shares held	Approximate percentage of total issued Shares	Number of CPS held *(note 1)*	Number of Shares held	Approximate percentage of total issued Shares	Number of CPS held *(note 1)*	Number of Shares held	Approximate percentage of total issued Shares	Number of CPS held *(note 1)*
CNQC Development	224,145,000	33.95%	—	224,145,000	21.14%	—	224,145,000	17.97%	—
New Guotsing Holdco *(note 2)*	270,000,000	40.90%	377,273,454	570,000,000	53.77%	77,273,454	647,273,454	51.89%	—
Trustee	—	—	304,599,273	—	—	304,599,273	—	—	304,599,273
Sub total	494,145,000	74.85%	681,872,727	794,145,000	74.91%	381,872,727	871,418,454	69.85%	304,599,273
Public									
Public Shareholders as at the Latest Practicable Date	166,057,500	25.15%	—	166,057,500	15.66%	—	166,057,500	13.31%	—
Sino Concord	—	—	—	100,000,000	9.43%	—	100,000,000	8.02%	—
Shares issued under the Subscriptions	—	—	—	—	—	—	110,000,000	8.82%	—
Total	660,202,500	100%	681,872,727	1,060,202,500	100%	381,872,727	1,247,475,954	100%	304,599,273

Notes:

1. The CPS is convertible into Shares on a conversion ratio of 1:1.

2. As stated in the Poll Result Announcement, the Executive has granted the Whitewash Waiver to New Guotsing Holdco pursuant to Note 1 on dispensation from Rule 26 of the Takeovers Code and New Guotsing Holdco is not required to make a mandatory offer which will otherwise be required as a result of the CPS Conversion. The relevant resolution in relation to the Whitewash Waiver was also duly passed by the independent Shareholders in the extraordinary general meeting of the Company convened on 14 October 2015.

Based on the above, the Directors are of the view that the allotment and issuance of the Consideration Shares in relation to the Acquisition will not result in any change of control of the Company.

IMPLICATIONS OF THE ACQUISITION UNDER THE LISTING RULES

As at the Latest Practicable Date, Rally Tech, one of the Sellers, is held as to 41.25% by Dr. Du Bo, a controlling Shareholder and a former Director. Accordingly, Rally Tech is a connected person of the Company. Further, as one or more of the applicable percentage ratios in respect of the Acquisition is more than 25% but is less than 100%, the Acquisition constitutes a major transaction of the Company under Chapter 14 of the Listing Rules and a connected transaction of the Company under Chapter 14A of the Listing Rules. Therefore, the Acquisition is subject to the reporting, announcement and independent Shareholders' approval requirements under Chapter 14 and 14A of the Listing Rules.

WAIVER FROM STRICT COMPLIANCE OF THE LISTING RULES

The Company has engaged PricewaterhouseCoopers LLP Singapore ("**PwC Singapore**") to issue the accountant's report on the historical financial information of the Target Group prepared in accordance with International Financial Reporting Standards ("**IFRS**") as set out in Appendix II to this circular.

The Company has applied for and the Stock Exchange has granted a waiver from strict compliance with Rule 4.03 of the Listing Rules in respect of the identity of the reporting accountant, and permitted such historical financial information to be reported by PwC Singapore on the basis that PwC Singapore complies with the relevant independence requirements and auditing standards required of reporting accountants under the Listing Rules.

To comply with Rule 14.67(6)(a)(i) of the Listing Rules in respect of the accounting standards used in the preparation of the accountant's report, the Company has, as an alternative, included in this circular a reconciliation of the Target Group's financial information for the differences between its accounting policies under IFRS and the Company's accounting policies under Hong Kong Financial Reporting Standards ("**HKFRS**") together with the explanation of those differences as set out in Appendix III.

The Company has also included the unaudited pro forma financial information of the Enlarged Group as set out in Appendix IV which combines the financial information of the Target Group in accordance with HKFRS pursuant to Rule 14.67(6)(a)(ii) of the Listing Rules. In addition, the Company has also included the management discussion and analysis of the

Target Group pursuant to Rule 14.67(7) of the Listing Rules, which is set out in the section headed "Management Discussion and Analysis on the Target Group" in the Letter from the Board of this circular. The Company considers that these alternative disclosures will provide the Shareholders and the potential investors with sufficient financial information of the Target Group as well as the financial impact of the Acquisition to the Company.

INDEPENDENT BOARD COMMITTEE AND THE INDEPENDENT FINANCIAL ADVISERS

An Independent Board Committee comprising all independent non-executive Directors has been formed to advise the independent Shareholders as to whether the terms of the Acquisition are fair and reasonable and in the interests of the Company and the Shareholders as a whole, and to advise the independent Shareholders on how to vote (to the extent applicable), taking into account the recommendation of the Independent Financial Adviser. The Company has appointed Altus Capital Limited as the Independent Financial Adviser to advise the Independent Board Committee and the independent Shareholders in respect of the Acquisition and the Agreement.

EGM

A notice convening the EGM to be held at Room 601, 6/F, Exchange Tower, 33 Wang Chiu Road, Kowloon Bay, Hong Kong on 11 July 2016 (Monday) at 11:30 a.m. is set out on pages EGM-1 to pages EGM-2 of this circular. Ordinary resolutions will be proposed at the EGM to consider, and if thought fit, to approve the Agreement and the transactions contemplated thereunder.

A proxy form for use at the EGM is enclosed herewith. Whether or not you are able to attend the EGM, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return it to the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish.

VOTING AT THE EGM AND BOARD MEETINGS

As at the Latest Practicable Date, Dr. Du Bo and its associates, including CNQC Development and New Guotsing Holdco, held approximately 494,145,000 Shares, representing 74.85% of the entire issued share capital of the Company. Dr. Du Bo, a controlling Shareholder and a former Director, being the 41.25% shareholder of Rally Tech, one of the Sellers, has material interests in the Acquisition. Therefore, Dr. Du Bo and its associates, including CNQC Development and New Guotsing Holdco, are required to abstain from voting on the relevant resolutions to be proposed at the EGM to approve the Agreement and the transactions contemplated thereunder. As at the Latest Practicable Date, Mr. Wang Linxuan held as to 480,000 Shares, representing 0.07% of the entire issued share capital of the Company, Mr. Wang Linxuan, being a director and shareholder of Rally Tech, one of the Sellers, and a shareholder of Sun East, which in turn held as to 80% of Sino Concord, one of the Sellers, has material interests in the Acquisition. Therefore, Mr. Wang Linxuan and its associates are required to abstain from voting on the relevant resolutions to be proposed at the EGM to approve the Agreement and the transactions contemplated thereunder. Saved as disclosed above, no other Shareholder would be required to abstain from voting to approve the Acquisition.

Save for Mr. Wang Linxuan being a director and shareholder of Rally Tech and a shareholder of Sun East, which in turn held as to 80% Sino Concord, who has abstained from voting on the relevant resolutions of the Board to approve the Agreement and the transactions contemplated thereunder, to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, none of the Directors was in any way materially interested in the Acquisition and therefore none of the Directors had abstained from voting in the board meeting approving the Agreement and the transactions contemplated thereunder.

RECOMMENDATION

Your attention is drawn to the letter of the Independent Board Committee set out on pages 21 to 22 of this circular, and the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders set out on pages 23 to 44 of this circular in respect of the terms of the Agreement and the transactions contemplated thereunder.

The Independent Board Committee, having taken into account the advice of the Independent Financial Adviser, is of the view that the terms of the Agreement, including the consideration of the Acquisition, which have been reached after arm's length negotiations among the parties, are on normal commercial terms, fair and reasonable, and the Acquisition is in the interests of the Company and the Shareholders as a whole. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the resolutions to be proposed for approving the Agreement and the transactions contemplated thereunder.

The Board (including the members of the Independent Board Committee) considers that the terms of the Agreement, including the consideration of the Acquisition, which have been reached after arm's length negotiations among the parties, are on normal commercial terms, fair and reasonable, and the Acquisition is in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors (including the members of the Independent Board Committee) recommend the Independent Shareholders to vote in favour of the resolutions to be proposed as set out in the notice of the EGM.

ADDITIONAL INFORMATION

Your attention is drawn to the additional information is also set out in the appendices to this circular.

Yours faithfully,
By Order of the Board
CNQC International Holdings Limited
Cheng Wing On Michael
Chairman

CNQC INTERNATIONAL HOLDINGS LIMITED
青 建 國 際 控 股 有 限 公 司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 1240)

23 June 2016

To the Shareholders

Dear Sir or Madam,

MAJOR AND CONNECTED TRANSACTION IN RELATION TO THE ACQUISITION OF THE TARGET COMPANY

We refer to the circular dated 23 June 2016 issued by the Company of which this letter forms part of (the "**Circular**"). Capitalised terms used in this letter shall have the same meaning as those defined in the Circular unless otherwise specified.

We have been authorized by the Board to form the Independent Board Committee to consider and advise the Independent Shareholders in respect of the Acquisition and the Agreement, details of which are set out in the section headed "Letter from the Board" contained in the Circular.

We wish to draw your attention to the letter from the Board set out on pages 6 to 20 of the Circular and the letter of advice from Altus Capital Limited, the Independent Financial Adviser appointed to advise the Independent Board Committee and the Independent Shareholders on the terms of the Agreement, set out on pages 23 to 44 of the Circular.

Having considered, among other matters, the factors and reasons considered by, and the opinion of the Independent Financial Adviser as stated in its letter of advice and the terms and conditions of the Agreement, we consider that the terms of the Agreement, including the consideration of the Acquisition, which have been reached after arm's length negotiations among the parties, are on normal commercial terms, fair and reasonable, and the Acquisition and the entering into of the Agreement are in the interests of the Company and the Shareholders as a whole.

Accordingly, we recommend the Independent Shareholders to vote in favour of the resolution(s) to be proposed at the EGM in respect of the Agreement and the Acquisition.

Yours faithfully,
for and on behalf of the
Independent Board Committee
CNQC International Holdings Limited
Mr. Chuck Winston Calptor
Mr. Ching Kwok Hoo, Pedro
Mr. Tam Tak Kei, Raymond
Mr. Chan Kok Chung, Johnny
Independent non-executive Directors

The following is the text of a letter of advice from Altus Capital Limited to the Independent Board Committee and the independent Shareholders in respect of the Acquisition which has been prepared for the purpose of incorporation in this circular.

ALTUS.

21 Wing Wo Street
Central, Hong Kong

23 June 2016

To the Independent Board Committee and the Independent Shareholders

CNQC International Holdings Limited
Unit 601, 6/F
Exchange Tower
33 Wang Chiu Road
Kowloon Bay
Hong Kong

Dear Sirs,

MAJOR AND CONNECTED TRANSACTION IN RELATION TO THE ACQUISITION OF THE TARGET COMPANY

INTRODUCTION

We refer to our appointment as the independent financial adviser to advise the Independent Board Committee and the independent Shareholders in respect of the Acquisition as contemplated under the Agreement. Details of the Agreement are set out in the "Letter from the Board" contained in the circular of the Company dated 23 June 2016 (the "**Circular**"), of which this letter (the "**Letter**") forms part. Terms used in the Letter shall have the same meanings as those defined in the Circular unless the context requires otherwise.

On 26 May 2016, the Company as purchaser entered into the Agreement with the Sellers, pursuant to which the Company conditionally agreed to acquire, and the Sellers conditionally agreed to sell, the entire issued share capital of the Target Company at the Consideration of SGD101,000,000 (equivalent to approximately HK$567,620,000) in accordance with the terms and conditions of the Agreement. The Consideration shall be satisfied by: (i) the allotment and issuance at the Issue Price of 100,000,000 Consideration Shares to Sino Concord at Completion; and (ii) the payment of SGD51,000,000 (equivalent to approximately HK$286,620,000) by the Company to the Sellers in cash within thirty days from the Completion Date.

As at the Latest Practicable Date, Rally Tech, one of the Sellers was held as to 41.25% by Dr. Du Bo, a controlling Shareholder and a former Director. Accordingly, Rally Tech is a connected person of the Company. Further, as one or more of the applicable percentage ratios in respect of the Acquisition is more than 25% but is less than 100%, the Acquisition constitutes a major transaction of the Company under Chapter 14 of the Listing Rules and a connected transaction of the Company under Chapter 14A of the Listing Rules. Therefore, the Acquisition is subject to the reporting, announcement and independent Shareholders' approval requirements under Chapter 14 and 14A of the Listing Rules.

We acted as independent financial adviser for the Company in relation to the transactions as laid out in the Company's circular dated 25 September 2015. Save for the aforesaid engagement, we have not acted as independent financial adviser for the Company's other transactions in the last two years prior to the date of the Circular. Pursuant to Rule 13.84 of the Listing Rules, and given that remuneration for our engagement to opine on this transaction is at a market level and is not conditional upon successful passing of the resolutions, and that our engagement is on normal commercial terms, we are independent of the Company.

THE INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee (comprising all the independent non-executive Directors, namely, Mr. Chuck Winston Calptor, Mr. Ching Kwok Hoo, Pedro, Mr. Tam Tak Kei, Raymond and Mr. Chan Kok Chung, Johnny) has been established to advise the independent Shareholders as to whether the Agreement and the transactions contemplated thereunder are on normal commercial terms, fair and reasonable and in the interests of the Company and the independent Shareholders as a whole.

As the Independent Financial Adviser to the Independent Board Committee and the independent Shareholders, our role is to give an independent opinion to the Independent Board Committee and the independent Shareholders with regard to (i) whether the Agreement was entered into in the ordinary and usual course of business of the Group and is in the interests of the Company and the Shareholders as a whole; (ii) whether the Agreement is on normal commercial terms and fair and reasonable so far as the independent Shareholders are concerned; and (iii) how the independent Shareholders should vote in respect of the resolutions to be proposed at the EGM to approve the Agreement and the transactions contemplated thereunder.

BASIS OF OUR ADVICE

In formulating our opinion, we have relied on the statements, information, opinions, and representations contained or referred to in the Circular and/or provided to us by the Company, the Directors and the management of the Company (the "**Management**"). We have assumed that all statements, information, opinions, and representations contained or referred to in the Circular and/or provided to us were true, accurate, and complete at the time they were made and continued to be so as at the date of the Circular.

We have no reason to believe that any statements, information, opinions, or representations relied on by us in forming our opinion are untrue, inaccurate or misleading, nor are we aware of any material facts the omission of which would render the statements, information, opinions or representation provided to us to be untrue, inaccurate or misleading.

We have assumed that all the statements, information, opinions, and representations for matters relating to the Company contained or referred to in the Circular and/or provided to us by the Company, the Directors, and the Management have been reasonably made after due and careful enquiry. We have relied on such statements, information, opinions, and representations and have not conducted any independent investigation into the business, financial conditions and affairs or the future prospects of the Group.

PRINCIPAL FACTORS AND REASONS CONSIDERED

1. Background of the Group

The Company is an investment holding company and the Group is principally engaged in the property development business in Singapore and the construction business both in Singapore and Hong Kong.

Financial information

Set out below are the financial highlights of the Group for the two years ended 31 December 2015 as extracted from the annual report of the Company for the year ended 31 December 2015 ("**2015 December Annual Report**").

	For the year ended 31 December	
	2014	**2015**
	HK$'000	*HK$'000*
	(Restated)	(Audited)
Revenue	7,302,293	11,053,456
Gross profit	1,074,526	1,805,842
(gross profit margin %)	(14.71%)	(16.34%)
Finance costs	100,143	124,247
Profit for the year	410,683	740,719
(net profit margin %)	(5.62%)	(6.70%)
Basic earnings per Share ($)	0.232	0.461

	As at 31 December	
	2014	**2015**
	HK$'000	*HK$'000*
	(Restated)	(Audited)
Total non-current assets	1,089,070	1,009,582
Total current assets	15,126,843	13,917,090
Cash and cash equivalents	*906,948*	*1,625,816*
Total non-current liabilities	6,352,503	4,538,431
Non-current borrowings	*6,305,393*	*4,486,186*
Total current liabilities	9,087,057	8,907,448
Current borrowings	*1,552,764*	*3,437,146*
Net assets	776,353	1,480,793
Gearing ratio[1]	48.5%	53.1%

Note (1): Gearing ratio is calculated by dividing total debt by total assets.

The Group's total revenue for the year ended 31 December 2015 was approximately HK$11.1 billion, representing an increase of approximately 51.4% as compared with the approximately HK$7.3 billion recognised during the year ended 31 December 2014. The increase was mainly attributable to the recognition of property sales in Singapore following issuance of the temporary occupation permit. During the year ended 31 December 2015, the revenue derived from the projects in Singapore increased approximately 49.2% from approximately HK$6.3 billion for the year ended 31 December 2014 to approximately HK$9.4 billion whilst that derived in Hong Kong and Macau amounted to approximately HK$1.0 billion and HK$1.7 billion for the years ended 31 December 2014 and 2015.

The Group's gross profit margin for the year ended 31 December 2015 was approximately 16.3%, up from approximately 14.7% for the year ended 31 December 2014. Despite the continuing increase in labour cost and subcontractor charges during the years ended 31 December 2014 and 2015, the Group strived to achieve cost efficiency through structure design optimisation, a more competitive sub-contractor selection process and also adjusting the tender price of the construction projects correspondingly in order to reflect the increase in costs and to maintain the gross profit margin of the construction segment. The higher portion of private condominium sales recognised also contributed to the increase in gross profit margin over such period.

The Group reported a net profit of approximately HK$740.7 million for the year ended 31 December 2015, representing an increase of approximately 80.4% as compared with approximately HK$410.7 million recognised during the year ended 31 December 2014, predominantly due to the aforementioned increase in revenue together with the various cost efficiency enhancing measures detailed above. Basic earnings per Share increased from approximately HK$0.232 to HK$0.461 for the years ended 31 December 2014 and 2015.

The Group experienced an increase in cash and cash equivalents from approximately HK$906.9 million as at 31 December 2014 to approximately HK$1,625.8 million as at 31 December 2015. Such increase was mainly attributable to the increase in the drawdown on bank borrowings as at 31 December 2015. The gearing ratio slightly increased from approximately 48.5% as at 31 December 2014 to 53.1% times as at 31 December 2015, predominantly due to the decrease in total current assets as at 31 December 2015.

Outlook

We note from the 2015 December Annual Report that the Singapore Government recently reiterated their stance to maintain the property market cooling measures and the total debt servicing ratio restriction until a meaningful correction is achieved, and as such prices of private residential properties are expected to continue on a path of moderation in 2016.

Although the residential property market in Singapore is expected to cool further, we note that the Management is of the view that the fundamentals of Singapore property market remain stable and attractive, with a general expectation that residential property prices potentially bottoming out from 2016 and as part of a prudent and sustainable housing policy, a relaxation of cooling measures could be possible as residential prices fall to a reasonable threshold. Such a pullback in cooling measures is likely to see the return of home-buying interest, and subsequently a recovery in overall transaction volume. With transaction activity generally being a leading indicator of residential property prices, prices within the private residential market are projected to follow an upward trajectory going forward in 2016 and years ahead.

As for the construction segment, besides the Housing and Development Board (HDB) construction contract in Singapore which amounted to approximately HK$900.0 million that was awarded to the Group in November 2015, there were also two sizable construction projects in Hong Kong which were awarded to the Group in December 2015, namely a superstructure work at Shatin Town Lot No. 482 and a foundation work at Lamma Power Station Extension; and one construction project awarded to the Group in January 2016, namely a foundation work at No. 393 Yeung Uk Road, Tsuen Wan, with aggregate contract sum of approximately HK$829.4 million. With the continual demand of construction work in both Singapore and Hong Kong, the Management expects that there will be a lot of tendering opportunities ahead.

We understand from the Management that the Group will actively explore the opportunities in the overseas market by leveraging on the experience and the strength of Guotsing Holding Group Co. Ltd, its controlling shareholder over the course of the overseas expansion, going in line with the "One-Belt-One-Road" Policy and the "Trans-Pacific Partnership" development opportunity with a core base in Singapore and in Hong Kong. We note that the Group intends to fully capitalise on such experience and resources and leverage on its function as an offshore listing platform in order to create value to Shareholders in the long run.

As disclosed in the Company's announcement dated 22 May 2016, the Company's subsidiary in Singapore, Qingjian Realty (Marymount) Pte. Ltd has entered into a sales and purchase agreement with approximately 81% owners of Shunfu Ville for a collective sale at a total consideration of SGD638.0 million (equivalent to approximately HK$3.6 billion). Shunfu Ville, a 358-unit residential development in the Bishan-Thomson area in Singapore, is one of the largest collective sales in Singapore's history.

2. Background of the Sellers

Each of Sino Concord and Rally Tech is principally engaged in investment holding.

As at the Latest Practicable Date, Sino Concord is held as to 20% by Hui Long (which is controlled by Dr. Du Bo, a connected person of the Company) and 80% by Sun East (which is in turn held as to 4.88% by Mr. Wang Linxuan, an executive Director and the remaining 95.12% held by ten other shareholders who are independent third parties); and Rally Tech is held, amongst others, as to 41.25% by Dr. Du Bo, a controlling Shareholder and a former Director and as to 12.50% by Mr. Wang Linxuan, an executive Director.

3. Background of the Target Group

The Target Company, together with its subsidiaries, is primarily engaged in (i) the provision of construction services as a main contractor for governmental authorities in Singapore; and (ii) making investments as a financial investor in property development projects in Singapore. It is owned as to 76% by Sino Concord and as to 24% by Rally Tech as at the Latest Practicable Date.

Financial information of the Target Group

Set out below are the financial highlights of the Target Group for the three years ended 31 December 2015 as extracted from "Accountant's report of the Target Company" set out in Appendix II to the Circular.

	For the year ended 31 December		
	2013	**2014**	**2015**
	SGD'000	*SGD'000*	*SGD'000*
	(Audited)	(Audited)	(Audited)
Revenue	66,169	119,579	219,359
Gross profit	700	9,112	20,673
(gross profit margin %)	(1.06%)	(7.62%)	(9.42%)
Other income			
— Rental income	1	2,487	2,814
— Dividend income	20	27	9,285
— Management fee income	360	607	467
— Performance bonus	—	—	2,404
— Others	527	496	626
Subtotal	908	3,617	15,596
Finance income (net)	1,627	5,237	5,312
Share of losses of associated companies	(2)	(200)	(98)
Profit for the year	1,565	10,951	32,006
(net profit margin %)	(2.37%)	(9.16%)	(14.59%)

	As at 31 December		
	2013	**2014**	**2015**
	SGD'000	*SGD'000*	*SGD'000*
	(Audited)	(Audited)	(Audited)
Total non-current assets	41,694	41,410	38,401
Available-for-sale financial assets	*13,572*	*16,290*	*12,209*
Total current assets	48,602	90,162	96,440
Cash and cash equivalents	*9,878*	*10,398*	*17,311*
Total non-current liabilities	197	219	24,668
Total current liabilities	33,512	67,164	72,738
Net assets	56,587	64,189	37,435

The Target Group derived its revenue from the provision of construction services. The revenue generated from construction amounted to approximately SGD66.2 million, SGD119.6 million and SGD219.4 million for the three years ended 31 December 2015, respectively. The increase in the Target Group's revenue over the years was mainly due to the increase in the number of construction projects participated in over the years.

The Target Group experienced an increase in its gross profit from approximately SGD0.7 million for the year ended 31 December 2013 to SGD9.1 million for the year ended 31 December 2014 and a further increase to approximately SGD20.7 million for the year ended 31 December 2015. The increase in the gross profit margin over the years was mainly due to the better cost control measures implemented by the Target Group in relation to construction projects as well as the increase in the number of construction projects with more favourable tender prices through negotiation.

Apart from the revenue generated from the provision of construction services, the Target Group also recorded a continuous increase in its other income over the past three years. The Target Group's other income mainly consisted of rental income, dividend income, management fee income and performance bonus. The Target Group recorded other income of approximately SGD0.9 million, SGD3.6 million and SGD15.6 million for the three years ended 31 December 2015. The substantial increase in other income for the year ended 31 December 2015 as compared to that for the year ended December 2014 was mainly due to the (i) dividend income derived from the Target Group's property development investment in Qingjian Realty (Sengkang) Pte. Ltd. and Qingjian Realty (Punggol Central) Pte. Ltd.; and (ii) performance bonus based on the principle of shared responsibilities of the management among the shareholders received from Qingjian Realty (Punggol Central) Pte. Ltd.

The Target Group's net profit was approximately SGD1.6 million, SGD11.0 million and SGD32.0 million for the three years ended 31 December 2015 respectively. The increase in net profit over the past three years was mainly attributable to the increase in the gross profit margin for construction projects as well as the increase in other income including rental income, dividend income and performance bonus over the years.

The Target Group's net asset value was approximately SGD56.6 million as at 31 December 2013, SGD64.2 million as at 31 December 2014 and SGD37.4 million as at 31 December 2015. The increase in net asset value over the year from 2013 to 2014 was mainly attributable to the total comprehensive income for the year ended 31 December 2014 of approximately SGD13.9 million which was partly offset by the dividend declared of approximately SGD6.3 million for the year. However, the Target Group recorded a decrease in net asset value from 2014 to 2015. Such decrease was mainly due to the consideration paid for reorganisation for the year ended 31 December 2015 of approximately SGD47.3 million which was partly offset by the total comprehensive income of approximately SGD27.9 million for the year.

Further financial information on the Target Group has been disclosed in the section headed "Financial information of the Target Company" of the Circular and "Accountant's report of the Target Company" set out in Appendix II to the Circular.

Business outlook of the Target Group

The Target Group has been awarded the Class One General Builder Licence with A1 financial grading by the Building and Construction Authority of Singapore ("**A1 Licence**") which allows the Target Group to undertake public and private property construction projects of any value except works that have been designated as specialist works. As at 31 December 2015, the Target Group had 5 outstanding construction projects including HDB projects and private projects with a total contract value of approximately SGD416.0 million. The projects are expected to complete by mid 2017.

According to the Ministry of Trade and Industrial in Singapore, the gross domestic product growth forecast for 2016 is maintained at 1.0% to 3.0%. In relation to the construction industry in Singapore, the growth rate for the first quarter in 2016 was approximately 6.2% on a year-on-year basis. With a general expectation that there is still a significant market demand for residential property in Singapore due to the implementation of sustainable housing policy by the Singapore Government, the Management is of the view that the development of the Target Group's business in Singapore is stable and sustainable.

4. The Agreement

Below are the key terms of the Agreement that we have considered. Further details of the Agreement are set out in the "Letter from the Board" of the Circular.

Consideration

The Consideration of SGD101,000,000 (equivalent to approximately HK$567,620,000) for the Acquisition was determined after arm's length negotiation between the Company and the Sellers on normal commercial terms after taking into account a number of factors including but not limited to the results and market value of comparable companies which are principally engaged in the construction business in Singapore and are publicly listed in Singapore, the financial performance and prospect of the business of the Target Group and the benefits to the Group following Completion.

Given the Target Group is engaged in two different businesses, namely construction business and property development investment, which are substantially different in nature, we are of the view that separate valuation methodologies should be applied for evaluating both businesses for the reasons set out below.

We consider that a price-earnings ratio ("**P/E Ratio**") analysis is the most appropriate method and is the industry norm in evaluating the value of the Target Group's construction business since the value of such business lies in its profit generating ability rather than in the value of its assets. However, we consider that P/E ratio analysis would not truly reflect the value of the property development investments due to the fact that the earnings derived from property development business can fluctuate significantly depending on the stage of progress of its various projects. Furthermore, a property development business is substantially dependent on its current project pipeline, e.g. a company may have generated sizeable profits in a previous year but have no property interests at the current time. In such case, P/E Ratio analysis would be misleading.

Therefore, we are of the view that analysis of the value of the Target Group's property development interests should be based on the fair value of such property interests since it takes into account the current status of the Target Group's property development interests and the estimated future dividend plan of such underlying investments.

(i) Construction business valuation

In order to evaluate the Target Group's construction business, the P/E Ratio analysis requires the identification of comparable companies (the "**Comparables**"). However, since the majority of companies in South East Asia which undertake construction activities are also engaged in property development business (or other businesses), we are not able to accurately isolate the valuation of potential comparables' construction segments. This is because the share price/market capitalisation of a listed company naturally reflects the combination of its businesses, and value attributable to each segment cannot be isolated.

Therefore, in order to carry out a P/E Ratio analysis of the construction business, we have identified Comparables predominantly engaged in the construction business to avoid potentially distorted results.

Using publicly available information, we have identified four companies which (i) operate in the South East Asia region; (ii) are solely, or highly predominantly, engaged in the construction industry as a main contractor of construction works; and (iii) are not materially engaged in other business activities or industries, with which to gauge the market valuation based on their average P/E Ratios. The four Comparables below are to the best of our knowledge an exhaustive list of appropriate comparable companies which fulfill the criteria above.

Whilst the Comparables operate in and are listed on different national markets which may be subject to varying market sentiments and other factors, having taken into account the regional proximity of the Comparables and the general correlations of the stock markets they are listed on, we are of the view that the Comparables, on balance, represent a reasonable basis for comparison. Furthermore, in the absence of other comparables, and in order to gauge the general trend of the construction industry, we believe, to the best of our knowledge, the Comparables to be sufficient and representative.

Information regarding the Comparables is set out below:

Place of listing	Principal business location	Company name	Market capitalisation (as at the date of the Agreement)	Market capitalisation (as at the Latest Practicable Day)	Profit attributable to owners of the company per the latest audited report	P/E Ratio (as at the date of the Agreement)	P/E Ratio as at the Latest Practicable Date	Total revenue (per the latest audited report) *HK$' million*
Hong Kong	Hong Kong	Ngai Shun Holdings Company Limited (Stock Code: 1246)	HK$249.0 million	HK$249.0 million	HK$90.6 million	2.7	2.7	558.2
Philippines	Philippines	EEI Corporation (Stock Code: EEI)	PHP7,565.0 million	PHP8,031.2 million	PHP202.7 million	37.3	39.6	3,146.9[1]
Singapore	Singapore	Soilbuild Construction Group (Stock Code S7P)	SGD154.7 million	SGD148.0 million	SGD18.6 million	8.3	8.0	1,847.1[2]
Malaysia	Malaysia	Zelan Bhd (Stock Code: 2283.KL)	MYR147.9 million	MYR135.2 million	MYR30.5 million	4.8	4.4	781.2[3]
		Average				13.3	13.7	

Entity	Consideration *(SGD' million)*	Earnings attributable to the construction business *(SGD' million)*	P/E Ratio	Revenue *(HK$' million)*
Adjusted profits of the Target Group	88.8[4]	18.5[5]	4.8	1,235.0[2]

Notes:

(1) Converted using an exchange rate of 1 Philippine Peso ("**PHP**"): HK$0.17, being the approximate exchange rate on the date of the Agreement.

(2) Converted using an exchange rate of SGD 1: HK$5.63, being the approximate exchange rate on the date of the Agreement.

(3) Converted using an exchange rate of 1 Malaysian Ringgit ("**MYR**"): HK$1.89, being the approximate exchange rate on the date of the Agreement.

(4) Calculated by adjusting the Consideration of approximately SGD101.0 million, excluding the fair value of the available-for-sale financial assets of approximately SGD12.2 million as at 31 December 2015.

(5) Calculated by adjusting the profit after tax for the year ended 31 December 2015 of the Target Group, excluding its share of losses of associated companies, rental income, dividend income and performance bonus.

(6) We note that Ngai Shun Holdings Limited is undergoing several major corporate activities, such as a major disposal, a proposed rights issue and a share consolidation. We have nevertheless considered it as a Comparable for the above exercise. We note that were Ngai Shun to be excluded as a Comparable, this would have the effect of increasing the average Comparables P/E Ratio, which would therefore positively affect our assessment of the fairness and reasonableness of the Consideration.

As mentioned above, in order to calculate the P/E Ratio of construction business of the Target Group, we assigned a portion of the Consideration to the construction business and we adjusted the Target Group's profit after tax by removing those items with direct relation to the Target Group's property development interests, i.e. the share of results of associate, and other income items which either are related to such property development interests or might not continue to be recognised following the Acquisition. Accordingly, the consideration assigned to the construction segment is approximately SGD88.8 million. Such consideration is calculated by adjusting the Consideration of approximately SGD101.0 million, by excluding the value we have assigned to the Target Group's property development interests, amounting to approximately SGD12.2 million as at 31 December 2015 (for further details of such value, please refer to the paragraph below headed "(ii) Property development interests". The earnings related to the construction business for the year ended 31 December 2015 of approximately SGD18.5 million is calculated by adjusting the Target Group's profit after tax by excluding the share of losses of associated companies of approximately SGD0.1 million, dividend income of approximately SGD9.3 million, rental income of approximately SGD2.8 million and performance bonus of approximately SGD2.4 million. Based on our analysis, the P/E Ratio of the construction segment of the Target Group was approximately 4.8 times.

As illustrated from the above table, the average P/E Ratio of the Comparables was approximately 13.3 times as at the date of the Agreement and 13.7 times as at the Latest Practicable Date, whereas the P/E Ratio of the construction segment of the Target Group was approximately 4.8 times which is below the average P/E ratio of the Comparables as at the date of the Agreement and the Latest Practicable Date.

We note that EEI Corporation's ("**EEI**") P/E Ratio is substantially higher than that of the other Comparables. We have looked into whether there exists any circumstance, such as any major corporate actions, which may temporarily skew the P/E Ratio and thus render EEI unsuitable as a Comparable. As we have not identified any such circumstances, we have included EEI in our Comparables. For illustrative purposes, if the P/E Ratio of EEI were to be excluded, the average P/E Ratio of the Comparables would amount to approximately 5.3 times, remaining above that of the construction segment of the Target Group.

Given that (i) as at the date of the Agreement and the Latest Practicable Date, the P/E Ratio of the construction segment of the Target Group was within the range of the Comparables; and (ii) our view that the Comparables represent to the best of our knowledge an exhaustive list of appropriate comparable companies which fulfill the criteria set out above, we are of the view that the consideration paid for the construction segment of the Target Group, which according to our evaluation method represents a P/E Ratio of 4.8 times, represents a fair and reasonable price.

In assigning a portion of the Consideration to the Target Group's construction segment, we first removed our imputed valuation of the property development interests which is set out below.

(ii) Property development interests

The property development interests of the Target Group are derived from its investments in property development companies in Singapore. As at 31 December 2015, the property development interests of the Target Group were contributed by its investments in (a) its associated companies; and (b) unlisted equity securities of property development companies.

(a) investments in associated companies

The Target Group's investments in associated companies amounted to nil as at 31 December 2015 since the accumulated losses shared by the Target Group exceeded its investment cost. Due to the above, we accordingly prudently assumed such investments had zero value and did not form part of the basis of the Consideration. Notwithstanding the above, the Management is of the view that the investments will be profit generating going forward due to the completion of certain property development projects by the end of 2016. Therefore, whilst we have assigned nil consideration to such investments, it is expected by the Management that these will be profit generating investments going forward.

(b) Investments in unlisted equity securities

In addition to the investments in associated companies, the Target Group also holds property development interests through its investments in unlisted equity securities in property development companies. As at 31 December 2015, the fair value of the Target Group's investments in unlisted property development companies was approximately SGD12.2 million and was classified as available-for-sale financial assets. Since the equity investments in the property development companies are not traded in active markets, the fair value of these investments was determined by the Management by using dividend discount model based on the estimated future dividend plan of the underlying investments as disclosed in the "Accountant's report of the Target Company" prepared by PricewaterhouseCoopers LLP Singapore, the Target Group's reporting accountant, set out in Appendix II to the Circular.

Taking into account (i) the rationale for using P/E Ratio to value the Target Group's construction segment; (ii) the fact that the Target Group's construction segment's P/E Ratio was within the range and below the average of that of the Comparables as at the date of the Agreement and the Latest Practicable Date; (iii) the prospects of property development interests from the Target Group's investments in its associated companies; and (iv) the assumption that the Target Group's interests in the unlisted property development companies was acquired at fair value, we are satisfied that the Consideration is fair and reasonable and in the interests of the Company and the Shareholders as a whole, including the independent Shareholders.

Payment method

The Consideration shall be SGD101,000,000 (equivalent to approximately HK$567,620,000), which shall be satisfied by:

(i) allotment and issuance by the Company at the Issue Price of 100,000,000 Consideration Shares at Completion to Sino Concord; and

(ii) the payment of SGD51,000,000 (equivalent to approximately HK$286,620,000) by the Company to the Sellers in cash within thirty days from the Completion Date, of which SGD26,760,000 (equivalent to approximately HK$150,391,200) will be paid to Sino Concord and SGD24,240,000 (equivalent to approximately HK$136,228,800) will be paid to Rally Tech.

We understand from the Directors that it was considered that the Group had cash and bank balances surplus to its requirements and therefore considered it commercially sensible to pay half of the Consideration with cash. We note that the Group's cash and bank balances amounted to approximately HK$1,625.8 million as at 31 December 2015, significantly exceeding the amount to be paid in cash under the Consideration equivalent to approximately HK$286.6 million.

The Management considered that issuance of Consideration Shares to Sino Concord, which is not a connected person, as part of the Consideration can help broaden the shareholders' base and maintain sufficient working capital resources for future construction and property development projects. Therefore, partial issuance of Consideration Shares would be the most favourable option.

From our discussions with the Directors, we understand that other payment methods for the Consideration were considered, such as bank borrowings and convertible bonds. However, it was considered that such payment methods would incur potential interest payments and thus might potentially increase gearing and impair the liquidity of the Group. As a result, the Management decided to settle the remaining part of the Consideration by Consideration Shares. Based on the above, the Management is of the view, and we concur, that the combination of cash and Consideration Shares as the Consideration is in the interest of the Company as a whole.

Issue Price of the Consideration Shares

Regarding the Consideration Shares, the Company will issue 100,000,000 Consideration Shares at the Issue Price of HK$2.80 per Share as part of the Consideration under the Agreement. The Consideration Shares will be allotted and issued under the Specific Mandate proposed to be granted by the independent Shareholders at the EGM.

The Issue Price represents:

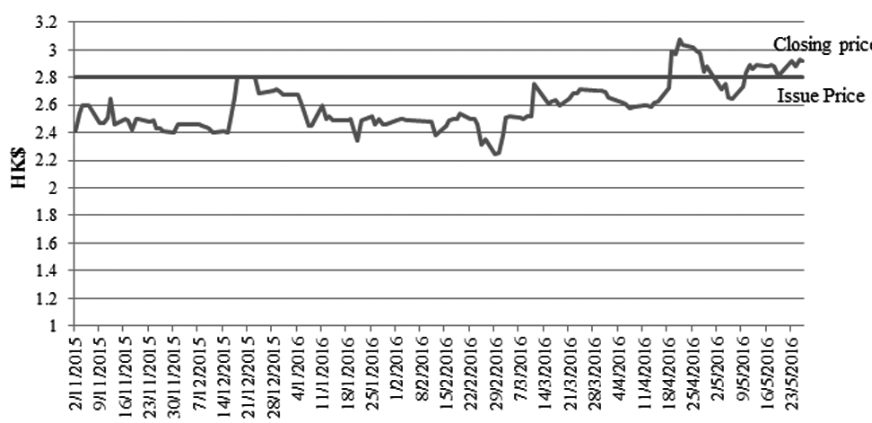
a. a premium of approximately 137.3% to the audited net asset value per Share as at 31 December 2015 of HK$1.18;

b. a discount of approximately 4.1% to the closing price of HK$2.92 per Share as quoted on the Stock Exchange on the date of the Agreement;

c. a premium of approximately 7.7% to the average of the Share price for the six months up to and including the date of the Agreement of approximately HK$2.60; and

d. a discount of approximately 5.7% to the closing price of HK$2.97 per Share as quoted on the Stock Exchange at Latest Practicable Date.

Closing price of the Shares during the six months up to and including the Latest Practicable Date



Source: HKEx website

We note that during the period between 2 November 2015 and 26 May 2016, the Share price had been trading from HK$2.24 to HK$3.08 per Share.

Having considered that the Issue Price of the Consideration Shares represents a premium to the audited net asset value per Share as at 31 December 2015; and a premium of approximately 7.7% to the average of the Share price for the six months up to and including the date of the Agreement, we are of the view that the issuance of the Consideration Shares at the Issue Price is fair and reasonable to the independent Shareholders.

Taking into account the above, we are of the view that the issuance and allotment of the Consideration Shares at the Issue Price to satisfy part of the Consideration is fair and reasonable and in the interests of the Company and the Shareholders as a whole, including the independent Shareholders.

Conditions precedent to Completion

Completion is conditional upon the satisfaction (or, if applicable, the waiver) of the following conditions precedent:

(a) approvals having been obtained from the independent Shareholders at the EGM for, inter alia (i) the terms and conditions of the Agreement; and (ii) the proposed grant of the Specific Mandate for the issuance of the Consideration Shares;

(b) all necessary licences, consents, approvals, authorisations, permissions, waivers, orders, exemptions or notifications of, among others, creditors and shareholders of the Target Company, other relevant third parties and/or governmental or regulatory authorities or bodies (including the relevant Singapore, the PRC, Hong Kong, the BVI and the Cayman Islands bodies), which are required for the execution and performance of the Agreement or Completion, having been obtained and not having been revoked prior to Completion;

(c) no relevant government, governmental, quasi-governmental, statutory or regulatory body, court or agency having granted any order or made any decision that restricts or prohibits the implementation of the transactions contemplated under the Agreement;

(d) approval having been obtained from the Listing Committee for the listing of, and permission to deal in, the Consideration Shares on the Main Board of the Stock Exchange;

(e) the warranties given by the Company in the Agreement remaining true and accurate and not misleading in any material respect if they were repeated at any time prior to Completion by reference to the facts and circumstances then existing;

(f) the warranties given by the Sellers in the Agreement remaining true and accurate and not misleading in any material respect if they were repeated at any time prior to Completion by reference to the facts and circumstances then existing;

(g) no material adverse change or prospective material adverse change in the business, operations, financial condition or prospects of the Target Group having occurred since 31 December 2015;

(h) the Sellers having performed and complied with all agreements, obligations and conditions contained in the Agreement that are required to be performed or complied with by it on or before Completion;

(i) the acquisition of the remaining 50% shareholding of Bohai Investments (S) Group Pte Ltd, an indirect 50% owned subsidiary of the Target Company, by the Target Group being duly completed in compliance with all applicable laws and regulations, to the satisfaction of the Company;

(j) the Company having conducted and completed due diligence on all business, legal and financial matters, and all such other matters as deemed necessary by the Company in its absolute discretion in relation to the Target Group, and the Company being satisfied with the results of such due diligence in its absolute discretion; and

(k) the Sellers having delivered to the Company a certificate signed by one of the directors of Sino Concord and one of the directors of Rally Tech certifying that the conditions set out in paragraphs (f) to (i) above have been fulfilled.

Neither the Company nor the Sellers shall have the right to waive any of the conditions set out in paragraphs (a) to (d) above. The Company may at its discretion waive any of the conditions set out in paragraphs (f) to (k) above and the Sellers may at its discretion waive the condition set out in paragraph (e) above. The above conditions are expected to be satisfied or waived on or before 31 December 2016 (or such later date as the parties to the Agreement may agree in writing). If any of the conditions has not been satisfied or waived by then, the Agreement shall be terminated and no party shall have any claim against any of the others, except in respect of any antecedent breach of the terms thereof.

As at the Latest Practicable Date, the condition set out in paragraph (i) had been satisfied. If any of the other conditions is not fulfilled on or before Completion, the Company shall, with reference to the circumstances leading to and the extent of the non-fulfilment of such condition, assess its impact on the transaction structure, the business, financial position and valuation of the Target Group, and the potential adverse impact on the Company after Completion. As at the Latest Practicable Date, the Company was not aware of any circumstance which will result in any of the conditions under paragraphs not being able to be fulfilled on or before Completion. Accordingly, the Company has no intention to waive any of such conditions.

Completion of the Agreement will take place on the Completion Date after all the conditions to the Agreement as set out in the section headed "Conditions Precedent to Completion" above have either been fulfilled or (as the case may be) waived. We have reviewed the Agreement and found it to be fair and reasonable and entered into on normal commercial terms.

5. Reasons for and benefits of the Acquisition

As discussed in the "Letter from the Board" of the Circular, the Acquisition is in line with one of the core businesses of the Group, being principally engaged in the construction business both in Singapore and Hong Kong, and would enable the Company to further develop its operations in the construction industry in Singapore. In addition, the Management is of the view that overall competitiveness of the Group would be enhanced through cost savings and other synergies resulting from the Acquisition.

By incorporating the Target Group's expertise, skills and experience in the property development and construction industries, the Group's competitiveness would be further enhanced. The Enlarged Group will then be more competent in handling property development and construction projects of a larger scale in Singapore and will be available to more business opportunities in the future which in turn can extend its market coverage.

Together with the A1 Licence possessed by the Target Group which allows the Target Group to tender for public and private construction projects in Singapore regardless of contract size, and the Target Group's business network, the Acquisition will allow the Group to further develop and expand its construction business in Singapore, including, (i) the municipal infrastructure construction business in Singapore, in particular, residential construction opportunities under the Housing & Development Board of Singapore; and (ii) construction projects of a larger development scale under the PRC's "One Belt, One Road" strategy.

In relation to the property development interests in the Target Group's associated companies, the investments in associated companies of the Target Group amounted to nil as at 31 December 2015 due to the share of the accumulated losses from the associated companies in 2013, 2014 and 2015. Such losses over the years were mainly due to the fact that the property development projects were still under construction and no revenue could be generated for years. However, the Management expect that the property development projects will be profit generating in the future once the construction works are completed and the respective properties are delivered to the purchasers. The Management is of the view that no further capital injection is needed for the associated companies and the projects are expected to complete by the end of 2016. Therefore, the Management expect that upside potential of the property development business from the Target Group's associated companies can help enhance the profitability of the Enlarged Group.

Taking into account that the Acquisition would result in (i) an increase in the scale of the Group's business, in particular the construction business in Singapore, which in turn is expected to lead to increase in cost efficiency and competitive advantages of the Company; and (ii) the consolidation in the Group's financial results of the Target Group, which has been profitable and is expected to continue to generate profit in the future, we are of the view that the Acquisition is in the interests of the Company and the Shareholders as a whole, including the independent Shareholders.

6. Effect of the Acquisition on the shareholding structure of the Company

Due to the fact that the Company received a conversion notice from New Guotsing Holdco in relation to the conversion of its CPS as disclosed in the announcement of the Company dated 17 December 2015, and the conversion is conditional upon the Acquisition, we present the effect of (i) the issuance of Consideration Shares; and (ii) the CPS Conversion together. The table below illustrates the shareholding structure of the Company (i) as at the Latest Practicable Date; and (ii) upon the Completion and the CPS Conversion.

	As at the Latest Practicable Date			Upon Completion and the CPS Conversion		
	Number of Shares held	Approximate percentage of total issued Shares	Number of CPS held *(note 1)*	Number of Shares held	Approximate percentage of total issued Shares	Number of CPS held *(note 1)*
CNQC Development	224,145,000	33.95%	—	224,145,000	21.14%	—
New Guotsing Holdco *(note 2)*	270,000,000	40.90%	377,273,454	570,000,000	53.76%	77,273,454
Trustee	—	—	304,599,273	—	—	304,599,273
Sub total	494,145,000	74.85%	681,872,727	794,145,000	74.91%	381,872,727
Public						
Public Shareholders	166,057,500	25.15%	—	166,057,500	15.66%	—
Sino Concord	—	—	—	100,000,000	9.43%	—
Total	660,202,500	100%	681,872,727	1,060,202,500	100%	381,872,727

Notes:

(1) The CPS is convertible into Shares on a conversion ratio of 1:1.

(2) As stated in the announcement of the Company dated 14 October 2015, the Executive has granted the Whitewash Waiver to New Guotsing Holdco pursuant to Note 1 on dispensation from Rule 26 of the Takeovers Code and New Guotsing Holdco is not required to make a mandatory offer which will otherwise be required as a result of the CPS Conversion. The relevant resolution in relation to the Whitewash Waiver was also duly passed by the independent Shareholders in the extraordinary general meeting of the Company convened.

As illustrated in the above shareholding table, upon Completion and the CPS Conversion, a total number of 100,000,000 Consideration Shares will be issued to Sino Concord as a part of the Consideration pursuant to the Agreement and a total number of 300,000,000 Conversion Shares will be issued to New Guotsing Holdco. As a result, the issued Shares will be enlarged by approximately 60.59% upon Completion and the CPS Conversion. The aggregate shareholding of the existing public Shareholders will then be diluted from 25.15% to 15.66%, representing a dilution of approximately 9.49%.

Given the fact that the CPS can be converted at any time, regardless of the Completion, we have also analysed the effect of the issuance of Consideration Share in relation to the Acquisition by excluding the CPS Conversion for illustrative purposes only. Excluding the effect of the CPS Conversion upon Completion, the issuance of Consideration Shares will enlarge the issued capital by approximately 15.15%. Accordingly, the aggregate shareholding of the existing public Shareholders will be diluted from 25.15% to 21.84%, representing a dilution of approximately 3.31%.

We note that the above actions will result in a dilution effect for the current public Shareholders. Nonetheless, taking into account that (i) the Acquisition involves the purchase of the Target Group which recorded an increase in profit over the past three years; (ii) the Issue Price of the Consideration Shares is at a premium of approximately 137.29% to the audited net asset value per Share as at 31 December 2015; and (iii) the benefits of the Acquisition as disclosed under the paragraph headed "Reasons for and benefits of the Acquisition" above, we are of the view that the dilution of the aforementioned existing public Shareholders is acceptable and fair and reasonable.

7. Possible financial effects of the Acquisition on the Company

Upon Completion, the Company will wholly own the Target Group and all the members of the Target Group will therefore become subsidiaries of the Company. The financial results, assets and liabilities of the Target Group will be consolidated into the consolidated financial statements of the Group thereafter. The unaudited pro forma financial information of the Enlarged Group is set out in Appendix IV to this circular.

Earnings

After the Acquisition, the results of the Target Group will be consolidated in the consolidated financial statements of the Company. According to our discussion with the Management, the prospects of the construction and property development industries in Singapore are expected to be positive. We note that there was a continuous increase in the net profit of the Target Group over the past three years and the business of the Target Group is expected to be profitable in the future, and therefore expect that the Acquisition may enhance the earnings of the Enlarged Group.

Net asset value

As set out in Appendix IV to the Circular (assuming the Acquisition had been completed on 31 December 2015), the unaudited pro forma consolidated net asset value of the Enlarged Group would have been approximately HK$1,689.0 million. In comparison, the Group's audited consolidated net asset value as at 31 December 2015 was approximately HK$1,480.8 million. Based on the aforementioned unaudited pro forma financial information of the Enlarged Group, the resulting net asset value as at 31 December 2015 of the Enlarged Group after Completion would have an increase of approximately 14.1% from the Group's audited net asset value as at the same date. In addition, taking into account the issuance of the Consideration Shares, the NAV per share of the Enlarged Group would have been approximately HK$1.25 which is approximately 5.6% higher than the NAV per Share of the Group of approximately HK$1.18 as at 31 December 2015.

Had the Acquisition taken place on 31 December 2015, the unaudited pro forma adjusted net tangible assets ("**NTA**") of the Enlarged Group would have amounted to approximately HK$1,068.6 million. In comparison, the Group's audited NTA as at 31 December 2015 was approximately HK$1,212.3 million. Based on the aforementioned unaudited pro forma financial information of the Enlarged Group, the resulting NTA as at 31 December 2015 of the Enlarged Group after Completion would have a decrease of approximately 11.9% from the Group's audited NTA as at the same date due to the outflow of cash as part of the Consideration. In addition, the unaudited pro forma adjusted NTA per share of the Enlarged Group would have been approximately HK$0.79 which is lower than the NTA per share of the Group of approximately HK$0.97 as at 31 December 2015. We note the the NTA does not take into account the future earnings potential of the Target Group nor the current value of the Target Group's intangible assets which the Group will acquire pursuant to the Acquisition. As such, we are of the view that such decreased NTA per Share does not affect our view on the fairness and reasonableness of the Acquisition.

Gearing ratio and liquidity

As at 31 December 2015, the Group recorded a gearing ratio (calculated as total debt divided by total assets) of approximately 53.1%. As set out in Appendix IV to the Circular, had the transaction been completed on 31 December 2015, the Enlarged Group would have recorded a gearing ratio of approximately 52.6% which is slightly lower than before the Acquisition.

Notwithstanding a part of the Consideration of approximately HK$279.0 million would be settled by cash, the Enlarged Group is expected to have sufficient working capital for at least the next twelve months from the date of the Circular after taking into account (i) the Completion; (ii) the cash flow generated from the operating activities; and (iii) the financial resources currently available to the Enlarged Group including internally generated funds and the available borrowing facilities.

We note that the Acquisition will result in an overall improvement in the financial position of the Company, in addition to resulting in a larger scale of business of the Company. In view of the above and taking into account the pro forma financial effects of the Acquisition prepared for illustrative purposes, we are of the view that the overall potential financial effects of the Acquisition are positive and it will potentially improve the financial position of the Group, and is therefore in the interests of the Company and the Shareholders as a whole and the independent Shareholders.

RECOMMENDATIONS

Having considered the above factors, we are of the view that (i) the Agreement was entered into in the ordinary and usual course of business of the Group and is in the interests of the Company and the Shareholders as a whole; and (ii) the Agreement is on normal commercial terms and fair and reasonable so far as the independent Shareholders are concerned.

Accordingly, we would recommend the Independent Board Committee to advise the independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the EGM to approve the Acquisition.

Yours faithfully,
For and on behalf of
Altus Capital Limited
Chang Sean Pey
Executive Director

Mr. Chang Sean Pey ("Mr. Chang") is a Responsible Officer of Altus Capital Limited licensed to carry on Type 4 (advising on securities); Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO and permitted to undertake work as a sponsor. He is also a Responsible Officer of Altus Investments Limited licensed to carry on Type 1 (dealing in securities) regulated activity under the SFO. Mr. Chang has over 15 years of experience in banking, corporate finance and advisory, and investment management. In particular, he has participated in sponsorship work for initial public offerings and acted as financial adviser or independent financial adviser in various corporate finance advisory transactions.

Pursuant to Rule 13.84 of the Listing Rules, Altus Capital Limited is independent of the Company. Altus Capital Limited acted as independent financial adviser for the Company in relation to the transactions as laid out in the circular of the Company dated 25 September 2015. Save for the aforesaid engagement, Altus Capital Limited has not acted as an independent financial adviser for the Company's other transactions in the last two years from the date of the Circular.

1. FINANCIAL INFORMATION OF THE GROUP

Details of the financial information of the Group for the year ended 31 March 2014, the nine months ended 31 December 2014 and the year ended 31 December 2015 are disclosed in the annual reports of the Company for the year ended 31 March 2014, the nine months ended 31 December 2014 and the year ended 31 December 2015 respectively. These financial information, together with the relevant notes thereto are disclosed in the following documents which have been published and are available on the website of the Stock Exchange (www.hkex.com.hk) and the website of the Company (http://cnqc.com.hk):

- The Annual Report of the Company for the year ended 31 March 2014 published on 11 July 2014 (pages 38 to 87) (available on: http://cnqc.com.hk/userfile/files/annual_report/488e13c49dd8bae89ff51b62f9f013f4.pdf);

- The Annual Report of the Company for the nine months ended 31 December 2014 published on 25 March 2015 (pages 41 to 99) (available on: http://cnqc.com.hk/userfile/files/annual_report/980186fb9021641d40c7d5d9521ab104.pdf); and

- The Annual Report of the Company for the year ended 31 December 2015 published on 8 April 2016 (pages 61 to 161) (available on: http://cnqc.com.hk/userfile/files/annual_report/28bf44216ec80ed8534b6bd0679ba4e5.pdf).

On 24 November 2014, the Board has resolved to change the financial year end date of the Company from 31 March to 31 December. Please refer to the announcement of the Company dated 24 November 2014 for further details.

2. INDEBTEDNESS

Borrowings

As at the close of business on 30 April 2016, being the latest practicable date for the purpose of ascertaining the indebtedness of the Enlarged Group prior to the printing of the circular, the Enlarged Group had the following borrowings:

	Group	Target Group	Enlarged Group
	HK$'000	*HK$'000*	*HK$'000*
Current			
Bank borrowings — secured	2,135,989	312,683	2,448,672
Bank borrowings — mortgaged	23,870	—	23,870
Loans from non-controlling interest shareholders of subsidiaries — unsecured	23,567	—	23,567
Finance lease liabilities	53,478	91	53,569
	2,236,904	312,774	2,549,678
Non-Current			
Bank borrowings — secured	3,890,547	141,401	4,031,948
Bank borrowings — unsecured	180,199	—	180,199
Bank borrowings — mortgaged	4,598	—	4,598
Loans from non-controlling interest shareholders of subsidiaries — unsecured	421,328	36,787	458,115
Finance lease liabilities	36,179	193	36,372
	4,532,851	178,381	4,711,232
Total Borrowings	6,769,755	491,155	7,260,910

Details of secured bank borrowings are as follows:

	Group	Target Group	Enlarged Group
	HK$'000	*HK$'000*	*HK$'000*
Machinery and equipment	29,886	—	29,886
Development properties for sale and joint guarantee from directors of certain subsidiaries	4,967,758	—	4,967,758
Land use right and development properties	—	454,084	454,084
Fixed bank deposits	287,400	—	287,400
Interests in construction contracts and corporate guarantee from a holding company	603,540	—	603,540
Corporate guarantee from a fellow subsidiary	137,952	—	137,952
	6,026,536	454,084	6,480,620
Represented by:			
— Current portion	2,135,989	312,683	2,448,672
— Non-current portion	3,890,547	141,401	4,031,948

Bank borrowings of HK$28,468,000 were secured by a mortgage over part of the Group's leasehold land and buildings.

Finance lease liabilities of approximately HK$89,941,000 was effectively secured as the rights to the leased assets with carrying amount of approximately HK$190,406,000, revert to the lessor in the event of default.

Contingent liabilities

As at 30 April 2016, the Group had guarantees on performance bonds in respect of construction contracts of approximately HK$201,938,000.

Subsidiaries of the Group also issued corporate guarantees to banks for borrowings of the Group's associated companies and related companies in which subsidiaries of the Company are non-controlling shareholders. As at 30 April 2016, these bank borrowings amounted to HK$644,198,000.

In the ordinary course of the Group's contract works business, the Group has been subject to a number of claims due to personal injuries suffered by employees of the Group or the Group's subcontractor in accidents arising out of and in the course of their employment. The Directors are of the opinion that such claims are well covered by insurance and would not result in any material adverse impact on the financial position or results and operations of the Group. No provision has been made in respect of these claims in the financial statements.

Save as aforesaid and apart from intra-group liabilities and normal trade payables in the ordinary course of the business, as at the close of business on 30 April 2016, the Enlarged Group did not have other outstanding mortgages, charges, debentures or other loan capital, bank overdrafts or loans, other similar indebtedness, finance lease or hire purchase commitments, liabilities under acceptance or acceptance credits, guarantees or other material contingent liabilities.

3. MATERIAL ADVERSE CHANGE

The Directors have confirmed that they were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2015, being the date to which the latest published audited accounts of the Group were made up to.

4. WORKING CAPITAL

The Group entered into a conditional sale and purchase agreement on 19 May 2016 with approximately 81% of the owners of a residential estate in Singapore known as Shunfu Ville (the "Shunfu Project") to acquire all properties therein at a consideration of S$638 million (equivalent to approximately HK$3,586 million) for redevelopment purpose, the completion of which is subject to several conditions including, but not limited to, the approvals from various governmental authorities in Singapore and the acceptance of the Group's offer by all property owners who have not yet agreed to sell their units under the collective sale arrangement as disclosed in the Company's announcement dated 22 May 2016. On 30 May 2016, the Group also successfully tendered for a commercial and residential development site in Singapore (the "Bukit Batok Project") at a consideration of S$301 million (equivalent to approximately HK$1,692 million).

The Shunfu Project and the Bukit Batok Project are expected to be completed by 2022 and 2021 respectively (subject to the completion of the sale and purchase agreement for Shunfu Project).

Based on the Company's preliminary financing plans, the financial resources required by these two projects will be funded by both debt financing and equity financing. Debt financing may comprise bank borrowings and a bond offering. According to the experience of prior more than ten property development projects, the Company was able to secure bank financing of approximately 70% of the land acquisition costs. Equity financing may comprise introduction of strategic investors to these two projects as well as placing new shares or a rights issue by the Company. The Company intends to own 40% to 60% beneficial interests in these projects while the strategic investors will own the remaining beneficial interests. The Company has extensive experience working on many property development projects with strategic investors in Singapore and does not anticipate any difficulties in introducing investors to these two projects.

According to preliminary financing plans and subject to the completion of the sales and purchase agreement for the Shunfu Project, the Directors expect that the cash outflows within the next twelve months from the date of the circular will mainly comprise the initial considerations stipulated in the conditional sale and purchase agreement and land tender document, and the corresponding stamp duties and lease premium payable to the governmental authorities in Singapore arising from the approval of the redevelopment plans, amounting to approximately S$992 million (equivalent to approximately HK$5,575 million). Approximately S$667 million (equivalent to approximately HK$3,748 million), S$173 million (equivalent to approximately HK$971 million) and S$69 million (equivalent to approximately HK$388 million) will be financed by the funding from banks, strategic investors and bond offering respectively, and the remaining amount of S$83 million (equivalent to approximately HK$467 million) will be financed using the internal resources of and new share placing by the Group.

The Company is actively discussing with various banks in Singapore which have indicated their strong interests to provide loan facilities to the Company to finance the two projects. In addition, the Company is also discussing with strategic investors who have indicated their interests to invest in the two projects. The discussions are ongoing and the sufficiency of the working capital of the Enlarged Group depends primarily on the availability of the necessary funding from banks amounting to HK$3,748 million.

If the Company is not able to secure the necessary funding from banks amounting to HK$3,748 million to finance the Shunfu Project and the Bukit Batok Project, after taking into account the Enlarged Group's internal resources, cash flow from operations, the presently available banking facilities and the effect of the Acquisition, the Enlarged Group may not have sufficient working capital to satisfy its present requirements, that is, for at least the next twelve months from the date of this circular.

However, as described in the preceding paragraphs, the Company has formulated its preliminary financing plans to raise funds from banks and strategic investors thought by the Directors to be necessary for the sufficiency of working capital. Based on the Company's prior experience in property development projects in Singapore and the ongoing discussion with the banks and strategic investors who have indicated their interests in providing financing to the two projects, the Directors are confident that sufficient financial resources will be available to the Enlarged Group to finance the projects.

5. FINANCIAL AND TRADING PROSPECTS OF THE ENLARGED GROUP

In 2016, the Enlarged Group will closely monitor the market and enhance our capability to foresee and respond to changes in market conditions. The Enlarged Group will continue to participate in Government land tender exercises for residential sites in Singapore. The Company will also consider to take part in the development of commercial and industrial plots, which on 30 May 2016, the Group has successfully tendered for a commercial and residential site in Bukit Batok, Singapore at a consideration of SGD301 million (equivalent to approximately HK$1.69 billion). Further, the Group has entered into a sales and purchase agreement with approximately 81% owners of Shunfu Ville for a collective sale at a total consideration of SGD638 million (equivalent to approximately HK$3.59 billion). Shunfu Ville, a 358-unit residential development in the popular Bishan-Thomson area in Singapore, is the first collective sale that the Group has undertaken, and is one of the largest collective sales in Singapore's history. With a base in the Singapore market, the Enlarged Group further studies to improve the ability to obtain projects and opportunities on nations which are encompassed by "One Belt One Road" strategy and "The Trans-Pacific Partnership" strategy.

As mentioned in the annual report of the Company for the financial period from 1 April 2014 to 31 December 2014, the Enlarged Group will continue to explore superstructure construction business in Hong Kong in order to diversify its revenue stream within an increasingly competitive market.

As for the property development business, the Enlarged Group has input more resources in smart home technology which enables home remote control function by homebuyers. Further, we invest our home-grown phone application "HiLife" in an attempt to bring property management function and e-commerce platform together in the future.

The business and the overseas development of the controlling Shareholder, Guotsing PRC, has more than 60 years of history and 30 years of experience respectively. At present, Guotsing PRC has business operation in around 30 nations. As the only offshore listing platform of Guotsing PRC, the Enlarged Group will expand its business scale in property development business and construction business by leveraging its function as the offshore financing platform and will also enhance overrun cost and financing efficiency.

The Enlarged Group will continue to put more effort into promoting the "CNQC" brand in both Singapore and Hong Kong in its different lines of business. The management of the Enlarged Group believes that the increasing recognition of the Enlarged Group's "CNQC" brand as an integrated property developer and contractor will benefit the Enlarged Group's synergy in both Singapore and Hong Kong property development and construction industries.

The following is the text of a report received from the Company's reporting accountant, PricewaterhouseCoopers LLP, Public Accountants and Chartered Accountants, Singapore for the purpose of incorporation in this circular.

pwc

23 June 2016

The Directors
CNQC International Holdings Limited

Dear Sirs,

We report on the financial information of New Chic International Limited (the "Target Company") and its subsidiaries (together, the "Target Group"), which comprises the consolidated statements of financial position of the Target Group as at 31 December 2013, 2014 and 2015, the statement of financial position of the Target Company as at 31 December 2015 and the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows of the Target Group for each of the years ended 31 December 2013, 2014 and 2015 (the "Relevant Periods") and a summary of significant accounting policies and other explanatory information. This financial information has been prepared by the directors of CNQC International Holdings Limited (the "Company") and is set out in Sections I to III below for inclusion in Appendix II to the circular of the Company dated 23 June 2016 (the "Circular") in connection with the proposed acquisition of the Target Company by the Company.

The Target Company was incorporated in the British Virgin Islands on 2 January 2015 as a company with limited liability under the British Virgin Islands Business Companies Act 2004. Pursuant to a group reorganisation as described in Note 1.2 of Section II headed "Group reorganisation" below, which was completed on 27 October 2015, the Target Company became the holding company of the subsidiaries now comprising the Target Group (the "Reorganisation").

As at the date of this report, the Target Company has direct and indirect interests in the subsidiaries, joint venture and associates as set out in Note 15, 16 and 17 of Section II below.

The directors of the Target Company are responsible for the preparation of the consolidated financial statements of the Target Company and its subsidiaries now comprising the Target Group for the Relevant Periods that give a true and fair view in accordance with the

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basis of presentation in Note 1.3 of Section II below and International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board (the "Underlying Financial Statements"), and for such internal control as the directors determine is necessary to enable the preparation of the Underlying Financial Statements that are free from material misstatement, whether due to fraud or error. We have audited the Underlying Financial Statements in accordance with International Standards on Auditing issued by the International Auditing and Assurance Standards Board pursuant to separate terms of engagement.

The statutory audited financial statements of the other companies now comprising the Target Group as at the date of this report for which there are statutory audit requirements have been prepared in accordance with the relevant accounting principles generally accepted in their place of incorporation. The details of the statutory auditors of these companies are set out in Note 15 of Section II.

The financial information has been prepared based on the Underlying Financial Statements, with no adjustment made thereon, and in accordance with the basis of presentation set out in Note 1.3 of Section II below.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL INFORMATION

The directors of the Company are responsible for the preparation of the financial information that gives a true and fair view in accordance with the basis of presentation set out in Note 1.3 of Section II below and in accordance with IFRSs.

REPORTING ACCOUNTANT'S RESPONSIBILITY

Our responsibility is to express an opinion on the financial information and to report our opinion to you. We carried out our procedures in accordance with Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the Hong Kong Institute of Certified Public Accountants.

OPINION

In our opinion, the financial information gives, for the purpose of this report and presented on the basis set out in Note 1.3 of Section II below, a true and fair view of the financial position of the Target Company as at 31 December 2015 and of the consolidated financial position of the Target Group as at 31 December 2013, 2014 and 2015 and of the Target Group's consolidated financial performance and cash flows for the Relevant Periods.

I FINANCIAL INFORMATION OF THE TARGET GROUP

The following is the financial information of the Target Group prepared by the directors of the Company as at 31 December 2013, 2014 and 2015 and for each of the years ended 31 December 2013, 2014 and 2015 (the "Financial Information"):

Consolidated Statements of Comprehensive Income

	Note	Year ended 31 December **2013** *SGD*	**2014** *SGD*	**2015** *SGD*
Revenue	*6*	66,168,880	119,579,216	219,359,080
Cost of sales	*9*	(65,468,518)	(110,467,355)	(198,685,897)
Gross profit		700,362	9,111,861	20,673,183
Other income	*7*	907,901	3,616,809	15,596,393
Other gains/(losses) — net	*8*	59,860	(1,527)	221,248
Administrative expenses	*9*	(2,892,145)	(5,251,219)	(5,830,326)
Finance income/(costs) — net	*11*	1,626,787	5,236,769	5,311,817
Share of profits/(losses) of a joint venture and associated companies	*16,17*	1,348,398	50,241	(98,059)
Profit before income tax		1,751,163	12,762,934	35,874,256
Income tax expense	*12*	(186,515)	(1,811,453)	(3,867,972)
Profit for the year		1,564,648	10,951,481	32,006,284
Other comprehensive income/(loss)				
Available-for-sale financial assets	*26*			
— Fair value gains/(loss)		3,288,853	3,015,565	(3,843,718)
— Reclassification upon disposal		(9,680)	(56,806)	(218,242)
Other comprehensive income/(loss), net of tax		3,279,173	2,958,759	(4,061,960)
Total comprehensive income for the year		4,843,821	13,910,240	27,944,324
Net profit attributable to:				
Equity holders of the Target Company		1,374,843	10,845,147	25,688,404
Non-controlling interests		189,805	106,334	6,317,880
		1,564,648	10,951,481	32,006,284
Total comprehensive income attributable to:				
Equity holders of the Target Company		3,023,404	12,316,280	23,548,303
Non-controlling interests		1,820,417	1,593,960	4,396,021
		4,843,821	13,910,240	27,944,324

Consolidated Statements of Financial Position

	Note	As at 31 December 2013 SGD	2014 SGD	2015 SGD
ASSETS				
Non-current assets				
Property, plant and equipment	*13*	927,140	1,551,653	893,935
Intangible assets	*14*	22,400	16,800	101,200
Investment in a joint venture	*16*	2,626,423	—	—
Investments in associated companies	*17*	298,313	98,059	—
Available-for-sale financial assets	*18*	13,571,507	16,290,121	12,208,744
Loan receivables	*23*	24,248,676	23,453,676	25,197,428
		41,694,459	41,410,309	38,401,307
Current assets				
Amounts due from customers for contract work-in-progress	*20*	32,799	1,822,505	353,542
Trade receivables	*21*	16,729,866	17,978,441	42,914,001
Prepayments and other receivables	*22*	5,960,912	11,325,659	28,861,484
Loan receivables	*23*	16,000,000	48,637,747	6,999,960
Cash and cash equivalents	*24*	9,878,004	10,397,786	17,310,700
		48,601,581	90,162,138	96,439,687
Total assets		90,296,040	131,572,447	134,840,994
EQUITY				
Equity attributable to equity holders of the Target Company				
Share capital	*25*	1	1	1
Capital reserves	*26*	35,000,000	35,000,000	(12,317,967)
Other reserves	*26*	10,981,333	12,452,466	10,312,365
Retained profits		7,985,345	12,502,167	38,190,571
		53,966,679	59,954,634	36,184,970
Non-controlling interests		2,620,135	4,234,095	1,250,116
Total equity		56,586,814	64,188,729	37,435,086

Consolidated Statements of Financial Position *(Continued)*

	Note	As at 31 December 2013	2014	2015
		SGD	*SGD*	*SGD*
LIABILITIES				
Non-current liabilities				
Borrowings	*29*	—	—	24,600,000
Finance lease liabilities	*30*	127,795	90,955	33,575
Deferred income tax liabilities	*19*	69,226	128,322	34,641
		197,021	219,277	24,668,216
Current liabilities				
Trade payables	*27*	19,502,246	25,798,051	46,985,182
Other payables	*28*	13,671,981	7,415,412	10,587,612
Borrowings	*29*	—	32,515,000	11,400,000
Finance lease liabilities	*30*	36,840	36,840	23,700
Current income tax liabilities		301,138	1,399,138	3,741,198
		33,512,205	67,164,441	72,737,692
Total liabilities		33,709,226	67,383,718	97,405,908
Total equity and liabilities		90,296,040	131,572,447	134,840,994

Statement of Financial Position — Target Company

	Note	**As at 31 December 2015** *SGD*
ASSETS		
Non-current assets		
Investment in subsidiaries	*15*	47,317,967
Current assets		
Prepayments and other receivables	*22*	12,099,726
Total assets		59,417,693
EQUITY		
Equity attributable to equity holders of the Target Company		
Share capital	*25*	1
Retained earnings		12,099,725
Total equity		12,099,726
LIABILITIES		
Current liabilities		
Other payables	*28*	47,317,967
Total liabilities		47,317,967
Total equity and liabilities		59,417,693

Consolidated Statements of Changes in Equity

	Note	Share capital SGD	Capital reserve SGD	Fair value reserve SGD	Retained earnings SGD	Total SGD	Non-controlling interests SGD	Total equity SGD
		Attributable to equity holders of the Target Company						
At 1 January 2013		1	35,000,000	9,332,772	6,610,502	50,943,275	769,718	51,712,993
Profit for the year		—	—	—	1,374,843	1,374,843	189,805	1,564,648
Other comprehensive income for the year		—	—	1,648,561	—	1,648,561	1,630,612	3,279,173
Total comprehensive income		—	—	1,648,561	1,374,843	3,023,404	1,820,417	4,843,821
Non-controlling interests arising from incorporation of a subsidiary		—	—	—	—	—	30,000	30,000
At 31 December 2013		1	35,000,000	10,981,333	7,985,345	53,966,679	2,620,135	56,586,814

	Note	Share capital SGD	Capital reserve SGD	Fair value reserve SGD	Retained earnings SGD	Total SGD	Non-controlling interests SGD	Total equity SGD
		Attributable to equity holders of the Target Company						
At 1 January 2014		1	35,000,000	10,981,333	7,985,345	53,966,679	2,620,135	56,586,814
Profit for the year		—	—	—	10,845,147	10,845,147	106,334	10,951,481
Other comprehensive income for the year		—	—	1,471,133	—	1,471,133	1,487,626	2,958,759
Total comprehensive income		—	—	1,471,133	10,845,147	12,316,280	1,593,960	13,910,240
Dividend declared	*31*	—	—	—	(6,328,325)	(6,328,325)	—	(6,328,325)
Non-controlling interests arising from incorporation of a subsidiary		—	—	—	—	—	20,000	20,000
At 31 December 2014		1	35,000,000	12,452,466	12,502,167	59,954,634	4,234,095	64,188,729

Consolidated Statements of Changes in Equity *(Continued)*

		Attributable to equity holders of the Target Company						
		Share capital	Capital reserve	Fair value reserve	Retained earnings	Total	Non-controlling interests	Total equity
	Note	*SGD*	*SGD*	*SGD*	*SGD*	*SGD*	*SGD*	*SGD*
At 1 January 2015		1	35,000,000	12,452,466	12,502,167	59,954,634	4,234,095	64,188,729
Profit for the year		—	—	—	25,688,404	25,688,404	6,317,880	32,006,284
Other comprehensive loss for the year		—	—	(2,140,101)	—	(2,140,101)	(1,921,859)	(4,061,960)
Total comprehensive income		—	—	(2,140,101)	25,688,404	23,548,303	4,396,021	27,944,324
Consideration paid for reorganisation	*1.3*	—	(47,317,967)	—	—	(47,317,967)	—	(47,317,967)
Dividend	*31*	—	—	—	—	—	(7,380,000)	(7,380,000)
At 31 December 2015		1	(12,317,967)	10,312,365	38,190,571	36,184,970	1,250,116	37,435,086

Consolidated Statements of Cash Flows

	Year ended 31 December		
	2013	**2014**	**2015**
	SGD	*SGD*	*SGD*
Cash flows from operating activities			
Profit for the year	1,564,648	10,951,481	32,006,284
Adjustments for:			
Income tax expense	186,515	1,811,453	3,867,972
Depreciation	220,084	1,360,379	786,220
Amortisation of intangible assets	5,600	5,600	15,600
Share of results of a joint venture and associated companies	(1,348,398)	(50,241)	98,059
Dividend income	(20,431)	(26,910)	(9,285,000)
Gain on sale of available-for-sale financial assets	(11,663)	(1,621)	(247,122)
(Gain)/loss on disposal of property, plant and equipment	(48,197)	3,148	13,790
Property, plant and equipment written off	—	—	12,084
Finance costs	245,333	1,931,304	1,281,873
Finance income	(1,872,120)	(7,168,073)	(6,593,690)
	(1,078,629)	8,816,520	21,956,070
Working capital changes			
Amount due from customers for contract work-in-progress	636,277	(1,789,706)	1,468,963
Trade receivables	(1,066,037)	(1,139,257)	(24,630,866)
Prepayment and other receivables	1,340,317	16,392,602	43,680,981
Trade payables	(8,063,148)	6,295,807	21,779,241
Other payables	4,907,511	(5,672,808)	(47,700,777)
Cash (used in)/generated from operations	(3,323,709)	22,903,158	16,553,612
Interest paid	(245,333)	(1,599,918)	(1,634,291)
Income tax paid	(1,193,960)	(650,979)	(1,594,745)
Net cash (used in)/generated from operating activities	(4,763,002)	20,652,261	13,324,576

Consolidated Statements of Cash Flows *(Continued)*

	Note	Year ended 31 December 2013 *SGD*	2014 *SGD*	2015 *SGD*
Cash flows from investing activities				
Purchase of available-for-sale investments		(113,226)	(92,546)	(200,000)
Purchase of property, plant and equipment		(741,319)	(2,038,761)	(583,193)
Purchase of intangible assets		(28,000)	—	(100,000)
Proceeds from sale of available-for-sale financial assets		41,123	330,934	441,691
Proceeds from disposal of property, plant and equipment		70,500	50,721	289,480
Investment in associated companies		(300,040)	—	—
Dividend received		20,431	2,903,828	—
Collection of loan receivable from associated company		—	—	800,000
Collection of loan receivable from other related parties		10,852,111	—	495,000
Loan to other related parties		—	(500,000)	(8,743,712)
Loan to associated companies		(10,399,960)	—	—
Loan to Qingdao Bohai Construction Group Co., Ltd.		—	(53,000,000)	—
Collection of loan receivable from Qingdao Bohai Construction Group Co., Ltd.		—	1,000,000	—
Interest received		1,048,213	5,762,976	624,633
Net cash provided by/(used in) investing activities		449,833	(45,582,848)	(6,976,101)
Cash flows from financing activities				
Incorporation of subsidiary with non-controlling interests		30,000	20,000	—
Loan from a director of a subsidiary		—	7,515,000	—
Repayment of loan to director of a subsidiary		—	—	(7,515,000)
Repayment of loan to Qingdao Bohai Construction Group Co., Ltd.		—	(3,601,389)	—
Repayments of finance lease liabilities		(31,365)	(36,840)	(38,639)
Proceeds from borrowings		—	50,000,000	36,000,000
Repayment of borrowings		—	(25,000,000)	(25,000,000)
Dividend paid to the owners of the Target Company		—	(3,446,402)	(2,881,922)
Net cash (used in)/provided by financing activities		(1,365)	25,450,369	564,439
Net (decrease)/increase in cash and cash equivalents		(4,314,534)	519,782	6,912,914
Cash and cash equivalents at beginning of year		14,192,538	9,878,004	10,397,786
Cash and cash equivalents at end of year	*24*	9,878,004	10,397,786	17,310,700

II NOTES TO THE FINANCIAL INFORMATION

1 GENERAL INFORMATION, GROUP RESTRUCTURING AND REORGANISATION AND BASIS OF PRESENTATION

1.1 General information

New Chic International Limited ("the Target Company") was incorporated in the British Virgin Islands (the "BVI") on 2 January 2015 and the address of its registered office is Nova Sage Chambers, P.O.Box 4389, Road Town, Tortola, British Virgin Islands.

The principal activities of the Target Company is investment holding. The Target Company together with its subsidiaries are herein collectively referred to as the "Target Group" and are principally engaged in construction business in Singapore (the "Target Business").

Prior to the incorporation of the Target Company and the completion of the reorganisation (the "Reorganisation") as set out in Note 1.2 below, the Target Business was carried out by Welltech Construction Pte. Ltd. ("Welltech Construction") and its subsidiaries (collectively the "Operating Companies"), of which the immediate holding company is Qingdao Bohai Construction Group Co., Ltd. ("Qingdao Bohai Construction"), an investment holding company incorporated in the People's Republic of China and the ultimate holding company is Qingdao Bohai Investment Co., Ltd. ("Qingdao Bohai Investment"), a company incorporated in the People's Republic of China.

1.2 Group reorganisation

The Target Group underwent the Reorganisation to transfer the Target Business to the Target Company principally through the following steps:

(a) Incorporation of New Chic International Limited

On 2 January 2015, the Target Company was incorporated in the BVI and is owned by the same group of ultimate beneficial shareholders who collectively own Qingdao Bohai Investment and their effective equity interests in the Target Company are the same as their effective equity interests in Qingdao Bohai Investment.

(b) Acquisition of Welltech Construction Pte. Ltd.

On 27 October 2015, the entire equity interest in Welltech Construction was transferred from Qingdao Bohai Construction to the Target Company for a consideration of SGD47,317,967 pursuant to the Reorganisation.

1.3 Basis of presentation

Immediately prior to and after the Reorganisation, the Target Business is operated by the Operating Companies. Pursuant to the Reorganisation, the Operating Companies together with the Target Business were transferred to and held by the Target Company. The Target Company has not been involved in any other business prior to the Reorganisation and does not meet the definition of a business. The Reorganisation is merely a reorganisation of the Target Business with no change in management of such business and the ultimate owners of the Target Business remain the same. Accordingly, the consolidated financial information of the companies now comprising the Target Group is presented using the carrying values of the Target Business for all periods presented.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial information are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial information of the Target Company have been prepared in accordance with International Financial Reporting Standards ("IFRS"). The Target Group's consolidated financial information have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets which are carried at fair value.

The preparation of financial information in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Target Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial information are disclosed in Note 4.

2.1.1 Changes in accounting policy and disclosures

New standards and amendments to standards that have been issued but not yet effective and not yet adopted by the Target Group:

		Effective for annual periods beginning on or after
IFRS (amendment)	Annual improvement to IFRSs 2012–2014 cycle	1 January 2016
IAS 1 (amendment)	Disclosure initiative	1 January 2016
IFRS 9	Financial instruments	1 January 2018
IFRS 10 and IAS 28 (amendment)	Sale or contribution of assets between an investor and its associate or joint venture	1 January 2016
IFRS 10, IFRS 12 and IAS 28 (amendment)	Investment entities: applying the consolidation exception"	1 January 2016
IFRS 11 (amendment)	Accounting for acquisitions of interests in joint operations	1 January 2016
IFRS 14	Regulatory deferral accounts	1 January 2016
IFRS 15	Revenue from contracts with customers	1 January 2018
IFRS 16	Leases	1 January 2019
IAS 16 and IAS 38 (amendment)	Clarification of acceptable methods of depreciation and amortisation	1 January 2016
IAS 16 and IAS 41 (amendment)	Agriculture: bearer plants	1 January 2016
IAS 27 (amendment)	Equity method in separate financial statements	1 January 2016

The Target Group will adopt these new amendments to standards in the period of initial application. It is not expected to have a significant impact on the Target Group's results of operations and its financial position except for IFRS 15 which may have an impact on the financial statements when it becomes effective. The Target Company is in the process of evaluating the impact of this standard.

2.2 Subsidiaries

2.2.1 Consolidation

A subsidiary is an entity (including a structured entity) over which the Target Group has control. The Target Group controls an entity when the Target Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Target Group. They are de-consolidated from the date that control ceases.

(a) Business combinations

The Target Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Target Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

The Target Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by IFRS.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

Any contingent consideration to be transferred by the Target Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in profit or loss.

Intra-Target Group transactions, balances and unrealised gains on transactions between Target Group companies are eliminated. Unrealised losses are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Target Group's accounting policies

(b) Changes in ownership interest in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions — that is, as transactions with the owner in its capacity as owner. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(c) Disposal of subsidiaries

When the Target Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Target Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

2.2.2 Investment in subsidiaries

Investments in subsidiaries are accounted for at cost less impairment. Cost also includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Target Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2.3 Associated companies and joint ventures

Associated companies are entities over which the Target Group has significant influence, but not control, generally accompanied by a shareholding giving rise to voting rights of 20% and above but not exceeding 50%. Joint ventures are entities over which the Target Group has joint control as a result of contractual arrangements, and rights to the net assets of the entities. Investments in associated companies and joint ventures are accounted for in the consolidated financial statements using the equity method of accounting less impairment losses, if any.

(a) Acquisitions

Investments in associated companies and joint ventures are initially recognised at cost. The cost of an acquisition is measured at the fair value of the assets given, equity instruments issued or liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Goodwill on associated companies and joint ventures represents the excess of the cost of acquisition of the associated companies or joint ventures over the Target Group's share of the fair value of the identifiable net assets of the associated companies and joint ventures and is included in the carrying amount of the investments.

(b) Equity method of accounting

In applying the equity method of accounting, the Target Group's share of its associated companies' or joint ventures' post-acquisition profits or losses are recognised in profit or loss and its share of post-acquisition other comprehensive income is recognised in other comprehensive income. These post-acquisition movements and distributions received from the associated companies or joint ventures are adjusted against the carrying amount of the investments. When the Target Group's share of losses in an associated company or joint venture equals to or exceeds its interest in the associated company or joint venture, the Target Group does not recognise further losses, unless it has legal or constructive obligations to make, or has made, payments on behalf of the associated company or joint venture. If the associated company or joint venture reports profits, the Target Group resumes recognising its share of those profit only after its share of the profits equals the share of losses not recognised.

Unrealised gains on transactions between the Target Group and its associated companies or joint ventures are eliminated to the extent of the Target Group's interest in the associated companies or joint ventures. Unrealised losses are also eliminated unless the transactions provide evidence of impairment of the assets transferred. The accounting policies of associated companies or joint ventures are changed where necessary to ensure consistency with the accounting policies adopted by the Target Group.

(c) Disposals

Investments in associated companies or joint ventures are derecognised when the Target Group loses significant influence or joint control. If the retained equity interest in the former associated company or joint venture is a financial asset, the retained equity interest is measured at fair value. The difference between the carrying amount of the retained interest at the date when significant influence or joint control is lost, and its fair value and any proceeds on partial disposal, is recognised in profit or loss.

2.4 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors that makes strategic decisions.

2.5 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Target Group entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial information are presented in Singapore Dollar ("SGD"), which is the Target Company's functional currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Foreign exchange gains and losses that relate to borrowings are presented in the consolidated statement of comprehensive income within 'finance income or costs'. All other foreign exchange gains and losses are presented in the consolidated statement of comprehensive income within 'other gains/ losses — net'.

(c) Target Group entities

The results and financial position of all the Target Group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

(ii) income and expenses for each statement of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

(iii) all resulting exchange differences are recognised in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange differences arising are recognised in other comprehensive income.

2.6 Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment loss (if any). Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Target Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

Depreciation on property, plant and equipment is calculated using the straight-line method to allocate their costs to their residual values over their estimated useful lives, as follows:

Tools and equipment	3 years
Plant and machinery	5–10 years
Office furniture and equipment	5–10 years
Motor vehicles	5 years
Workers dormitory	14 months

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in profit or loss and presented in the consolidated statement of comprehensive income within 'other gains/losses — net'.

2.7 Intangible assets

(a) Goodwill on acquisitions

Goodwill on acquisitions of subsidiaries represents the excess of (i) the aggregated consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over (ii) the fair value of the net identifiable assets acquired, net of the fair values of the liabilities and any contingent liabilities assumed.

Goodwill on acquisitions of subsidiaries is recognised separately as intangible assets and carried at cost less accumulated impairment losses.

Goodwill on acquisitions of associated companies and joint venture is included in the carrying amount of the investments.

Gains and losses on the disposal of subsidiaries, joint ventures and associated companies include the carrying amount of goodwill relating to the entity sold.

(b) Acquired computer software licences

Acquired computer software licenses are initially capitalised at cost which includes the purchase price (net of any discounts and rebates) and other directly attributed cost of preparing the asset for its intended use. Costs associated with maintaining the computer software are recognised as an expense as incurred.

Computer software licenses are subsequently carried at cost less accumulated amortisation and accumulated impairment losses. These costs are amortised to profit or loss using the straight-line method over their estimated useful lives of three to five years.

The amortisation period and amortisation method of computer software licenses are reviewed at least at each statement of financial position date. The effects of any revision are recognised in profit or loss when the changes arise.

(c) Acquired club membership

Acquired club membership are initially recognized at cost and are subsequently carried at cost less accumulated amortisation and accumulated impairment losses. These costs are amortised to profit or loss using the straight-line method over 10 years.

2.8.1 Impairment of non-financial assets

Intangible assets, Property, plant and equipment
Investments in subsidiaries, associated companies and joint ventures

Intangible assets, property, plant and equipment and investments in subsidiaries, associated companies and joint ventures are tested for impairment whenever there is any objective evidence or indication that these assets may be impaired.

For the purpose of impairment testing, the recoverable amount (i.e. the higher of the fair value less cost to sell and the value-in-use) is determined on an individual asset basis unless the asset does not generate cash inflows that are largely independent of those from other assets. If this is the case, the recoverable amount is determined for the cash-generating-units ("CGU") to which the asset belongs.

If the recoverable amount of the asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount.

An impairment loss for an asset other than goodwill is reversed only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of this asset is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of any accumulated amortisation or depreciation) had no impairment loss been recognised for the asset in prior years.

2.9 Financial assets

2.9.1 Classification

The Target Group classifies its financial assets in the following categories: loans and receivables, and available for sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(a) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for the amounts that are settled or expected to be settled more than 12 months after the end of the reporting period. These are classified as non-current assets. The Target Group's loans and receivables comprise 'trade and other receivables', 'loan receivables' and 'cash and cash equivalents' in the statement of financial position.

(b) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period.

2.9.2 Recognition and measurement

Regular way purchases and sales of financial assets are recognised on the trade-date — the date on which the Target Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss.

Available-for-sale financial assets are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Changes in the fair value of monetary and non-monetary securities classified as available for sale are recognised in other comprehensive income.

When securities classified as available for sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the statement of comprehensive income as 'other gains and losses'.

Dividends on available-for-sale equity instruments are recognised in profit or loss when the Target Group's right to receive payments is established.

2.10 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

2.11 Impairment of financial assets

(a) Assets carried at amortised cost

The Target Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or a group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in profit or loss.

(b) Assets classified as available for sale

The Target Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity investments classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss — measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss — is removed from equity and recognised as an expense. Impairment losses recognised as an expense on equity instruments are not reversed through profit or loss.

2.12 Constructions contracts

A construction contract is a contract specifically negotiated for the construction of an asset or a combination of assets that are closely inter-related or inter-dependent in terms of their design, technology and functions or their ultimate purpose or use.

Contract costs are recognised when incurred.

When the outcome of a construction contract can be estimated reliably, contract revenue and contract costs are recognised as revenue and expenses respectively by reference to the stage of completion of the contract activity at the period end date ("percentage-of-completion method"). When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that are likely to be recoverable. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Contract revenue comprises the initial amount of revenue agreed in the contract and variations in the contract work and claims that can be measured reliably. A variation or a claim is recognised as contract revenue when it is probable that the customer will approve the variation or negotiations have reached an advanced stage such that it is probable that the customer will accept the claim.

The stage of completion is measured by reference to the proportion of value of work performed, as certified by the architects' certificates to the total contract value.

Costs incurred during the financial year in connection with future activity on a contract are excluded from the costs incurred to date. Such costs are shown as construction contract work-in-progress on the statement of financial position unless it is not probable that such contract costs are recoverable from the customers, in which case, such costs are recognised as an expense immediately.

Construction work-in-progress at the period end is recorded in the statement of financial position at cost plus attributable profit less recognised losses, net of progress claims and allowance for foreseeable losses, and is presented in the statement of financial position as "construction work-in-progress in excess of progress billings" (as an asset) or "trade payable — accrued construction cost" (as a liability), as applicable. Construction costs include cost of direct materials, direct labour and overhead costs incurred in connection with the construction. Provision for foreseeable loss on a contract is provided for the year in which such losses are determined.

Progress billing not yet paid by customers and retentions by customers are included within "trade and other receivables". Advances received are included within "Advances from customers".

2.13 Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents includes cash in hand, deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less.

2.14 Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade and other payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.15 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Target Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of each reporting period.

2.16 Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

2.17 Current and deferred income tax

The tax expenses for the period comprise current and deferred income tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the statement of financial position date in the countries where the Target Group and its associate operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(b) Deferred income tax

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred income tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or a liability in a transaction (other than a business combination) that at the time of the transaction affects neither accounting nor taxable profit nor loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the statement of financial position date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries and associate, except for deferred income tax liabilities where the timing of the reversal of the temporary difference is controlled by the Target Group and it is probable that the temporary difference will not reverse in the foreseeable future.

(c) Offsetting

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current income tax assets against current income tax liabilities and when the deferred income tax assets and liabilities related to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.18 Employee benefits

Employee benefits are recognised as an expense, unless the cost qualifies to be capitalised as an asset.

(a) Defined contribution plans

Defined contribution plans are post-employment benefit plans under which the Target Group pays fixed contributions into separate entities such as the Central Provident Fund in Singapore on a mandatory, contractual or voluntary basis. The Target Group has no further payment obligations once the contributions have been paid. The Target Group's contributions are recognised as employee compensation expense in the period in which the related service is performed.

(b) Employee leave entitlement

Employee entitlements to annual leave are recognised as a liability when they accrue to employees. A provision is made for the estimated liability for leave as a result of services rendered by employees up to the statement of financial position date.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

2.19 Revenue and income recognition

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods supplied and services provided, stated net of rebates and discounts. The Target Group recognises revenue and income when the amount of revenue and income can be reliably measured; when it is probable that future economic benefits will flow to the Target Group and when specific criteria have been met for each of the Target Group's activities as described below.

(a) Revenue from construction contracts

Revenue and profits from construction are recognised based on the percentage of completion method. Please refer to Note 2.12 for the accounting policy on revenue from construction contracts.

(b) Rental income

Rental income from operating leases (net of any incentives given to the lessees) is recognised on a straight-line basis over the lease term.

(c) Interest income

Interest income is recognised on a time-proportion basis using the effective interest method.

(d) Dividend income

Dividend income is recognised in profit or loss when the Target Group's right to receive payment is established.

(e) Management fee income

Management fee income is recognised in profit or loss when the management service is rendered.

(f) Performance bonus

Performance bonus income is recognised in profit or loss when the Target Group's right to receive payment is established.

2.20 Government grants

Grants from the government are recognised as a receivable at their fair value when there is reasonable assurance that the grant will be received and the Target Group will comply with all the attached conditions.

Government grants relating to costs are deferred and recognised in profit or loss over the period necessary to match them with the costs that they are intended to compensate.

2.21 Leases

(a) When the Target Group is the lessee:

The Target Group leases motor vehicles under finance leases and office under operating leases from non-related parties.

(i) Lessee — Finance leases

Leases where the Target Group assumes substantially all risks and rewards incidental to ownership of the leased assets are classified as finance leases.

The leased assets and the corresponding lease liabilities (net of finance charges) under finance leases are recognised on the statement of financial position as plant and equipment and borrowings respectively, at the inception of the leases based on the lower of the fair value of the leased assets and the present value of the minimum lease payments.

Each lease payment is apportioned between the finance expense and the reduction of the outstanding lease liability. The finance expense is recognised in profit or loss on a basis that reflects a constant periodic rate of interest on the finance lease liability.

(ii) Lessee — Operating leases

Leases where substantially all risks and rewards incidental to ownership are retained by the lessors are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessors) are recognised in profit or loss on a straight-line basis over the period of the lease.

Contingent rents are recognised as an expense in profit or loss when incurred.

2.22 Dividend distribution

Dividend distribution to the Target Company's shareholders is recognised as a liability in the financial statements in the period in which the dividends are approved by the Target Company's shareholders or directors, where appropriate.

2.23 Contingent liabilities and contingent assets

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Target Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resource will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the note to the financial statements. When a change in the probability of an outflow occurs so that outflow is probable, it will then be recognised as a provision. A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain events not wholly within the control of the Target Group.

Contingent assets are not recognised but are disclosed in the notes to the financial statements when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognised.

Financial guarantee

A financial guarantee (a kind of insurance contract) is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the original or modified terms of a debt instrument. The Target Group does not recognize liabilities for financial guarantees at inception, but perform a liability adequacy test at each reporting date by comparing its carrying amount of the net liability regarding the financial guarantee with its present legal or constructive obligation amount. If the carrying amount of the net liability is less than its present legal or constructive obligation amount, the entire difference is recognised as an expense immediately.

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Target Group's activities expose it to a variety of financial risks: market risk (including currency risk, price risk and interest rate risk), credit risk and liquidity risk. The Target Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Target Group's financial performance.

Risk management is carried out under policies approved by the Board of Directors. The board provides general principles for overall risk management such as currency risk, price risk, interest rate risk, credit risk and liquidity risk.

There has been no change to the Target Group's exposure to these financial risks or the manner in which it manages and measures the risks during the years ended 31 December 2013, 2014 and 2015.

(a) Market risk

(i) Currency risk

The Target Group's foreign currency exposure is minimal because the Target Group's activities are mainly conducted in Singapore Dollars which is the functional currency of the Target Company and all subsidiaries. The management reviews and ensures that the net exposure to foreign currency risk is kept to an acceptable level.

(ii) Price risk

The Target Group is exposed to equity securities price risk arising from the investment held by the Target Group which are classified on the consolidated statement of financial position as available-for-sale financial assets. These securities are listed in Singapore and Malaysia. To manage the price risk arising from investment in equity securities, the Target Group diversifies its portfolios.

As at 31 December 2013, 2014 and 2015, the price risk of the Target Group related to available-for-sale financial assets is not significant.

(iii) Cash flow and fair value interest rate risks

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is that the fair value of a financial instrument will fluctuate due to changes in market interest rate.

The Target Group's interest rate risks arise primarily from its cash and cash equivalents, loans to Qingdao Bohai Construction Group Co., Ltd, associated companies, other related parties, non-related parties and borrowings. The Target Group's policy is to minimise exposure to variable interest rates of interest bearing assets and liabilities.

As at 31 December 2013, 2014 and 2015, the Target Group's loans to Qingdao Bohai Construction Group Co., Ltd, associated companies, other related parties, non-related parties were not exposed to cash flow interest rate risk as they were all fixed rated instruments.

The Target Group's exposure to cash flow interest rate risks arises mainly from borrowings at floating rate denominated in SGD which effective hedges have not been entered into.

The Target Group's borrowings at variable rates on which effective hedges have not been entered into are denominated mainly in SGD. If the SGD interest rates had been higher/lower by 0.50% for 31 December 2014 with all other variables including tax rate being held constant, the profit after tax would have been lower/higher by SGD100,000 and SGD83,000 as a result of higher/lower interest expense on these borrowings. As at 31 December 2014 and 2015, there were no borrowings at variable rates.

(b) Credit risk

The Target Group's credit exposure is represented by the carrying amounts of cash and bank balances, fixed deposits, trade and other receivables and loan receivables. The exposure to credit risk is monitored by the management on an ongoing basis. Bank balances and fixed deposits are held with credit-worthy financial institutions.

(c) Liquidity risk

The Target Group monitors its risks to a shortage of funds and considers the maturity of its financial assets and liabilities and projected cash flows from operations. The Target Group's objective is to maintain a balance between continuity of funding and flexibility through the use of stand-by credit facilities.

The table below analyses the Target Group's and the Target Company's non-derivative financial liabilities into relevant maturity Target Groupings based on the remaining period at the statement of financial position date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Target Group		
	Less than 1 year	**1 to 5 years**	**After 5 years**
	SGD	*SGD*	*SGD*
As at 31 December 2013			
Trade payables	19,502,246	—	—
Other payables	13,671,981	—	—
Finance lease liabilities	41,196	142,922	—
	33,215,423	142,922	—
As at 31 December 2014			
Trade payables	25,798,051	—	—
Other payables	7,415,412	—	—
Finance lease liabilities	41,196	108,431	—
Borrowings	33,286,394	—	—
	66,541,053	108,431	—
As at 31 December 2015			
Trade payables	46,985,182	—	—
Other payables	10,587,612	—	—
Finance lease liabilities	26,820	40,230	—
Borrowings	13,004,750	25,614,300	—
	70,604,364	25,654,530	—
	Target Company		
As at 31 December 2015			
Other payables	47,317,967	—	—

3.2 Capital management

The Target Group's objectives when managing capital are to safeguard the Target Group's ability to continue as a going concern and to maintain an optimal capital structure so as to maximise shareholder value.

In order to maintain or adjust the capital structure, the Target Group may adjust the amount of dividend payment, return capital to shareholder, issue new shares or sell assets to reduce debts.

Consistent with others in the industry, the Target Group monitor capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings plus trade and other payables and finance lease liabilities less cash and cash equivalents. Total capital represents the equity as shown in the consolidated statement of financial position plus net debt.

The Target Group is in compliance with all external financial covenants for the bank loans extended to the Target Group for the financial year ended 31 December 2015.

The gearing ratios as at 31 December 2013, 2014 and 2015 are as follows:

	Target Group		
	As at 31 December		
	2013	**2014**	**2015**
	SGD	*SGD*	*SGD*
Trade payables	19,502,246	25,798,051	46,985,182
Other payables	13,671,981	7,415,412	10,587,612
Total borrowings	—	32,515,000	36,000,000
Finance lease liabilities	164,635	127,795	57,275
Less: Cash and cash equivalents *(Note 24)*	(9,878,004)	(10,397,786)	(17,310,700)
Net debt	23,460,858	55,458,472	76,319,369
Equity attributable to equity holders of the Target Company	53,966,679	59,954,634	36,184,970
Total capital	77,427,537	115,413,106	112,504,339
Gearing ratio	30.3%	48.1%	67.8%

3.3 Fair value estimation

Fair value hierarchy

The Target Group classify fair value measurement using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy have the following levels:

Level 1 — Quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 — Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3 — Inputs for the asset or liability that are not based on observable market data (unobservable inputs) *(i) The following table shows an analysis of financial instruments carried at fair value by level of fair value hierarchy.*

	Target Group			
	Level 1	**Level 2**	**Level 3**	**Total**
	SGD	*SGD*	*SGD*	*SGD*
Financial assets:				
Available-for-sale financial assets				
As at 31 December 2013	694,297	—	12,877,210	13,571,507
As at 31 December 2014	437,659	—	15,852,462	16,290,121
As at 31 December 2015	—	—	12,208,744	12,208,744

There have been no transfers of financial assets between Level 1 and Level 2 during the years ended 31 December 2013, 2014 and 2015.

The fair value of investment in quoted available-for-sale financial assets traded in active markets is based on quoted market prices at the statement of financial position date. The quoted market price used for financial assets held by the Target Group is the current bid price. These instruments are included in Level 1.

The investments in unquoted available-for-sale financial assets held by the Target Group as at 31 December 2013, 2014 and 2015 are equity investments in property development companies that are not traded in an active market. The fair value of these investments is determined by using dividend discount model of which the assumptions are based on the estimated future dividend plan of the underlying investments. The key assumptions used are disclosed in Note 18. These investments are classified as Level 3.

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

	Target Group	
	Available-for-sale financial assets	**Total**
	SGD	*SGD*
2013:		
Beginning of financial year	9,615,986	9,615,986
Fair value gains recognised in other comprehensive income	3,261,224	3,261,224
End of financial year	12,877,210	12,877,210
2014:		
Beginning of financial year	12,877,210	12,877,210
Fair value gains recognised in other comprehensive income	2,975,252	2,975,252
End of financial year	15,852,462	15,852,462
2015:		
Beginning of financial year	15,852,462	15,852,462
Addition	200,000	200,000
Fair value losses recognised in other comprehensive income	(3,843,718)	(3,843,718)
End of financial year	12,208,744	12,208,744

During the financial year ended 31 December 2013, 2014 and 2015, there have been no transfers of financial assets between Level 2 and Level 3.

(iii) Fair value of financial instruments by classes that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value.

Management has determined that the carrying amount of cash and cash equivalents, pledged deposits, trade and other receivables, loan receivable, trade and other payables, amounts due to subsidiaries, current borrowings and borrowings with variable interest rates, reasonably approximate their fair values because these are mostly short-term in nature or are re-priced frequently.

3.4 Financial instruments by category

	As at 31 December		
	2013	**2014**	**2015**
	SGD	*SGD*	*SGD*
Target Group			
Financial assets			
Available-for-sale financial assets at fair value	13,571,507	16,290,121	12,208,744
Loans and receivables at amortised cost			
Trade receivables excluding GST	16,672,186	17,978,441	42,914,001
Other receivables excluding prepayments	5,315,293	10,465,640	28,376,749
Loan receivables	40,248,676	72,091,423	32,197,388
Cash and cash equivalents	9,878,004	10,397,786	17,310,700
	85,685,666	127,223,411	133,007,582
Financial liabilities			
At amortised cost:			
Trade payables excluding GST	19,502,246	25,751,088	46,505,606
Other payables	13,671,981	7,415,412	10,587,612
Borrowings	—	32,515,000	36,000,000
Finance lease liabilities	164,635	127,795	57,275
	33,338,862	65,809,295	93,150,493
Target Company			
Financial assets			
Other receivables at amortised cost	—	—	12,099,426
Financial liabilities			
At amortised cost:			
Other payables	—	—	47,317,967

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Target Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next year are addressed below.

(i) Construction contracts

The Target Group uses the percentage-of-completion method to account for its contract revenue where it is probable contract costs are recoverable. The stage of completion is measured by reference to the proportion of value of work performed, as certified by the architects' certificates to the total contract value.

Significant assumptions and judgements are also required to estimate the total contract costs, as well as the recoverable variation works that will affect the contract revenue. In making these estimates, management has relied on past experience and the work of specialists. If the total construction costs to be incurred increased/decreased by 5% from management's estimates, the Target Group's profit before tax will decrease/ increase by SGD2,182,234, SGD7,937,785 and SGD17,915,688 for the years ended 31 December 2013, 2014 and 2015.

(ii) Loans and receivables

Management reviews its loans and receivables for objective evidence of impairment at least once a year. Significant financial difficulties of the debtor, the probability that the debtor will enter bankruptcy, and default or significant delay in payments are considered objective evidence that a receivable is impaired. In determining this, management has made judgements as to whether there is observable data indicating that there has been a significant change in the payment ability of the debtor, or whether there have been significant changes with adverse effect in the technological, market, economic or legal environment in which the debtor operates in.

Where there is objective evidence of impairment, management has made judgements as to whether an impairment loss should be recorded as an expense. In determining this, management has used estimates based on historical loss experience for assets with similar credit risk characteristics.

Based on the management's assessment's assessment of the credit history of its customers and also that of the market conditions, it was determined that no allowance for impairment was required.

(iii) Fair value estimation on unquoted equity investments

The Target Group holds available-for-sale equity investments in property development companies. These equity investments are not traded in an active market. The fair value of these investments is determined by using estimate in dividend discount model of which the assumptions are based on the estimated future dividend plan of the underlying investments.

If the discount rate used in the dividend discount model had been higher/lower by 1% from management's estimates, the Target Group's carrying amount of financial assets and available-for-sale financial assets for 31 December 2013, 2014 and 2015 would have been lower/higher by SGD266,604, SGD194,271 and SGD256,119 respectively.

If the dividend used in the dividend discount model had been higher/lower by 5% from management's estimates, the Target Group's carrying amount of financial assets and available-for-sale financial assets for 31 December 2013, 2014 and 2015 would have been higher/lower by SGD643,860, SGD792,623 and SGD610,437 respectively.

(iv) Income tax

The Target Group is subject to income taxes in Singapore. Significant judgement is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Target Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due.

Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

5 SEGMENT INFORMATION

Operating segment is reported in a manner consistent with the internal reporting provided to the chief operating decision-maker which is the Board of Directors.

The directors review the performance of the Target Group's operations mainly from business segment perspective. The Target Group is operated into two main business segments, namely (i) construction and (ii) investment. The construction segment is engaged in the business of provision of construction service and the investment segment's principal activity is financial investment in property development projects. Geographically, management manage and monitor in one geographic area namely, Singapore.

The following tables present segment sales, segment profit, depreciation and capital expenditure as at 31 December 2013, 2014 and 2015 respectively.

Year ended 31 December 2013

	Construction segment *SGD*	**Investment segment** *SGD*	**Total** *SGD*
Sales			
Sales to external parties	66,168,880	—	66,168,880
Finance income	—	1,872,012	1,872,012
Total segment sales	66,168,880	1,872,012	68,040,892
Adjusted segment profit	1,293,430	457,733	1,751,163
Depreciation	220,084	—	220,084
Capital expenditure	806,969	—	806,969

Year ended 31 December 2014

	Construction segment *SGD*	**Investment segment** *SGD*	**Total** *SGD*
Sales			
Sales to external parties	119,579,216	—	119,579,216
Finance income	—	1,647,812	1,647,812
Total segment sales	119,579,216	1,647,812	121,227,028
Adjusted segment profit/(loss)	12,807,057	(44,123)	12,762,934
Depreciation	1,360,379	—	1,360,379
Capital expenditure	2,038,761	—	2,038,761

Year ended 31 December 2015

	Construction segment *SGD*	**Investment segment** *SGD*	**Total** *SGD*
Sales			
Sales to external parties	219,359,080	—	219,359,080
Other income			
— Finance income	—	2,806,270	2,806,270
— Dividend income	—	9,285,000	9,285,000
— Performance bonus	—	2,403,723	2,403,723
	—	14,494,993	14,494,993
Total segment sales	219,359,080	14,494,993	233,854,073
Adjusted segment profit	27,967,721	12,526,535	40,494,256
Depreciation	786,220	—	786,220
Capital expenditure	583,193	—	583,193

Capital expenditure comprises additions to property, plant and equipment.

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

	2013 *SGD*	2014 *SGD*	2015 *SGD*
Adjusted segment profit for reportable segments	1,751,163	12,762,934	40,494,256
Elimination	—	—	(4,620,000)
Profit before income tax	1,751,163	12,762,934	35,874,256

The Target Group's directors assess the performance of the Target Group based on the profit before income tax of the Target Group as a whole. The adjusted profit or loss before income tax has been fully allocated to construction and investment segment except inter-segment transaction is excluded from such measurement.

The following tables present segment assets and liabilities as at 31 December 2013, 2014 and 2015 respectively.

Year ended 31 December 2013

	Construction segment *SGD*	Investment segment *SGD*	Total *SGD*
Segment assets	75,666,495	40,532,499	116,198,994
Segment liabilities	33,335,937	25,776,243	59,112,180

Year ended 31 December 2014

	Construction segment *SGD*	Investment Segment *SGD*	Total *SGD*
Segment assets	106,686,922	46,339,884	153,026,806
Segment liabilities	60,378,942	27,959,135	88,338,077

Year ended 31 December 2015

	Construction segment *SGD*	Investment segment *SGD*	Total *SGD*
Segment assets	149,827,674	64,740,901	214,568,575
Segment liabilities	91,839,263	49,575,985	141,415,248

Segment assets exclude intra-group balances and other unallocated head office assets as these assets are managed on a group basis.

Segment liabilities exclude intra-group balances and other unallocated head office liabilities as these liabilities are managed on a group basis.

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

	2013	2014	2015
	SGD	*SGD*	*SGD*
Segment assets	116,198,994	153,026,806	214,568,575
Unallocated	—	—	9,440,207
Elimination	(25,902,954)	(21,454,359)	(89,167,788)
Total assets	90,296,040	131,572,447	134,840,994

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

	2013	2014	2015
	SGD	*SGD*	*SGD*
Segment liabilities	59,112,180	88,338,077	141,415,248
Elimination	(25,402,954)	(20,954,359)	(44,009,340)
Total liabilities	33,709,226	67,383,718	97,405,908

For the financial year ended 31 December 2013, 2014 and 2015, revenue of approximately SGD66,163,883, SGD116,480,831, and SGD178,674,930 representing 99.9%, 97.4%, and 81.5% of the Target Group's total revenue, was derived from one single external customer for the respective years. These revenues are attributable to the construction segment.

6 REVENUE

	2013	2014	2015
	SGD	*SGD*	*SGD*
Construction income	66,168,880	119,579,216	219,359,080

7 OTHER INCOME

	2013	2014	2015
	SGD	*SGD*	*SGD*
Rental income			
— Workers dormitory	—	2,457,341	2,700,684
— Tool and equipment	1,205	29,351	112,824
	1,205	2,486,692	2,813,508
Dividend income	20,431	26,910	9,285,000
Management fee income	360,000	607,071	466,667
Performance bonus	—	—	2,403,723
Others	526,265	496,136	627,495
	907,901	3,616,809	15,596,393

For the financial year ended 31 December 2015, dividend income were derived from the Target Group's investments in Qingjian Realty (Sengkang) Pte Ltd and Qingjian Realty (Punggol Central) Pte Ltd ("Pungol Central"). These investments are classified as available-for-sale financial assets.

For the financial year ended 31 December 2015, the performance bonus was from Punggol Central related to the construction and development of a private condominium project. The performance bonus was based on the principle of shared responsibilities of the management among the shareholders and approved by the Board of Directors of Punggol Central.

8 OTHER GAINS/(LOSSES) — NET

	2013	2014	2015
	SGD	*SGD*	*SGD*
Gain/(loss) on disposal of property, plant and equipment	48,197	(3,148)	(13,790)
Gain on sale of available-for-sale investments	11,663	1,621	247,122
Property, plant and equipment written off	—	—	(12,084)
	59,860	(1,527)	221,248

9 EXPENSES BY NATURE

	2013	2014	2015
	SGD	*SGD*	*SGD*
Contractor and material costs net of changes in construction contract work-in-progress included in "Cost of sales"	59,303,372	101,177,331	185,798,700
Travel and entertainment expenses	224,935	244,591	153,652
Depreciation *(Note 13)*:			
— Depreciation of owned assets	171,111	1,298,276	735,993
— Depreciation of assets under finance leases	48,973	62,103	50,227
	220,084	1,360,379	786,220
Amortisation of intangible assets *(Note 14)*	5,600	5,600	15,600
Employee compensation *(Note 10)*	8,086,740	10,528,195	14,357,259
Donations	—	—	3,244
Professional fees	630	17,077	120,940
Auditors' remuneration			
— Audit services	30,000	33,000	45,000
— Non-audit services	4,521	10,000	10,000
Rental expenses on operating leases	466,906	1,800,179	2,910,887
Other expenses	17,875	542,222	314,721
Total cost of sales and administrative expenses	68,360,663	115,718,574	204,516,223

10 EMPLOYEE COMPENSATION

	2013	2014	2015
	SGD	*SGD*	*SGD*
Directors' fees, employee's wages and salaries	7,756,732	10,093,769	13,884,981
Employer's contributions to defined contribution plans including Central Provident Fund	262,938	331,850	368,216
Other staff benefits	67,070	102,576	104,062
	8,086,740	10,528,195	14,357,259

11 FINANCE INCOME/(COSTS) — NET

	2013	2014	2015
	SGD	*SGD*	*SGD*
Finance income			
Interest income from:			
— fixed deposits	108	2,628	—
— Qingdao Bohai Construction Group Co., Ltd.	—	5,517,633	3,787,420
— associated companies	521,510	727,997	675,066
— other related parties	1,350,502	919,815	2,131,204
	1,872,120	7,168,073	6,593,690
Finance costs			
Interest expenses on finance leases wholly repayable within 5 years	(3,841)	(4,365)	(4,204)
Interest expenses on bank borrowings wholly repayable within 5 years	(241,492)	(1,562,314)	(934,048)
Interest expense on loan from a director of a subsidiary	—	(364,625)	(343,621)
	(245,333)	(1,931,304)	(1,281,873)
Finance income/(costs) — net	1,626,787	5,236,769	5,311,817

12 INCOME TAX EXPENSE

	2013	2014	2015
	SGD	*SGD*	*SGD*
Tax expense attributable to profit is made up of:			
— Profit for the financial year:			
Current income tax	160,287	1,858,585	3,883,687
Deferred income tax *(Note 19)*	28,600	62,474	(68,833)
	188,887	1,921,059	3,814,854
— (Over)/Under provision in prior financial year:			
Current income tax	(2,372)	(109,606)	53,118
	186,515	1,811,453	3,867,972

The tax on the Target Group's profit before income tax differs from the theoretical amount that would arise using the tax rate of 17% prevailing in Singapore as follows:

	2013	2014	2015
	SGD	*SGD*	*SGD*
Profit before income tax	1,751,163	12,762,934	35,874,256
Tax calculated at domestic tax rates (17%)	297,698	2,169,699	6,098,624
— expenses not deductible for tax purposes	164,821	197,063	328,576
— income not subject to tax	(35,890)	(54,104)	(1,578,450)
— further deduction under productivity and innovation credit scheme	(162,617)	(261,620)	(755,239)
— income exempted under partial tax rebate scheme	(72,729)	(127,453)	(153,562)
— over provision in prior year	(4,768)	(109,606)	(76,228)
— others	—	(2,526)	4,251
Income tax expense	186,515	1,811,453	3,867,972

13 PROPERTY, PLANT AND EQUIPMENT

	Tools and equipment *SGD*	Plant & machinery *SGD*	Office furniture & equipment *SGD*	Motor vehicles *SGD*	Workers Dormitory *SGD*	Total *SGD*
Cost:						
At 1 January 2013	—	194,500	39,400	632,932	—	866,832
Additions	415,080	91,500	61,523	238,866	—	806,969
Disposals	—	(43,000)	—	(143,976)	—	(186,976)
At 31 December 2013	415,080	243,000	100,923	727,822	—	1,486,825
Accumulated depreciation:						
At 1 January 2013	—	33,517	13,738	457,019	—	504,274
Depreciation charge for the year	94,424	45,625	12,606	67,429	—	220,084
Disposals/write-off	—	(25,083)	—	(139,590)	—	(164,673)
At 31 December 2013	94,424	54,059	26,344	384,858	—	559,685
Net book value:						
At 31 December 2013	320,656	188,941	74,579	342,964	—	927,140
Cost:						
At 1 January 2014	415,080	243,000	100,923	727,822	—	1,486,825
Additions	812,990	20,900	47,840	50,468	1,106,563	2,038,761
Disposals/write-off	(58,596)	—	—	(29,742)	—	(88,338)
At 31 December 2014	1,169,474	263,900	148,763	748,548	1,106,563	3,437,248
Accumulated depreciation:						
At 1 January 2014	94,424	54,059	26,344	384,858	—	559,685
Depreciation charge for the year	237,407	54,308	22,083	98,098	948,483	1,360,379
Disposals/write-off	(26,042)	—	—	(8,427)	—	(34,469)
At 31 December 2014	305,789	108,367	48,427	474,529	948,483	1,885,595
Net book value:						
At 31 December 2014	863,685	155,533	100,336	274,019	158,080	1,551,653
Cost:						
At 1 January 2015	1,169,474	263,900	148,763	748,548	1,106,563	3,437,248
Additions	283,283	132,000	7,910	160,000	—	583,193
Disposals/write-off	(569,514)	—	—	(359,622)	(1,106,563)	(2,035,699)
At 31 December 2015	883,243	395,900	156,673	548,926	—	1,984,742
Accumulated depreciation:						
At 1 January 2015	305,789	108,367	48,427	474,529	948,483	1,885,595
Depreciation charge for the year	461,767	51,263	28,471	86,639	158,080	786,220
Disposals/write-off	(221,599)	—	—	(252,846)	(1,106,563)	(1,581,008)
At 31 December 2015	545,957	159,630	76,898	308,322	—	1,090,807
Net book value:						
At 31 December 2015	337,286	236,270	79,775	240,604	—	893,935

The carrying amounts of the Target Group's machinery and motor vehicles under finance leases were SGD213,750, SGD151,647 and SGD29,205 as at 31 December 2013, 2014 and 2015 respectively.

Included within additions in the consolidated financial information were motor vehicles acquired under finance leases amounting to SGD65,650, nil and nil for the years ended 31 December 2013, 2014 and 2015 respectively.

Depreciation expense of SGD193,769, SGD213,809 and SGD116,069 has been charged in 'cost of sales' and SGD26,315, SGD1,146,570 and SGD670,151 has been charged in 'administrative expenses' for the year ended 31 December 2013, 2014 and 2015 each respectively.

14 INTANGIBLE ASSETS

	2013	2014	2015
	SGD	*SGD*	*SGD*
Acquired computer software license and club membership			
Cost:			
At beginning of year	—	28,000	28,000
Additions	28,000	—	100,000
At end of year	28,000	28,000	128,000
Accumulated amortisation:			
At beginning of year	—	5,600	11,200
Amortisation for the year	5,600	5,600	15,600
At end of year	5,600	11,200	26,800
Net book amounts:	22,400	16,800	101,200

Intangible assets consist of computer software license and club membership which are amortised to 'administrative expenses' using straight-line method over their estimated useful lives.

15 INVESTMENTS IN SUBSIDIARIES — TARGET COMPANY

During the year ended 31 December 2015, the Target Company has acquired Welltech Construction Pte Ltd at a purchase consideration of SGD$47,317,967. Details please refer to Note 1.2.

As at 31 December 2013, 2014, 2015 and up to the date of this report, the details of the Target Group's subsidiaries are as follows:

Name of companies	Principal activities	Place of incorporation and operation	Date of incorporation	Particulars of issued share capital	Effective equity interest held by the Target Group		
					2013	2014	2015
					%	%	%
Directly held:							
Welltech Construction Pte Ltd[(a)]	Construction company	Singapore	19 February 1987	SGD35,000,000	—	—	100
Indirectly held:							
Bohai Investment (S) Group Pte Ltd[(a)&(b)]	Investment holding	Singapore	21 October 2011	SGD10	50	50	50
Welltech Trading Pte Ltd[(a)]	Trading and letting of tools and equipment	Singapore	1 March 2013	SGD100,000	70	70	70
Bohai Service Pte Ltd[(a)]	Lease of workers dormitory	Singapore	12 December 2013	SGD100,000	—	80	80
Bohai Investments (Punggol) Pte Ltd[(a)]	Investment holding	Singapore	4 November 2011	SGD10	100	100	100
Bohai Investments (Sengkang) Pte Ltd[(a)]	Investment holding	Singapore	4 November 2011	SGD10	100	100	100
Bohai Investments (Punggol Central) Pte Ltd[(a)]	Investment holding	Singapore	4 November 2011	SGD10	100	100	100
BH Investments (Woodlands) Pte Ltd[(a)]	Investment holding	Singapore	23 January 2013	SGD10	100	100	100

(a) Audited by PricewaterhouseCoopers LLP, Singapore for the years ended 31 December 2014 and 2015. Audited by Teh Kwi Huat & Co for the year ended 31 December 2013

(b) The Target Group has control over this entity due as the Target Group has rights to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

Summarised financial information of subsidiaries with material non-controlling interests

	As at 31 December		
	2013	**2014**	**2015**
	SGD	*SGD*	*SGD*
Total non-controlling interest balance	2,620,135	4,234,095	1,250,116

Set out below are the summarised financial information for a subsidiary — Bohai Investment (S) Group Pte Ltd that has material non-controlling interests to the Target Group. These are presented before inter-company eliminations.

Summarised statement of financial position

	As at 31 December		
	2013	**2014**	**2015**
	SGD	*SGD*	*SGD*
Current			
Assets	26,956,976	29,191,050	50,645,785
Liabilities	(25,776,243)	(27,959,135)	(49,575,985)
Total current net assets	1,180,733	1,231,915	1,069,800
Non-current			
Assets	13,575,523	17,148,834	14,095,116
Total net non-current assets	13,575,523	17,148,834	14,095,116
Net assets	14,756,256	18,380,749	15,164,916

Summarised statement of comprehensive income

	For the financial year ended 31 December		
	2013	**2014**	**2015**
	SGD	*SGD*	*SGD*
Revenue	—	—	—
Other income	1,832,887	1,647,812	14,343,864
Profit/(loss) before income tax	457,733	(44,123)	12,526,535
Income tax expense	(76,062)	(47,010)	(496,707)
Net profit/(loss) after income tax	381,671	(91,133)	12,029,828
Other comprehensive income	3,261,224	2,975,252	(3,643,718)
Total comprehensive income	3,642,895	2,884,119	8,386,110
Total comprehensive income allocated to non-controlling interests	1,812,448	1,442,060	4,193,055
Dividends declared to non-controlling interests	—	—	7,380,000

Summarised cash flows

	For the financial year ended 31 December		
	2013	**2014**	**2015**
	SGD	*SGD*	*SGD*
Cash flows from operating activities			
Cash generated from/(used in) operations	1,797,710	(487,263)	(10,686,843)
Income tax paid	(74,462)	(78,536)	(57,789)
Net cash generated from/(used in) operating activities	1,723,248	(565,799)	(10,744,632)
Net cash generated from/(used in) investing activities	992,083	(257,286)	2,960,261
Net cash (used in)/generated from financing activities	(2,533,680)	1,210,000	8,070,967
Net increase in cash and cash equivalents	181,651	386,915	286,596
Cash and cash equivalents at beginning of year	85,274	266,925	653,840
Cash and cash equivalents at end of year	266,925	653,840	940,436

16 INVESTMENT IN A JOINT VENTURE

	2013	**2014**	**2015**
	SGD	*SGD*	*SGD*
As at 1 January	1,276,298	2,626,423	—
Share of profits	1,350,125	250,495	—
Dividend declared	—	(2,876,918)	—
As at 31 December	2,626,423	—	—

Name of companies	Principal activities	Place of incorporation and operation	Date of incorporation	Particulars of issued share capital	Effective equity interest held by the Target Group		
					2013	2014	2015
					%	%	%
Welltech Construction Pte. Ltd and Capital Trust Pte. Ltd ("WCPL-CTPL")	Building construction	Singapore	8 August 2011	SGD1,000,000	51	51	51

The summarised financial information of the joint venture is as follows:

Summarised statement of financial position

	WCPL-CTPL		
	As at 31 December		
	2013	**2014**	**2015**
	SGD	*SGD*	*SGD*
Current assets	11,586,943	8,598,850	6,956,424
Includes:			
— Financial assets (excluding trade receivables)	8,579,407	5,345,597	3,766,640
Current liabilities	6,437,094	8,598,850	6,956,424
Includes:			
— Other current liabilities (including trade payables)	6,437,094	8,598,850	6,956,424
Net assets	5,149,849	—	—
Dividend declared	—	5,641,016	—

Summarised statement of comprehensive income

	For the year ended 31 December		
	2013	**2014**	**2015**
	SGD	*SGD*	*SGD*
Revenue	45,472,421	8,436,715	—
Cost of sales	(42,825,117)	(7,945,548)	—
Expenses	—	—	—
Profit before income tax	2,647,304	491,167	—
Income tax expense	—	—	—
Net profit representing total comprehensive income	2,647,304	491,167	—

The information above reflects the amounts presented in the financial statements of the joint venture (and not the Target Group's share of those amounts) adjusted for differences in accounting policies between the Target Group and the joint venture.

Reconciliation of summarised financial information

Reconciliation of the summarised financial information presented to the carrying amount of the Target Group's interest in joint venture is as follows:

	As at 31 December		
	2013	**2014**	**2015**
	SGD	*SGD*	*SGD*
Net Assets			
At 1 January	2,502,545	5,149,849	—
Profit for the period, representing total comprehensive income	2,647,304	491,167	—
At 31 December	5,149,849	5,641,016	—
Interest in joint venture (51%)	2,626,423	2,876,918	—
Dividend receivable from the joint venture	—	(2,876,918)	—
Carrying value	2,626,423	—	—

17 INVESTMENTS IN ASSOCIATED COMPANIES

	Target Group		
	2013	**2014**	**2015**
	SGD	*SGD*	*SGD*
Unlisted investments,	300,040	298,313	98,059
Share of post-acquisition loss	(1,727)	(200,254)	(98,059)
Equity investments	298,313	98,059	—

As at 31 December 2013, 2014 and 2015, the unrecognised losses in the associated companies of the Target Group are SGD13,424, SGD619,548 and SGD291,491 respectively due to the fact that the accumulative losses shared by the Target Group has exceeded the investment cost.

Set out below are the associated companies of the Target Group as at 31 December 2013, 2014 and 2015. The directors are of the opinion that the associated companies are immaterial to the Target Group individually. Accordingly, only the aggregated summarised financial information of the associated companies is disclosed.

The associated companies as listed below have share capital consisting solely of ordinary shares, which are held directly by the Target Group; the country of incorporation is also their principal place of business.

Name of companies	Principal activities	Place of incorporation and operation	Date of incorporation	Particulars of issued share capital	Effective equity interest held by the Target Group		
					2013	2014	2015
					%	%	%
BH-ZACD (Tuas bay) Development Pte Ltd	Property development	Singapore	16 May 2013	SGD300,000	30	30	30
BH-ZACD (Woodlands) Development Pte Ltd	Property development	Singapore	22 January 2013	SGD40	40	40	40

The summarised financial information of the associated companies is as follows:

Summarised statement of financial position

	As at 31 December		
	2013	**2014**	**2015**
	SGD	*SGD*	*SGD*
Current assets	85,405,999	107,202,850	167,418,265
Current liabilities	4,435,185	28,548,419	130,544,933
Non-current assets	—	—	—
Non-current liabilities	80,009,900	79,909,900	39,189,900
Net assets/(liabilities)	960,914	(1,255,469)	(2,316,568)

Summarised statement of comprehensive income

	For the year ended 31 December		
	2013	**2014**	**2015**
	SGD	*SGD*	*SGD*
Interest income	45	83	72,700
Expenses	(39,230)	(2,216,466)	(1,133,798)
Loss before income tax	(39,185)	(2,216,383)	(1,061,098)
Income tax expense	—	—	—
Net loss	(39,185)	(2,216,383)	(1,061,098)

The information above reflects the amounts presented in the financial statements of the associates (and not the Target Group's share of those amounts), adjusted for differences in accounting policies between the Target Group and the associated companies.

18 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	For the year ended 31 December		
	2013	**2014**	**2015**
	SGD	*SGD*	*SGD*
Beginning of financial year	10,204,892	13,571,507	16,290,121
Additions	113,226	92,546	200,000
Disposals	(41,123)	(397,754)	(437,659)
Fair value gains recognised in other comprehensive income *(Note 26)*	3,294,512	3,023,822	(3,843,718)
End of financial year	13,571,507	16,290,121	12,208,744

	As at 31 December		
	2013	**2014**	**2015**
	SGD	*SGD*	*SGD*
Available-for-sale investments:			
Quoted investments — equity securities			
— Listed in Malaysia	305,207	—	—
— Listed in Singapore	389,090	437,659	—
	694,297	437,659	—
Unquoted investments — equity securities	12,877,210	15,852,462	12,208,744
	13,571,507	16,290,121	12,208,744

The fair value of quoted investments included in the available-for-sale ("AFS") financial assets are determined by reference to their published market bid price at the end of the reporting period.

Unquoted investments which comprise equity investments in the property development companies ("AFS Companies") are carried at fair value at each reporting period which is determined using dividend discount model of which the assumptions are based on estimated future dividend plan of the underlying investments as disclosed in Note 3.3. An adjusted cost of equity of 17.3%, 14.4% and 15.1% for the year ended 31 December 2013, 2014 and 2015 was used to discount the expected dividends. The adjustment was made as the AFS Companies are not publicly traded.

Investments in available-for-sale financial assets were denominated in SGD.

19 DEFERRED INCOME TAXES

The analysis of deferred tax assets and deferred tax liabilities is as follows:

	As at 31 December		
	2013	**2014**	**2015**
	SGD	*SGD*	*SGD*
Deferred tax liabilities			
— to be settled after one year	69,226	128,322	34,641

Movements in deferred income tax accounts during the Relevant Periods are as follows:

	Year ended 31 December		
	2013	**2014**	**2015**
	SGD	*SGD*	*SGD*
At 1 January			
Charged/(credited) to	36,950	69,226	128,322
— profit and loss *(Note 12(a))*	28,600	62,474	(68,833)
— other comprehensive income *(Note 26)*	3,676	(3,378)	(24,848)
At 31 December	69,226	128,322	34,641

Deferred income tax assets are recognised to the extent that the realisation of the related tax benefit through the future taxable profit is probable.

The movements in deferred income tax liabilities (prior to offsetting of balances within the same tax jurisdiction) are as follows:

	Accelerated tax depreciation	**Fair value gains — net**	**Total**
	SGD	*SGD*	*SGD*
2013			
As at 1 January	12,400	24,550	36,950
Charged to			
— profit or loss	28,600	—	28,600
— other comprehensive income	—	3,676	3,676
As at 31 December	41,000	28,226	69,226
2014			
As at 1 January	41,000	28,226	69,226
Charged/(credited) to			
— profit or loss	62,474	—	62,474
— other comprehensive income	—	(3,378)	(3,378)
As at 31 December	103,474	24,848	128,322
2015			
As at 1 January	103,474	24,848	128,322
Charged/(credited) to			
— profit or loss	(68,833)	—	(68,833)
— other comprehensive income	—	(24,848)	(24,848)
As at 31 December	34,641	—	34,641

20 AMOUNTS DUE FROM CUSTOMERS FOR CONTRACT WORK-IN-PROGRESS

	2013	2014	2015
	SGD	*SGD*	*SGD*
Aggregate costs incurred and profits (less losses) recognised to date on uncompleted construction contracts	52,292,807	172,726,242	389,759,274
Less: progress billings to date	(52,260,008)	(170,903,737)	(389,405,732)
Amounts due from customers for contract work-in-progress	32,799	1,822,505	353,542

21 TRADE RECEIVABLES

	2013	2014	2015
	SGD	*SGD*	*SGD*
Trade receivables			
—Related parties	—	3,227,134	18,904,332
—Non-related parties	16,584,686	14,663,807	23,383,719
Retentions	87,500	87,500	625,950
Good and Services Tax ("GST") receivable	57,680	—	—
	16,729,866	17,978,441	42,914,001

The ageing analysis of trade receivables (exclude retention and GST) as at 31 December 2013, 2014 and 2015 based on invoice date is as follows:

	2013	2014	2015
	SGD	*SGD*	*SGD*
0–30 days	16,584,686	16,631,818	33,936,813
31–60 days	—	1,259,123	—
61–90 days	—	—	8,351,238
	16,584,686	17,890,941	42,288,051

As at 31 December 2013, 2014 and 2015, no collateral have been received from customers in respect of the above trade receivables.

Trade receivables were denominated in SGD.

22 PREPAYMENTS AND OTHER RECEIVABLES

	Target Group			Target Company
	2013	2014	2015	2015
	SGD	*SGD*	*SGD*	*SGD*
Interest receivable from:				
— Qingdao Bohai Construction Group Co., Ltd	—	5,628,007	9,415,426	9,415,426
— Associated companies	521,510	1,249,506	1,924,573	—
— Other related parties	1,861,926	2,539,027	4,045,598	—
Dividend receivable from:				
— Other related parties	—	—	9,285,000	—
— Subsidiary	—	—	—	2,659,519
Other receivables				
— Qingdao Bohai Construction Group Co., Ltd	—	—	24,780	24,780
— Other related parties	2,081,510	1	2,520,724	1
— Non-related parties	768,707	905,962	946,146	—
Advances from staffs	22,510	22,100	27,400	—
Prepayments	645,619	860,019	484,735	—
Refundable deposits	59,130	121,037	187,102	—
	5,960,912	11,325,659	28,861,484	12,099,726

Other receivables from Qingdao Bohai Construction Group Co., Ltd and other related parties were unsecured, interest-free and repayable on demand. Advances from staffs were unsecured, interest-free and repayable upon reimbursement.

Other receivables were denominated in SGD.

23 LOAN RECEIVABLES

	2013	2014	2015
	SGD	*SGD*	*SGD*
Current			
Loans to:			
— Qingdao Bohai Construction Group Co., Ltd	—	47,342,747	—
— Associated companies	—	800,000	4,799,960
— Other related parties	16,000,000	495,000	2,200,000
	16,000,000	48,637,747	6,999,960
Non-Current			
Loans to:			
— Associated companies	10,399,960	9,599,960	4,800,000
— Other related parties	13,848,716	13,853,716	20,397,428
	24,248,676	23,453,676	25,197,428
Total loans	40,248,676	72,091,423	32,197,388

As at 31 December 2014, loan to Qingdao Bohai Construction group Co., Ltd bore interest at 12% per annum and was unsecured and receivable on demand.

The loans to other related parties and associated company bore interest as at 31 December 2013, 2014 and 2015 at 2.18% to 7.22%, 5.00% to 12.00%, and 5.00% to 8.00% each per annum respectively and were unsecured and not expected to be repaid within 1 year, except for the current portions which were expected to be repaid within 1 year.

Loan receivables were denominated in SGD.

The fair value of non-current loan receivables are computed based on cash flows discounted at market borrowing rates. The fair values are within Level 2 of the fair values hierarchy. The fair values and the market borrowing rates used are as follows:

	2013	**2014**	**2015**
	SGD	*SGD*	*SGD*
Non-Current			
Loans to:			
— Associated companies	10,764,875	10,703,118	4,905,068
— Other related parties	14,109,735	14,095,038	21,086,704
	24,874,610	24,798,156	25,991,772
Borrowing rates	5.38%	5.35%	5.35%

24 CASH AND CASH EQUIVALENTS

	2013	**2014**	**2015**
	SGD	*SGD*	*SGD*
Cash and bank balances	9,878,004	10,397,786	17,310,700
Denominated in the following currencies:			
Singapore Dollars	9,496,858	10,394,995	17,309,421
Malaysian Ringgit	379,856	—	—
United States Dollars	1,290	2,791	1,279
	9,878,004	10,397,786	17,310,700

25 SHARE CAPITAL

The Target Company was incorporated in BVI on 2 January 2015. Subsequent to the incorporation, the Target Company issued one share with a par value of US$1.00 to Sino Concord Ventures Limited.

The holders of ordinary shares are entitled to receive dividends as and when they are declared by the Board of Directors and approved by the shareholders. Each ordinary share carries one vote per share without restrictions.

	Number of shares	**Amount SGD**
As at 31 December 2015	1	1

As at 31 December 2015, the Target Company's is solely held by Sino Concord Ventures Limited.

26 OTHER RESERVES

	Target Group		
	2013	**2014**	**2015**
	SGD	*SGD*	*SGD*
(a) Fair value reserve			
Beginning of financial year	9,332,772	10,981,333	12,452,466
Available-for-sale financial assets			
— Fair value gains/(loss) *(Note 18)*	3,294,512	3,023,822	(3,843,718)
— Tax on fair value gains *(Note 19)*	(5,659)	(8,257)	—
Less: non-controlling interests	(1,630,612)	(1,487,626)	1,921,859
	1,658,241	1,527,939	(1,921,859)
— Reclassification to profit or loss upon disposal	(11,663)	(68,441)	(243,090)
— Tax on reclassification *(Note 19)*	1,983	11,635	24,848
	(9,680)	(56,806)	(218,242)
End of financial year	10,981,333	12,452,466	10,312,365

(b) Capital reserve

Capital reserve represents the difference between the share capital of Welltech Construction Pte. Ltd. and the investment costs paid by New Chic International Limited as disclosed in Note 1.2 above.

27 TRADE PAYABLES

	2013	**2014**	**2015**
	SGD	*SGD*	*SGD*
Trade payable to:			
—Non-related parties	12,234,391	14,139,152	30,069,886
—Related parties	174,066	2,613,777	2,732,643
Retention payable			
—Non-related parties	6,949,121	8,973,157	13,678,075
—Related parties	144,668	25,002	25,002
Good and Services Tax ("GST") payable	—	46,963	479,576
	19,502,246	25,798,051	46,985,182

The general credit terms granted by the suppliers to settle payables ranged from 30 days to 60 days during the relevant periods.

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

	2013	**2014**	**2015**
	SGD	*SGD*	*SGD*
0–30 days	12,355,934	16,523,351	32,793,534
31–60 days	52,523	229,578	8,995
	12,408,457	16,752,929	32,802,529

28 OTHER PAYABLES

	Target Group			Target Company
	2013	2014	2015	2015
	SGD	*SGD*	*SGD*	*SGD*
Other payables to:				
— Non-related parties	2,319,069	475,831	539,726	—
— Shareholder of the joint venture	6,689,038	1,482,371	750,163	—
— Subsidiary	—	—	—	47,317,967
Interest payable to a director of a subsidiary	—	356,622	—	—
Advances from Qingdao Bohai Construction group Co., Ltd.	3,601,389	—	—	—
Accruals	986,485	2,142,665	1,841,723	—
Dividend payables	—	2,881,923	7,380,000	—
Provision for staff leave	76,000	76,000	76,000	—
	13,671,981	7,415,412	10,587,612	47,317,967

As at 31 December 2015, other payables to subsidiary bore interest at 8% per annum. It was unsecured, interest free and repayable within one year from the end of financial year.

29 BORROWINGS

	2013	2014	2015
	SGD	*SGD*	*SGD*
Current			
Bank borrowings			
—Borrowing A — Secured *(Note b (i))*	—	—	11,400,000
—Borrowing B — Secured *(Note b (ii))*	—	20,000,000	—
—Borrowing C — Secured *(Note b (iii))*	—	5,000,000	—
Loan from a director of a subsidiary *(Note a)*	—	7,515,000	—
	—	32,515,000	11,400,000
Non-current			
Bank borrowings			
— Borrowing A — Secured *(Note b (i))*	—	—	24,600,000
	—	—	24,600,000
Total borrowings	—	32,515,000	36,000,000

(a) During the year ended 31 December 2014 and 2015, the loan from a director of a subsidiary bore interest at 5%–7% per annum and was unsecured and payable on demand. The loan from a director of a subsidiary was fully repaid during the year ended 31 December 2015.

(b) The details of bank borrowings are as follows:

(i) During the year ended 31 December 2015, bank borrowing A of SGD 36,000,000 bore interest at 4.90% per annum and is secured over land use rights and a hotel resort project under construction of an affiliated subsidiary of Qingdao Bohai Construction Group Co. Ltd in the People Republic of China. Included within the total bank borrowing amount, SGD11,400,000 will be payable within one year, SGD18,200,000 will be payable within one to two years, and the remaining SGD6,400,000 will be payable in July 2018.

(ii) During the year ended 31 December 2014, bank borrowing B of SGD 20,000,000 bore interest at 1.75% per annum over the prevailing Singapore Interbank Offered Rate ("SIBOR") and was secured by the letter of credit issued by a bank. The letter of credit is guaranteed by Qingdao Bohai Construction Group Co. Ltd in the People's Republic of China.

(iii) During the year ended 31 December 2014, bank borrowing C of SGD 5,000,000 bore interest at 5.00% per annum and is secured by a corporate guarantee provided by a fellow subsidiary, Guotsing Holding (South Pacific) Investment Pte Ltd.

The exposure of the borrowings of the Target Group to interest rate changes and the contractual re-pricing dates at the statement of financial position date are follows:

	2013	**2014**	**2015**
	SGD	*SGD*	*SGD*
Fixed rate	—	12,515,000	36,000,000
Floating rate			
— Less than 1 year	—	20,000,000	—
Total	—	32,515,000	36,000,000

(c) Fair value of non-current borrowings

	2013	**2014**	**2015**
	SGD	*SGD*	*SGD*
Bank borrowings	—	—	24,896,092

The fair values above are determined from the cash flow analyses at the statement of financial position date which the directors expect to be available to the Target Group as follows:

	2013	**2014**	**2015**
	SGD	*SGD*	*SGD*
Bank borrowings	—	—	5.35%

30 FINANCE LEASE LIABILITIES

The Target Group leases motor vehicles from non-related parties under finance leases. The lease agreements do not have renewal clauses but provide the Target Group with options to purchase the leased assets at nominal values at the end of the lease term.

	2013	**2014**	**2015**
	SGD	*SGD*	*SGD*
Minimum lease payments due:			
Not later than 1 year	41,196	41,196	26,820
Between 1 year and 2 years	41,196	41,196	26,820
Between 2 year and 5 years	101,726	67,235	13,410
	184,118	149,627	67,050
Less: Future finance charges	(19,483)	(21,832)	(9,775)
Present value of finance lease liabilities	164,635	127,795	57,275

The present values of finance lease liabilities are analysed as follows:

	2013	2014	2015
	SGD	*SGD*	*SGD*
Not later than 1 year	36,840	36,840	23,700
Between 1 year and 2 years	36,840	36,840	23,700
Between 2 year and 5 years	90,955	54,115	9,875
	164,635	127,795	57,275

31 DIVIDENDS

	2013	2014	2015
	SGD	*SGD*	*SGD*
Ordinary dividends			
Dividend	—	6,328,325	7,380,000

For the financial year ended 31 December 2014, dividends of SGD6,328,325 was declared and payable to the previous shareholder of Welltech Construction Pte Ltd.

For the financial year ended 31 December 2015, dividends of SGD7,380,000 was declared by a subsidiary of Welltech Construction Pte Ltd and payable to its non-controlling interest shareholders as at 31 December 2015.

32 CONTINGENCIES

The Target Group has issued corporate guarantees to banks for borrowings of certain related parties with net asset positions. These bank borrowings amount to SGD121,803,546, SGD117,284,717 and SGD136,732,378 as at 31 December 2013, 2014 and 2015 respectively.

At each period end, the Target Group does not consider it probably that a claim will be made against the Target Group under the financial guarantee contracts. Accordingly, the Target Group does not expect any net cash outflow.

33 COMMITMENTS

(a) Capital commitments

Capital expenditures contracted for at the statement of financial position date but not recognised in the financial statements, excluding those relating to investments in associated companies (Note 17) and investment in a joint venture (Note 16), are as follows:

	2013	2014	2015
	SGD	*SGD*	*SGD*
Property, plant and equipment	—	27,245	—

(b) Operating lease commitments — where the Target Group is a lessee

The Target Group leases construction equipment and office premises from non-related parties under non-cancellable operating lease agreements. The leases have varying terms, escalation clauses and renewal rights.

The future minimum lease payables under non-cancellable operating leases contracted for at the statement of financial position date but not recognised as liabilities as at 31 December 2013, 2014 and 2015, are as follows:

	2013	2014	2015
	SGD	*SGD*	*SGD*
Not later than 1 year	72,000	1,242,400	492,000
Between 1 year and 2 years	—	161,875	69,600
	72,000	1,404,275	561,600

34 IMMEDIATE AND ULTIMATE HOLDING CORPORATIONS

The Target Company's immediate holding corporation is Sino Concord Ventures Limited, incorporated in BVI. The Target Company's ultimate holding corporation is Sun East Development Limited, incorporated in BVI.

35 SIGNIFICANT RELATED PARTY TRANSACTIONS

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

Name of related parties	Relationship with the Target Group
Qingdao Bohai Construction Group Co., Ltd.	Intermediate holding company before reorganisation
Qingjian International (South Pacific) Group Development Co Pte Ltd	Other related party — A company controlled by a substantial shareholder of the Target Company
Publique Realty (Pasir Ris) Pte Ltd	Other related party — A company in which the Target Group has equity interest
Publique Realty Pte Ltd	Other related party — A company in which the Target Group has equity interest
Qingjian Realty (Choa Chu Kang) Pte Ltd	Other related party — A company in which the Target Group has equity interest
Qingjian Realty (Edgefield Plains) Pte Ltd	Other related party — A company in which the Target Group has equity interest
Qingjian Realty (Punggol Central) Pte Ltd	Other related party — A company in which the Target Group has equity interest
Qingjian Realty (SengKang) Pte Ltd	Other related party — A company in which the Target Group has equity interest
Qingjian Realty (Woodlands) Pte Ltd	Other related party — A company in which the Target Group has equity interest
Qingjian Realty (Fernvale) Pte Ltd	Other related party — A company controlled by a substantial shareholder of the Target Company
Welltech Development Pte Ltd	Other related party — A related company controlled by a director of a subsidiary of the Target Group
Welltech Investments Pte Ltd	Other related party — A related company controlled by a director of a subsidiary of the Target Group
Welltech Refrigeration Pte Ltd	Other related party — A related company controlled by a director of a subsidiary of the Target Group
Woon Tek Seng Realty Pte Ltd	Other related party — A related company controlled by a director of a subsidiary of the Target Group
Liu Luosheng	Director of a subsidiary of the Target Group
Tan Huat Ping	Director of a subsidiary of the Target Group
Lin Xiue	Director of a subsidiary of the Target Group
Ong Boon Huat	Director of a subsidiary of the Target Group

In addition to the information disclosed elsewhere in the Financial Information, the following transactions took place between the Target Group and related parties on terms agreed between the parties.

(a) Sales and purchases of goods and services

	Target Group		
	2013	**2014**	**2015**
	SGD	*SGD*	*SGD*
Interest income received from associated companies	521,150	727,997	675,066
Interest income from other related parties	1,350,502	919,815	2,131,204
Interest income from Qingdao Bohai Construction Group Co. Ltd.	—	5,517,633	3,787,420
Interest expense to a director of subsidiary	—	364,625	343,621
Provision of construction services to associate company	—	3,227,133	40,539,443
Construction costs paid to a related party	9,442,279	—	—
Performance bonus from a related party	—	—	2,403,723
Purchase of goods from related parties	—	35,637	18,464
Office rental from a related party	72,000	72,000	80,000
Management fee from a related party	—	200,000	466,667

(b) Key management personnel compensation

	Target Group		
	2013	**2014**	**2015**
	SGD	*SGD*	*SGD*
Salaries and related costs paid to directors	1,216,000	1,405,242	2,033,335
Staff benefits	75,710	81,735	16,161
Employer's contribution to Central Provident Fund for directors	8,575	11,100	19,675
Directors' fees paid to directors	96,000	239,250	132,000
	1,396,285	1,737,327	2,201,171

36 EVENTS OCCURRING AFTER STATEMENT OF FINANCIAL POSITION DATE

On 26 January 2016, the Target Company issued additional 99 shares at par value of US$1.00 each and of which 24 shares were transferred from the original shareholder, Sino Concord Ventures Limited to Rally Tech Investments Ltd at a consideration of SGD8,400,000.

On 9 May 2016, Welltech Construction acquired the remaining 50% equity interests in Bohai Investment (S) Group Pte Ltd from its non-controlling interest shareholders at a cash consideration of SGD11,857,200. Financial information of Bohai Investment (S) Group Pte Ltd for the financial year ended 31 December 2013, 2014 and 2015 is disclosed in Note 15.

III SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Target Company or any of its subsidiaries in respect of any period subsequent to 31 December 2015 up to the date of this report. No dividend or distribution has been declared or made by the Target Company or any of its subsidiaries in respect of any period subsequent to 31 December 2015.

Yours faithfully,

PricewaterhouseCoopers LLP
Public Accountants and Chartered Accountants
Singapore

As described in the paragraph headed "Waiver from Strict Compliance of the Listing Rules" in the section headed "Letter from the Board" to this circular, to comply with Rule 14.67(6)(a)(i) of the Listing Rules in respect of the accounting standards used in the preparation of the accountant's report as set out in Appendix II to this circular (the "Accountant's Report"), the Company has, as an alternative, included herein a reconciliation of the Target Group's financial information for the differences between its accounting policies under IFRS and the Company's accounting policies under HKFRS together with the explanation of those differences.

RECONCILIATION INFORMATION

Set out below is the reconciliation of the financial information of the Target Group for the years ended 31 December 2013, 2014 and 2015 (the "Relevant Periods") between those prepared under IFRS as extracted from the Accountant's Report and those prepared in accordance with the Company's accounting policies adopted in the preparation of its consolidated financial statements for the year ended 31 December 2015 as set out in the Company's 2015 annual report (the "Reconciliation Information"). The reconciliation should be read in conjunction with the Accountant's Report and the Company's 2015 annual report.

The reconciliation presents the following:

(a) the consolidated statements of comprehensive income, changes in equity and cash flows as extracted from the Accountant's Report, the restated amounts of the consolidated statements of comprehensive income, changes in equity and cash flows had they been prepared in accordance with the accounting policies presently adopted by the Company, and the required adjustments made and their explanatory notes; and

(b) the consolidated statements of financial position as extracted from the Accountant's Report, the restated amounts of the consolidated statements of financial position had they been prepared in accordance with the accounting policies presently adopted by the Company, and the required adjustments made and their explanatory notes.

RECONCILIATION PROCESS

The Reconciliation Information has been prepared by the Directors by comparing the differences between the accounting policies adopted by Target Group in accordance with IFRS on the one hand, and the accounting policies presently adopted by the Company in compliance with HKFRS on the other hand, and quantifying any relevant material financial effects of such differences. The Directors performed an assessment and believe that there are no differences in all material respects between the accounting policies adopted in the preparation of the Accountant's Report and the accounting policies presently adopted by the Company.

Your attention is drawn to the fact that the Reconciliation Information has not been subject to an independent audit. Accordingly, it may not truly and fairly present the financial positions of the Target Group as at 31 December 2013, 2014 and 2015, nor the results and cash flows for each of the Relevant Periods then ended, under the accounting policies presently adopted by the Company. Your attention is also drawn to the fact that the unaudited financial information does not constitute the first set of financial statements of the Target Group prepared in accordance with HKFRS.

PricewaterhouseCoopers Hong Kong ("PwC Hong Kong") was engaged by the Company to conduct work on the Reconciliation Information in accordance with the Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The work primarily consists of:

(a) comparing the unadjusted financial information of the Target Group set out in the column "Unadjusted Financial Information" of the Reconciliation Information with the financial information set out in the Accountant's Report;

(b) comparing the accounting policies of the Target Group as set out in the Accountant's Report and the accounting policies presently adopted by the Company as set out in its 2015 Annual Report;

(c) reviewing the adjustments, if any, made by the Directors in arriving at the restated amounts set out in the column "Unaudited Financial Information under HKFRS" of the Reconciliation Information and the evidence supporting the adjustments; and

(d) checking the arithmetic accuracy of the computation of the restated amounts set out in the column "Unaudited Financial Information under HKFRS" of the Reconciliation Information.

PwC Hong Kong's engagement did not involve an independent examination of any of the underlying financial information nor does it constitute an audit in accordance with Hong Kong Standards on Auditing. PwC Hong Kong's engagement was intended solely for the use of the directors of the Company in connection with this circular and may not be suitable for other purpose.

Based on the work performed, PwC Hong Kong has concluded that:

(a) the Unadjusted Financial Information of the Target Group has been properly extracted from the Accountant's Report;

(b) in all material respects, there were no differences between the accounting policies of the Target Group as set out in the Accountant's Report and the accounting policies presently adopted by the Company as set out in its 2015 Annual Report requiring adjustments to the Unadjusted Financial Information to arrive at the Unaudited Financial Information under HKFRS; and

(c) the computation of the Unaudited Financial Information under HKFRS is arithmetically accurate.

UNAUDITED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Year ended 31 December								
	2013			2014			2015		
All expressed in SGD	Unadjusted Financial Information from Appendix II	Adjustment	Unaudited Financial Information under HKFRS	Unadjusted Financial Information from Appendix II	Adjustment	Unaudited Financial Information under HKFRS	Unadjusted Financial Information from Appendix II	Adjustment	Unaudited Financial Information under HKFRS
Revenue	66,168,880		66,168,880	119,579,216		119,579,216	219,359,080		219,359,080
Cost of sales	(65,468,518)		(65,468,518)	(110,467,355)		(110,467,355)	(198,685,897)		(198,685,897)
Gross profit	700,362		700,362	9,111,861		9,111,861	20,673,183		20,673,183
Other income	907,901		907,901	3,616,809		3,616,809	15,596,393		15,596,393
Other gains/(losses) — net	59,860		59,860	(1,527)		(1,527)	221,248		221,248
Administrative expenses	(2,892,145)		(2,892,145)	(5,251,219)		(5,251,219)	(5,830,326)		(5,830,326)
Finance income/(costs) — net	1,626,787		1,626,787	5,236,769		5,236,769	5,311,817		5,311,817
Share of profits/(losses) of a joint venture and associated companies	1,348,398		1,348,398	50,241		50,241	(98,059)		(98,059)
Profit before income tax	1,751,163		1,751,163	12,762,934		12,762,934	35,874,256		35,874,256
Income tax expense	(186,515)		(186,515)	(1,811,453)		(1,811,453)	(3,867,972)		(3,867,972)
Profit for the year	1,564,648		1,564,648	10,951,481		10,951,481	32,006,284		32,006,284
Other comprehensive income/(loss)									
Available-for-sale financial assets									
— Fair value gains/(loss)	3,288,853		3,288,853	3,015,565		3,015,565	(3,843,718)		(3,843,718)
— Reclassification upon disposal	(9,680)		(9,680)	(56,806)		(56,806)	(218,242)		(218,242)
Other comprehensive income/(loss), net of tax	3,279,173		3,279,173	2,958,759		2,958,759	(4,061,960)		(4,061,960)
Total comprehensive income for the year	4,843,821		4,843,821	13,910,240		13,910,240	27,944,324		27,944,324
Net profit attributable to:									
Equity holders of the Company	1,374,843		1,374,843	10,845,147		10,845,147	25,688,404		25,688,404
Non-controlling interests	189,805		189,805	106,334		106,334	6,317,880		6,317,880
	1,564,648		1,564,648	10,951,481		10,951,481	32,006,284		32,006,284
Total comprehensive income attributable to:									
Equity holders of the Company	3,023,404		3,023,404	12,316,280		12,316,280	23,548,303		23,548,303
Non-controlling interests	1,820,417		1,820,417	1,593,960		1,593,960	4,396,021		4,396,021
	4,843,821		4,843,821	13,910,240		13,910,240	27,944,324		27,944,324

UNAUDITED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	As at 31 December								
	2013			2014			2015		
All expressed in SGD	Unadjusted Financial Information from Appendix II	Adjustment	Unaudited Financial Information under HKFRS	Unadjusted Financial Information from Appendix II	Adjustment	Unaudited Financial Information under HKFRS	Unadjusted Financial Information from Appendix II	Adjustment	Unaudited Financial Information under HKFRS
ASSETS									
Non-current assets									
Property, plant and equipment	927,140		927,140	1,551,653		1,551,653	893,935		893,935
Intangible assets	22,400		22,400	16,800		16,800	101,200		101,200
Investment in a joint venture	2,626,423		2,626,423	—		—	—		—
Investments in associated companies	298,313		298,313	98,059		98,059	—		—
Available-for-sale financial assets	13,571,507		13,571,507	16,290,121		16,290,121	12,208,744		12,208,744
Loan receivables	24,248,676		24,248,676	23,453,676		23,453,676	25,197,428		25,197,428
	41,694,459		41,694,459	41,410,309		41,410,309	38,401,307		38,401,307
Current assets									
Amounts due from customers for contract work-in-progress	32,799		32,799	1,822,505		1,822,505	353,542		353,542
Trade receivables	16,729,866		16,729,866	17,978,441		17,978,441	42,914,001		42,914,001
Prepayments and other receivables	5,960,912		5,960,912	11,325,659		11,325,659	28,861,484		28,861,484
Loan receivables	16,000,000		16,000,000	48,637,747		48,637,747	6,999,960		6,999,960
Cash and cash equivalents	9,878,004		9,878,004	10,397,786		10,397,786	17,310,700		17,310,700
	48,601,581		48,601,581	90,162,138		90,162,138	96,439,687		96,439,687
Total assets	90,296,040		90,296,040	131,572,447		131,572,447	134,840,994		134,840,994
EQUITY									
Equity attributable to equity holders of the Company									
Share capital	1		1	1		1	1		1
Capital reserves	35,000,000		35,000,000	35,000,000		35,000,000	(12,317,967)		(12,317,967)
Other reserves	10,981,333		10,981,333	12,452,466		12,452,466	10,312,365		10,312,365
Retained profits	7,985,345		7,985,345	12,502,167		12,502,167	38,190,571		38,190,571
	53,966,679		53,966,679	59,954,634		59,954,634	36,184,970		36,184,970
Non-controlling interests	2,620,135		2,620,135	4,234,095		4,234,095	1,250,116		1,250,116
Total equity	56,586,814		56,586,814	64,188,729		64,188,729	37,435,086		37,435,086

UNAUDITED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (CONTINUED)

	As at 31 December								
	2013			2014			2015		
All expressed in SGD	Unadjusted Financial Information from Appendix II	Adjustment	Unaudited Financial Information under HKFRS	Unadjusted Financial Information from Appendix II	Adjustment	Unaudited Financial Information under HKFRS	Unadjusted Financial Information from Appendix II	Adjustment	Unaudited Financial Information under HKFRS
LIABILITIES									
Non-current liabilities									
Borrowings	—		—	—		—	24,600,000		24,600,000
Finance lease liabilities	127,795		127,795	90,955		90,955	33,575		33,575
Deferred income tax liabilities	69,226		69,226	128,322		128,322	34,641		34,641
	197,021		197,021	219,277		219,277	24,668,216		24,668,216
Current liabilities									
Trade payables	19,502,246		19,502,246	25,798,051		25,798,051	46,985,182		46,985,182
Other payables	13,671,981		13,671,981	7,415,412		7,415,412	10,587,612		10,587,612
Borrowings	—		—	32,515,000		32,515,000	11,400,000		11,400,000
Finance lease liabilities	36,840		36,840	36,840		36,840	23,700		23,700
Current income tax liabilities	301,138		301,138	1,399,138		1,399,138	3,741,198		3,741,198
	33,512,205		33,512,205	67,164,441		67,164,441	72,737,692		72,737,692
Total liabilities	33,709,226		33,709,226	67,383,718		67,383,718	97,405,908		97,405,908
Total equity and liabilities	90,296,040		90,296,040	131,572,447		131,572,447	134,840,994		134,840,994

UNAUDITED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Year ended 31 December								
	2013			2014			2015		
All expressed in SGD	Unadjusted Financial Information from Appendix II	Adjustment	Unaudited Financial Information under HKFRS	Unadjusted Financial Information from Appendix II	Adjustment	Unaudited Financial Information under HKFRS	Unadjusted Financial Information from Appendix II	Adjustment	Unaudited Financial Information under HKFRS
Balance at 1 January	51,712,993		51,712,993	56,584,814		56,584,814	64,188,729		64,188,729
Profit for the year	1,564,648		1,564,648	10,951,481		10,951,481	32,006,284		32,006,284
Other comprehensive income/(loss) for the year	3,279,173		3,279,173	2,958,759		2,958,759	(4,061,960)		(4,061,960)
Total comprehensive income	4,843,821		4,843,821	13,910,240		13,910,240	27,944,324		27,944,324
Dividend, declared	—		—	(6,328,325)		(6,328,325)	(7,380,000)		(7,380,000)
Consideration paid for reorganisation	—		—	—		—	(47,317,967)		(47,317,967)
Non-controlling interests arising from incorporation of a subsidiary	30,000		30,000	20,000		20,000	—		—
Balance at 31 December	56,586,814		56,586,814	64,188,729		64,188,729	37,435,086		37,435,086

UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended 31 December								
	2013			2014			2015		
All expressed in SGD	Unadjusted Financial Information from Appendix II	Adjustment	Unaudited Financial Information under HKFRS	Unadjusted Financial Information from Appendix II	Adjustment	Unaudited Financial Information under HKFRS	Unadjusted Financial Information from Appendix II	Adjustment	Unaudited Financial Information under HKFRS
Cash flows from operating activities									
Profit for the year	1,564,648		1,564,648	10,951,481		10,951,481	32,006,284		32,006,284
Adjustments for:									
Income tax expense	186,515		186,515	1,811,453		1,811,453	3,867,972		3,867,972
Depreciation	220,084		220,084	1,360,379		1,360,379	786,220		786,220
Amortisation of Intangible assets	5,600		5,600	5,600		5,600	15,600		15,600
Share of results of a joint venture and associated companies	(1,348,398)		(1,348,398)	(50,241)		(50,241)	98,059		98,059
Dividend income	(20,431)		(20,431)	(26,910)		(26,910)	(9,285,000)		(9,285,000)
Gain on sale of available-for-sale financial assets	(11,663)		(11,663)	(1,621)		(1,621)	(247,122)		(247,122)
(Gain)/loss on disposal of property, plant and equipment	(48,197)		(48,197)	3,148		3,148	13,790		13,790
Property, plant and equipment written off	—		—	—		—	12,084		12,084
Finance costs	245,333		245,333	1,931,304		1,931,304	1,281,873		1,281,873
Finance income	(1,872,120)		(1,872,120)	(7,168,073)		(7,168,073)	(6,593,690)		(6,593,690)
	(1,078,629)		(1,078,629)	8,816,520		8,816,520	21,956,070		21,956,070
Working capital changes									
Amount due from customers for contract work-in-progress	636,277		636,277	(1,789,706)		(1,789,706)	1,468,963		1,468,963
Trade receivables	(1,066,037)		(1,066,037)	(1,139,257)		(1,139,257)	(24,630,866)		(24,630,866)
Prepayments and other receivables	1,340,317		1,340,317	16,392,602		16,392,602	43,680,981		43,680,981
Trade payables	(8,063,148)		(8,063,148)	6,295,807		6,295,807	21,779,241		21,779,241
Other payables	4,907,511		4,907,511	(5,672,808)		(5,672,808)	(47,700,777)		(47,700,777)
Cash(used in)/generated from operations	(3,323,709)		(3,323,709)	22,903,158		22,903,158	16,553,612		16,553,612
Interest paid	(245,333)		(245,333)	(1,599,918)		(1,599,918)	(1,634,291)		(1,634,291)
Income tax paid	(1,193,960)		(1,193,960)	(650,979)		(650,979)	(1,594,745)		(1,594,745)
Net cash (used in)/generated from operating activities	(4,763,002)		(4,763,002)	20,652,261		20,652,261	13,324,576		13,324,576

UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

	Year ended 31 December								
	2013			2014			2015		
All expressed in SGD	Unadjusted Financial Information from Appendix II	Adjustment	Unaudited Financial Information under HKFRS	Unadjusted Financial Information from Appendix II	Adjustment	Unaudited Financial Information under HKFRS	Unadjusted Financial Information from Appendix II	Adjustment	Unaudited Financial Information under HKFRS
Cash flows from investing activities									
Purchase of available-for-sale investments	(113,226)		(113,226)	(92,546)		(92,546)	(200,000)		(200,000)
Purchase of property, plant and equipment	(741,319)		(741,319)	(2,038,761)		(2,038,761)	(583,193)		(583,193)
Purchase of intangible assets	(28,000)		(28,000)	—		—	(100,000)		(100,000)
Proceeds from sale of available-for-sale financial assets	41,123		41,123	330,934		330,934	441,691		441,691
Proceeds from disposal of property, plant and equipment	70,500		70,500	50,721		50,721	289,480		289,480
Investment in associated companies	(300,040)		(300,040)	—		—	—		—
Dividend received	20,431		20,431	2,903,828		2,903,828	—		—
Collection of loan receivable from associated company	—		—	—		—	800,000		800,000
Collection of loan receivable from other related parties	10,852,111		10,852,111	—		—	495,000		495,000
Loan to other related parties	—		—	(500,000)		(500,000)	(8,743,712)		(8,743,712)
Loan to associated companies	(10,399,960)		(10,399,960)	—		—	—		—
Loan to Qingdao Bohai Construction Group Co., Ltd.	—		—	(53,000,000)		(53,000,000)	—		—
Collection of loan receivable from Qingdao Bohai Construction Group Co., Ltd.	—		—	1,000,000		1,000,000	—		—
Interest received	1,048,213		1,048,213	5,762,976		5,762,976	624,633		624,633
Net cash provided by/(used in) investing activities	449,833		449,833	(45,582,848)		(45,582,848)	(6,976,101)		(6,976,101)

UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

	Year ended 31 December								
	2013			2014			2015		
All expressed in SGD	Unadjusted Financial Information from Appendix II	Adjustment	Unaudited Financial Information under HKFRS	Unadjusted Financial Information from Appendix II	Adjustment	Unaudited Financial Information under HKFRS	Unadjusted Financial Information from Appendix II	Adjustment	Unaudited Financial Information under HKFRS
Cash flows from financing activities									
Incorporation of subsidiary with non-controlling interests	30,000		30,000	20,000		20,000			
Loan from a director of a subsidiary	—		—	7,515,000		7,515,000	—		—
Repayment of loan to director of a subsidiary	—		—	—		—	(7,515,000)		(7,515,000)
Repayment of loan to Qingdao Bohai Construction Group Co., Ltd.	—		—	(3,601,389)		(3,601,389)	—		—
Repayments of finance lease liabilities	(31,365)		(31,365)	(36,840)		(36,840)	(38,639)		(38,639)
Proceeds from borrowings	—		—	50,000,000		50,000,000	36,000,000		36,000,000
Repayment of borrowings	—		—	(25,000,000)		(25,000,000)	(25,000,000)		(25,000,000)
Dividend paid to the owners of the Target Company	—		—	(3,446,402)		(3,446,402)	(2,881,922)		(2,881,922)
Net cash (used in)/provided by financing activities	(1,365)		(1,365)	25,450,369		25,450,369	564,439		564,439
Net (decrease)/increase in cash and cash equivalents	(4,314,534)		(4,314,534)	519,782		519,782	6,912,914		6,912,914
Cash and cash equivalents at beginning of year	14,192,538		14,192,538	9,878,004		9,878,004	10,397,786		10,397,786
Cash and cash equivalents at end of year	9,878,004		9,878,004	10,397,786		10,397,786	17,310,700		17,310,700

(A) UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

The following are an illustrative and unaudited pro forma consolidated statement of assets and liabilities of the Enlarged Group and an illustrative and unaudited pro forma statement of adjusted net tangible assets of the Enlarged Group (the "Unaudited Pro Forma Financial Information") on the basis of the notes set out below for the purpose of illustrating the effect of the proposed acquisition of the Target Company as if it had taken place on 31 December 2015.

The Unaudited Pro Forma Financial Information has been prepared using accounting policies consistent with that of the Group, as set out in the Company's Annual Report for the year ended 31 December 2015.

The Unaudited Pro Forma Financial Information of the Enlarged Group should be read in conjunction with the other financial information contained in this circular and the accountant's report on the Target Company as set out in Appendix II to this circular.

The Unaudited Pro Forma Financial Information has been prepared by the Directors for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the financial position of the Enlarged Group had the proposed acquisition been completed as at 31 December 2015 or at any future date.

(I) Unaudited Pro Forma Consolidated Statement of Assets and Liabilities of the Enlarged Group

	The Group as at 31 December 2015	The Target Group as at 31 December 2015	The Target Group as at 31 December 2015	Pro forma adjustments			Unaudited pro forma assets and liabilities of the Enlarged Group as at 31 December 2015
	HK$'000	*SGD'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	Note 1	*Note 2*	*Note 2*	*Note 3*	*Note 4*	*Note 5*	
Non-current assets							
Property, plant and equipment	498,787	894	4,896	581	—	—	504,264
Goodwill	282,933	—	—	239,381	—	—	522,314
Intangible assets	5,367	101	553	84,527	—	—	90,447
Prepayments, deposits and other receivables	127,219	25,197	138,004	—	(95,848)	—	169,375
Investments in associated companies	1,150	—	—	19,461	—	—	20,611
Available-for-sale financial assets	1,095	12,209	66,869	(36,527)	—	—	31,437
Deferred income tax assets	93,031	—	—	—	—	—	93,031
	1,009,582	38,401	210,322	307,423	(95,848)	—	1,431,479
Current assets							
Cash and cash equivalents	1,625,816	17,311	94,812	(296,950)	—	—	1,423,678
Pledged bank deposits	273,850	—	—	—	—	—	273,850
Trade and other receivables, prepayments and deposits	2,817,877	78,775	431,451	7,956	(220,738)	—	3,036,546
Amounts due from customers for contract work	60,970	354	1,939	—	—	—	62,909
Development properties for sales	9,137,882	—	—	448,123	—	—	9,586,005
Tax recoverable	695	—	—	—	—	—	695
	13,917,090	96,440	528,202	159,129	(220,738)	—	14,383,683
Total assets	14,926,672	134,841	738,524	466,552	(316,586)	—	15,815,162
Current liabilities							
Trade and other payables	5,258,113	57,572	315,322	124,003	(208,689)	4,210	5,492,959
Tax payable	212,189	3,741	20,489	—	—	—	232,678
Borrowings	3,437,146	11,424	62,569	220,814	(12,049)	—	3,708,480
	8,907,448	72,737	398,380	344,817	(220,738)	4,210	9,434,117
Non-current liabilities							
Borrowings	4,486,186	24,633	134,915	87,632	(95,848)	—	4,612,885
Deferred taxation	52,245	35	192	26,536	—	—	78,973
	4,538,431	24,668	135,107	114,168	(95,848)	—	4,691,858
Total liabilities	13,445,879	97,405	533,487	458,985	(316,586)	4,210	14,125,975
Net assets	1,480,793	37,436	205,037	7,567	—	(4,210)	1,689,187

Notes

1. The amounts are extracted from the audited consolidated statement of financial position of the Group as at 31 December 2015 as set out in the Annual Report of the Company for the year ended 31 December 2015.

2. The consolidated statement of financial position of the Target Group as at 31 December 2015 is extracted from the financial information of the Target Group as set out in Appendix II of this circular. For the purpose of presenting the Unaudited Pro Forma Financial Information, the exchange rate of SGD1.00 to HK$5.477 as at 31 December 2015 has been used to translate the amounts in the consolidated statement of financial position of the Target Group as at 31 December 2015 into HK$.

3. Upon Completion of the Acquisition, the net identifiable assets of the Target Group will be accounted for in the consolidated financial statements of the Enlarged Group at their fair values as required by the acquisition method in accordance with HKFRS 3 "Business Combinations." For the purposes of the Unaudited Pro Forma Financial Information and for illustrative purpose only, the Group has carried out an illustrative consideration allocation exercise following the guidance of HKFRS 3. With the exception of development properties for sales, property, plant and equipment and intangible assets, the Directors consider the fair value of all net identifiable assets of the Target Group to be equivalent to their carrying amounts as at 31 December 2015.

   Details of the considerations transferred, the net identifiable assets of the Target Group to be accounted for in the consolidated financial statements of the Enlarged Group and the calculation of goodwill is as follows:

	HK$'000
Considerations transferred:	
Cash consideration for the Acquisition *(note i)*	279,327
Fair value of shares issued by the Company as part of the consideration for the Acquisition *(note i)*	267,000
	546,327
Less:	
Carrying amounts of net assets of the Target Group as at 31 December 2015 excluding its investment in Tuas Bay *(note ii)*	205,037
Carrying amounts of net liabilities of Tuas Bay as at 31 December 2015 *(note ii)*	(30)
Fair value surplus of property, plant and equipment *(Note iv)*	581
Fair value surplus of development properties for sales held by Tuas Bay *(Note iv)*	70,979
Fair value of intangible assets identified *(Note iv)*	84,527
Effect of deferred income tax liabilities arising from fair value surplus of development properties for sales and property, plant and equipment, and fair value of intangible assets identified *(note v)*	(26,536)
Total identifiable assets acquired and liabilities assumed	334,558
Non-controlling interests *(Note vi)*	(27,612)
	306,946
Goodwill	239,381

i. Pursuant to the Agreement, the consideration is to be satisfied by i) cash payment of HK$279,327,000 (or SGD51,000,000) by the Company; and ii) the issuance of 100,000,000 ordinary shares by the Company. The total fair value of the ordinary shares to be issued are estimated as HK$267,000,000 (or approximately SGD48,749,000) with reference to the market value of the Company's ordinary shares at HK$2.67 per share as at 31 December 2015.

ii. Prior to the completion of the Acquisition, the Group and the Target Company each holds 30% equity interests in BH-ZACD (Tuas Bay) Development Pte Ltd. ("Tuas Bay"), a company incorporated in Singapore which is principally involved in property development. Upon the completion of the Acquisition, Tuas Bay became a subsidiary of the Enlarged Group and therefore, its assets and liabilities are consolidated with the Enlarged Group.

The carrying amounts and fair values of identifiable assets and liabilities of Tuas Bay as at 31 December 2015 are as follows:

	Carrying amounts of the identifiable assets and liabilities of the Group	**Fair value adjustments**	**Fair value of the identifiable assets and liabilities of Tuas Bay as at 31 December 2015**
	HK$'000	*HK$'000*	*HK$'000*
Cash and cash equivalents	47,319	—	47,319
Trade and other receivables	7,956	—	7,956
Development properties for sale	377,144	70,979	448,123
Trade and other payables	(124,003)	—	(124,003)
Borrowings — current	(220,814)	—	(220,814)
Borrowings — non-current	(87,632)	—	(87,632)
Deferred income tax liabilities	—	(12,066)	(12,066)
Assets acquired and liabilities assumed	(30)	58,913	58,883

iii. Prior to the completion of the Acquisition, the Target Company holds equity investments classified as available-for-sale financial assets ("AFS") in four companies which in turn are non-wholly-owned subsidiaries of the Company as at 31 December 2015, with carrying amounts measured at fair value totalling approximately HK$17,066,000. The difference between the consideration attributable to the acquisition of these equity interests and the carrying amounts of the Group's corresponding non-controlling interests in respect of these companies are to be recognised in equity upon completion of the Acquisition.

The Target Company also holds equity investment classified as AFS in an investee company with carrying amount measured at fair value amounting to HK$19,461,000 which in turn is an associated company of the Company. Upon completion of the Acquisition, the carrying amount of such AFS is reclassified to investment in associated companies as the investee company remains an associated company of the Enlarged Group thereafter.

iv. For the purpose of preparing the Unaudited Pro Forma Financial Information, the Directors have determined the fair value of the Target Group's development properties for sales, property, plant and equipment and intangible assets with reference to the valuation report prepared by an independent valuer, Jones Lang LaSalle Corporate Appraisal and Advisory Limited. The intangible assets identified include unfinished construction contracts and construction licence. The carrying amounts and fair values of these assets as at 31 December 2015 are as follows:

	Carrying amounts of assets	**Fair value adjustments**	**Fair value of assets as at 31 December 2015**
	HK$'000	*HK$'000*	*HK$'000*
Development properties for sales	377,144	70,979	448,123
Property, plant and equipment	4,896	581	5,477
Intangible assets	—	84,527	84,527
Total	382,040	156,087	538,127

v. The amount represents the deferred income tax liabilities of HK$26,536,000 arising from the fair valuation surplus on development properties for sales and property, plant and equipment, and the fair value of intangible assets identified, arrived at the principal taxation rate in Singapore of 17%.

vi. Pursuant to the Agreement, one of the conditions precedent of the Acquisition is the completion of the acquisition of the remaining 50% shareholding of Bohai Investments (S) Group Pte Ltd ("Bohai Investment"), an indirect 50% owned subsidiary of the Target Company. For the purpose of preparing this unaudited pro forma financial information, such acquisition is treated as if it had been completed on 31 December 2015 with cash consideration of SGD11,857,200 (approximately HK$64,942,000) settled. Accordingly, the majority of non-controlling interests upon completion of the Acquisition represent the 40% share of fair value of the net assets of Tuas Bay held by non-controlling shareholders, which amounted to approximately HK$23,553,000.

vii. The decrease in cash and cash equivalents of the Enlarged Group as a result of the Acquisition is analysed as follows:

	HK$'000
Cash and cash equivalents held by Tuas Bay as at 31 December 2015	47,319
Cash consideration paid pursuant to the Agreement for the equity interests of the Target Group	(279,327)
Cash consideration paid by the Target Group for the acquisition of remaining 50% equity interests in Bohai Investments	(64,942)
Net cash outflow	(296,950)
Cash and cash equivalents held by the Target Group as at 31 December 2015	94,812
Net cash outflow of the Acquisition	(202,138)

4. Pursuant to the Completion of Acquisition, intercompany balances of HK$316,586,000 between the Group and the Target Group had been eliminated.

5. This adjustment represents the estimated transaction costs of approximately HK$4,210,000 payable by the Company in connection with the Acquisition including the financial advisor fees, legal fees, printing costs, accountant's fees, and other related expenses.

6. Upon Completion of the Acquisition and at the end of each reporting period, the Company will perform an assessment for impairment on the Enlarged Group's goodwill and other intangible assets whenever events or changes in circumstances indicate that the carrying amount may not be recoverable in accordance with the Group's accounting policies.

   The Directors confirm that consistent accounting policies have been applied for assessing impairment of goodwill and other intangible assets under HKAS 36 "Impairment of Assets" for the purpose of this unaudited pro forma financial information, and the Directors are not aware of any indications that an impairment of the Enlarged Group's goodwill or other intangible assets is required after considering the results of the assessment.

   Since the fair values and the carrying amounts of the net identifiable assets of the Target Group as at the Completion Date may be materially different from the values used in the preparation of the unaudited pro forma financial information, the actual amounts of the assets, liabilities and goodwill to be recorded in the consolidated financial statements of the Enlarged Group upon Completion may be materially different from the estimated amounts shown in this Appendix.

7. No other adjustments have been made to reflect any trading result or other transactions of the Group and the Target Group entered into subsequent to 31 December 2015.

(II) Unaudited Pro Forma Statement of Adjusted Net Tangible Assets of the Enlarged Group

				Issuance of 100,000,000 ordinary shares by the Company as part of the consideration to acquire the Target Group as at 31 December 2015		
	Audited net tangible assets of the Group as at 31 December 2015	Unaudited net tangible assets of the Group per ordinary share as at 31 December 2015	Unaudited net tangible assets of the Group per convertible preference share ("CPS") as at 31 December 2015	Unaudited pro forma adjusted net tangible assets of the Enlarged Group as at 31 December 2015	Unaudited pro forma adjusted net tangible assets of the Enlarged Group per ordinary share as at 31 December 2015	Unaudited pro forma adjusted net tangible assets of the Enlarged Group per CPS as at 31 December 2015
	HK$'000	*HK$*	*HK$*	*HK$'000*	*HK$*	*HK$*
	Note 1	*Note 2*	*Note 2*	*Note 3*	*Note 4*	*Note 4*
Net tangible assets attributable to equity holders of the Company	1,212,286	0.9684	0.9684	1,068,607	0.7905	0.7905

Notes:

1. The amount of audited net tangible assets attributable to equity holders of the Company as at 31 December 2015 is based on the audited net assets attributable to the equity holders of the Company as at 31 December 2015 of HK$1,500,586,000 as extracted from the audited consolidated financial statements of the Group for the year ended 31 December 2015, with an adjustment for the goodwill and other intangible assets as at 31 December 2015 of HK$282,933,000 and HK$5,367,000 respectively.

2. The number of shares used for the calculation of the unaudited net tangible assets of the Group per share comprises 300,000,000 ordinary shares and 951,872,727 CPS in issue as at 31 December 2015. In accordance with the terms and conditions of the CPS, on a distribution of assets on liquidation, winding-up or dissolution of the Company, the holders of CPS have the right to first receive amounts equal to the aggregate nominal amounts of the CPS held by them (which is HK$9,519,000 in total at HK$0.01 per CPS); and the remaining balance of such assets shall belong to and be distributed on a pari passu basis among the holders of any class of shares including the CPS, other than any other shares not entitled to participate in such assets, by reference to the aggregate nominal amount of shares held by them respectively. Since the Group has sufficient net tangible assets over the nominal amount of each class of share including the CPS (totalling HK$12,519,000 as set out in the Group's consolidated financial statements for the year ended 31 December 2015), the unaudited net tangible assets of the Group per ordinary share equals the unaudited net tangible assets of the Group per CPS as at 31 December 2015.

3. The amount of unaudited pro forma adjusted net tangible assets of the Enlarged Group as at 31 December 2015 is calculated based on the unaudited pro forma adjusted net assets as at 31 December 2015 of HK$1,689,187,000 as extracted from the unaudited pro forma statement of assets and liabilities of the Enlarged Group, with an adjustment for the goodwill and other intangible assets as at 31 December 2015 of HK$522,314,000 and HK$90,447,000 respectively, and net of the deficit of HK$19,793,000 shared by the non-controlling interests of the Group as at 31 December 2015 as extracted from the audited consolidated financial statements of the Group for the year ended 31 December 2015 and the share of the fair value of the net identified assets of the Target Group of HK$27,612,000 by non-controlling shareholders as shown in Note 3 of section (I) above.

4. The number of shares used for the calculation of the unaudited pro forma adjusted net tangible assets of the Enlarged Group per share comprises 300,000,000 ordinary shares and 951,872,727 CPS in issue as at 31 December 2015, and the 100,000,000 ordinary shares to be issued upon completion of the Acquisition as described in Note 3(i) of section (I) above. Since the Enlarged Group has sufficient net tangible assets over the nominal amount of each class of share including the CPS, the unaudited pro forma adjusted net tangible assets of the Enlarged Group per ordinary share equals the unaudited pro forma adjusted net tangible assets of the Enlarged Group per CPS as at 31 December 2015.

(B) REPORT FROM THE REPORTING ACCOUNTANT ON THE UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

The following is the text of a report received from PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this circular.

pwc 羅兵咸永道

INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

To the Directors of CNQC International Holdings Limited

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of CNQC International Holdings Limited (the "Company") and its subsidiaries (collectively the "Group") and New Chic International Limited and its subsidiaries (the "Target Group") (collectively the "Enlarged Group") by the directors for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of assets and liabilities and unaudited pro forma statement of adjusted net tangible assets as at 31 December 2015, and related notes (the "Unaudited Pro Forma Financial Information") as set out on pages IV-1 to IV-8 of the Company's circular dated 23 June 2016, in connection with the proposed acquisition of the Target Group (the "Transaction") by the Company. The applicable criteria on the basis of which the directors have compiled the Unaudited Pro Forma Financial Information are described on pages IV-1 to IV-8.

The Unaudited Pro Forma Financial Information has been compiled by the directors to illustrate the impact of the Transaction on the Group's financial position as at 31 December 2015 as if the Transaction had taken place at 31 December 2015. As part of this process, information about the Group's financial position has been extracted by the directors from the Group's financial statements for the year ended 31 December 2015, on which an audit report has been published.

Directors' Responsibility for the Unaudited Pro Forma Financial Information

The directors are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

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Our Independence and Quality Control

We have complied with the independence and other ethical requirement of the Code of Ethics for Professional Accountants issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies Hong Kong Standard on Quality Control 1 issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountant's Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus", issued by the HKICPA. This standard requires that the reporting accountant plans and performs procedures to obtain reasonable assurance about whether the directors have compiled the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Unaudited Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Unaudited Pro Forma Financial Information.

The purpose of unaudited pro forma financial information included in a circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the Transaction at 31 December 2015 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountant's judgment, having regard to the reporting accountant's understanding of the nature of the company, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

(a) the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 23 June 2016

A. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

B. DISCLOSURE OF INTERESTS

1. Interests of Directors

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

Name of director	Capacity	Number of Shares and underlying Shares held in long position	Approximate percentage of interests
Mr. Cheng Wing On, Michael	Beneficial owner *(note 1)*	6,000,000	0.91%
Mr. Wang Congyuan	Beneficial owner *(note 1)*	2,100,000	0.32%
	Beneficial owner	397,500	0.06%
	Beneficiary of a trust *(note 2)*	3,807,491	0.58%
Mr. Ho Chi Ling	Beneficial owner *(note 1)*	5,400,000	0.82%
Mr. Zhang Yuqiang	Beneficial owner *(note 1)*	2,400,000	0.36%
Mr. Wang Linxuan	Beneficial owner *(note 1)*	2,100,000	0.32%
	Beneficial owner	480,000	0.07%
	Beneficiary of a trust *(note 2)*	10,153,309	1.54%

Name of director	Capacity	Number of Shares and underlying Shares held in long position	Approximate percentage of interests
Dr. Ding Hongbin	Beneficial owner *(note 1)*	3,000,000	0.45%
	Beneficiary of a trust *(note 2)*	12,691,636	1.92%
Mr. Zhang Zhihua	Beneficial owner *(note 1)*	3,000,000	0.45%
	Beneficiary of a trust *(note 2)*	44,801,476	6.79%
Mr. Sun Huiye	Beneficial owner *(note 1)*	900,000	0.14%

Notes:

1. This represents long position in the underlying Shares under share options granted on 27 June 2014 and/or 28 April 2016 pursuant to the share option scheme of the Company.

2. This represents the long position in the underlying CPS under the awards granted under the management share scheme. Please refer to the circular of the Company dated 25 September 2015 for further details.

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

2. Interests of substantial Shareholders

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

Long position in the Shares and underlying shares

Name of substantial shareholder	Capacity/Nature of interest	Number of Shares and underlying Shares held/ interested	Approximate Shareholding Percentage
Dr. Du Bo	Interest in controlled corporation *(Note 1)*	647,273,454	98.04
	Interest in controlled corporation *(Note 2)*	224,145,000	33.95
	Beneficiary of a trust *(Note 3)*	114,224,727	17.30
Hui Long Enterprises Limited	Interest in controlled corporation *(Note 1)*	647,273,454	98.04
Bliss Wave Holding Investments Limited	Interest in controlled corporation *(Note 1)*	647,273,454	98.04
Top Elate Investments Limited	Interest in controlled corporation *(Note 1)*	647,273,454	98.04
Hao Bo Investments Limited	Interest in controlled corporation *(Note 1)*	647,273,454	98.04
Guotsing Holding Company Limited	Interest in controlled corporation *(Note 1)*	647,273,454	98.04
Trustee *(Note 4)*	Trustee	304,599,273	46.14
Qingdao Qingjian Holding Co Staff Shareholding Union	Interest in controlled corporation *(Note 1)*	647,273,454	98.04
	Interest in controlled corporation *(Note 2)*	224,145,000	33.95
Shanghai Heliyuan Investment Co Ltd	Interest in controlled corporation *(Note 2)*	224,145,000	33.95

Name of substantial shareholder	Capacity/Nature of interest	Number of Shares and underlying Shares held/ interested	Approximate Shareholding Percentage
Qingdao Bohai Construction Group Co Ltd	Interest in controlled corporation *(Note 2)*	224,145,000	33.95
Qingdao Qingjian Holdings Co	Interest in controlled corporation *(Note 1)*	647,273,454	98.04
	Interest in controlled corporation *(Note 2)*	224,145,000	33.95
Guotsing Holding Group Co Ltd	Interest in controlled corporation *(Note 2)*	224,145,000	33.95
Guotsing Holding (South Pacific) Investment Pte. Ltd.	Interest in controlled corporation *(Note 2)*	224,145,000	33.95
Hyday (South Pacific) Investment Pte Ltd	Interest in controlled corporation *(Note 2)*	224,145,000	33.95
GUOTSING Group (HK) Limited	Interest in controlled corporation *(Note 2)*	224,145,000	33.95
CNQC Development	Beneficial owner *(Note 1)*	224,145,000	33.95
Sun East	Interest in controlled corporation	100,000,000	15.15
Sino Concord	Beneficial owner	100,000,000	15.15

Notes:

(1) The 647,273,454 Shares were held by New Guotsing Holdco as at the Latest Practicable Date. New Guotsing Holdco is indirectly owned by Top Elate Investments Limited and Hui Long Enterprises Limited. Hui Long Enterprises Limited held 74.533% of Bliss Wave Holding Investments Limited, which in turn held 51.453% of Hao Bo Investments Limited, which held 85% of New Guotsing Holdco. Top Elate Investments Limited held 48.547% of Hao Bo Investments Limited.

(2) The 224,145,000 Shares were held by CNQC Development as at the Latest Practicable Date. CNQC Development is indirectly wholly-owned by Guotsing PRC through Guotsing Holding (South Pacific) Investment Pte. Ltd. (wholly-owned by Guotsing PRC), Hyday (South Pacific) Investment Pte Ltd. (wholly-owned by Guotsing Holding (South Pacific) Investment Pte. Ltd.) and Guotsing Group (HK) Limited (wholly-owned by Hyday (South Pacific) Investment Pte Ltd.

青島青建控股有限公司工會持股會 (Qingdao Qingjian Holdings Co Staff Shareholding Union*) is interested in approximately 41.265% of the equity interest of Guotsing PRC through its wholly-owned subsidiary, Qingdao Qingjian Holdings Co.

(3) The trustee as appointed under the management share scheme. Please refer to the circular of the Company dated 25 September 2015 for further details.

C. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with any member of the Group (excluding contracts expiring or determinable by the Company within one year without payment of compensation (other than statutory compensation)).

D. DIRECTORS' INTERESTS IN ASSETS OR CONTRACTS OR ARRANGEMENT

As at the Latest Practicable Date, none of the Directors has any direct or indirect interest in any assets which have since 31 December 2015 (being the date to which the latest published audited accounts of the Company were made up) been acquired or disposed of by or leased to any member of the Enlarged Group, or are proposed to be acquired or disposed of by or leased to any member of the Enlarged Group.

As at the Latest Practicable Date, none of the Directors were materially interested, directly or indirectly, in any subsisting contract or arrangement entered into by any member of the Enlarged Group which was significant in relation to the business of the Enlarged Group.

E. COMPETING INTERESTS

As at the Latest Practicable Date, according to the Listing Rules, the following Directors had interests in the following businesses ("**Competing Businesses**") which are considered to compete or are likely to compete, either directly or indirectly, with the business of the Group other than those business where the Directors were appointed as directors to represent the interests of the Company and/or the Group pursuant to the Listing Rules:

Name of Director	Name of entity which business are considered to complete or likely to compete with the business of the Group	Description of businesses of the entity which are considered to compete or likely to compete with the business of the Group	Nature of interest of the Director in the entity
Mr. Zhang Zhihua	Guotsing PRC	Property development and construction	Supervisor
Dr. Ding Hongbin	Guotsing PRC	Property development and construction	Director

F. EXPERT'S CONSENT AND QUALIFICATIONS

Each of Altus Capital Limited, PricewaterhouseCoopers LLP, Singapore and PricewaterhouseCoopers, Hong Kong has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter(s) and/or report(s) and/or valuation certificate(s) and/or opinion(s) and the references to their names included herein in the form and context in which it is respectively included.

The following are the qualifications of the experts who have given opinions or advices which are contained in this circular:

Name	**Qualifications**
Altus Capital Limited	a corporation licensed to conduct type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities as defined under the SFO
PricewaterhouseCoopers	Certified Public Accountants, Hong Kong
PricewaterhouseCoopers LLP	Public Accountants and Chartered Accountants, Singapore

Each of the experts named above confirmed that as at the Latest Practicable Date, it did not have any beneficial shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group, nor did it have any direct or indirect interests in any assets which have since 31 December 2015 (being the date to which the latest published audited consolidated financial statements of the Group were made up) been acquired or disposed of by or leased to any member of the Enlarged Group, or were proposed to be acquired or disposed of by or leased to any member of the Enlarged Group.

G. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2015, being the date to which the latest audited consolidated financial statements of the Group were made up.

H. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the office of the Company at Room 601, 6/F, Exchange Tower, 33 Wang Chiu Road, Kowloon Bay, Hong Kong during normal business hours, Monday to Friday (other than public holidays) for a period of 14 days from the date of this circular:

(a) the Agreement;

(b) the Articles and Association of the Company;

(c) the letter of recommendation from the Independent Board Committee, the text of which is set out on pages 21 to 22 of this circular;

(d) the letter from Altus Capital Limited, the text of which is set out on pages 23 to 44 of this circular;

(e) the annual reports of the Company for (i) the year ended 31 December 2015; (ii) nine months ended 31 December 2014; and (iii) year ended 31 March 2014, respectively;

(f) the accountant's report on the Target Company prepared by PricewaterhouseCoopers LLP, Singapore, the text of which is set out in Appendix II to this circular;

(g) the report on the Unaudited Pro Forma Financial Information of the Enlarged Group issued by PricewaterhouseCoopers, Hong Kong, the text of which is set out in Appendix IV to this circular;

(h) the material contracts referred to in the paragraph headed "Material Contracts" in this Appendix;

(i) the consent letters referred to in the paragraph headed "Expert's Consent and Qualifications" in this Appendix; and

(j) this circular.

I. LITIGATION

As at the Latest Practicable Date, no member of the Enlarged Group was engaged in any litigation, arbitration or claim of material importance and no litigation, arbitration or claim of material importance was known to the Directors to be pending or threatened by or against any member of the Enlarged Group or to which any member of the Enlarged Group may become a party.

J. VOTING ARRANGEMENTS

(a) As at the Latest Practicable Date, no person had, prior to the posting of this circular, irrevocably committed himself/herself/itself to vote for or against the Acquisition.

(b) Dr. Du Bo, a controlling Shareholder and a former Director, being the 41.25% shareholder of Rally Tech, one of the Sellers, has material interests in the Acquisition. Therefore, Dr. Du Bo and its associates, including CNQC Development and New Guotsing Holdco, are required to abstain from voting on the relevant resolutions to be proposed at the EGM to approve the Agreement and the transactions contemplated thereunder. Mr. Wang Linxuan, being a director and shareholder of Rally Tech, one of the Sellers, and a shareholder of Sun East, which in turn held as to 80% of Sino Concord, one of the Sellers, has material interests in the Acquisition. Therefore, Mr. Wang Linxuan and its associates are required to abstain from voting on the relevant resolutions to be proposed at the EGM to approve the Agreement and the transactions contemplated thereunder. Saved as disclosed above, no other Shareholder would be required to abstain from voting to approve the Acquisition.

K. MATERIAL CONTRACTS

In the two years immediately preceding the date of this circular and up to the Latest Practicable Date, the following contract, not being contracts entered into the ordinary course of business, were entered into by the Enlarged Group which are or may be material:

(1) the share purchase agreement dated 23 May 2015 entered into between the Company and Guotsing Holding (South Pacific) Investment Pte. Ltd. in relation to the acquisition of Wang Bao Development Limited (the "**Wang Bao Acquisition**"), details of which please refer to the circular of the Company dated 25 September 2015;

(2) the non-competition deed dated 22 September 2015 and executed by each of Guotsing PRC, New Guotsing Holdco and Dr. Du Bo in favour of the Company, incidental to the Wang Bao Acquisition, details of which please refer to the circular of the Company dated 25 September 2015;

(3) the call option deed dated 22 September 2015 entered into between the Company and Qingdao Bohai, incidental to the Wang Bao Acquisition, details of which please refer to the circular of the Company dated 25 September 2015;

(4) the sponsor agreement dated 24 September 2015 entered into, among others, the Company and HSBC Corporate Finance (Hong Kong) Limited in relation to their rights and obligations in connection with the new listing application of the Company, details of which please refer to the circular of the Company dated 25 September 2015;

(5) the placing agreement dated 17 December 2015 entered into between the Company, BMI Securities Limited and Guotai Junan Securities (Hong Kong) Limited in relation to the placing of up to 215,000,000 Shares of the Company, details of which please refer to the announcements of the Company dated 18 December 2015 and 12 January 2016;

(6) the subscription agreement dated 19 June 2016 entered into between the Company and Great Wall Pan Asia International Investment Company Limited in relation to the subscription of 55,000,000 Shares, details of which please refer to the announcement of the Company dated 19 June 2016.

L. GENERAL

(a) As at the Latest Practicable Date, the Company had (i) an authorised share capital of HK$70,000,000, divided into 6,000,000,000 Shares of nominal value of HK$0.01 each and 1,000,000,000 CPS of nominal value of HK$0.01 each and (ii) issued share capital of HK$13,420,752.27 divided into 660,202,500 Shares and 681,872,727 CPS, all fully paid or credited as fully paid.

(b) The registered office of the Company is at Clifton House, 75 Fort Street, PO Box 1350, Grand Cayman, KY1-1108, Cayman Islands.

(c) The principal place of business of the Company in Hong Kong is at Room 601, 6/F, Exchange Tower, 33 Wang Chiu Road, Kowloon Bay, Hong Kong.

(d) The branch share registrar and transfer office of the Company in Hong Kong is Tricor Investor Services Limited, Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong.

(e) The company secretary is Mr. Ng Yiu Fai, who is a qualified accountant and a fellow member of the Hong Kong Institute of Certified Public Accountants.

M. MISCELLANEOUS

The English text of this circular shall prevail over the Chinese text, in the event of inconsistency.

CNQC INTERNATIONAL HOLDINGS LIMITED
青建國際控股有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 1240)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the "**EGM**") of CNQC International Holdings Limited (the "**Company**") will be held at Room 601, 6/F, Exchange Tower, 33 Wang Chiu Road, Kowloon Bay, Hong Kong on 11 July 2016 (Monday) at 11:30 a.m. for the purposes of considering and, if thought fit, passing, with or without modifications, the following resolution nos. 1 and 2 as ordinary resolutions of the Company. Capitalised terms defined in the circular dated 23 June 2016 issued by the Company (the "**Circular**") shall have the same meanings when used herein unless otherwise specified.

ORDINARY RESOLUTIONS

Resolution in relation to the Acquisition

1. "**THAT**:

   (a) the Agreement and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified; and

   (b) the Directors be and are hereby authorised to do all such acts and things and to sign and execute all such documents, instruments and agreements for and on behalf of the Company as they may consider necessary, appropriate, desirable or expedient to give effect to or in connection with the implementation of and giving effect to the Agreement and the transactions contemplated thereunder."

Resolution in relation to the grant of Specific Mandate for the allotment and issue of the Consideration Shares

2. "**THAT** subject to the passing of ordinary resolution no. 1 and conditional upon the Listing Committee of the Stock Exchange granting the listing of, and the permission to deal in, the Consideration Shares:

   (a) the grant of a specific mandate for the allotment and issue of the Consideration Shares in accordance with the terms of the Agreement be and is hereby approved; and

   (b) the Directors be and are hereby authorised to do all such acts and things and to sign and execute all such documents, instruments and agreements for and on behalf of the Company as they may consider necessary, appropriate, desirable or expedient to give effect to or in connection with the implementation of and giving effect to the allotment and issue of the Consideration Shares in accordance with the terms of the Agreement PROVIDED THAT such further documents or agreements will be of administrative nature and ancillary to the implementation of the allotment and issue of the Consideration Shares in accordance with the terms of the Agreement."

Yours faithfully,
By Order of the Board
CNQC International Holdings Limited
Ng Yiu Fai
Company Secretary

Hong Kong, 23 June 2016

Notes:

(1) The register of members of the Company will be closed for registration of transfer of Shares from Friday, 8 July 2016 to Monday, 11 July 2016, both days inclusive. In order to qualify for attending and voting at the EGM, all transfer documents should be lodged for registration with Tricor Investor Services Limited, the Company's branch share registrar and transfer office in Hong Kong, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong on or before 4:30 p.m., Thursday, 7 July 2016.

(2) Any member of the Company entitled to attend and vote at the EGM is entitled to appoint a proxy to attend and vote instead of him/her. A proxy need not be a member of the Company. A member who is the holder of two or more shares of the Company may appoint more than one proxy to represent him/her to attend and vote on his/her behalf. If more than one proxy is so appointed, the appointment shall specify the number and class of shares in respect of which each such proxy is so appointed.

(3) To be effective, a form of proxy together with the power of attorney or other authority, if any, under which it is signed or a certified copy of that power or authority, must be deposited at the Company's branch share registrar and transfer office in Hong Kong Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof. Delivery of the form of proxy shall not preclude a member of the Company from attending and voting in person at the EGM and, in such event, the instrument appointing a proxy shall be deemed to be revoked.

(4) Where there are joint registered holders of any share, any one of such persons may vote at the EGM, either in person or by proxy, in respect of such share as if he/she were solely entitled thereto, but if more than one of such joint holders be present at the EGM personally or by proxy, that one of the said persons so present whose name stands first on the register in respect of such share, shall alone be entitled to vote in respect thereof.

(5) All the resolutions at the EGM will be taken by poll pursuant to the Listing Rules and the results of the poll will be published on the websites of Hong Kong Exchanges and Clearing Limited and the Company in accordance with the Listing Rules.

(6) As at the date of this notice, the Board comprises (i) five executive directors of the Company, namely Mr. Cheng Wing On, Michael (Chairman), Mr. Wang Congyuan (Chief Executive Officer), Mr. Ho Chi Ling, Mr. Zhang Yuqiang and Mr. Wang Linxuan; (ii) three non-executive directors of the Company, namely Mr. Zhang Zhihua, Dr. Ding Hongbin and Dr. Sun Huiye; and (iii) four independent non-executive directors of the Company, namely Mr. Chuck Winston Calptor, Mr. Ching Kwok Hoo, Pedro, Mr. Tam Tak Kei, Raymond and Mr. Chan Kok Chung, Johnny.