青建國際控股有限公司

CNQC International Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 1240

ANNUAL REPORT 2016

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CORPORATE INFORMATION

DIRECTORS

Executive Directors

Dr. Du Bo (resigned as the Chairman and an executive Director on 26 January 2016)
Mr. Cheng Wing On, Michael *(Chairman)* (appointed as the Chairman and resigned as the Chief Executive Officer on 26 January 2016)
Mr. Wang Congyuan *(Chief Executive Officer)* (appointed as an executive Director and the Chief Executive Officer on 26 January 2016)
Mr. Ho Chi Ling
Mr. Zhang Yuqiang
Mr. Wang Linxuan (appointed as an executive Director on 26 January 2016)

Non-executive Directors

Mr. Zhang Zhihua
Dr. Ding Hongbin (resigned as a non-executive Director on 30 December 2016)
Dr. Sun Huiye (appointed as a non-executive Director on 26 January 2016)
Mr. Wang Xianmao (appointed as a non-executive Director on 16 January 2017)

Independent Non-executive Directors

Mr. Chuck Winston Calptor
Mr. Ching Kwok Hoo, Pedro
Mr. Tam Tak Kei, Raymond
Mr. Chan Kok Chung, Johnny (appointed as an independent non-executive Director on 26 January 2016)

COMPANY SECRETARY

Mr. Ng Yiu Fai *(FCPA)*

AUDIT COMMITTEE

Mr. Tam Tak Kei, Raymond *(Chairman of the Audit Committee)*
Mr. Zhang Zhihua
Dr. Ding Hongbin (resigned as a member on 30 December 2016)
Mr. Wang Xianmao (appointed as a member on 16 January 2017)
Mr. Chuck Winston Calptor
Mr. Ching Kwok Hoo, Pedro
Mr. Chan Kok Chung, Johnny (appointed on 22 March 2016)

REMUNERATION COMMITTEE

Mr. Chuck Winston Calptor *(Chairman of the Remuneration Committee)*
Mr. Zhang Yuqiang (appointed as a member on 22 March 2016)
Mr. Wang Congyuan (appointed as a member on 26 January 2016)
Mr. Ching Kwok Hoo, Pedro
Mr. Chan Kok Chung, Johnny (appointed as a member on 22 March 2016)
Mr. Cheng Wing On, Michael (resigned as a member on 26 January 2016)

NOMINATION COMMITTEE

Mr. Cheng Wing On, Michael *(Chairman of the Nomination Committee)* (appointed as a member on 26 January 2016)
Dr. Du Bo (resigned as a member and the Chairman of the Nomination Committee on 26 January 2016)
Dr. Sun Huiye (appointed as a member on 22 March 2016)
Mr. Tam Tak Kei, Raymond
Mr. Ching Kwok Hoo, Pedro
Mr. Chan Kok Chung, Johnny (appointed as a member on 22 March 2016)

STRATEGY AND INVESTMENT COMMITTEE

(Established on 22 March 2016)
Mr. Cheng Wing On, Michael *(Chairman of Strategy and Investment Committee)*
Mr. Wang Congyuan
Mr. Zhang Yuqiang
Mr. Ho Chi Ling
Mr. Wang Linxuan
Mr. Zhang Zhihua
Dr. Ding Hongbin (resigned as a member on 30 December 2016)
Mr. Wang Xianmao (appointed as a member on 16 January 2017)
Dr. Sun Huiye
Mr. Chan Kok Chun, Johnny

AUTHORIZED REPRESENTATIVES

Mr. Ho Chi Ling
Mr. Ng Yiu Fai

REGISTERED OFFICE

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

CORPORATE INFORMATION

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 601, 6/F, Exchange Tower,
33 Wang Chiu Road, Kowloon Bay,
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

LEGAL ADVISERS AS TO HONG KONG LAWS

Norton Rose Fulbright Hong Kong

AUDITOR

PricewaterhouseCoopers

PRINCIPAL BANKER

United Overseas Bank
Hong Leong Finance Limited
The Export-Import Bank Of China
Bank Of China
The Hongkong and Shanghai Banking Corporation Limited
Hang Seng Bank Limited

STOCK CODE

1240

WEBSITE

www.cnqc.com.hk

CHAIRMAN'S STATEMENT

On behalf of the board ("**Board**") of directors ("**Directors**") of CNQC International Holdings Limited (the "**Company**"), I hereby present you with the annual report of the Company and its subsidiaries ("**Group**") for the twelve months ended 31 December 2016 (the "**Reporting Period**" or "**Year**").

BUSINESS REVIEW

In 2016, the turnover of the Group was approximately HK$8.6 billion (2015: approximately HK$11.1 billion). Profit attributable to the owners of the Company was approximately HK$ 585.4 million (2015: approximately HK$577.3 million). Profit attributable to the shareholders per share was HK$0.404 (2015: HK$0.461).

DIVIDENDS

The Board recommended payment of final dividend of approximately HK$184.0 million for the year ended 31 December 2016, representing payment of HK$0.11 per ordinary share and convertible preference share of the Company. The proposed final dividend will be payable on or about 8 June 2017, subject to the shareholders' approval at the Annual General Meeting of the Company, to those persons registered as shareholders of the Company 15 May 2017, being the record date for determining shareholders' entitlement to the proposed final dividend and the holders of the convertible preference shares. Including the interim dividend of HK$0.05 per share, full year dividend amounts to HK$0.16 per share. The payout is equivalent to 39.60% of profit attributable to shareholders for the year, in line with the dividend policy of the Company to enhance shareholders' value over the long-term.

BUSINESS STRATEGY

The Group's business was strengthened by the asset injection of the construction and property development projects in Singapore in October 2015, which the growth in business scale allows the Group to seize the opportunities arising from "One Belt, One Road" long-term national policy, by exploring the opportunities in construction and property development business in the South-East Asia markets. The Group has shown its progress in undertaking the first sizeable construction project in Indonesia during the year, which is in accordance with the business strategy stated in my Chairman's Statement last year.

In the future, we will continue to persistently develop in line with this national policy. We will seek acquisition or cooperation opportunities in countries and regions along the Belt and Road of the "One Belt, One Road" Initiative, as we believe that there is immense potential in these regions in the years to come. Other than Indonesia, we are currently looking for further opportunities in the South-East Asia region including Vietnam, Thailand, Malaysia and the Philippines.

The Group will endeavor to apply its integrated business model used in projects in Singapore, which is to undertake projects in the capacity of a contractor and also a property developer, to other regions like Hong Kong, as this integrated business model would allow the Group to cover the full industry chain and can hence achieve a better cost efficiency and enhance the competitiveness of the Group. Being a renowned foundation contractor in Hong Kong, the Group also undertook contraction projects as a superstructure contractor since 2015, with an aim to become a property developer achieving an integrated business model in the Hong Kong market.

We will also make use of the financing options available to the Group in order to expand our operation scale.

CHAIRMAN'S STATEMENT

OPERATION REVIEW

Business in Singapore

Property Development Business

In 2016, the Group focused on the development and sale of quality executive condominiums ("**EC**") in Singapore. During the Reporting Period, there were two projects with Temporary Occupation Permit ("**TOP**") issued by the Building and Construction Authority of Singapore ("BCA"), namely Waterbay with TOP issued in January 2016 with the total sales value of approximately HK$1.9 billion and aggregated contracted sales area of 43,277 sq.m. The other EC project with TOP issued in August 2016 was Ecopolitan with total contract value of approximately HK$2.7 billion and aggregated contracted sales area of 56,394 sq.m..

In April 2016, the Group launched the sale of Singapore's first EC project with smart home technology, Visionaire, in Sembawang district. We have entered a partnership with Samsung Asia Pte Ltd. on the development of smart home technology and we will see a higher degree of integration of smart living technology into our future new developments.

In March 2017, our second EC project with smart home technology, iNz Residence, in Choa Chu Kang Avenue 5 is put up for sale. Homeowners can make use of our homegrown mobile application, hiLife, to receive the latest events and happenings in the vicinity of the building, book facilities, request repair and maintenance services, etc.

In May 2016, the Group successfully tendered for a mixed commercial and residential new land parcel at Bukit Batok West Avenue 6, near the Jurong West district, at a tender price of approximately HK$1.74 billion. The site area of the above land parcel is approximately 14,696.7 sq.m. with a total GFA of approximately 44,091 sq.m., including approximately 6,000 sq.m. of commercial area and approximately 38,091 sq.m. of residential area. This project is the first mixed development project to be undertaken by the Group in Singapore, which is intended to be developed as a private condominium.

The Group also concluded a sale and purchase agreement in May 2016 with 81% owners of Shunfu Ville, near the Bishan-Thomson area, for a collective sale at a consideration of approximately HK$3.51 billion. This is the first collective sale of the Group, and is one of the largest collective sales in Singapore's history. The site covers an area of approximately 38,000 sq.m. with an estimated gross floor area (**GFA**) of over 100,000 sq.m. It is intended to be developed as a private condominium with over 1,000 apartments. As at the date of this annual report, there are still two owners objecting the sales committee regarding the collective sale and initiated legal proceedings against the sale committee, which the final judgment from the Singapore court is expected to be handed down in April 2017.

As at the date of this report, the Group is holding majority interest in four property projects across Singapore, with a total saleable floor area of approximately 230,000 sq.m..

CHAIRMAN'S STATEMENT

Construction Business

In July 2016, the Group acquired New Chic International Limited ("New Chic"), the holding company of Welltech Construction Pte. Ltd. ("Welltech") at a consideration of approximately HK$597.9 million, which marked a significant milestone in realizing the Group's vertical integration of its construction business and added to the depth and breadth of the Group's various business segments. Leveraging on Welltech's business network, the acquisition allows the Group to further develop and expand its construction business in Singapore.

During the Reporting Period, the Singapore construction segment completed 7 projects and secured 5 new project with an aggregated contract sum of approximately HK$2.5 billion, which includes the contract sum of Welltech after the acquisition.

As at 31 December 2016, this segment had 14 external projects in progress with aggregate remaining contract sum of approximately HK$4.1 billion.

Business in Hong Kong

In view of the Hong Kong market, there has been a strong demand for housing and infrastructure projects. Unfortunately, the filibuster situation in the legislative council severely narrows the pipeline for new public construction projects being approved. This affects most of the construction companies as the prolonged delay of granting of funds for commencement of new public projects would lead to the dramatic contraction of business volume in the public sector. Many of the public sector contractors would tap into the private construction market to avoid idling of human resources and machinery. This results in very keen competition among contractors tendering for private projects with thinner profit margins than usual.

At present, we are facing a cut-throat competition among contractors in tendering for new projects. In some projects, we have to adopt a more competitive pricing in order to increase our chance of winning the tender. We anticipate the keen competition in the foundation and building construction industries would continue in 2017.

During the Reporting Period, the Group secured several new sizable projects, including foundation work for a Housing Authority project in Diamond Hill, foundation work for Lamma Power Station Extension and the superstructure construction work for a residential project in Kau To Shan, Shatin. The aggregated contract sum of these new projects amounts to approximately HK$1.8 billion. As at 31 December 2016, the remaining contract sum of projects in progress was approximately HK$2.1 billion.

Fund Raising Activities

During the Reporting Period, a number of renowned investors, including the affiliates of Greatwall Asset Management Group, Hurong Asset Management Group and Cinda Asset Management Group showed their confidence in our Group by subscribing the new shares of the Company. The net proceeds received by the Company from the series of share placing and subscriptions took place during the Reporting Period amounted to approximately HK$800 million. This demonstrated the recognition shown by institutional investors in the Group's business and its management.

CHAIRMAN'S STATEMENT

PROSPECTS AND FUTURE STRATEGY

We will closely follow the national "Belt and Road" Initiative. During the Reporting Period, the Group has been steadily pushing forward the implementation of this nationwide policy to Indonesia, and is currently engaging with business partners in Ho Chi Minh City in Vietnam for potential construction and property development projects. We are also looking for potential acquisition of construction companies in South-East Asian regions for further expansion and gaining a foothold for the CNQC brand. This, in turn, will further broaden our businesses and increase value for our shareholders.

For our Hong Kong construction business, as mentioned, we remain cautious over prolonged delay on granting new public works which led to fewer new public works projects from the Hong Kong Government since last year. We are trying hard to maintain our existing work scale by exploring new business opportunities along with the chain of construction cycle. Nevertheless, we are aware of the business risks which may come in the near future.

In order to prepare ourselves for challenges ahead of us, we have been looking for property development opportunities in Hong Kong with a hope of riding on the expertise derived from our integrated business model in Singapore and diversify our income source. I look forward to achieving even more value for our shareholders in the years ahead.

APPRECIATION

On behalf of the Board and management, I would like to express my sincere appreciation to members of the Board, the management and staff of the Group for their commitment and dedication over the course of the year. On behalf of the Board, I would also like to thank our valued customers, shareholders, business associates and investors, amongst others, for their continued support to the Group.

CNQC International Holdings Limited
Cheng Wing On, Michael
Chairman

28 March 2017

MANAGEMENT DISCUSSION AND ANALYSIS

SINGAPORE PROPERTY MARKET REVIEW

In order to control the rising housing prices, the Singapore government has been active in implementing various policies including the Additional Buyer's Stamp Duty ("**ABSD**") and Total Debt Servicing Ratio ("**TDSR**"). After the implementation of TDSR, the volume of units purchased by overseas buyers has fallen by more than 80% from the peak of 5,680 units in 2011 to the bottom of 1,068 units in 2016. Units sold to local Singapore buyers have also declined from the peak of 27,523 units in 2012 to the bottom of 8,944 units in 2014.

Most of the buyers have delayed their purchases in anticipation of the lifting of or the changes made to the cooling measures. On 10 March 2017, the Singapore government has announced the relaxation of the cooling measures on the Seller's Stamp Duty ("**SSD**") and the TDSR, which became effective from 11 March 2017. Under this latest framework, the levy period of the SSD upon properties was reduced to a maximum of three years from the previous four years and the SSD rates at all levels would decline by 4%. For the properties being resold within one year, the SSD rate would drop from 16% to 12%. While the effect of the relaxation of the cooling measures on the Singapore property market remains to be seen, the Company expects such relaxation would potentially improve the market sentiment and would be conducive to improving the business environment of the property development industry.

As for the Executive Condominiums ("**EC**") segment, the above-mentioned cooling measure and the Mortgage Servicing Ratio (MSR) framework imposed on EC homebuyers have dampened home-buying demand for the EC sector. These factors affected the sell of ECs in 2016 and such impact is expected to continue in 2017. In light of the softer property market in Singapore, we will be even more selective in choosing suitable land banks by focusing on developing well-located area which offer a strong and unique selling proposition.

SINGAPORE CONSTRUCTION MARKET REVIEW

Singapore's public construction segment, which accounts for more than 60% of the overall construction market, will continue to expand in the coming years with the support from the government's investment in transport infrastructure and public housing. However, the number of private building projects is expected to deteriorate due to less favourable economic conditions and an increased supply of completed private housing projects and offices. Competition is expected to increase, and market players will try to maintain their revenue by lowering margins.

Small and medium-sized construction companies who are active in the private construction sector are mainly affected by the profit margin contraction due to lower demand, coupled with higher labour and rental costs. In the coming years, companies may struggle to meet working capital requirements as margins are continuously squeezed. The weak property market, coupled with declining house prices, are still affecting the sector adversely.

Construction activities slowed down in 2016 after being weighed down by weaker private sector construction activities. The current trend in the Singapore construction tendering market reflects a significant decline in new construction demand for private sector works in 2017.

Preliminary estimation by the BCA indicated that total construction demand last year amounted to SGD26.1 billion, decreasing from SGD27 billion in 2015. Private-sector construction demand is likely to be between SGD8 billion and SGD11 billion in 2017, and that of the public sector is projected to grow to the level between SGD20 billion and SGD24 billion.

MANAGEMENT DISCUSSION AND ANALYSIS

HONG KONG CONSTRUCTION MARKET REVIEW

The construction industry in Hong Kong accounted for about 3.4%–4.7% of the Gross Domestic Product from 2011 to 2015. The foundation and construction industries were supported by increasing public expenditure on infrastructure. The public expenditure on infrastructure experienced a significant growth, from about HK$42.1 billion in 2011 to about HK$77.1 billion in 2015, whereas the contract sums of the private sector performed by main contractors grow from HK$35.3 billion in 2011 to about HK$66.1 billion in 2015.

The construction industry experienced significant growth due to the rising demand for commercial and residential buildings as well as for infrastructure in the past few years. From 2016 to 2020, it is expected that investment in public infrastructure will continue. Yet, given the recent filibuster in the Hong Kong Legislative Council, public investment in infrastructure has slowed down which may in turn slow down the growth of the construction industry. Nevertheless, as the Government is expected to continue its investment on infrastructure and public housing in the long run, the construction industry in Hong Kong is likely to grow moderately.

BUSINESS REVIEW

Property Development Business

During 2016, contracted sales, contracted sales area and contracted average selling price ("ASP") realised by the Group are set out in the table below:

Project	Sales Revenue 2016 (HK$' million)	Sales Area 2016 Sq.m.	ASP 2016 (HK$/sq.m.)
I Waterbay	1,900.9	43,277	43,926
II Ecopolitan	2,687.5	56,394	47,658
Total	4,588.4	99,671	

The Group mainly handed over units at Waterbay and Ecopolitan which obtained their TOP in January 2016 and August 2016 respectively.

As at 31 December 2016, the Group's portfolio of property development projects with majority interest consists of 4 projects across Singapore, with three development projects of EC apartments and one other mixed commercial and residential development project. The saleable GFA of the these properties which had not been sold or pre-sold as at 31 December 2016 was approximately 100,000 sq.m.

As at 31 December 2016, total GFA of the Group's 4 projects with majority interest in the outside central region of Singapore was approximately 230,000 sq.m. Details are as follows:

MANAGEMENT DISCUSSION AND ANALYSIS

Bellewoods

Bellewoods is an executive condominium development featuring three blocks of 11-storey and nine blocks of 12-storey apartments comprising 561 units ranging from two to five-bedrooms. It is located at the corner of Woodlands Avenue 5 and Woodlands Avenue 6 junctions.

In 2016, contracted pre-sales of Bellewoods were HK$770.3 million and contracted pre-sales area was 16,707 sq.m. which accounted for approximately 27.4% of this project's saleable area. As at 31 December 2016, the percentage of saleable area sold in aggregate was 71.2%.

Bellewaters

Bellewaters is an executive condominium development featuring three blocks of 17-storey and seven blocks of 16-storey apartments ranging from three to five-bedrooms. It is located along Anchorvale Crescent.

In 2016, contracted pre-sales of Bellewaters were HK$1,298.3 million and contracted pre-sales area was 25,257 sq.m. which accounted for approximately 35.5% of this project's saleable area. As at 31 December 2016, the percentage of saleable area sold in aggregate was 96.5%.

The Visionaire

The Visionaire is an executive condominium development. It is located at the junction of Canberra Link and Sembawang Road.

In 2016, contracted pre-sales of Visionaire were HK$936.2 million and contracted pre-sales area was 19,061 sq.m. which accounted for approximately 31.1% of this project's saleable area. As at 31 December 2016, the percentage of saleable area sold in aggregate was 31.1%.

Bukit Batok project

The total maximum gross floor area (GFA) of the site is 44,091 square metres including approximately 6,000 sq.m. of commercial area and approximately 38,091 sq.m. of residential area. This project is the first mixed development project to be undertaken by the Group in Singapore.

As at 31 December 2016, the pre-sales of this project had not yet commenced.

iNz Residence (the Group holds 46% interest of this project)

iNz Residence is an executive condominium development of 497 units featuring nine blocks of 15 or 16-storey apartments, ranging from two to five-bedrooms. It is located at the junction of Choa Chu Kang Avenue 5 and Brickland Road.

This project just launched its sales on 11 March 2017. As at the date of this annual report, the percentage of saleable area sold was approximately 40.3%.

Land Bank

The Group entered into a sales and purchase agreement with 81% of the owners of Shunfu Ville for a collective sale at a total consideration of approximately HK$3.51 billion. Shunfu Ville covers a land area of approximately 38,000 sq.m. The plot has an estimated gross floor area (GFA) of over 100,000 sq.m. with an expected plot ratio of 2.8. As at the date of this annual report, there remains two owners who objected to the sales committee regarding the collective sale and initiated legal proceedings against the sales committee, the final judgment of such legal proceedings from the Singapore court is expected to be handed down in April 2017.

MANAGEMENT DISCUSSION AND ANALYSIS

The management believes that the continue addition to the existing land bank is essential in order for the Group's sustainable project development in the coming years. The Group will insist on its strategy whilst taking a prudent approach and select the quality land with reasonable price which is suitable for the Group's investment.

Construction Business

The construction projects undertaken by the Group can be broadly divided into Singapore and Hong Kong geographical segments. In Singapore, the Group tenders for governmental authorities construction works, external private construction works and engages in the Group's property development projects whereas in Hong Kong, the Group is mainly responsible for foundation works, ancillary services with particular specialization in piling works and superstructure construction.

In July 2016, the Group acquired New Chic, the holding company of Welltech. The acquisition allows the Group to leverage on Welltech's business network, which enable the Group to further develop and expand its construction business in Singapore.

The Group's revenue from the Singapore construction contracts for the Reporting Period was approximately HK$2,399.7 million (year ended 31 December 2015: approximately HK$3,003.1 million). The revenue attributable from Hong Kong segment is approximately HK$1,615.0 million (year ended 31 December 2015: approximately HK$1,671.7 million).

During the Reporting Period, for the Singapore segment, the Group completed seven construction projects including three public projects from the Housing and Development Board of Singapore ("**HDB**") and four other private projects. There were three projects newly awarded by the HDB in July and October 2016 and two private construction projects with aggregated contract sum of approximately HK$2.5 billion. As at 31 December 2016, there were 14 external private construction projects on hand with another 3 construction projects from the Group's property development segment and the contract sums are approximately HK$7.8 billion and HK$2.6 billion respectively.

As for the Hong Kong segment, the Group commenced work on several new sizable foundation and superstructure construction projects including foundation work for a Hong Kong Housing Authority project in Diamond Hill, foundation work for Lamma Power Station Extension and the superstructure construction work for a residential project in Kau To Shan, Shatin, with a total contract sum of approximately HK$1.82 billion. As at 31 December 2016, the outstanding contract sums of projects on hand are approximately HK$2.14 billion.

FINANCIAL REVIEW

Revenue

The Group's total revenue for the Reporting Period was approximately HK$8.6 billion (2015: approximately HK$11.1 billion), representing a decrease of 22.5% as compared with last year. The decrease is mainly attributable to the majority of the Group's property sales in Singapore being recognized in 2016 are EC property as compared to the majority of the Group's property sales in Singapore being private condominium projects in 2015, which the sales price and saleable areas of last year's private condominium were higher than the sales price and saleable area of the year's EC property. During the Reporting Period, the revenue derived from the projects in Singapore was approximately HK$7.0 billion (2015: approximately HK$9.4 billion) whereas those in Hong Kong and Macau were approximately HK$1.6 billion (2015: approximately HK$1.7 billion).

Out of the approximately HK$7.0 billion revenue derived from the Singapore segment, the aggregate contracted sales of properties amounted to approximately HK$4.6 billion, representing a decrease of 28% over that of last year. The average selling price of the EC projects was approximately HK$46,035 per sq.m.

MANAGEMENT DISCUSSION AND ANALYSIS

Gross Profit Margin

The Group's gross profit margin during the Reporting Period was approximately 15.0% (2015: approximately 16.3%). Despite the continuing increase in labour cost and subcontractor charges during the Reporting Period (as compared with last year), the Group managed to achieve cost efficiency through structure design optimization, 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. As for the property development segment, the Group continues to make use of new concept in recent projects, including the Co-Space and Smart Home ideas which support a better pricing for property sales.

Selling and Marketing Expenses

The Group's selling and marketing expenses for the Reporting Period were approximately HK$98.2 million (2015: approximately HK$165.6 million), which was approximately 1.1% (2015: approximately 1.5%) of the Group's total revenue. The decrease was in line with the scale and pricing of the EC projects recognized during the Reporting Period.

General and Administrative Expenses

The Group's general and administrative expenses for the Reporting Period were approximately HK$354.0 million (2015: approximately HK$553.0 million), which was approximately 4.1% (2015: approximately 5.0%) of the Group's total revenue. The decrease was mainly attributable to the decrease in share based payment and performance bonus recognised during the Reporting Period.

Net Profit

During the Reporting Period, the Group reported a net profit of approximately HK$669.1 million (2015: approximately HK$740.7 million), representing a decrease of 9.7% as compared with last year. The profit attributable to owners of the Company was HK$585.4 million (2015: approximately HK$577.3 million, representing an increase of approximately 1.4% over the last year. Basic earnings per share was HK$0.404 (2015: HK$0.461).

NON-COMPETITION DEED

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

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

PROSPECTS

Prices and rental are expected to decline slightly in 2017 given the increasing number of unsold houses as supply continues to exceed demand. With consistent cooling measures remain in place, the presence of Additional Buyer Stamp Duty (ABSD) and a slow economy, the Singapore residential property market for 2017 is expected to remain stable.

MANAGEMENT DISCUSSION AND ANALYSIS

Although the residential market is expected to cool further, the fundamentals of Singapore properties remain stable and attractive. Singapore remains an attractive location to live in and to conduct business and remains a compelling investment destination for property companies, given Singapore's socioeconomic stability and transparent legal and regulatory structure.

As for the construction segment in Singapore, the economic slowdown has taken a toll on the construction sector, with the total value of construction demand falling for a second consecutive year in 2016. However, it is expected that there will be a surge in public-sector construction contracts this year. Public-sector construction demand and the value of contracts expected to be awarded in 2017 are projected to grow to a level approximately between SGD20 billion and SGD24 billion.

In Hong Kong, there is an increasing demand in both residential and commercial building. The Hong Kong Government plans to increase the supply of residential land for public and private housing to meet the increasing demand for housing units and to stabilise the overheated property market. Also, there is increasing opportunities of redevelopment of old buildings located in the urban and commercial areas.

With the sustained demand of construction work in both Singapore and Hong Kong, the management expects that there will be a lot of tendering opportunities in the future.

Looking ahead, the Group will continue to allocate more resources in smart home technologies and will incorporate smart home technologies in upcoming property projects. The smart home technologies will bring convenience, energy efficiency and home safety to homeowners and these features will enhance the living standard and will make our property projects more appealing to potential home buyers.

The Group has been contemplating to merge e-commerce with property management function by way of inventing our homegrown lifestyle smartphone application "HiLife" which aims to allow home owners to manage each household daily needs on their palm. On 22 February 2017, the Group's wholly owned subsidiaries entered into a memorandum of understanding with Singapore Telecomunications Limited to jointly develop smart home technology for the Group's property development projects in Singapore. Currently, the smartphone application "HiLife" is well operated in Singapore. The Group is going to expand this smartphone application to more residential districts in Singapore and target more family users and property agents to register "HiLife" smartphone application. HiLife has consistently been the preferred mobile application for residents for enjoying seamless smart living, community engagement and perpetual services.

The Group will actively explore opportunities in the overseas market along the Belt and Road of the "One Belt, One Road" Initiative with a view to create value to shareholders in the long run.

DEBTS AND CHARGE ON ASSETS

The total interest bearing bank borrowings of the Group, including bank loans and finance leases, decreased from approximately HK$7.92 billion as at 31 December 2015 to approximately HK$6.71 billion as at 31 December 2016. Borrowings were denominated mainly in Singapore Dollar, Hong Kong Dollar, Renminbi and US Dollar. Interests on bank borrowings were charged at floating rates. The Group currently does not have an interest rate hedging policy and the Group monitors interest risks continuously and considers hedging any excessive risk when necessary.

These banking facilities were secured by the Group's property, plant and equipment, leasehold land and buildings and development properties with net carrying amounts of HK$154,955,000 (2015: HK$235,282,000), HK$35,431,000 (2015: HK$36,706,000) and HK$8,758,473,000 (2015: HK$9,137,882,000), respectively.

MANAGEMENT DISCUSSION AND ANALYSIS

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Group has funded the liquidity and capital requirements primarily through capital contributions from shareholders, bank borrowings and cash inflows from the operating activities.

As at 31 December 2016, the Group had cash and cash equivalents of approximately HK$1.79 billion (2015: approximately HK$1.63 billion) of which approximately 56.2% was held in Singapore Dollar, 31.8% was held in Hong Kong dollar, 11.2% was held in US Dollars and the remaining was mainly held in Renminbi, Macau Patacas and Indonesian Rupiah. The gearing ratio of the Group as at 31 December 2016 (defined as the net debt divided by total equity plus net debt, where net debt is defined as borrowings less cash and cash equivalents and pledged bank deposits) was approximately 60.5% (2015: approximately 80.3%).

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

FOREIGN EXCHANGE

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

SIGNIFICANT INVESTMENT, MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES AND ASSOCIATED COMPANIES

On 26 May 2016, the Company entered into a share purchase agreement (the "**Agreement**") pursuant to which the Company conditionally agreed to acquire, and Sino Concord Ventures Limited and Rally Tech Investments Limited conditionally agreed to sell or procure to be sold the entire issued share capital of New Chic on the terms and subject to the conditions set out in the Agreement, at a consideration of SGD101,000,000 to be satisfied by the issuance and allotment of 100,000,000 consideration shares at the issue price of HK$2.80 by the Company and cash payment of SGD51,000,000 (the "**Acquisition**"). The Acquisition was completed on 13 July 2016.

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

CAPITAL COMMITMENTS

As at 31 December 2016, the Group had capital commitments of approximately HK$49.9 million (2015: HK$19.9 million).

CONTINGENT LIABILITIES

Save as disclosed in note 36 to the consolidated financial statements, the Group had no other contingent liabilities as at 31 December 2016 and 31 December 2015.

EVENT AFTER THE REPORTING PERIOD

The Company appointed Mr. Wang Xianmao as a non-executive Director with effect from 16 January 2017, as detailed in the announcement of the Company dated 16 January 2017. There are no other significant events after the Reporting Period and up to the date of this report.

MANAGEMENT DISCUSSION AND ANALYSIS

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2016, the Group had 2,143 full-time employees (2015: 2,034 full-time employees). Most of the Group's employees were based in Singapore and Hong Kong. The remuneration policy and package of the Group's employees were periodically reviewed. Apart from provident fund and in-house training programmes, salaries increment and discretionary bonuses may be awarded to employees according to the assessment of individual performance.

The total remuneration cost incurred by the Group for the Reporting Period was approximately HK$682.4 million (2015: approximately HK$875.0 million).

SHARE OPTIONS

Share Option Scheme

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

On 28 April 2016, the Company offered to grant an aggregate of 10,500,000 share options (the "**2016 Share Options**") to certain Directors (the "**2016 Grantees**"), subject to acceptance of the 2016 Grantees, under the Share Option Scheme. The 2016 Share Options will enable the 2016 Grantees to subscribe for an aggregate of 10,500,000 new Shares, representing 1.59% of the issued share capital of the Company as at the date of grant subject to certain vesting periods. For further details, please refer to the announcement of the Company dated 28 April 2016.

Since then, the Group has not granted any new options under the Share Option Scheme nor is there any option being exercised as at the date of this annual report.

The Shareholders have approved at the annual general meeting of the Company held on 29 April 2016 the refreshment of the 10% scheme mandate limit of the Share Option Scheme, which the Directors are authorized to issue options to subscribe for a total of 66,020,250 Shares.

Management Share Scheme

A management share scheme (the "**Management Share Scheme**") was constituted pursuant to which awards were conditionally granted to certain senior management and employees (the "**Selected Participants**") of Guotsing Holding Group Co. Ltd. ("**Guosting PRC**", together with tis subsidiaries, "**Guotsing Group**") to purchase from the trust up to a total of 304,599,273 CPS in accordance with the terms and conditions of the Management Share Scheme. For further details of the Management Share Scheme, including the list of the Selected Participants, please refer to the circular of the Company dated 25 September 2015.

During the Reporting Period, there was 60,919,852 CPS being vested and converted to Shares and 243,679,421 CPS remain under the trust.

PURCHASE, SALE AND REDEMPTION OF THE COMPANY'S SECURITIES

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

MANAGEMENT DISCUSSION AND ANALYSIS

CORPORATE GOVERNANCE

Corporate Governance Code

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

CODE OF CONDUCT REGARDING DIRECTORS' SECURITIES TRANSACTIONS

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

REPORT OF THE DIRECTORS

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding and the principal activities of its subsidiaries are set out in note 19 to the financial statements.

During the Reporting Period, the Company was involved in a major and connected transaction, of which details are set out in the section headed “THE ACQUISITION OF NEW CHIC INTERNATIONAL LIMITED” section of this Report of the Directors.

BUSINESS REVIEW

In compliance with Schedule 5 to the Companies Ordinance, Chapter 622, a fair review of the business of the Company and further discussion and analysis of important events affecting the Group after the Reporting Period and future development of the Company’s business are set out in Management Discussion and Analysis in pages 8 to 16 of this annual report, which forms part of this Report of the Directors.

RESULTS AND DIVIDENDS

The results of the Group for the Reporting Period are set out in the consolidated statement of comprehensive income on pages 68 and 69 of this annual report. The payment of a final dividend of HK$0.11 per ordinary share of the Company and Convertible Preference Shares for the Reporting Period to shareholders whose names appear on the Register of Members of the Company on 15 May 2017 and the holders of the Convertible Preference Shares have been recommended by the Directors and is subject to the approval of the shareholders of the Company at the forthcoming annual general meeting of the Company. The dividend, if approved, is expected to be paid on or around 8 June 2017.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Company and the Group during the Reporting Period are set out in note 14 to the financial statements.

SHARE CAPITAL

Details of movements during the Reporting Period in the share capital of the Company are set out in note 28 to the financial statements.

RESERVES

Details of movements in the reserves of the Group during the Reporting Period are set out in the consolidated statement of changes in equity on page 73.

As at 31 December 2016, the Company had reserves amounted to HK$3,259.5 million available for distribution as calculated based on Company’s share premium less accumulated losses under applicable provisions of the Companies Law in the Cayman Islands (2015: HK2,199.5 million).

GROUP FINANCIAL SUMMARY

A summary of the results and the assets and liabilities of the Group for last five financial years is set out on page 162 of this annual report.

REPORT OF THE DIRECTORS

DIRECTORS

The Directors who held office during the Reporting Period and up to the date of this report were:

Executive Directors

Dr. Du Bo *(Chairman)* (resigned as the Chairman and an executive Director on 26 January 2016)
Mr. Cheng Wing On, Michael *(Chairman)* (resigned as Chief Executive and appointed as Chairman on 26 January 2016)
Mr. Wang Congyuan *(Chief Executive Officer)*
(appointed as an executive Director and the Chief Executive Officer on 26 January 2016)
Mr. Ho Chi Ling
Mr. Zhang Yuqiang
Mr. Wang Linxuan (appointed as an executive Director on 26 January 2016)

Non-executive Directors

Mr. Zhang Zhihua
Dr. Ding Hongbin (resigned as a non-executive Director on 30 December 2016)
Dr. Sun Huiye (appointed as a non-executive Director on 26 January 2016)
Mr. Wang Xianmao (appointed as a non-executive Director on 16 January 2017)

Independent Non-executive Directors

Mr. Chuck Winston Calptor
Mr. Ching Kwok Hoo, Pedro
Mr. Tam Tak Kei, Raymond
Mr. Chan Kok Chung, Johnny (appointed as an independent non-executive Director on 26 January 2016)

Mr. Zhang Zhihua, Mr. Wang Xianmao, Mr Chuck Winston Calptor, Mr. Ching Kwok Hoo, Pedro and Mr. Tam Tak Kei, Raymond will retire from office as Directors at the forthcoming annual general meeting of the Company, being eligible, to offer themselves for re-election pursuant to Article 108(a) and Article 112 (as the case may be) of the Articles of Association of the Company (the "**Articles**").

DIRECTORS' SERVICE CONTRACT

Mr. Cheng Wing On, Michael, Mr. Ho Chi Ling, Mr. Zhang Yuqiang respectively entered into a service contract as an executive Director on 11 August 2014 with the Company for a term of three years. Mr. Wang Congyuan and Mr. Wang Linxuan entered into a service contract as an executive Director on 26 January 2016 with the Company for a term of three years. The service contract can be terminated by not less than three months' notice in writing served by either party on the other or otherwise in accordance with the terms of the director's service contract.

Each of Mr. Zhang Zhihua, Dr. Sun Huiye and Mr. Wang Xianmao has entered into a service contract as a non-executive Director on 11 August 2014, 26 January 2016 and 16 January 2017 respectively, with the Company for a term of three years. The service contract can be terminated by not less than three months' notice in writing served by either party on the other or otherwise in accordance with the terms of the director's service agreement.

Mr. Chuck Winston Calptor, Mr. Ching Kwok Hoo, Pedro and Mr. Tam Tak Kei, Raymond respectively entered into a service contract as an independent non-executive Director on 12 September 2016 with the Company for a term of two years. Mr. Chan Kok Chung, Johnny entered into a service contract as an independent non-executive Director on 26 January 2016 with the Company for a term of two years. The service contract can be terminated by not less than three months' notice in writing served by either party on the other. The Company has received annual confirmation of independence from all the independent non-executive Directors pursuant to Rule 3.13 of the Listing Rules, and considers them to be independent.

Apart from the foregoing, no Director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

MANAGEMENT CONTRACTS

No significant contracts concerning the management and administrative of the whole or any substantial part of the business of the Company has been entered into or existed during the year.

REPORT OF THE DIRECTORS

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2016, interests or short positions in the shares, underlying shares and debentures of the Company and any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("**SFO**")) 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:

Interests in the Shares and underlying Shares of the Company

Name of director	Capacity	Number of Shares and underlying Shares held in long position	Approximate percentage of interests
Mr. Cheng Wing On, Michael	Beneficial owner *(note 1)*	3,000,000	0.21%
	Beneficial owner *(note 3)*	3,000,000	0.21%
Mr. Wang Congyuan	Beneficial owner	397,500	0.03%
	Beneficiary of a trust *(note 2)*	3,045,993	0.21%
	Beneficial owner *(note 3)*	2,100,000	0.15%
Mr. Ho Chi Ling	Beneficial owner *(note 1)*	2,400,000	0.17%
	Beneficial owner *(note 3)*	2,400,000	0.17%
Mr. Zhang Yuqiang	Beneficial owner *(note 1)*	2,400,000	0.17%
Mr. Wang Linxuan	Beneficial owner	480,000	0.03%
	Beneficiary of a trust *(note 2)*	8,122,647	0.57%
	Beneficial owner *(note 3)*	2,100,000	0.15%
Mr. Zhang Zhihua	Beneficial owner *(note 1)*	3,000,000	0.21%
	Beneficiary of a trust *(note 2)*	30,459,927	2.13%
Dr. Sun Huiye	Beneficial owner *(note 3)*	900,000	0.06%
Mr. Wang Xianmao	Beneficiary of a trust *(note 2)*	3,045,993	0.21%
	Beneficial owner	152,500	0.01%

Notes:

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

2. This represents long position in the underlying CPS under the Awards granted under the Management Share Scheme. Please refer to the paragraph headed "Share Options — Management Share Scheme" in this report for more details.

3. This represents long position in the underlying Shares under share options granted on 28 April 2016 pursuant to the share option scheme of the Company.

Save as disclosed above, as at 31 December 2016, 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.

REPORT OF THE DIRECTORS

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

As at 31 December 2016, the following persons (not being a Director or chief executive of the Company) had interests or short positions in the shares of the Company (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 of controlled corporation *(note 1)*	932,338,306	65.23%
	Beneficiary of a trust *(note 3)*	91,379,782	6.39%
Hui Long Enterprises Limited	Interest in controlled corporation *(Note 1)*	932,338,306	65.23%
Bliss Wave Holding Investments Limited	Interest in controlled corporation *(Note 1)*	932,338,306	65.23%
Top Elate Investments Limited	Interest in controlled corporation *(Note 1)*	932,338,306	65.23%
Hao Bo Investments Limited	Interest in controlled corporation *(Note 1)*	932,338,306	65.23%
Guotsing Holding Company Limited	Beneficial owner	708,193,306	15.68%
	Interest in controlled corporation *(Note 1)*	224,145,000	49.55%
Trustee	Trustee	243,679,421	17.05%
Qingdao Qingjian Holding Co Staff Shareholding Union	Interest in controlled corporation *(Note 1)*	932,338,306	65.23%
Qingdao Qingjian Holdings Co	Interest in controlled corporation *(Note 1)*	932,338,306	65.23%
CNQC Development Limited	Beneficial owner *(Note 2)*	224,145,000	15.68%
Great Wall Pan Asia International Investment Company Limited	Beneficial owner	142,000,000	9.93%
Sino Concord Ventures Limited	Beneficial owner	100,000,000	7.00%

Note:

(1) Guotsing Holding Company Limited ("**New Guotsing Holdco**") is held as to 85% by Hao Bo Investments Limited, and is in turn held as to 48.547% by Top Elate Investments Limited and as to 51.453% by Bliss Wave Holding Investments Limited, a company held as to 74.533% by Hui Long Enterprises Limited.

(2) The 224,145,000 Shares were held by CNQC Development Limited ("**CNQC Development**") as at 31 December 2016. CNQC Development is wholly-owned by New Guotsing Holdco.

(3) This represents long position in the underlying CPS under the Awards granted under the Management Share Scheme. Please refer to the paragraph headed "Share Options — Management Share Scheme" in this report for more details.

Save as disclosed above, as at 31 December 2016, to the best information, knowledge and belief of the Directors, no person (other than the Directors and chief executive of the Company), had registered an interest or short position in the Shares or underlying Shares of the Company that was required to be recorded pursuant to section 336 of the SFO.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

On 26 May 2016, the Company entered into the Agreement with Sino Concord Ventures Limited (**Sino Concord**) and Rally Tech Investment Limited (**Rally Tech**), pursuant to which the Company conditionally agreed to acquire, and Sino Concord and Rally Tech conditionally agreed to sell the entire issued share capital of New Chic on the terms and subject to the conditions set out in the Share Purchase Agreement. The completion of the Agreement took place on 13 July 2016. Please refer to the section headed "Principal Activities" in this report for further details. As (i) Sino Concord is held as to 80% by Sun East Development Limited, 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. Mr. Wang Linxuan was considered to have material interests in the Share Purchase Agreement and the transaction contemplated under the Share Purchase Agreement.

Save as disclosed in this report, no contracts of significance to which the Company or any of its subsidiaries was a party and in which a Director had a material interest subsisted at the end of the Reporting Period or at any time during the Reporting Period.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Apart from the section headed "Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures" above and "Share Option Scheme" below, at no time during the Reporting Period were rights to acquire benefits by means of the acquisition of Shares in or debentures of the Company granted to any Director or their respective associates nor was the Company and any of its subsidiaries a party to any arrangement to enable the Directors, or their respective associates to acquire such rights in any other body corporate.

MAJOR CUSTOMERS AND SUPPLIERS

The percentages of the Group's purchases and turnover attributable to major suppliers and customers are as follows:

	2016	2015
	%	%
Percentage of construction material purchases and construction subcontracting:		
From the largest supplier	**5.7%**	5.8%
From the five largest suppliers	**13.6%**	22.7%
Percentage of turnover:		
From the largest customer	**19.8%**	17.8%
From the five largest customers	**31.6%**	30.8%

The largest supplier, Sinstar Precast Pte. Ltd. (formerly known as Qingjian Precast Pte. Ltd.), is owned as to 16% by Lin Xiu E, spouse of Dr. Du, a former Director and a controlling shareholder, 8% by Mr. Zhang Zhihua, a non-executive Director and the third largest supplier, Elite Concrete Pte Ltd, is held as to 50% by Sinstar Precast Pte. Ltd.. Except as disclosed, there are no other Directors, their associates or any shareholders (which to the knowledge of the Directors who owned more than 5% of the Company's share capital) had any interest in the five largest customers nor suppliers.

DIRECTORS' INTEREST IN A COMPETING BUSINESS

Pursuant to Rule 8.10 of the Listing Rules, during the Reporting Period and up to the date of this annual report, the following Directors are considered to have business interests which are likely to compete directly or indirectly with the business of the Group.

During the Reporting Period, Mr. Zhang Zhihua served as a supervisor of Guotsing PRC and Dr. Ding Hongbin served as a director of Guotsing PRC. Mr. Zhang Zhihua ceased to be a supervisor of Guotsing PRC since December 2016. Mr. Wang Xiamao is the chief executive officer of Guotsing PRC. Guotsing PRC, together with its subsidiaries ("**Guotsing Group**"), is primarily engaged in (i) investments in projects in the real estate and related industries; (ii) property development in the PRC and other overseas markets; (iii) provision of construction services to both the private and public sectors in the PRC and other overseas markets; (iv) logistics and trading of steel, machinery and other raw materials related to construction business; and (v) provision of design consultation services. However, pursuant to a non-competition deed, the Guotsing Group will not engage in the Restricted Business in competition with the Group in Hong Kong, Singapore and Macau, more particulars of which are set out below in this report. Therefore, the Directors are of the view that the business of Guotsing Group do not compete directly with the business of the Group.

Save as disclosed above, the Directors were not aware of any business or interest of the Directors and their respective associates that had competed or might compete with the business of the Group and any other conflicts of interests which any such person had or might have with the Group.

REPORT OF THE DIRECTORS

PUBLIC FLOAT

From information publicly available to the Company and within the knowledge of the Directors, at least 25% of the Company's total issued share capital was held by the public as at the date of this annual report.

PURCHASE, SALE AND REDEMPTION OF THE COMPANY'S SECURITIES

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the Reporting Period.

ACQUISITION OF NEW CHIC INTERNATIONAL LIMITED

Reference is made to the "Significant Investment, Material Acquisition and Disposal of Subsidiaries and Associated Companies" section of Management Discussion and Analysis in this annual report.

On 26 May 2016, the Company entered into the Agreement with the Sino Concord and Rally Tech , pursuant to which the Company conditionally agreed to acquire, and the Sino Concord and Rally Tech conditionally agreed to sell, the entire issued share capital of the New Chic at the consideration of SGD101,000,000 in accordance with the terms and conditions of the Share Purchase Agreement. The consideration was satisfied by:

(i) allotment and issuance by the Company at the HK$2.8 of 100,000,000 consideration shares at completion to Sino Concord; and

(ii) the payment of SGD51,000,000 by the Company to the Sellers in cash of which SGD26,760,000 was paid to Sino Concord and SGD24,240,000 was paid to Rally Tech.

The completion of the Share Purchase Agreement took place on 13 July 2016.

The Acquisition had the following implications under the Listing Rules:

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.

Further details regarding the Acquisition can be found in the announcements of the Company dated 26 May 2016, 28 June 2016 and 13 July 2016 and the circular of the Company dated 23 June 2016.

SHARE OPTION SCHEME

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

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

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

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

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

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

As at the date of this annual report, the total number of securities available for issue under the Scheme was 66,020,250 Shares, which represented 4.62% of the issued share capital of the Company.

REPORT OF THE DIRECTORS

The outstanding share options granted entitled the relevant grantees to subscribe for an aggregate 30,000,000 new shares of HK$0.01 each in the share capital of the Company. Detail of movements of the options granted under the Scheme for the year ended 31 December 2016 is as follows:

			Number of options							
Grantees	Date of Grant	Exercise price per share	As at 01/01/2016	Granted during the period	Exercised during the period	Lapsed during the period	Cancelled during the period	As at 31/12/2016	Vesting Period	Exercise period
Executive directors										
Cheng Wing On, Michael	27/06/2014	HK$2.70	3,000,000	–	–	–	–	3,000,000	27/06/2015–27/06/2019	27/06/2015–27/06/2020
	28/04/2016	HK$3.022	–	3,000,000	–	–	–	3,000,000	28/04/2017–28/04/2021	28/04/2017–28/04/2022
Wang Congyuan	28/04/2016	HK$3.022	–	2,100,000	–	–	–	2,100,000	28/04/2017–28/04/2021	28/04/2017–28/04/2022
Ho Chi Ling	27/06/2014	HK$2.70	2,400,000	–	–	–	–	2,400,000	27/06/2015–27/06/2019	27/06/2015–27/06/2020
	28/04/2016	HK$3.022	–	2,400,000	–	–	–	2,400,000	28/04/2017–28/04/2021	28/04/2017–27/04/2022
Zhang Yuqiang	27/06/2014	HK$2.70	2,400,000	–	–	–	–	2,400,000	27/06/2015–27/06/2019	27/06/2015–27/06/2020
Wang Linxuan	28/04/2016	HK$3.022	–	2,100,000	–	–	–	2,100,000	28/04/2017–28/04/2021	28/04/2017–28/04/2022
Non-executive Directors										
Zhang Zhihua	27/06/2014	HK$2.70	3,000,000	–	–	–	–	3,000,000	27/06/2015–27/06/2019	27/06/2015–27/06/2020
Sun Huiye	28/04/2016	HK$3.022	–	900,000	–	–	–	900,000	28/04/2017–28/04/2021	28/04/2017–28/04/2022
Employees of the Group in aggregate	27/06/2014	HK$2.70	1,500,000	–	–	–	–	1,500,000	27/06/2015–27/06/2019	27/06/2015–27/06/2020
Other participants of the Group in aggregate	27/06/2014	HK$2.70	7,200,000	–	–	–	–	7,200,000	27/06/2015–27/06/2019	27/06/2015–27/06/2020
			19,500,000	10,500,000	–	–	–	30,000,000		

Save as disclosed above, as at 31 December 2016, no Directors had any interests in the share options to subscribe for the shares.

MANAGEMENT SHARE SCHEME

Pursuant to the terms of the Share Purchase Agreement, the Management Share Scheme was constituted pursuant to which awards (the "**Awards**") were conditionally granted to Selected Participants to purchase from the trust up to a total of 304,599,273 new non-redeemable convertible preference shares of the Company in accordance with the terms and conditions of the Management Share Scheme.

During the Reporting Period, there were 60,919,852 CPSs under the Awards converted to 60,919,852 ordinary shares. There are 243,679,421 CPSs remained in the trust holding on behalf of the Selected Participants.

Further details regarding the Management Share Scheme, including the list of Selected Participants, can be found in the circular of the Company dated 25 September 2015.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles or the laws of Cayman Islands, which would oblige the Company to offer new Shares on a pro-rata basis to existing shareholders.

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

Connected transaction

In respect of the Acquisition detailed in the "ACQUISITION OF NEW CHIC INTERNATIONAL LIMITED" section in this Report of Directors, as 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 and the Acquisition constituted a connected transaction of the Company under Chapter 14A of the Listing Rules. Further details regarding the Acquisition can be found in the announcements of the Company dated 26 May 2016, 28 June 2016 and 13 July 2016 and the circular of the Company dated 23 June 2016.

Continuing connected transactions

The transactions set out below which were entered into between the Group and either Guotsing PRC or its subsidiaries (being connected persons of the Company) constitute continuing connected transactions of the Company and were subject to reporting, announcement, annual review and independent shareholders' approval requirements (as the case maybe) for the purpose of Chapter 14A of the Listing Rules. Details of such continuing connected transactions are as follows:

(i) Provision of construction labour, material sourcing and machinery rental services by the Guotsing Group

Qingjian International (Myanmar) Group Development Company Limited ("**Qingjian Myanmar**", an indirect 90% owned subsidiary of Guotsing PRC) had entered into an agreement (the "**Qingjian Myanmar Service Agreement**") with Qingjian International, a subsidiary of the Company, pursuant to which Qingjian Myanmar shall, at a contracted sum of US$40,673,869.88, provide labour, materials sourcing and machinery rental services (the "**Labour, Materials and Machineries Services**") to Qingjian International in connection with a contract entered into by Qingjian International on 10 February 2014 (the "**Myanmar Construction Contract**") for the construction of an office tower in Myanmar for an international hotel operator. The Myanmar Construction Contract was completed in August 2016. Details of the terms of the Qingjian Myanmar Service Agreement and the transactions contemplated thereunder were set out in the circular of the Company dated 25 September 2015 (the "**2015 Circular**").

As disclosed in the 2015 Circular, the Qingjian Myanmar Service Agreement had been entered into for a fixed period with a fixed term before Qingjian Myanmar became a connected person of the Company, pursuant to Rule 14A.60 of the Listing Rules, the Company is required to comply with the annual reporting requirement under Chapter 14A of the Listing Rules. For the year ended 31 December 2016, a total contract sum of SGD18,870,000 was incurred.

(ii) Provision of marketing and consultancy services by SLP International

SLP International Property Consultants Pte. Ltd. ("**SLP International**") provided sales and marketing services to certain property development projects developed by the Group, the marketing and consultancy services provided by SLP International to the Group (the "**Marketing and Consultancy Services**") include: product training, sales office and showflat, liaison with developer, marketing collaterals, pricing analysis, marketing plan and campaign, sales administration, manning of showflat and progress report. SLP International is principally engaged in real estate agency (including appraisers, valuers and rental service) business, and is indirectly owned as to 50% by each of Ms. Sim Kain Kain, a director of QJ Serangoon and BH-ZACD (Tuas Bay) Development Pte. Ltd. and Mr. Yeo Choon Guan, director of QJ Punggol, QJ Anchorvale, QJ Woodlands and BH-ZACD (Tuas Bay) Development Pte. Ltd. These project companies are subsidiaries of the Group. Ms. Sim and Mr. Yeo become connected persons of the Company and SLP International, being an associate of Ms. Sim and Mr. Yeo, will also become a connected person of the Company.

The Company entered into a new master service agreement with SLP International on 25 September 2015 (the "**SLP International Master Service Agreement**"). Pursuant to the SLP International Master Service Agreement, the fees for the Marketing and Consultancy Services from SLP International are subject to the general pricing terms. Details of the terms of the SLP International Master Service Agreement and the transactions contemplated thereunder were set out in the 2015 Circular.

The transactions under the SLP International Master Service Agreement constitute continuing connected transactions of the Company upon completion of the Acquisition on 15 October 2015 under Chapter 14A of the Listing Rules and are subject to the annual reporting requirements under Rules 14A.49 and 14A.71 of the Listing Rules and the announcement requirements under Rule 14A.35 of the Listing Rules.

The annual caps approved by the Shareholders in an extraordinary general meeting held on 14 October 2015 in respect of the annual maximum aggregate value for such continuing connected transactions for each of the years ending 31 December 2015, 31 December 2016 and 31 December 2017 were SGD3,451,000, SGD4,679,000 and SGD4,234,000 respectively. The total amount of such continuing connected transactions for the year ended 31 December 2016 was SGD2.5 million (equivalent to HK$14.1 million).

Annual review of continuing connected transactions

The independent non-executive Directors have reviewed the above continuing connected transactions and confirmed that the transactions had been entered into:

(i) in the ordinary and usual course of the business of the Group;

(ii) on normal commercial terms; and

(iii) in accordance with the relevant agreement governing them and on terms that are fair and reasonable and in the interests of the Company and the shareholders of the Company as a whole.

The Directors consider that certain material related party transactions disclosed in note 39 to the financial statements fall under the definition of "connected transaction" or "continuing connected transaction" (as the case may be) in Chapter 14A of the Listing Rules were entered into in the manners stated above.

PricewaterhouseCoopers ("**PwC**"), the Company's auditor, was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 Assurance Engagements Other Than Audits or Reviews of Historical Financial Information and with reference to Practice Note 740 Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules issued by the Hong Kong Institute of Certified Public Accountants. PwC has issued its unqualified letter containing its findings and conclusions in respect of the continuing connected transactions for the year ended 31 December 2016 as disclosed above in accordance with Rule 14A.38 of the Listing Rules.

Continuing Connected Transactions voluntarily deemed by the Company

The transactions set out below were entered into between the Group and Sinstar Precast Pte. Ltd. (formerly known as Qingjian Precast Pte. Ltd.). Sinstar Precast Pte. Ltd. was not a connected person of the Company, but to enhance corporate governance of the Company, the Company has decided to comply with the requirements under Chapter 14A of the Listing Rules on a voluntary basis:

Sinstar Precast Pte. Ltd., together with its subsidiary, is principally engaged in the production of structural precast components and wholesale of structural clay and concrete products. Elite Concrete Pte. Ltd., being the operating subsidiary of Sinstar Precast Pte. Ltd. which principal business is the manufacturing of ready-mix concrete, is held as to 50% by Sinstar Precast Pte. Ltd. and has been regarded as a subsidiary of Sinstar Precast Pte. Ltd. and consolidated to the financial statements of Sinstar Precast Pte. Ltd.. Sinstar Precast Pte. Ltd. is owned as to 16% by Ms. Lin XiuE, spouse of Dr. Du, a former Director and a controlling Shareholder, 8% by Mr. Zhang Zhihua, a non-executive Director, 8% by Dr. Ding Hongbin, a non-executive Director, and the balance is held by certain other individuals. Although these four directors collectively controls 39% of the issued share capital of Sinstar Precast Pte. Ltd., none of them individually controls 30% or more interests, Sinstar Precast Pte. Ltd. is not a connected person of the Company under the Listing Rules.

For good corporate governance, the Company decided to comply with the Listing Rules on a voluntary basis as if Sinstar Precast Pte. Ltd. is a connected person of the Company. The Company entered into a master service agreement with Sinstar Precast Pte. Ltd. on 25 September 2015 (the "**Qingjian Precast Master Service Agreement**"). Pursuant to the Qingjian Precast Master Service Agreement, the fees for the Supply of Precast Components and Concrete from Qingjian Precast Group are subject to the general pricing terms. Details of the terms of the Qingjian Precast Master Service Agreement and the transactions contemplated thereunder were set out in the 2015 Circular.

REPORT OF THE DIRECTORS

The annual caps approved by the Shareholders in an extraordinary general meeting held on 14 October 2015 in respect of the annual maximum aggregate value for such transactions for each of the years ending 31 December 2015, 31 December 2016 and 31 December 2017 were SGD78.4 million, SGD68 million and SGD68 million respectively.

For the year ended 31 December 2016, the transaction amount under the Qingjian Precast Master Service Agreement amounted to SGD44.4 million. The independent non-executive Directors have reviewed the above transactions with Qingjian Precast and confirmed that the transactions had been entered into:

(i) in the ordinary and usual course of the business of the Group;

(ii) on normal commercial terms; and

(iii) in accordance with the relevant agreement governing them and on terms that are fair and reasonable and in the interests of the Company and the shareholders of the Company as a whole.

PwC, the Company's auditor, has also issued its unqualified letter containing its findings and conclusions in respect of the transactions with Sinstar Precast Pte. Ltd. for the year ended 31 December 2016 as disclosed above in accordance with Rule 14A.38 of the Listing Rules.

CONVERTIBLE SECURITIES

On 15 October 2015, the reverse takeover transaction was completed and upon completion, the Company issued 647,273,454 CPS to New Guotsing Holdco and 304,599,273 CPS to the Trustee as settlement of the consideration for the reverse takeover transaction. During the Reporting Period, a total of 60,919,852 CPS were transferred to the Selected Participants and were converted into Ordinary Shares. Further, during the Reporting Period, New Guotsing Holdco has converted 647,273,454 CPS into Ordinary Shares. Therefore, as at the date of this annual report, there are 243,679,421 CPS remained in issue. Currently the Company has two classes of shares, being the Ordinary Shares and the CPS.

The major terms of the CPS are as follows:

Nominal value: Non-redeemable convertible preference shares of HK$0.01 each created as a new class of shares in the share capital of the Company.

Conversion ratio: The CPS shall be convertible at the option of its holder, without the payment of any additional consideration therefor, into such number of fully-paid Shares at the conversion ratio of one CPS for one Share.

Conversion rights: Holders of the CPS will have the right to convert all or such number of CPS into the new Shares to be issued and allotted by the Company upon the exercise of the conversion rights attaching to the CPS (the "**Conversion Shares**") at any time after the issuance of the CPS, provided that they may not exercise the conversion rights as to such number of CPS the conversion of which would result in the Company not meeting the minimum public float requirement under Rule 8.08 of the Listing Rules or any of the Shareholders having triggered any mandatory general offer obligation under Rule 26 of the Takeovers Code (unless a waiver from compliance with such requirement has otherwise been obtained).

Redemption: The CPS shall be non-redeemable by the Company or their holders.

Preferred distribution: Subject to compliance with all applicable laws and the Articles, each CPS shall confer on its holder the right to receive a preferred distribution ("**Preferred Distribution**") from the date of the issue of the CPS at a rate of 0.01% per annum on HK$2.75 per CPS, payable annually in arrears. Each Preferred Distribution is non-cumulative.

Dividend: Each CPS shall confer on its holder the right to receive, in addition to the Preferred Distribution, any dividend pari passu with holders of Shares on the basis of the number of Share(s) into which each CPS may be converted and on an as converted basis.

Distribution of Assets: The holders of the CPS shall have priority over the Shareholders on the assets and funds of the Company available for distribution in a distribution of assets on liquidation, winding-up or dissolution of the Company (but not on conversion of CPS or any repurchase by the Company of CPS).

Voting rights: The holders of the CPS shall be entitled to receive notices of and to attend general meetings of the Company, but the CPS shall not confer on their holders the right to vote at a general meeting of the Company, unless a resolution is to be proposed at a general meeting for the winding-up of the Company or a resolution is to be proposed which if passed would vary or abrogate the rights or privileges of the CPS or vary the restrictions to which the CPS are subject.

Transferability: The CPS (including the Conversion Shares once converted from the CPS) may be transferred by their holders without restriction.

Ranking: Save and except for the voting rights, distribution entitlements upon liquidation, winding-up or dissolution of the Company, the Preferred Distribution rights and the rights set out above, each CPS shall have the same rights as each of the Shares. The Conversion Shares will be issued as fully paid and rank pari passu in all respects with the Shares in issue as at the date of conversion.

Adjustment: If and whenever the Shares are consolidated or sub-divided into a different nominal amount, then the same consolidation or subdivision shall be effected on the CPS, in which case the conversion ratio shall remain as one CPS for one Share (as consolidated or sub-divided, as the case may be).

Listing: No listing has been sought for the CPS on the Stock Exchange or any other stock exchange. However, an application has been made by the Company to the Listing Committee for the listing of, and permission to deal in, the Conversion Shares.

Details of the reverse takeover transaction was set out in the circular of the Company dated 25 September 2015.

REPORT OF THE DIRECTORS

PLACING OF NEW SHARES UNDER SPECIFIC PLACING MANDATE

Reference is made to the announcements of the Company dated 25 September 2015, 17 December 2015 and 12 January 2016 and the circular of the Company dated 25 September 2015.

On 17 December 2015 (after trading hours), the Company and BMI Securities Limited and Guotai Junan Securities (Hong Kong) Limited (collectively, the "**Placing Agents**") entered into the Placing Agreement pursuant to which the Company has conditionally agreed to offer for subscription, and the Placing Agents have conditionally agreed to procure, as Placing Agents of the Company, not less than six placees, on a best effort basis, to subscribe for up to 215,000,000 placing shares (the "**Placing Shares**"), at the placing price of HK$2.40 per Placing Share (the "**Placing**"). The placees and their ultimate beneficial owners shall be independent third parties. The Placing Shares would be allotted and issued pursuant to the specific placing mandate granted to the Directors in the EGM held on 14 October 2015. The Company would also apply to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Placing Shares.

The Placing was completed on 12 January 2016 and an aggregate of 90,202,500 Placing Shares were successfully placed by the Placing Agents to not fewer than six placees, who and whose ultimate beneficial owners are independent third parties at the placing price of HK$2.40 per Placing Share. None of the placees became a substantial shareholder upon completion of the Placing.

The net proceeds from the Placing were approximately HK$214.9 million. The net proceeds from the Placing will be applied on a pro-rata basis, of which (i) approximately HK$42.1 million, representing 19.6% of the net placing proceeds, be applied in and towards the repayment of portion of the short-term bank loans that will mature in early 2016; (ii) approximately HK$159.0 million, representing 74.0% of the net placing proceeds, be applied in and towards the payment for development costs of the five property projects of the Group in Singapore that would be due between January 2016 to March 2016; and (iii) approximately HK$13.8 million, representing 6.4% of the net placing proceeds, for the general working capital and activities of the Group.

SUBSCRIPTION OF NEW SHARES UNDER GENERAL MANDATE

Subscription of 110,000,000 new Shares under General Mandate

On 19 June 2016, the Company entered into subscription agreements with each of Great Wall Pan Asia International Investment Company Limited ("**Great Wall**") and Suhang Investment Holdings Limited ("**Suhang**") pursuant to which the Company has conditionally agreed to allot and issue, and each of Great Wall and Suhang has conditionally agreed to subscribe for, an aggregate of 110,000,000 Shares at the subscription price of HK$2.45 per Share (the "**First Subscription**"). The Shares were allotted and issued pursuant to the general mandate granted to the Directors in the 2016 annual general meeting held on 29 April 2016 (the "**2016 AGM**").

The aggregate nominal value of the 110,000,000 subscription shares is HK$1,100,000. The closing price as quoted on the Stock Exchange on 17 June 2016, being the last full trading day for the shares before the date of the subscription agreements, was HK$2.92 per Share.

The First Subscription was completed on 28 June 2016. The net proceeds from the First Subscription were approximately HK$268.50 million. Approximately HK$263.7 million has been utilised as intended for the development of construction business in Singapore by acquiring a construction group and approximately HK$4.8 million was used for the general working capital of the Group, including directors' emolument and other professional fees.

Please refer to the announcements of the Company dated 20 June 2016 and 28 June 2016 for further details.

Subscription of 22,000,000 new Shares under General Mandate

On 8 September 2016, the Company entered into subscription agreements with each of Bloom Right Limited ("**Bloom Right**") and Hai Tong Asset Management (HK) Limited ("**Hai Tong**") pursuant to which the Company has conditionally agreed to allot and issue, and each of Bloom Right and Hai Tong has conditionally agreed to subscribe for, an aggregate of 22,000,000 Shares at the subscription price of HK$2.53 per Share (the "**Second Subscription**"). The Shares were allotted and issued pursuant to the general mandate granted to the Directors in the 2016 AGM.

The aggregate nominal value of the 22,000,000 subscription shares is HK$220,000. The closing price as quoted on the Stock Exchange on 8 September 2016, being the last full trading day for the shares before the date of the subscription agreements, was HK$3.12 per Share.

The Second Subscription was completed on 20 September 2016. The net proceeds from the Second Subscription were approximately HK$55.26 million. Approximately HK$23.6 million had been utilized for repayment of loans for property development business in Singapore and approximately HK$5.3 million was used for general working capital of the Group, including legal and professional fees. The remaining balance of HK$26.36 million will be utilized as intended during the period ending 30 June 2017.

Please refer to the announcements of the Company dated 8 September 2016 and 20 September 2016 for further details.

Subscription of 99,000,000 new Shares under General Mandate

On 23 December 2016, the Company entered into subscription agreements with each of Great Wall and Cinda International Holdings Limited ("**Cinda**") pursuant to which the Company has conditionally agreed to allot and issue, and each of Great Wall and Cinda has conditionally agreed to subscribe for, an aggregate of 99,000,000 Shares at the subscription price of HK$2.55 per Share (the "**Third Subscription**"). The Shares were allotted and issued pursuant to the general mandate granted to the Directors in the 2016 AGM.

The aggregate nominal value of the 99,000,000 subscription shares is HK$990,000. The closing price as quoted on the Stock Exchange on 23 December 2016, being the date of the subscription agreements, was HK$3.000 per Share.

The Third Subscription was completed on 30 December 2016. The net proceeds from the Third Subscription were approximately HK$252.15 million. The Company intends to use the net proceeds from the Third Subscription for the purpose of expanding its property development and construction businesses through seizing appropriate investment opportunities, exploring the possibility of tendering new land parcel in Singapore for property development, tendering new construction projects in Hong Kong and Singapore and also potentially expanding its property development and construction business through mergers and acquisitions in Singapore and other South East Asian markets and for general working capital of the Group.

Please refer to the announcements of the Company dated 23 December 2016 and 30 December 2016 for further details.

PERMITTED INDEMNITY PROVISION

A permitted indemnity provision for the benefit of the Directors is currently in force and was in force throughout the financial year. The Company has taken out and maintained appropriate insurance cover in respect of potential legal actions against its Directors and officers.

REPORT OF THE DIRECTORS

CHARITABLE DONATIONS

Charitable donations made by the Group during the Reporting Period amounted to HK$107,600 (2015: HK$93,000).

NON-COMPETITION UNDERTAKING

Reference is made to the "Non-Competition Deed" section of Management Discussion and Analysis in this annual report.

Guotsing PRC, New Guotsing Holdco and Dr. Du (collectively, the "**Covenantors**") and the Company entered into the non-competition deed on 22 September 2015 (the "**Non-competition Deed**"), pursuant to which each Covenantor has undertaken in favour of the Company (for itself and on behalf of its subsidiaries) that during the term of the Non-Competition Deed, it shall not, and shall procure that none of its/his associates shall (other than through the Group), directly or indirectly, carry on, engage, invest, participate or otherwise be interested in any property development projects and provision of construction services (the "**Restricted Businesses**") in Hong Kong, Macau, and Singapore (the "**Restricted Territories**").

The Covenantors also granted a right of first refusal to the Company (the "**Company's Right of First Refusal**") in respect of any new business opportunity to participate in the Restricted Businesses (the "New Business Opportunity") in the Restricted Territories and in respect of any Restricted Businesses of the Covenantor which the Covenantor has intentions to sell.

Details of the terms of the Non-Competition Deed and the Company's Right of First Refusal were set out in the circular of the Company dated 25 September 2015.

Guotsing Group has declared in writing that it has complied with the Non-competition Deed within the year under review.

CORPORATE GOVERNANCE CODE

The Company had complied with all the applicable code provisions as set out in the Corporate Governance Code contained in Appendix 14 to the Listing Rules during the Reporting Period.

The details of the Group's compliance with the Code is set out in the Corporate Governance Report from page 46 to page 59 of this report.

AUDITOR

PwC shall retire in the forthcoming annual general meeting and, being eligible, offer itself for re-appointment. A resolution for the re-appointment of PwC as auditor of the Company will be proposed at the forthcoming annual general meeting.

PRINCIPAL RISKS AND UNCERTAINTIES

A considerable portion of the Group's revenue was derived from Property Development and Construction businesses in Singapore.

Failure to select an appropriate location to development and not being able to maintain good relationships with customers could materially and adversely affect our financial results.

Our business operates in an industry that is subject to changes in market conditions, technological advancements, changing industry standards and changing customers' needs and preferences for our new apartment design and quality construction services. If we are unable to respond to these changes promptly or unable to continually enhance our existing products and market new products in a timely manner, our performance may be adversely affected.

These industries we operate in the Singapore are subject to extensive industry standards and government regulations. If we fail to comply with these standards and regulations, our operation and sales may be adversely affected. We are currently operating under various construction requisite licenses , which will expire in July 2017. Any failure to renew these payment licenses could disrupt our business operations and our sales revenue may be materially and adversely affected.

Also, volatility in the securities market may affect the Company's shares investments. The Company is also subject to market risk, such as currency fluctuations, and volatility of interest rates, credit risk, and liquidity risk in the normal course of the Group's business. Particulars of financial risk management of the Company are set out in note 3 to the consolidated financial statements.

KEY RELATIONSHIPS

(i) Employees

The Group understands that employees are valuable assets. The Group provides competitive remuneration package to attract and motivate the employees. The Group regularly reviews the remuneration package of employees and makes necessary adjustments to conform to the market standard. The Group also place emphasis on the continuing education and training of staff. In particular, the Group focus on training management and key personnel to develop their management and decision-making abilities to enhance their work performance. The Group encourage a culture of learning and education and sponsor the employees to attend external training programmes cover areas such as construction, site safety, quality control, workplace ethics and training of other areas relevant to the industry.

(ii) Sub-contractors and Suppliers

We have developed long-standing relationships with a number of our sub-contractors and suppliers and take great care to ensure that they share our commitment to quality and ethics. We carefully select and require them to satisfy certain assessment criteria including track record, experience, financial strength, reputation, ability to produce high-quality construction and quality control effectiveness.

(iii) Customers

For property development, we are committed to offer a broad and diverse range of inspiring, value-for money, good-quality apartments with our various floor layout to our customers. We also stay connected with our customers. We maintain by way of mobile application in order to provide convenience in living, communications with our customers through various channels like the Company's website, telephone, direct mail, marketing materials and social media. For construction, we also work for our clients to provide quality and value-added customer services at construction services.

REPORT OF THE DIRECTORS

ENVIRONMENTAL POLICIES

We are committed to building an environmentally-friendly workplace that pays close attention to conserving natural resources. We strive to minimize our environmental impact by saving water supplies, electricity and encouraging recycle of office supplies and other construction materials.

COMPLIANCE WITH LAWS AND REGULATIONS

The Group's operations are mainly carried out by the Company's subsidiaries in Singapore and Hong Kong while the Company itself is listed on the Stock Exchange. Our establishment and operations accordingly shall comply with relevant laws and regulations in Singapore and Hong Kong. During the year ended 31 December 2016 and up to the date of this report, there is no material non-compliance with all the prevailing laws and regulations in Singapore and Hong Kong.

On behalf of the Board

Cheng Wing On, Michael
Chairman

Hong Kong, 28 March 2017

BIOGRAPHIES OF THE DIRECTORS AND SENIOR MANAGEMENT

DIRECTOR

Executive Director

Mr. Cheng Wing On, Michael (鄭永安), aged 60, is and executive Director and the Chairman of the Board. He was appointed as a Director on 15 April 2011, and was the Chief Executive Officer from 11 September 2012 to 26 January 2016. He was appointed as the Chairman of the Board on 26 January 2016. He was appointed as the chairman of the nomination committee of the Company (the "**Nomination Committee**") on 26 January 2016 and the chairman of the strategy and investment committee of the Company (the "**Strategy and Investment Committee**") on 22 March 2016. Mr. Cheng is also a director of subsidiaries of the Company.

He has over 30 years of experience in the engineering and construction industry. Prior to establishing Sunnic Engineering Limited in May 1993, he served as a structural engineer in Sun Hung Kai Engineering Company Limited, a company principally engaged in the design business and engineering, from August 1980 to January 1982 and Leung Kee Holdings Limited, now known as Up Energy Development Group Limited (stock code: 307), a company listed on the Main Board of the Stock Exchange and principally engaged in the development and construction of coal mining and coke processing facilities from January 1983 to December 1993 with his last position serving as a managing director. He obtained his bachelor's degree of Applied Science from the University of Toronto in Toronto, Canada in June 1980.

Save as disclosed above, Mr. Cheng has not served in any public companies the securities of which are listed on any securities market in Hong Kong or overseas in the past three years.

Mr. Wang Congyuan (王從遠), aged 42, is an executive Director and Chief Executive of the Company. He was appointed as an executive Director and Chief Executive on 26 January 2016. He was appointed as a member of the Remuneration Committee of the Company (the "**Remuneration Committee**") on 26 January 2016 and a member of the Strategy and Investment Committee on 22 March 2016. Mr. Wang is also a director of subsidiaries of the Company.

He has over 20 years of experience in the engineering and construction industry. From September 2007 to October 2015, Mr. Wang CY took the positions of secretary to the board of directors, assistant to the president, the vice president and the joint chairman of 青建集團股份公司 (Qingjian Group Co., Ltd.*) and from December 2012 to October 2015, he was the vice president and the executive vice president of Guotsing PRC. During the period from August 2012 to December 2013, he served as the president of 青建國際集團有限公司 (Qingjian International Group Co., Ltd.*). Mr. Wang Congyuan, was also the chairman and the chief executive officer of 青島青建地產集團有限公司 (Qingdao Qingjian Real Estate Group Co.,Ltd.*) during the period from July 2014 to August 2015.

Mr. Wang Congyuan holds a master's degree in finance from PBC School of Finance ("**五道口金融學院**") of Tsinghua University ,the People's Republic of China (the "**PRC**") and holds a bachelor's degree in thermal engineering from The University of Science and Technology Beijing, PRC. He is a senior engineer and a member of the Chartered Institute of Building. Mr. Wang Congyuan was accredited as 青島市最具成長性企業家 (The Entrepreneur with Highest Potential in Qingdao*) in December 2012, and was awarded 山東省富民興魯勞動獎章 (The Award for Improvement of Living Standard in Shandong Province*) in April 2014.

Save as disclosed above, Mr. Wang has not served in any public companies the securities of which are listed on any securities market in Hong Kong or overseas in the past three years.

BIOGRAPHIES OF THE DIRECTORS AND SENIOR MANAGEMENT

Mr. Zhang Yuqiang (張玉強), aged 54, is an executive Director of the Company. He was appointed as an executive Director on 11 April 2014 and a general manager of the Company on 22 April 2014. Mr. Zhang joined the Company on 11 April 2014 and is responsible for assisting the Chief Executive Officer in the overall operations and management of the Group. He was appointed as a member of the Remuneration Committee of the Company and a member of the Strategy and Investment Committee on 22 March 2016. Mr. Zhang is also a director of certain subsidiaries of the Company.

Prior to joining the Group, Mr. Zhang acted as the deputy general manager of international business division of Qingjian from 2001 to 2007. During 2007 to 2012, he consecutively acted as the assistant to president of Qingjian, vice president and general manager of 青建集團股份公司阿爾及利亞分公司 (Algeria Branch Company of Qingjian*), and deputy president of the international business department and property department of Qingjian and the vice-president of the Guotsing PRC. Mr. Zhang has more than 30 years' experience in the property construction industry.

Mr. Zhang graduated from 山東建築工程學院 (Shandong Construction Engineering Institute*), the PRC, with a Bachelor's degree in Engineering in 1984. He obtained a Master's degree in Business Administration from Nankai University (南開大學), the PRC, in June 2010. Mr. Zhang qualified as a certified constructor of the Ministry of Construction of the PRC in November 2007.

Save as disclosed above, Mr. Zhang has not served in any public companies the securities of which are listed on any securities market in Hong Kong or overseas in the past three years.

Mr. Ho Chi Ling (何智凌), aged 52, is an executive Director. He joined the Group in July 1997 and was appointed as our executive director on 11 September 2012. . He was appointed as a member of the Strategy and Investment Committee on 22 March 2016. Mr. Ho is also the director of certain subsidiaries of the Company.

Mr. Ho is responsible for execution of the foundation projects of the Group. He has about 30 years' experience in the engineering and construction industry. Mr. Ho is also the director of certain subsidiaries of the Company. Prior to joining the Group in 1997, he had worked for major contractors and engineering consultants in Hong Kong for 12 years, involving in civil engineering and building projects including drainage, foundation, water mains, and site formation.

He holds a Bachelor's degree in Engineering in Civil and Environmental Engineering from the University of Newcastle upon Tyne (now known as Newcastle University) in the United Kingdom awarded in July 1992, a Master of Science in Project Management from the Hong Kong Polytechnic University which was completed largely via online course modules with degree awarded in December 2005 and a Master of Arts in Arbitration and Dispute Resolution from The City University of Hong Kong awarded in February 2009. He is a member of the Hong Kong Institution of Engineers and a Registered Professional Engineer (Civil discipline) in Hong Kong.

Save as disclosed above, Mr. Ho has not served in any public companies the securities of which are listed on any securities market in Hong Kong or overseas in the past three years.

BIOGRAPHIES OF THE DIRECTORS AND SENIOR MANAGEMENT

Mr. Wang Linxuan (王林宣), aged 44, is an executive Director. He was appointed as an executive Director on 26 January 2016. He was appointed as a member of the Strategy and Investment Committee on 22 March 2016. Mr. Wang is also a director of subsidiaries of the Company.

He has more than 20 years of experience in construction and real estate development industries in Singapore and China. During the period from June 1998 to May 2015, Mr. Wang Linxuan was the project manager and deputy general manager of 青島博海建設集團有限公司 (Qingdao Bohai Construction Group Co. Ltd.*). From April 2008 to August 2011, Mr. Wang Linxuan took the positions of director and general manager of 高密博海置業有限公司 (Gaomi Bohai Properties Co. Ltd.*). During the period from September 2011 to May 2015, Mr. Wang Linxuan was the managing director of 高技工程私營有限公司 (Welltech Construction Pte Ltd*). Mr. Wang Linxuan was also the deputy general manager of 青島博海投資有限公司 (Qingdao Bohai Investment Co. Ltd.*) from December 2013 to May 2015.

Mr. Wang Linxuan holds a bachelor's degree of Science in Architectural Engineering from Shandong Institute of Architecture and Engineering, the PRC, and a master's degree in business administration from National University of Singapore. Mr. Wang LX was also awarded the qualification of 國家一級註冊建造師 (National First-class Registered Architect*) by the PRC in August 2010 and is a senior engineer.

Save as disclosed above, Mr. Wang has not served in any public companies the securities of which are listed on any securities market in Hong Kong or overseas in the past three years.

Non-Executive Director

Mr. Zhang Zhihua (張志華), aged 60, is a non-executive Director of the Company. He appointed as a non-executive Director on 11 April 2014, a member of the Audit Committee on 25 June 2014. and a member of the Strategy and Investment Committee on 22 March 2016. Mr. Zhang joined the Company on 11 April 2014 and is responsible for overseeing the overall performance of the Group.

Prior to joining the Group. Mr. Zhang served as the financial director stationed in corporate of Qingdao Municipal Stateowned Assets Administration during 1999 to 2005. Mr. Zhang was the deputy general manager of Qingjian from 2005, and he served in Qingjian consecutively as the vice president (from September 2007), executive vice-president (from March 2009), executive president and general accountants (from December 2010), president of Qingjian (from December 2011), the chairman of the board of directors of Qingjian (from January 2013) and the president of the Guotsing PRC (from November 2012 to December 2013). Mr. Zhang has been the chief executive officer of the Guotsing PRC from December 2013 to December 2015. He is a director of CNQC Development Limited

Mr. Zhang obtained a master degree in Business Administration from Nankai University (南開大學), the PRC, in 2009, and is a qualified auditor in the PRC.

Save as disclosed above, Mr. Zhang has not served in any public companies the securities of which are listed on any securities market in Hong Kong or overseas in the past three years.

BIOGRAPHIES OF THE DIRECTORS AND SENIOR MANAGEMENT

Mr. Wang Xianmao (王賢茂), aged 45, is a non-executive Director of the Company. He was appointed as a non-executive Director by the Company, a member of the Audit Committee and a member of the Strategy and Investment Committee on 16 January 2017. Mr. Wang Xianmao is also a director of certain subsidiaries of the Company.

Mr. Wang Xianmao has more than 20 years of experience in engineering and construction industry. Mr. Wang was the deputy general manager and chief engineer of 青島建設集團股份公司阿爾及利亞項目組 (Algeria project team of Qingdao Construction Group Co. Ltd*) in 2002. During the period from 2002 to 2012, Mr. Wang consecutively acted as the vice general manager (from December 2002 to March 2004), deputy general manager (from March 2004 to February 2007) and general manager (from February 2007 to December 2012) of 青島建設集團零零一工程有限公司 (Qingdao Construction Group 001 Engineering Limited*) (Formerly known as "青島零零一工程有限公司 (Qingdao 001 Engineering Limited*"). Mr. Wang was appointed as the chief executive officer of Guotsing PRC in December 2016, prior to which he also acted as the vice president (from December 2012 to December 2013), executive president (from December 2013 to November 2015) and deputy vice president (from December 2015 to December 2016) of the Guotsing PRC.

Mr. Wang Xianmao holds a bachelor's degree in civil engineering from Qingdao University of Technology, the PRC and a master's degree in business administration from Nankai University, the PRC. Mr. Wang Xianmao was qualified as a research associate in engineering application in March 2014. Mr. Wang was also awarded the qualification of 中國一級註冊建造師 (National First-class Registered Architect*) in April 2014.

Mr. Wang Xianmao was accredited as 青島市優秀企業家 (The Outstanding Entrepreneur in Qingdao*) in December 2014, and was awarded as 青島市勞動模範 (Model worker in Qingdao*) in April 2015. Mr. Wang was also a director of 中非民間商會第二屆理事會 (the 2nd board of directors of the China-Africa Business Council), the vice president of 中國對外承包工程商會第七屆理事會 (the 7th council of the China International Contractors Association) and the secretary officer of 青島國際工程發展聯盟 (Qingdao International Engineering Development Alliance).

Save as disclosed above, Mr. Wang has not served in any public companies the securities of which are listed on any securities market in Hong Kong or overseas in the past three years.

Dr. Sun Huiye (孫輝業), aged 54, is a non-executive Director. He was appointed as a non-executive Director on 26 January 2016. He was appointed as a member of the Strategy and Investment Committee on 22 March 2016. He has over 30 years of experience in the area of administration and tax management. Dr. Sun served at 青島市地方稅務局 (Local Taxation Bureau of Qingdao City*) from November 2002 to October 2015 and his last position was the deputy director. Dr. Sun is also a director of subsidiaries of the Company.

Dr. Sun holds a bachelor's degree in arts from Shandong University, the PRC, a master's degree in management from Tongji University, the PRC, and a doctorate degree in management from Tongji University, the PRC.

Save as disclosed above, Mr. Sun has not served in any public companies the securities of which are listed on any securities market in Hong Kong or overseas in the past three years.

BIOGRAPHIES OF THE DIRECTORS AND SENIOR MANAGEMENT

Independence Non-executive Director

Mr. Chuck Winston Calptor (卓育賢), aged 61, was appointed as an independent non-executive Director, a chairman of the Remuneration Committee and a member of the Audit Committee on 11 September 2012. Mr. Chuck joined the Company on 11 September 2012. Mr. Chuck graduated from University of Western Ontario in Canada with a Bachelor of Arts degree in June 1978. He was admitted as a solicitor of the Supreme Court of Hong Kong in February 1982. Mr. Chuck acted as a consultant of James P.Y. Lam & Co. since July 2000.

Mr. Chuck had been an independent non-executive director of ITC Corporation Limited (Stock Code: 372) from November 2001 to March 2017, Shihua Development Company Limited (Stock Code: 485) from September 2004 to July 2014 which both companies are listed on the Main Board of the Stock Exchange.

Save as disclosed above, Mr. Chuck has not served in any public companies the securities of which are listed on any securities market in Hong Kong or overseas in the past three years.

Mr. Ching Kwok Hoo, Pedro (程國灝), aged 73, was appointed as an independent non-executive Director, a member of each of Audit Committee and Remuneration Committee on 11 September 2012 and a member of the Nomination Committee. Mr. Ching joined the Company on 11 September 2012. Mr. Ching was appointed as a member of the Most Excellent Order of the British Empire on the 1997 Birthday Honours List in June 1997.

He worked in the Hong Kong Police Force for approximately 34 years until January 1998 with his last position as the director of management services. After his retirement from the Hong Kong Police Force, Mr. Ching has taken senior management role in the commercial field.

Save as disclosed above, Mr. Ching has not served in any public companies the securities of which are listed on any securities market in Hong Kong or overseas in the past three years.

Mr. Tam Tak Kei, Raymond (譚德機), aged 53, was appointed as an independent non-executive Director, the chairman of the Audit Committee and a member of the Nomination Committee on 11 September 2012. Mr. Tam joined the Company on 11 September 2012. Mr. Tam obtained a Bachelor of Arts degree in Accounting with Computing from University of Kent at Canterbury, the United Kingdom in July 1985. He has been a member of The Institute of Chartered Accountants in England and Wales since August 1990 and an associate of the Hong Kong Society of Accountants since January 1995.

Mr. Tam acted as the financial controller at international law firms for nine years and has over 30 years of professional accounting experience and is currently the finance director of a Hong Kong-based auction company and the company secretary of Branding China Group Limited (stock code: 8219), a company listed on the Growth Enterprise Market of the Stock Exchange.

Mr. Tam has also acted as an independent non-executive director of, MEIGU Technology Holding Group Limited (stock code: 8349) since December 2016, Li Bao Ge Group Limited (stock code: 8102) since June 2016, which both companies listed on the Growth Enterprise Market of the Stock Exchange, Vision Fame International Holding Limited (stock code: 1315) since December 2011, a company listed on the Main Board of the Stock Exchange.

BIOGRAPHIES OF THE DIRECTORS AND SENIOR MANAGEMENT

Mr. Tam had been an independent non-executive director of Jin Cai Holdings Company Limited (stock code: 1250) from June 2013 to July 2016, Ngai Shun Holdings Limited (stock code: 1246) from September 2013 to June 2015, Tianjin Jinran Public Utilities Company Limited (stock code: 1265, formerly 8290) from February 2011 to July 2015, Sun Innovation Holdings Limited (stock code: 547) from September 2009 to August 2013, all of which are listed on the Main Board of the Stock Exchange, Zebra Strategic Holdings Limited (stock code: 8260), a company listed on the Growth Enterprise Market of the Stock Exchange, from June 2012 to September 2014. Mr. Tam was the chief financial officer of King Force Security Holding Limited (stock code: 8315), a company listed on the Growth Enterprise Market of the Stock Exchange, from April 2014 to December 2014.

Save as disclosed above, Mr. Tam has not served in any public companies the securities of which are listed on any securities market in Hong Kong or overseas in the past three years.

Mr. Chan Kok Chung, Johnny (陳覺忠), aged 57, is an independent non-executive Director. He was appointed as an independent non-executive Director on 26 January 2016. He was appointed as a member of the Audit Committee, a member of the Nomination Committee, a member of the Remuneration Committee and a member of Strategy and Investment Committee on 22 March 2016.

He has over 33 years of experience in investment banking and investment management industry. He is a co-founder and director of Techpacific Capital Limited, and was the chairman and chief executive officer of Crosby Asset Management (Hong Kong) Limited from 2004 to 2015 and Chairman and founder of Crosby Wealth Management from 2004 to 2012. Mr. Chan is the President of the Hong Kong Venture Capital and Private Equity Association Limited. He is also the founder and Secretary General of the Asian Venture Capital and Private Equity Council Limited. Mr. Chan is Member of the Advisory Committee of the Innovation and Technology Commission of the HKSAR Government as well as a Member of the ICT Advisory Committee and Service Promotion Programme Committee of the Hong Kong Trade Development Council. He is a member of the Choate Rosemary Hall Parent Advisory Council. He is a director of Repton International (Asia Pacific) Limited. Mr. Chan holds a Master of Business Administration degree from City University Business School in the United Kingdom, a postgraduate diploma from The Securities Institute of Australia and a Bachelor of Arts (Hons) degree in Economics from the London Metropolitan University.

Mr. Chan is currently an independent non-executive director of 13 Holdings Limited (stock code: 577). Mr. Chan was an executive director (from 2000 to 2008 and from 2010 to 2013) and a non-executive director (from 2008 to 2010) of Crosby Capital Limited (stock code: 8088).

Mr. Chan is currently a responsible officer of Enerchine Investment Management Limited and Mason Securities Limited.

Save as disclosed above, Mr. Chan has not served in any public companies the securities of which are listed on any securities market in Hong Kong or overseas in the past three years.

BIOGRAPHIES OF THE DIRECTORS AND SENIOR MANAGEMENT

SENIOR MANAGEMENT

Mr. Li Jun (李軍), aged 40, joined the Group in December 2014, he is the vice president. Mr. Li holds a bachelor of Accountancy degree from Qingdao University, the PRC, a master of Accountancy degree from Tianjin University of Finance and Economic, the PRC.

Mr. Li has more than 18 years of experience in financial management and corporate finance. Prior to joining the Group, he worked at a several companies as an audit manager from 1999 to 2007, he was the deputy chief accountant and president assistant from Qingjian Group Co and Guosting Holding Group Company Limited during 2007 to 2015 . Mr. Li is a qualified accountant.

Mr. Xu ZhengPeng (徐正鵬), aged 43, joined the Group in July 2012, he is the vice president of CNQC (South Pacific) Holding Pte. Ltd. Mr. Xu holds a Bachelor's degree in finance management from Qingdao University of Science & Technology, the PRC, a master's degree in management from Shanghai Jiao Tong University, the PRC.

Mr. Xu has more than 19 years of experience in financial management and corporate finance. He worked at Qingdao Qingjian Holding Co* as a director of the finance department and at Qingjian Realty Pte. Ltd as a chief accountant during 2002 to 2012. Mr. Xu is a qualified accountant .

Mr. Yeong Chen Seng (楊振聲), aged 43, joined the Group in September 2012, he is the chief financial officer of CNQC (South Pacific) Holding Pte. Ltd. Mr. Yeong holds a Bachelor of Accountancy degree from Nanyang Technological University, Singapore.

Mr. Yeong has more than 19 years of experience in financial management and corporate finance. Prior to joining the Group, he worked at PricewaterhouseCoopers from 1997 to 2012. He was also the chief financial officer of Guotsing (South Pacific) Holding Pte Ltd from 2014 to 2015. Mr. Yeong is a Chartered Accountant of Singapore.

Mr. Sun Yong (孫湧), aged 45, joined the Group in December 2007, he is the director and general manager of Qingjian International (South Pacific) Group Development Co. Pte. Ltd. Mr. Sun holds a Bachelor's degree in civil engineering from Zhejiang University, the PRC, a master's degree in building science from University of Singapore.

Mr. Sun has more than 24 years of experience in engineering and construction industry. Prior to joining the Group, he worked at several large-scale construction and engineering companies serving as a quantity surveyor, project manager, deputy general manager during 1992 to 2007.

Mr. Li Jun (李俊), aged 41, joined the Group in April 2008, he is an executive director and the general manager of Qingjian Realty (South Pacific) Group Pte Ltd. Mr. Li holds a Bachelor's degree in Construction engineering from Qingdao University of Science & Technology, the PRC.

Mr. Li has more than 17 years of experience in property development industry. His extensive international working experience makes him an expertise in the property development industry both in Singapore and China. He worked at Qingjian Realty Pte. Ltd as a deputy general manager during 2008 to 2012. Mr. Li qualified as a certified engineering of Qingdao of the PRC in 2004.

Mr. Gao Shigang (高士剛), aged 48, joined the Group in August 2001, he is the general manager of Qingdao Construction (Singapore) Pte Ltd. Mr. Gao holds a Bachelor's degree in civil engineering (International contracting) from Chongqing University, the PRC.

Mr. Gao has more than 24 years of experience in engineering and construction industry. Prior to joining the Group, he worked Qingdao Construction Group as a Deputy General Manager during 1992 to 2001. Mr. Gao is a senior engineer.

BIOGRAPHIES OF THE DIRECTORS AND SENIOR MANAGEMENT

Mr. Tsui Kwok Kin (崔國健), aged 68, joined the Group in June 2010 and is a director of Sunley Engineering & Construction Company Limited, Sunnic Engineering Limited and Full Gain Engineering Limited. He is responsible for coordinating the design and construction of foundation works for various projects and the management of in house design team. He has over 45 years of experience in the engineering and construction industry. Prior to joining Sunnic Engineering Limited in 1993, he has worked for Chau Lam Architect & Associates Limited for over 20 years, for which, he was a director from 1986 to 1992, involving in structural design and supervision of various types of building projects. He was an executive director of Leung Kee Holdings Company Limited (now known as Up Energy Development Group Limited (stock code 307, the shares of which are listed on the Main Board of the Stock Exchange), a construction company specialised in substructure and site formation works at the material time, from 1992 to 1993. Mr. Tsui has not served in any public companies the securities of which are listed on any securities market in Hong Kong or overseas in the past three years.

He holds a diploma in civil engineering from the Hong Kong Baptist College (now known as the Hong Kong Baptist University) awarded in July 1969 and an associateship in civil and structural engineering from the Hong Kong Polytechnic (now known as The Hong Kong Polytechnic University) awarded in November 1985. He is an Authorised (Architect) Person and a Registered Structural Engineer under the Buildings Ordinance, a Chartered Engineer registered under the Institution of Structural Engineers and Institutions of Civil Engineers in the United Kingdom, a registered Architect in Hong Kong under the Architects Registration Board, and a registered Professional Engineer in Hong Kong under the Engineer Registration Board. He is also a member of the Hong Kong Institution of Engineers, Hong Kong Institution of Architect, a member of the Institution of Structural Engineers in the United Kingdom, and a member of the Institution of Civil Engineers in the United Kingdom. He also has the recognized qualification for First Class Registered Structural Engineer in China.

Mr. Ho Chun Chuen (何振全), aged 65, joined the Group in May 2015 and is a director of Sunnic Engineering Limited responsible for general manager and supervise for superstructure department. He has over 45 years of experience in the construction industry.

Prior to joining Sunnic Engineering Limited, he was a construction manager of John Lok & Partners Ltd , a project director of Sanfield Building Contractors Ltd, a director of New House Construction Co., Ltd, a general manager (Construction) of Kowloon Development Ltd, a director of WLS construction Limited, a deputy general manager of property management department (II) of Henderson Land Development Co. Ltd .

He is a member of Australian Institute of Building (MOAIB), a member of Chartered Institute of Building (MIOB), a member of Hong Kong Institute of Construction Manager (MHKICM), a member of Hong Kong Institute of Project Management (MHKIPM).

Mr Tan Huat Ping (陳法彬), aged 43, joined the Group in May 2010, he is the director and General Manager of Welltech Construction Pte Ltd. Mr Tan holds a Bachelor's degree in Civil Engineering from Coventry University in United Kingdom.

Mr. Tan has more than 18 years of experience in civil engineering and construction industry. Prior to joining the Group, he worked at several large-scale construction and engineering companies serving as a project engineer to senior project manager, during 1999 to 2010. He worked at Welltech Construction Pte. Ltd as a deputy general manager during 2011 to 2015.

BIOGRAPHIES OF THE DIRECTORS AND SENIOR MANAGEMENT

Mr Zhu Wenbo (朱文博),aged 32, joined the Group in September.2012, he is the director of Welltech Construction Pte Ltd . Mr Zhu holds a Bachelor's degree in Accounting from Qingdao University.

Mr Zhu has more than 10 years of experience in financial management and corporate finance. He worked at Qingdao Bohai Construction Group Co.,Ltd as a Manager of the finance department and at Welltech Construction Pte Ltd as a Deputy General Manager during 2007 to 2016. Mr Zhu is a qualified accountant.

GROUP CHIEF FINANCIAL OFFICER AND COMPANY SECRETARY

Mr. Ng Yiu Fai (吳耀輝), aged 42, joined the Group in May 2014. Mr. Ng holds a Bachelor's degree of business administration with a major in accounting from the Hong Kong University of Science and Technology. Mr. Ng has more than 20 years of experience in financial management and corporate finance. Prior to joining the Group, he worked at KPMG and several Hong Kong-listed companies serving in several positions during 1997 to 2013, culminating in the position of chief financial officer. Mr. Ng is a qualified accountant and a fellow member of the Hong Kong Institute of Certified Public Accountants.

CORPORATE GOVERNANCE REPORT

The Group's corporate governance practices are based on the principles and the code provisions as set out in the Corporate Governance Code (the "**Code**") contained in Appendix 14 to the Listing Rules.

The Company had complied with all the applicable code provisions as set out in the Code during the Reporting Period.

The Group commits to continuously improving its corporate governance practices by periodic review to ensure that the Group continues to meet the requirements of the Code.

The key corporate governance practices of the Group are summarized as follows:

BOARD OF DIRECTORS

Composition

As at the date of this annual report, the Board currently comprises five executive Directors, three non-executive Directors and four independent non-executive Directors.

Executive Directors

Dr. Du Bo (resigned as Chairman and executive Director on 26 January 2016)
Mr. Cheng Wing On, Michael *(Chairman)* (appointed as Chairman on 26 January 2016)
Mr. Wang Congyuan *(Chief Executive Officer)*
(appointed as executive Director and Chief Executive Officer on 26 January 2016)
Mr. Ho Chi Ling
Mr. Zhang Yuqiang
Mr. Wang Linxuan (appointed as executive Director on 26 January 2016)

Dr. Du Bo was the Chairman and an executive Director since 11 April 2014 and he resigned from both positions on 26 January 2016, owing to his other business commitment which require more of his time and dedication.

Mr. Cheng Wing On, Michael has entered into a service contract for executive directorship with the Company effective from 11 August 2014 for a term of three years, unless terminated by not less than three months' notice in writing served by either party on the other or otherwise in accordance with the terms of the Director's service contract. Mr. Cheng Wing On, Michael was appointed as the Chairman on 26 January 2016.

Mr. Wang Congyuan has entered into a service contract for executive directorship with the Company effective from 26 January 2016 for a term of three years, unless terminated by not less than three months' notice in writing served by either party on the other or otherwise in accordance with the terms of the Director's service contract. Mr. Wang Congyuan was appointed as the Chief Executive Officer on 26 January 2016.

Mr. Ho Chi Ling and Mr. Zhang Yuqiang have respectively entered into a service contract for executive directorship with the Company effective from 11 August 2014 for a term of three years, unless terminated by not less than three months' notice in writing served by either party on the other or otherwise in accordance with the terms of the Director's service contract.

Mr. Wang Linxuan has entered into a service contract for executive directorship with the Company effective from 26 January 2016 for a term of three years, unless terminated by not less than three months' notice in writing served by either party on the other or otherwise in accordance with the terms of the Director's service contract.

Non-executive Directors

Mr. Zhang Zhihua
Dr. Ding Hongbin (resigned as non-executive Director on 30 December 2016)
Dr. Sun Huiye (appointed as non-executive Director on 26 January 2016)
Mr. Wang Xianmao (appointed as non-executive Director on 16 January 2017)

Mr. Zhang Zhihua has entered into a service contract for non-executive directorship with the Company effective from 11 August 2014 for a term of three years, unless terminated by not less than three months' notice in writing served by either party on the other or otherwise in accordance with the terms of the Director's service contract.

Dr. Ding Hongbin was a non-executive Director from 11 August 2014 and resigned as a non-executive Director on 30 December 2016 to devote more time to pursue his other commitment.

Dr. Sun Huiye has entered into a service contract for non-executive directorship with the Company effective from 26 January 2016 for a term of three years, unless terminated by not less than three months' notice in writing served by either party on the other or otherwise in accordance with the terms of the Director's service contract.

Mr. Wang Xianmao has entered into a service contract for non-executive directorship with the Company effective from 16 January 2017 for a term of three years, unless terminated by not less than three months' notice in writing served by either party on the other or otherwise in accordance with the terms of the Director's service contract.

Independent Non-executive Directors

Mr. Chuck Winston Calptor
Mr. Ching Kwok Hoo, Pedro
Mr. Tam Tak Kei, Raymond
Mr. Chan Kok Chung, Johnny (appointed as independent non-executive Director on 26 January 2016)

Mr. Chuck Winston Calptor, Mr. Ching Kwok Hoo, Pedro and Mr. Tam Tak Kei, Raymond have respectively entered into a service contract for independent non-executive directorship with the Company effective from 12 September 2016 for a term of two years, unless terminated by not less than three months' notice in writing served by either party on the other or otherwise in accordance with the terms of the director's service contract.

CORPORATE GOVERNANCE REPORT

Mr. Chan Kok Chung, Johnny has entered into a service contract for independent non-executive directorship with the Company effective from 26 January 2016 for a term of two years, unless terminated by not less than three months' notice in writing served by either party on the other or otherwise in accordance with the terms of the director's service contract.

The Company has complied with rules 3.10(1) and 3.10A of the Listing Rules. During the Reporting Period, there were four independent non-executive Directors in the Board and the number of independent non-executive Directors represents one-third of the Board. As such, there exists a strong independent element in the Board, which can effectively exercise independent judgment. The Company has also complied with rule 3.10(2) of the Listing Rules which stipulates that one of the independent non-executive Directors must possess appropriate professional qualification or accounting or related financial management expertise. In compliance with the Code, the independent non-executive Directors are expressly identified as such in all corporate communications that disclose the names of the Directors.

The Directors are subject to retirement by rotation and re-election at the annual general meeting in accordance with the Articles.

At each following annual general meeting, one-third of the Directors are required to retire from office. Each Director shall retire from office once every three years. The Directors to retire in every year shall be those appointed by the Board during the year and those who have been longest in office since their last election or re-election. New Directors appointed by the Board during the year shall retire and submit themselves for re-election at the annual general meeting immediately following their appointments.

Mr. Wang Xianmao, Mr. Zhang Zhihua, Mr. Chuck Winston Calptor, Mr. Ching Kwok Hoo, Pedro and Mr. Tam Tak Kei, Raymond will retire from office as Directors at the forthcoming annual general meeting of the Company, being eligible, to offer themselves for re-election pursuant to Article 108(a) and Article 122 (as the case may be) of the Articles. No Director proposed for re-election at the annual general meeting has a service contract with the Company, which is not determinable by the Company within one year other than statutory compensation.

The Company has received from each of its independent non-executive Directors an annual confirmation of his independence pursuant to rule 3.13 of the Listing Rules. The Group considers all independent non-executive Directors to be independent under the Listing Rules.

Save as disclosed in the section headed "Biographies of the Directors and Senior Management" in this annual report, there is no financial, business, family or other material/relevant relationship among the members of the Board, in particular, between the Chairman of the Board and the chief executive of the Company.

BOARD AND GENERAL MEETINGS

The Board meets regularly and, in addition to regular meetings, it meets as and when warranted by particular circumstances. Under code provision A.1.1 of the Code, the Board shall meet regularly and at least four times a year at approximately quarterly intervals. During the Reporting Period, 12 Board meetings and 2 general meetings were held up to the date of this report.

The Directors' attendance of the Board meetings and general meetings during the Reporting Period is set out as follows:

Name of Directors	Attendance/Number of meetings during the Reporting Period The Board	General Meeting
Executive Directors		
Dr. Du Bo *(Note 1)*	1/12	0/2
Mr. Cheng Wing On, Michael *(Note 2)*	10/12	1/2
Mr. Wang Congyuan *(Note 3)*	10/12	1/2
Mr. Ho Chi Ling	10/12	2/2
Mr. Zhang Yuqiang	12/12	2/2
Mr. Wang Linxuan *(Note 3)*	9/12	0/2
Non-executive Director		
Mr. Zhang Zhihua	11/12	0/2
Dr. Ding Hongbin *(Note 4)*	11/12	0/2
Dr. Sun Huiye *(Note 3)*	9/12	0/2
Independent Non-executive Directors		
Mr. Chuck Winston Calptor	11/12	2/2
Mr. Ching Kwok Hoo, Pedro	11/12	2/2
Mr. Tam Tak Kei, Raymond	11/12	1/2
Mr. Chan Kok Chung ,Johnny *(Note 3)*	10/12	1/2

Notes:

(1) Dr. Du Bo resigned as the Chairman and an executive Director on 26 January 2016

(2) Mr. Cheng Wing On, Michael was appointed as the Chairman and resigned as the Chief Executive Officer on 26 January 2016

(3) Mr. Wang Congyuan, Mr. Wang Linxuan, Dr. Sun Huiye and Mr. Chan Kok Chung, Johnny were appointed as Directors on 26 January 2016

(4) Dr. Ding Hongbin resigned as the non-executive Director on 30 December 2016

CORPORATE GOVERNANCE REPORT

BOARD RESPONSIBILITIES AND DELEGATION

The Board is responsible to the shareholders for leadership and control of the Group and be collectively responsible for promoting the success of the Group by directing and supervising the Group's affairs. The Board focuses on formulating the Group's overall strategies, approving the annual development plan and budget; monitoring financial and operating performance; reviewing the effectiveness of the internal control system and supervising and managing management's performance.

Regarding the Group's corporate governance, during the Reporting Period, the Board has in accordance with the terms of reference performed the following duties:

- determined and reviewed the policies and practices on corporate governance of the Group and make recommendations;
- reviewed and monitored the training and continuous professional development of Directors and senior management;
- reviewed and monitored the Group's policies and practices on compliance with legal and regulatory requirements;
- developed, reviewed and monitored the code of conduct applicable to Directors and employees; and
- reviewed the Company's compliance with the Code and disclosure in this corporate governance report.

The Board delegates the day-to-day management, administration and operation of the Group to the management. The delegated functions are reviewed by the Board periodically to ensure they remain appropriate to the needs of the Group. The Board gives clear directions to the management as to the matters that must be approved by the Board before decisions are made on behalf of the Group by the management.

DIRECTORS' CONTINUING PROFESSIONAL DEVELOPMENT PROGRAMME

All Directors confirmed that they had complied with code provision A.6.5 of the Code during the Reporting Period, that all Directors had participated in continuous professional development to develop and refresh their knowledge and skills. The Company has arranged an in-house training on the Listing Rules in the form of a seminar during the Reporting Period and relevant training material has been distributed to all the Directors. The training covered topics including the Code, listed company regulations and disclosure obligations in Hong Kong, discloseable transactions and connected transactions etc..

Name of Directors	Reading seminar materials and updates relating to the latest development of the Listing Rules and other applicable regulatory requirements	Attending in-house training
Dr. Du Bo *(Note1)*	0	0
Mr. Cheng Wing On, Michael *(Note2)*	1	1
Mr. Wang Congyuan *(Note 3)*	1	1
Mr. Ho Chi Ling	1	1
Mr. Zhang Yuqiang	1	1
Mr. Wang Linxuan *(Note 3)*	1	1
Mr. Zhang Zhihua	1	1
Dr. Ding Hongbin *(Note 4)*	1	1
Dr. Sun Huiye *(Note 3)*	1	1
Mr. Chuck Winston Calptor	1	1
Mr. Ching Kwok Hoo, Pedro	1	1
Mr. Tam Tak Kei, Raymond	1	1
Mr. Chan Kok Chung, Johnny *(Note 3)*	1	1

Notes:

(1) Dr. Du Bo resigned as the Chairman and an executive Director on 26 January 2016

(2) Mr. Cheng Wing On, Michael was appointed as the Chairman and resigned as the Chief Executive Officer on 26 January 2016

(3) Mr. Wang Congyuan, Mr. Wang Linxuan, Dr. Sun Huiye and Mr. Chan Kok Chung, Johnny were appointed as Directors on 26 January 2016

(4) Dr. Ding Hongbin resigned as the non-executive Director on 30 December 2016

CHAIRMAN AND CHIEF EXECUTIVE

Under code provision A.2.1 of the Code, the roles of chairman and chief executive should be separated and should not be performed by the same individual. In compliance with the Code, the Group had appointed a separate chairman and chief executive of the Company during the Reporting Period. In order to ensure that there is clear division of responsibilities between the chairman of the Board and the chief executive of the Company, the two positions are assumed by different individuals, the Chairman of the Board during the Reporting Period, Mr. Cheng Wing On,Michael, was responsible for the operation of the Board and the formulation of the Group's strategies and policies. Mr. Wang Congyuan, the Chief Executive Officer of the Company during the Reporting Period, with the assistance of other members of the Board and senior management, was responsible for the management of the Group's business, the implementation of significant policies, the daily operational decisions as well as the coordination of the overall operation. The Chairman of the Board had ensured that all Directors were properly briefed on issues arising at the Board meetings and received adequate, complete and reliable information in a timely manner.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Companies set out in Appendix 10 of the Listing Rules (the "**Model Code**") as the code of conduct of the Company regarding directors' transactions of the listed securities of the Company.

The Company has made specific enquiry to all Directors, and all Directors have confirmed that they had complied with the Model Code and its code of conduct during the Reporting Period.

REMUNERATION COMMITTEE

During the Reporting Period, the Remuneration Committee consisted of two executive Directors, namely Mr. Wang Congyuan and Mr. Zhang Yuqiang, and three independent non-executive Directors, namely Mr. Chuck Winston Calptor, Mr. Ching Kwok Hoo, Pedro and Mr. Chan Kok Chung, Johnny, with Mr. Chuck Winston Calptor being the chairman of the Remuneration Committee. Mr. Cheng Wing On, Michael resigned as a member of the Remuneration Committee on 26 January 2016 and was replaced by Mr. Wang Congyuan following his resignation. Mr. Zhang Yuqiang, an executive Director and Mr. Chan Kok Chung, Johnny, an independent non-executive Director, were appointed as members of the Remuneration Committee on 22 March 2016.

The written terms of reference of the Remuneration Committee adopted by the Board are in line with the Code and are available on the website of the Company and the Stock Exchange.

The principal responsibilities of the Remuneration Committee include making recommendations to the Board on the Group's policy and structure for the remuneration of all Directors and senior management, reviewing and approving the management's remuneration proposals with reference to the corporate goals and objectives of the Board from time to time. The Board as a whole has determined the remuneration policy and packages of the Directors. No individual Director was allowed to involve in deciding his own remuneration.

The Remuneration Committee has held 4 meeting during the Reporting Period to, inter alia, review the Group's remuneration policy and structure of the Company and the remuneration and performance of duties of the executive Directors and senior management. The committee members' attendance of the Remuneration Committee during the Reporting Period is set out as follows:

	Attendance/ Number of meetings during the Reporting Period
Mr. Chuck Winston Calptor *(Chairman)*	4/4
Mr. Ching Kwok Hoo, Pedro	4/4
Mr. Chan Kok Chung, Johnny *(Note 1)*	2/4
Mr. Wang Congyuan *(Note 3)*	2/4
Mr. Zhang Yuqiang *(Note 1)*	2/4
Mr. Cheng Wing On, Michael *(Note 2)*	1/4

Notes:

(1) Mr. Chan Kok Chung, Johnny and Mr. Zhang Yuqiang were appointed as members of the Remuneration Committee on 22 March 2016

(2) Mr. Cheng Wing On, Michael resigned as a member of the Remuneration Committee on 26 January 2016

(3) Mr. Wang Congyuan was appointed as a member of the Remuneration Committee on 26 January 2016

Under the terms of reference, members of the Remuneration Committee had performed the following duties:

- assessed the performance of executive Directors and consulted the chairman of the Board and the chief executive about their remuneration proposals for other executive Directors;
- made recommendations to the Board on the Company's policy and structure for all Directors' and senior management remuneration;
- reviewed and approved the management's remuneration proposals with reference to the Board's corporate goals and objectives;
- made recommendations to the Board on the remuneration packages of individual executive Directors and senior management;
- made recommendations to the Board on the remuneration of non-executive Directors;
- considered salaries paid by comparable companies, time commitment and responsibilities and employment conditions elsewhere in the Company and its subsidiaries; and
- ensured that no Director or any of his/her associates is involved in deciding his/her own remuneration.

CORPORATE GOVERNANCE REPORT

DIRECTORS' REMUNERATION

Directors' emoluments are determined with reference to Directors' duties, responsibilities and performance and the results of the Group. In addition, the Directors' remuneration is reviewed by the remuneration committee of the Company annually. Details of the Directors' remuneration are set out in note 10 of the financial statements.

REMUNERATION OF THE SENIOR MANAGEMENT

For the Reporting Period, the remuneration of senior management is listed as below by band:

Band of remuneration (HK$)	No. of person
HK$1,000,000 to HK$2,000,000	3
HK$2,000,001 to HK$3,000,000	2
Above HK$3,000,001	6

Further details of the remuneration of the Directors and the 5 highest paid employees required to be disclosed under Appendix 16 of the Listing Rules have been set out in Note 10 to the financial statements.

AUDITOR'S REMUNERATION

During the Reporting Period, the fees incurred for recurring audit service, other audit service for the acquisition and non-audit service provided by the auditor of the Group was approximately HK$6,956,000, HK$2,485,000 and HK$762,000 respectively.

AUDIT COMMITTEE

During the Reporting Period, the Audit Committee consisted of a non-executive Director, namely, Mr. Zhang Zhihua and four independent non-executive Directors, namely Mr. Tam Tak Kei, Raymond, Mr. Chuck Winston Calptor, Mr. Ching Kwok Hoo, Pedro and Mr. Chan Kok Chung, Johnny, with Mr. Tam Tak Kei, Raymond being the chairman of the Audit Committee. Mr. Chan Kok Chung, Johnny, an independent non-executive Director, was appointed as a member of the Audit Committee on 22 March 2016. Dr. Ding Hongbin had been a member of the Audit Committee during the Reporting Period until his resignation on 30 December 2016. Mr. Wang Xianmao, a non-executive Director, was appointed as a member of the Audit Committee on 16 January 2017.

The written terms of reference of the Audit Committee adopted by the Board are in line with the Code and are available on the website of the Company and the Stock Exchange.

The Audit Committee is primarily responsible for reviewing and supervising the financial reporting process, risk management and internal control systems of the Group as well as external auditor of the Group. Policies in relation to financial controls, internal controls, risk management systems of the Group, and the reappointment of the external auditor were reviewed by the Audit Committee at the meetings. During the Reporting Period, the Audit Committee has reviewed with the management of the Group's unaudited interim and audited results. The Audit Committee also reviewed this report and confirmed that this report is complete, accurate and complies with all applicable rules and regulations, including but not limited to the Listing Rules and the Code. There is no disagreement between the Board and the Audit Committee regarding the selection, appointment, resignation or dismissal of the external auditor.

The committee members' attendance of the Audit Committee during the Reporting Period is set out as follows:

	Attendance/ Number of meetings during the Reporting Period
Mr. Tam Tak Kei, Raymond *(Chairman)*	2/2
Mr. Chuck Winston Calptor	2/2
Mr. Ching Kwok Hoo, Pedro	2/2
Mr. Chan Kok Chung, Johnny *(Note 1)*	1/2
Mr. Zhang Zhihua	2/2
Mr. Ding Hongbin *(Note 2)*	2/2

Notes:

(1) Mr. Chan Kok Chung, Johnny was appointed a member of the Audit Committee on 22 March 2016

(2) Dr. Ding Hongbin resigned as a member of the Audit Committee on 30 December 2016

Under the terms of reference, members of the Audit Committee have performed the following duties:

- made recommendations to the Board on the appointment and re-appointment of the Company's external auditor, and approved the audit and terms of engagement of the Company's external auditor;
- reviewed the Company's external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards;
- reviewed the integrity of the Company's financial statements and annual report and accounts, interim report and reviewed significant financial reporting judgements;
- discussed with the Company's external auditors questions and doubts arising in audit of annual accounts;
- reviewed the Group's internal control system and the statement about the Company's internal control system which included in this report prior to submission for the Board's approval;
- reviewed the Company's financial reporting, financial controls, internal control and risk management systems;
- discussed the internal control system with the Company's management to ensure that management has performed its duty to have an effective internal control system. The discussion included the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function;
- reviewed the financial and accounting policies and practices of the Group; and
- reviewed material queries raised by the auditor to management about accounting records, financial accounts and management's response.

CORPORATE GOVERNANCE REPORT

DIRECTORS' RESPONSIBILITY FOR FINANCIAL STATEMENTS

All Directors acknowledge their responsibility for preparing the financial statements for the year ended 31 December 2016. The statement by the auditor of the Company about their responsibilities for the financial statements is set out in the independent auditor's report. The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern, therefore the Directors continue to adopt the going concern approach in preparing the financial statements.

RISK MANAGEMENT AND INTERNAL CONTROLS

The Board is committed to manage business risks and to maintain a proper and effective system of internal control to safeguard the shareholders' investment and the Group's assets. Procedures have been set up for safeguarding assets against unauthorized use or disposition, controlling over capital expenditure, maintaining proper accounting records and ensuring the reliability of financial information used for business and publication. Qualified management of the Group maintains and monitors the internal control systems on an ongoing basis. The Board, through the Audit Committee, has conducted a review of the effectiveness of the internal control system of the Group covering all controls, including financial, operational and compliance controls, and risk management processes.

The processes used to identify, evaluate and manage significant risks by the Group are summarised as follows:

Risk Identification

- Identifies risks that may potentially affect the Group's business and operations.

Risk Assessment

- Assesses the risks identified by using the assessment criteria developed by the management; and

- Considers the impact and consequence on the business and the likelihood of their occurrence.

Risk Response

- Prioritises the risks by comparing the results of the risk assessment; and

- Determines the risk management strategies and internal control processes to prevent, avoid or mitigate the risks.

Risk Monitoring and Reporting

- Performs ongoing and periodic monitoring of the risk and ensures that appropriate internal control processes are in place;

- Revises the risk management strategies and internal control processes in case of any significant change of situation; and

- Reports the results of risk monitoring to the management and the Board regularly.

Control procedures have been designed to (i) safeguard assets against misappropriation and disposition; (ii) ensure compliance with relevant laws, rules and regulations; (iii) ensure proper maintenance of accounting records for provision of reliable financial information used within the business or for publication; and (iv) to provide reasonable assurance against material misstatement, loss or fraud.

The Board is responsible for the risk management and internal control systems of the Company and reviewing their effectiveness. The Board oversees the overall risk management of the Group and endeavours to identify, control impact of the identified risks and facilitate implementation of coordinated mitigating measures. The risk management and internal control systems of the Company are designed to manage rather than eliminate the risk of failures to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Company does not have an internal audit function and is currently of the view that there is no immediate need to set up an internal audit function within the Group in light of the size, nature and complexity of the Group's business. It was decided that the Board would be directly responsible for internal control of the Group and for reviewing its effectiveness.

The Board has engaged external consultant as its risk management and internal control review adviser to conduct the annual review of the risk management and internal control systems for the year ended 31 December 2016. Such review is conducted annually and cycles reviewed are under rotation basis. The scope of review was previously determined and approved by the Board. The external consultant has reported findings and areas for improvement to the Audit Committee and the management. The Board and the Audit Committee are of the view that there are no material internal control deficiencies noted. All recommendations from the external consultant are properly followed up by the Group to ensure that they are implemented within a reasonable period of time. The Board therefore considered that the risk management and internal control systems are effective and adequate.

An information disclosure policy is in place to ensure potential inside information being captured and confidentiality of such information being maintained until consistent and timely disclosure are made in accordance with the Listing Rules. The policy regulates the handling and dissemination of inside information, which includes:

- Designated reporting channels from different operations informing any potential inside information to designated departments;
- Designated persons and departments to determine further escalation and disclosure as required; and
- Designated persons authorised to act as spokespersons and respond to external enquiries

The Board is satisfied that the Group has fully complied with the Code in respect of internal controls and risk management during the year ended 31 December 2016.

NOMINATION COMMITTEE

During the Reporting Period, the Nomination Committee consisted of Mr. Cheng Wing On, Michael, the chairman and executive Director, being the chairman of the Nomination Committee, a non-executive Director, namely Dr. Sun Huiye and three independent non-executive Directors, namely Mr. Ching Kwok Hoo, Pedro, Mr. Tam Tak Kei, Raymond and Mr. Chan Kok Chung, Johnny. Dr. Du Bo resigned as the chairman and member of the Nomination Committee on 26 January 2016 and was replaced by Mr. Cheng Wing On, Michael following his resignation. Dr. Sun Huiye, a non-executive Director and Mr. Chan Kok Chung, Johnny, an independent non-executive Director were appointed as members of the Nomination Committee on 22 March 2016.

The written terms of reference of the Nomination Committee adopted by the Board are in line with the Code and are available on the website of the Company and the Stock Exchange.

CORPORATE GOVERNANCE REPORT

The committee members' attendance of the Nomination Committee during the Reporting Period is set out as follows:

	Attendance/ Number of meetings during the Reporting Period
Dr. Du Bo *(Note 1)*	1/2
Mr. Cheng Wing On, Michael	1/2
Dr. Sun Huiye *(Note 2)*	0/2
Mr. Ching Kwok Hoo, Pedro	2/2
Mr. Tam Tak Kei, Raymond	2/2
Mr. Chan Kok Chung, Johnny *(Note 2)*	0/2

Notes:

(1) Dr. Du Bo resigned as the Chairman and a member of the Nomination Committee on 26 January 2016

(2) Dr. Sun Huiye and Mr. Chan Kok Chung, Johnny were appointed as members of the Nomination Committee on 22 March 2016

Under the terms of reference, the Nomination Committee had performed the following duties:

- reviewed the structure, size and composition (including the skills, knowledge and experience) of the Board and made recommendations on proposed changes if any to the Board to complement the Company's corporate strategy;

- reviewed the Company's board diversity policy and the progress on achieving the objectives set for implementing the said policy;

- determined the policy for the nomination of Directors;

- assessed the independence of independent non-executive Directors; and

- made recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors, in particular the chairman and the chief executive.

STRATEGY AND INVESTMENT COMMITTEE

The Company has established the Strategy and Investment Committee with effect from 22 March 2016. The Strategy and Investment Committee consists of nine members, including five executive Directors namely, Mr. Cheng Wing On, Michael, Mr. Wang Congyuan, Mr. Zhang Yuqiang, Mr. Ho Chi Ling and Mr. Wang Linxuan, three non-executive Directors namely, Mr. Zhang Zhihua, Dr. Sun Huiye and Mr. Wang Xianmao, and one independent non-executive Director, namely Mr. Chan Kok Chung, Johnny, with Mr. Cheng Wing On, Michael being the chairman of the Strategy and Investment Committee. Dr. Ding Hongbin had been a member of the Strategy and Investment Committee until his resignation on 30 December 2016. Mr. Wang Xianmao was appointed as the member of the Strategy and Investment Committee on 16 January 2017.

The terms of reference of the Strategy and Investment Committee has been adopted by the Company pursuant to the Board's resolutions passed on 22 March 2016 and are available on the website of the Company and the Stock Exchange.

COMMUNICATION WITH SHAREHOLDERS

The Board and senior management recognise the responsibility of safeguarding the interest of shareholders of the Company and provide transparent and real-time information on the Company so as to keep the shareholders and investors abreast of the Company's position and help them to make the best investment decision. The Company believes that maintaining good and effective communication with shareholders can facilitate the shareholders' understanding of the business performance and strategies of the Group. The Board and senior management also recognise the responsibility of safeguarding the interest of shareholders of the Company. In order to safeguard the shareholders' interest, information of the Company and the Group are delivered to the shareholders through a number of channels, which includes annual report, interim report, announcements and circulars. The latest information of the Company and the Group together with the published documents are also available on the Company's website.

The Company will hold annual general meeting every year as an appropriate media for direct communication between the Board and shareholders. Shareholders can raise questions directly to the Board in respect of the business performance and future development of the Group at such annual general meetings.

During the Reporting Period, there had been no significant change in the Company's constitutional documents.

PROCEDURES FOR DIRECTING SHAREHOLDERS' ENQUIRIES TO THE BOARD

Shareholders may at any time send their enquiries and concerns to the Board in writing through the Company Secretary whose contact details are as follows:

Attention: Mr. Ng Yiu Fai
CNQC International Holdings Limited
Unit 601, 6/F, Exchange Tower, 33 Wang Chiu Road, Kowloon Bay, Hong Kong

Shareholders' enquiries and concerns are forwarded to the Board and/or relevant Board committees of the Company, where appropriate, to answer the shareholders' enquiries.

PROCEDURES FOR PUTTING FORWARD PROPOSALS AT GENERAL MEETINGS BY SHAREHOLDERS

Pursuant to Article 64 of the Articles, the Board may, whenever it thinks fit, convene an extraordinary general meeting. Extraordinary general meetings shall also be convened on the requisition of one or more shareholders holding, at the date of deposit of the requisition, not less than one tenth of the paid up capital of the Company having the right of voting at general meetings. Such requisition shall be made in writing to the Board or the secretary for the purpose of requiring an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition. Such meeting shall be held within 2 months after the deposit of such requisition. If within 21 days of such deposit, the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Pursuant to Article 123 of the Articles, no person, other than a retiring Director, shall, unless recommended by the Board for election, be eligible for election to the office of Director at any general meeting, unless notice in writing of the intention to propose that person for election as a Director and notice in writing by that person of his willingness to be elected shall have been lodged at the head office or at the registration office. The period for lodgment of the notices required under Article 123 of the Articles will commence no earlier than the day after the despatch of the notice of the general meeting appointed for such election and end no later than 7 days prior to the date of such general meeting and the minimum length of the period during which such notices to the Company may be given will be at least 7 days.

INDEPENDENT AUDITOR'S REPORT

羅兵咸永道

To the Shareholders of CNQC International Holdings Limited
(incorporated in the Cayman Islands with limited liability)

OPINION

What we have audited

The consolidated financial statements of CNQC International Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 68 to 161, which comprise:

- the consolidated statement of financial position as at 31 December 2016;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2016, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

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

Independence

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

PricewaterhouseCoopers, 22/F, Prince's Building, Central, Hong Kong
T: +852 2289 8888, F: +852 2810 9888

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters identified in our audit are summarised as follows:

- Recognition of construction contract revenue and costs
- Impairment of goodwill
- Assessment on working capital sufficiency

Key Audit Matter	How our audit addressed the Key Audit Matter
Recognition of construction contract revenue and costs	
Refer to Notes 4 and 6 to the consolidated financial statements. Revenue from construction contracts recognised for the year ended 31 December 2016 amounted to HK$4,011,863,000. Contract revenue is recognised over the period of the contract by reference to the stage of completion, which is established by reference to the construction works certified by independent surveyors. The corresponding contract costs are recognised as expenses by reference to such stage of completion and the forecasted total costs for completing the construction project under the relevant contract.	We evaluated the design and implementation of controls over revenue recognition and cost budgeting on construction contracts. We also selected samples of construction contracts to assess the estimations made by management in respect of revenue and cost recognition under the stage of completion method. The following audit procedures have been performed by us on the sample of contracts selected: • Examined the terms and conditions of the contract such as contract sum, construction period, performance obligations of the Group, payment schedule, retention and warranty clauses, etc. • Validated the stage of completion adopted by management to the position set out in the certificate issued by independent surveyors, including the certified contract work and variation orders, if any.

KEY AUDIT MATTERS (CONTINUED)

Key Audit Matter	How our audit addressed the Key Audit Matter
Recognition of construction contract revenue and costs (Continued)	
This involves significant judgement and estimates when assessing the percentage of work performed, possible variation orders, claims and liquidated damages, and the reasonableness and accuracy of forecasted costs to complete.	• Assessed the accuracy and reasonableness of total budgeted costs pertaining to the relevant construction works by (i) examining supplier quotations; (ii) benchmarking against the historical costs incurred in, and the historical profit margin of, construction projects completed in the past; and (iii) interviewing the project managers and assessing the reasonableness of the cost estimations prepared by them. • Tested the mathematical accuracy of the calculation of construction contract revenue, costs, related receivables and liabilities. • Assessed the liquidated damages estimated by management by (i) reviewing correspondence with customers and the relevant contract terms; and (ii) comparing the completion status set out in the certificate issued by independent surveyors with the agreed construction period stated in the construction contracts to identify any potential claims from customers. Based upon the above, we found that the recognition of construction contract revenue and costs was properly supported by the available evidence.

KEY AUDIT MATTERS (CONTINUED)

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment of goodwill	
Refer to Notes 4 and 16 to the consolidated financial statements. The total goodwill recognised by the Group as of 31 December 2016 amounted to HK$561,954,000, of which HK$282,933,000 and HK$279,021,000 were allocated to the "Foundation and construction — Hong Kong" segment and "Construction — Singapore" segment respectively. Management considers that each of these operating segments constitutes a separate cash generating unit ("CGU") for the purpose of goodwill impairment assessment. No impairment of goodwill has been recognised as of 31 December 2016. The assessment of goodwill impairment is determined based on value-in-use calculations and it is inherently judgemental as it requires significant management judgements about future business performance and the discount rates applied to future cash flow forecasts, and accordingly, this is an area of audit focus.	We evaluated the future cash flow forecasts underlying the impairment assessment and the process by which they were drawn up, including confirming the accuracy and the underlying calculations and checking whether the forecasts were consistent with the latest budgets approved by the Board. We also assessed whether all relevant CGUs have been identified. We examined the results of management's sensitivity analysis around the key assumptions including revenue growth and discount rates to ascertain the extent of change in those assumptions that could result in impairment for individual CGUs. We evaluated the key business assumptions of the discounted cash flow forecasts by examining corroborating evidence including the terms and conditions of construction contracts already entered into, historical revenue growth rate and third party supplier quotations for construction cost estimation. We also evaluated the discount rates by assessing the cost of capital for the Group. Based upon the above, we found that the estimations and judgements made by management in respect of the assessment of goodwill impairment were supportable by the available evidence.

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS (CONTINUED)

Key Audit Matter	How our audit addressed the Key Audit Matter

Assessment on working capital sufficiency

Refer to note 2(a)(i) to the consolidated financial statements

On 19 May 2016, the Group entered into a conditional sale and purchase agreement to acquire all properties in a site at a consideration of SGD638,000,000 (equivalent to approximately HK$3,509,000,000) for redevelopment purposes. At the date of this report, the transaction has not been completed because the owners of two properties appealed to the court of Singapore and refused to sell their properties. Hearing of the appeal will be held in April 2017. The Directors expect that the Group will receive court approval and the transaction will proceed.

On the basis of successful completion of the sale and purchase agreement, the Directors expect that the cash outflows within the next twelve months from the date of the consolidated statement of financial position will mainly comprise the consideration stipulated in the conditional sale and purchase agreement and the corresponding stamp duties and lease premium payable to the government authorities in Singapore arising from the approval of the redevelopment plan, amounting to approximately HK$5,210,000,000 in aggregate.

The amount is significant compared to the cash and cash equivalents of HK$1,792,639,000 and net current assets of HK$4,273,118,000 of the Group as at 31 December 2016. The Company has been proactively negotiating with various banks and strategic investors to finance the relevant costs of this project. However, as the transaction is pending the results of the appeal, the financing arrangements for the project have not yet been committed to by the banks or the potential strategic investors.

In order to evaluate the management's assessment, we reviewed the cash flow forecast for the twelve months from the year end date prepared based on the budget approved by the board of directors of the Company, and performed the following procedures, among others:

- Assessed the appropriateness and reasonableness of the key bases and assumptions adopted by the Company in preparing the cash flow forecast and the sensitivity analyses, and reviewed their calculations.
- Discussed with representatives of a bank and obtained a term sheet issued by the bank of its indicative offer of syndicated bank loans amounting to SGD795,000,000 (equivalent to approximately HK$4,372,500,000) to finance the project.
- Obtained a letter issued by a major strategic investor which confirmed its intention to invest up to HK$1,430,000,000 with respect to this project.
- Reviewed and assessed the experience of prior projects carried out by the Group and its ability to obtain sufficient bank financing in the past.
- Assessed the current condition of the property market in Singapore and the price of recent transactions with similar attributes.

KEY AUDIT MATTERS (CONTINUED)

Key Audit Matter	How our audit addressed the Key Audit Matter
Assessment on working capital sufficiency (Continued)	
The above may impact the Group's ability to continue as a going concern if the transaction has to proceed but the financing is not received on time as contemplated. For the preparation of the Group's consolidated financial statements, management performed an assessment of the working capital sufficiency, as supported by a cash flow forecast and other supporting documentation, and concluded that the Group will have adequate resources to continue its operations and to meet its financial obligations as and when they fall due in the twelve months from 31 December 2016 and therefore the use of the going concern basis is appropriate. We focused on the evaluation of management's assessment because this involved making significant judgements and assumptions about future events and conditions the outcomes of which are inherently uncertain.	• Evaluated the relevant disclosure in the consolidated financial statements regarding the Group's challenges in relation to its financing activities for the twelve months from the year end date. Based upon the above, we found that management judgement with respect to the use of the going concern basis in preparing the consolidated financial statements was supported by the available evidence.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

INDEPENDENT AUDITOR'S REPORT

RESPONSIBILITIES OF DIRECTORS AND THE AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs and the disclosure requirements of the Hong Kong Companies Ordinance and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Audit Committee is responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Chu Wang Hay.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 28 March 2017

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2016

	Note	2016 HK$'000	2015 HK$'000
Revenue	5, 6	**8,605,716**	11,053,456
Cost of sales	9	**(7,317,561)**	(9,247,614)
Gross profit		**1,288,155**	1,805,842
Other income	7	**14,417**	9,598
Other gains — net	8	**55,633**	4,228
Selling and marketing expenses	9	**(98,231)**	(165,624)
General and administrative expenses	9	**(354,435)**	(552,981)
Operating profit		**905,539**	1,101,063
Finance income		**17,503**	5,681
Finance costs		**(91,745)**	(124,247)
Finance costs — net	11	**(74,242)**	(118,566)
Share of losses of associated companies	20	**(4,752)**	(833)
Share of profit of joint ventures	21	**371**	–
Profit before income tax		**826,916**	981,664
Income tax expense	12	**(157,776)**	(240,945)
Profit for the year		**669,140**	740,719
Other comprehensive (loss)/income			
Items that may be reclassified to profit or loss			
— Currency translation differences		**(59,454)**	(24,901)
— Fair value gains on available-for-sale financial assets		**56,667**	–
		(2,787)	(24,901)
Total comprehensive income for the year		**666,353**	715,818

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2016

	Note	2016 HK$'000	2015 HK$'000
Profit for the year attributable to:			
Owners of the Company		**585,385**	577,317
Non-controlling interests		**83,755**	163,402
		669,140	740,719
Total comprehensive income for the year attributable to:			
Owners of the Company		**589,646**	556,973
Non-controlling interests		**76,707**	158,845
		666,353	715,818
Earnings per share for profit attributable to owners of the Company	*13*		
— Basic (HK$)		**0.404**	0.461
— Diluted (HK$)		**0.404**	0.461

The notes on pages 75 to 161 are an integral part of these consolidated financial statements.

Dividends payable to owners of the Company are set out in Note 34.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2016

	Note	**2016 HK$'000**	2015 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	14	**441,715**	498,787
Investment properties under development	15	**426,723**	–
Goodwill	16	**561,954**	282,933
Intangible assets	17	**54,340**	5,367
Prepayments and other receivables	18	**344,878**	127,219
Investments in associated companies	20	**19,682**	1,150
Investments in joint ventures	21	**355**	–
Available-for-sale financial assets	22	**92,329**	1,095
Derivative financial instruments	23	**12,600**	–
Deferred income tax assets	24	**75,530**	93,031
		2,030,106	1,009,582
Current assets			
Cash and cash equivalents	25	**1,792,639**	1,625,816
Pledged bank deposits	25	**223,696**	273,850
Derivative financial instruments	23	**20,343**	–
Trade and other receivables, prepayments and deposits	18	**1,870,489**	2,817,877
Amounts due from customers for contract work	26	**65,240**	60,970
Development properties for sale	27	**8,758,473**	9,137,882
Tax recoverable		**10,686**	695
		12,741,566	13,917,090
Total assets		**14,771,672**	14,926,672
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital — ordinary shares	28	**14,294**	3,000
Share capital — convertible preference shares	28	**2,437**	9,519
Share premium		**3,317,938**	2,227,382
Other reserves	29	**(1,235,529)**	(1,287,205)
Retained earnings		**881,275**	547,890
		2,980,415	1,500,586
Non-controlling interests		**81,658**	(19,793)
Total equity		**3,062,073**	1,480,793

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2016

	Note	2016 HK$'000	2015 HK$'000
LIABILITIES			
Non-current liabilities			
Borrowings	31, 32	**3,164,706**	4,486,186
Deferred income tax liabilities	24	**76,445**	52,245
		3,241,151	4,538,431
Current liabilities			
Trade and other payables	33	**4,734,569**	5,258,113
Tax payables		**191,537**	212,189
Borrowings	31, 32	**3,542,342**	3,437,146
		8,468,448	8,907,448
Total liabilities		**11,709,599**	13,445,879
Total equity and liabilities		**14,771,672**	14,926,672

The notes on pages 75 to 161 are an integral part of these consolidated financial statements.

The financial statements on page 68 to 161 were approved by the Board of Directors on 28 March 2017 and were signed on its behalf.

Cheng Wing On, Michael
Director

Wang Congyuan
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2015

	Note	Share capital – ordinary shares HK$'000 (Note 28)	Share capital – convertible preference shares HK$'000 (Note 28)	Share premium HK$'000 (Note 28)	Other reserves HK$'000 (Note 29)	(Accumulated losses)/ retained earnings HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
Balance at 1 January 2015		3,000	–	–	774,708	(29,427)	748,281	28,072	776,353
Issue of convertible preference shares		–	9,519	2,227,382	–	–	2,236,901	–	2,236,901
Comprehensive income									
Profit for the year		–	–	–	–	577,317	577,317	163,402	740,719
Other comprehensive loss									
Currency translation differences		–	–	–	(20,344)	–	(20,344)	(4,557)	(24,901)
Total comprehensive (loss)/income		–	–	–	(20,344)	577,317	556,973	158,845	715,818
Transactions with owners in their capacity as owners									
Effects of the reverse acquisition		–	–	–	(2,236,901)	–	(2,236,901)	–	(2,236,901)
Issue of shares of a subsidiary		–	–	–	–	–	–	169	169
Acquisition of equity interest of a subsidiary from a non-controlling shareholder		–	–	–	–	–	–	(281)	(281)
Dividend relating to 2015		–	–	–	–	–	–	(206,598)	(206,598)
Employee share option scheme – share-based compensation benefits	30	–	–	–	195,332	–	195,332	–	195,332
Total transactions with owners in their capacity as owners		–	–	–	(2,041,569)	–	(2,041,569)	(206,710)	(2,248,279)
Balance at 31 December 2015		3,000	9,519	2,227,382	(1,287,205)	547,890	1,500,586	(19,793)	1,480,793

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2016

	Note	Share capital – ordinary shares HK$'000 (Note 28)	Share capital – convertible preference shares HK$'000 (Note 28)	Share premium HK$'000	Other reserves HK$'000 (Note 29)	Retained earnings HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
Balance at 1 January 2016		3,000	9,519	2,227,382	(1,287,205)	547,890	1,500,586	(19,793)	1,480,793
Comprehensive income									
Profit for the year		-	-	-	-	585,385	585,385	83,755	669,140
Other comprehensive (loss)/income									
Currency translation differences		-	-	-	(52,406)	-	(52,406)	(7,048)	(59,454)
Fair value gain on available-for-sale financial assets		-	-	-	56,667	-	56,667	-	56,667
Total comprehensive income		-	-	-	4,261	585,385	589,646	76,707	666,353
Transactions with owners in their capacity as owners									
Acquisition of subsidiaries	38	-	-	-	-	-	-	48,437	48,437
Issue of shares	28	4,212	-	1,090,556	-	-	1,094,768	-	1,094,768
Conversion of convertible preference shares	28	7,082	(7,082)	-	-	-	-	-	-
Acquisition of equity interest of subsidiaries from non-controlling shareholders	38(d)	-	-	-	(8,191)	-	(8,191)	(16,113)	(24,304)
Capital contribution from non-controlling shareholders		-	-	-	-	-	-	12,139	12,139
Liquidation of a subsidiary		-	-	-	-	-	-	(275)	(275)
Put option exercisable by non-controlling shareholder of the subsidiaries	33	-	-	-	-	(12,246)	(12,246)	-	(12,246)
Dividend relating to 2016		-	-	-	-	(239,754)	(239,754)	(19,444)	(259,198)
Employee share option scheme – share-based compensation benefits	30	-	-	-	55,606	-	55,606	-	55,606
Total transactions with owners in their capacity as owners		11,294	(7,082)	1,090,556	47,415	(252,000)	890,183	24,744	914,927
Balance at 31 December 2016		14,294	2,437	3,317,938	(1,235,529)	881,275	2,980,415	81,658	3,062,073

The notes on pages 75 to 161 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2016

	Note	2016 HK$'000	2015 HK$'000
Cash flows from operating activities			
Net cash generated from operations	35	**2,217,625**	1,124,498
Interest paid		**(287,856)**	(301,273)
Income tax paid		**(202,965)**	(95,930)
Net cash generated from operations		**1,726,804**	727,295
Cash flows from investing activities			
Purchase of property, plant and equipment		**(36,435)**	(38,699)
Proceeds from disposal of property, plant and equipment		**4,950**	10,592
Addition of investment properties		**(439,909)**	–
Repayment from/(loan to) related parties		**61,539**	(44,140)
Interest received		**21,900**	433
Dividends received from associated companies		**6,920**	–
Proceeds from settlement of derivative financial instruments		**11,758**	–
Increase in pledged bank deposits for derivative financial instruments		**(60,798)**	–
Net cash outflows for the Acquisition (as defined in Note 38)		**(149,923)**	–
Acquisition of equity interest in a subsidiary from a non-controlling shareholder		**–**	(281)
Investment in an associated company		**–**	(1,461)
Net cash used in investing activities		**(579,998)**	(73,556)
Cash flows from financing activities			
Contribution from non-controlling shareholders of subsidiaries		**12,139**	169
Return of capital to a non-controlling shareholder of a liquidated subsidiary		**(275)**	–
Proceeds received from issuance of shares		**794,096**	–
Dividends paid		**(316,380)**	(151,875)
Drawdown on bank borrowings		**3,005,506**	3,347,500
Repayment of bank borrowings		**(4,493,917)**	(2,697,290)
Repayment of finance leases		**(63,038)**	(82,623)
Decrease/(increase) in pledged bank deposits for bank borrowings		**107,689**	(273,850)
Net cash (used in)/generated from financing activities		**(954,180)**	142,031
Net increase in cash and cash equivalents		**192,626**	795,770
Cash and cash equivalents at beginning of the financial year		**1,625,816**	906,948
Exchange losses on cash and cash equivalents		**(25,803)**	(76,902)
Cash and cash equivalents at end of the financial year	25(a)	**1,792,639**	1,625,816

The notes on pages 75 to 161 are an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 GENERAL INFORMATION

CNQC International Holdings Limited (the "**Company**") is an investment holding company. The Company and its subsidiaries (together, the "**Group**") are principally engaged in foundation and construction business in Hong Kong and Macau, and construction and real estate development businesses in Singapore.

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

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

These consolidated financial statements are presented in Hong Kong dollars ("HK$"), unless otherwise stated.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(a) Basis of preparation

The consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("**HKFRS**") issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") under the historical cost convention, modified by the revaluation of available-for-sale financial assets and derivative financial instruments, which are carried at fair values, as appropriate.

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

(i) Going concern assumptions

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 SGD638 million (equivalent to approximately HK$3,509 million) for redevelopment purpose, the completion of which is subject to several conditions including, but not limited to, the approvals from various government 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. In January 2017, the High Court of Singapore approved the collective purchase of Shunfu Ville. In February 2017, two property owners filed an appeal and the hearing of the appeal will be held in April 2017. The Directors are of the opinion that the appeal would be turned down by the Court of Appeal of Singapore and the transaction would proceed. The construction of the Shunfu Project is expected to be completed by 2022.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation (Continued)

(i) Going concern assumptions (Continued)

On the basis of successful completion of the sale and purchase agreement, the Directors expect that the cash outflows within the next twelve months from the date of the consolidated statement of financial position will mainly comprise the consideration stipulated in the conditional sale and purchase agreement and the corresponding stamp duties and lease premium payable to the government authorities in Singapore arising from the approval of the redevelopment plan, amounting to approximately HK$5,210 million in aggregate. The amount is significant as compared to the cash and cash equivalents of HK$1,793 million and net current assets of HK$4,273 million of the Group as at 31 December 2016.

According to the latest financing plan, a joint venture will be established by the Group with certain potential strategic investors to develop the project. The Group and the potential strategic investors will contribute in the form of equity and/or debt amounting to approximately HK$1,144 million and HK$856 million respectively to the joint venture. In addition, bank loans will be raised by the joint venture to finance this project.

The Company is in the advance stage of discussions with the potential strategic investors in connection with the formation of the joint venture mentioned above and it has received a letter from a major potential strategic investor which has confirmed its intention to invest up to HK$1,430 million in the joint venture. The Company is also in active discussions with various banks in Singapore which have indicated their interests to provide loan facilities to finance the Shunfu Project and the Company has received a term sheet from a bank with an indicative offer of bank loan facilities of SGD795 million (equivalent to approximately HK$4,373 million) to finance the project.

Based on the Company's experience in property development projects in Singapore, the history of its ability to obtain external financing to finance similar projects, the latest property market condition in Singapore and the latest communications with the banks and potential strategic investors, the Directors are confident that sufficient financial resources will be available to finance the Shunfu Project. In that connection, the Directors have also reviewed the Group's cash flow projection which covers a period of not less than twelve months from 31 December 2016. The cash flow projection, amongst others, takes into account the anticipated cash flows to be generated from the Group's operations, possible changes in its operating performance and the anticipated financing available from the banks and potential strategic investors. Accordingly, the directors are of the opinion that the Group will have sufficient working capital to meet its financial obligations, including those capital expenditure commitment relating to the Shunfu Project, that will fall due in the coming twelve months from 31 December 2016 and are satisfied that it is appropriate to prepare these consolidated financial statements on a going concern basis.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation (Continued)

(ii) New standard and amendments to standards adopted by the Group

HKAS 1 (Amendment)	Disclosure Initiative
HKAS 16 and HKAS 38 (Amendment)	Clarification of Acceptable Methods of Depreciation and Amortisation
HKAS 16 and HKAS 41 (Amendment)	Agriculture: Bearer Plants
HKAS 27 (Amendment)	Equity Method in Separate Financial Statements
HKFRS 10, HKFRS 12 and HKAS 28 (Amendment)	Investment Entities: Applying the Consolidation Exception
HKFRS 11 (Amendment)	Accounting for Acquisitions of Interests in Joint Operations
HKFRS 14	Regulatory Deferral Accounts
Annual Improvements Project	Annual Improvements 2012–2014 Cycle

The adoption of these new standard and amendments to standards does not have significant impact to the Group's results of operation and financial position.

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

The following are new standards and amendments to existing standards that have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2017, but have not been early adopted by the Group:

		Effective for annual periods beginning on or after
HKAS 7 (Amendment)	Disclosure Initiative	1 January 2017
HKAS 7 (Amendment)	Recognition of Deferred Tax Assets for Unrealised Losses	1 January 2017
HKFRS 2 (Amendment)	Classification and Measurement of Share-based Payment Transactions	1 January 2018
HKFRS 9	Financial Instruments	1 January 2018
HKFRS 10 and HKAS 28 (Amendment)	Sale or Contribution of Assets Between Investor and its Associate or Joint Venture	To be determined
HKFRS 15	Revenue from Contracts with Customers	1 January 2018
HKFRS 15 (Amendment)	Clarifications to HKFRS 15	1 January 2018
HKFRS 16	Leases	1 January 2019

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation (Continued)

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

The Group will adopt these new standards and amendments to standards in the period of initial application. It is not expected to have a significant impact on the Group's results of operations and its financial position, except for HKFRS 15. One of the Group's principal operations is the development and sales of executive condominiums and condominiums in Singapore. Different laws and regulations in Singapore are applicable to such properties and the terms of the sale and purchase agreements for executive condominiums and condominiums are different. HKFRS 15 "Revenue from contracts with customers" takes a principle-based approach and inter alia, has a focus on whether the construction creates an asset with alternative use to the property developer, and whether the property developer is entitled to payment from the purchasers that compensate its performance completed to date. Whether revenue from pre-sale of properties should be recognised over time or at a point in time under HKFRS 15 depends on careful analysis of the specific contract terms and the applicable laws and regulations. The current accounting policy, as described in Note 2(aa) below, is that revenue from pre-sale of properties is recognised when the construction of relevant properties has been completed, the properties have been delivered to the purchasers and the collectability of related receivables is reasonably assured. Upon adoption of HKFRS 15 and after analysing the specific contract terms and the relevant laws and regulations in Singapore, the Group may recognise the revenue from pre-sale of certain properties over time. Under such circumstances, a portion of revenue and profit relating to the development and sales of such properties may be recognised earlier as compared to those recognised according to the current accounting policy, although the total revenue and profit to be recognised upon completion of the development and sales of such properties remain unchanged.

(b) Consolidation and combination

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the 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 consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

(i) Business combinations

The Group applies the acquisition method to account for business combinations, other than entities under common control. 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 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Consolidation and combination (Continued)

(i) Business combinations (Continued)

The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis. Non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured at either fair value or the present ownership interests' proportionate share in the recognised amounts of the 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 HKFRS.

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

(ii) Changes in ownership interests in subsidiaries without change of control

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Consolidation and combination (Continued)

(iii) Disposal of subsidiaries

When the 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 subsequent 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 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.

(iv) Put option exercisable by non-controlling shareholder of the subsidiaries

Where the Group enters into a contract that contains an obligation to acquire shares in a partially-owned subsidiary from the non-controlling interest, which is not part of a business combination, the Group initially recognises a financial liability at the present value of the redemption amount and the amount is reclassified from equity. The financial liability is subsequently measured at amortised costs using the effective interest method. Changes to the value of the financial liability are recognised in the profit or loss within finance costs.

(c) Associated companies

Associated companies are entities over which the Group has significant influence, but not control, generally accompanied by a shareholding of between 20% and 50% of the voting rights. Investments in associated companies are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investments in associated companies include goodwill identified on acquisition. Upon the acquisition of the ownership interest in associated companies, any difference between the cost of the associated companies and the Group's share of the net fair value of the associated companies' identifiable assets and liabilities is accounted for as goodwill.

If the ownership interest in the associated companies is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

The Group's share of post-acquisition profit or loss is recognised in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in the associated companies equals or exceeds its interest in the associated companies, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associated companies.

The Group determines at each reporting date whether there is any objective evidence that the investments in the associated companies are impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associated companies and their carrying value and recognises the amount adjacent to "share of profits/losses of associated companies" in profit or loss.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Associated companies (Continued)

Profits and losses resulting from upstream and downstream transactions between the Group and its associated companies are recognised in the consolidated financial statements only to the extent of unrelated investor's interests in the associated companies. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associated companies have been changed where necessary to ensure consistency with the policies adopted by the Group.

Gain or losses on dilution of equity interest in associated companies are recognised in profit or loss.

(d) Joint arrangements

The Group has applied HKFRS 11 to all joint arrangements. Under HKFRS 11, investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. The Group has assessed the nature of its joint arrangements and determined them to be joint ventures. Joint ventures are accounted for using the equity method.

Under the equity method of accounting, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses and movements in other comprehensive income. The Group's investments in joint ventures include goodwill identified on acquisition. Upon the acquisition of the ownership interest in a joint venture, any difference between the cost of the joint venture and the Group's share of the net fair value of the joint venture's identifiable assets and liabilities is accounted for as goodwill. When the Group's share of losses in a joint venture equals or exceeds its interests in the joint ventures, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint ventures.

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

(e) Separate financial statements

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

Impairment testing of the investments in subsidiaries is required upon receiving a dividend 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.

(f) 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 executive directors that makes strategic decisions.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the group entities are measured using the currency of the primary economic environment in which the entity operates ("**functional currency**"). The consolidated financial statements are presented in Hong Kong dollars, which is functional currency of the Company and the presentation currency of the Group.

(ii) Transactions and balances

Transactions in a currency other than the functional currency ("**foreign currency**") are translated into 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 and cash and cash equivalents are presented within "finance costs — net". All other foreign exchange gains and losses impacting profit or loss are presented within "other gains — net".

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets, such as equities classified as available for sale, are included in other comprehensive income.

(iii) Group companies

The results and financial position of the group entities (none of which has the currency of a hyperinflationary 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 the 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 currency translation 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. Currency translation differences arising are recognised in other comprehensive income.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and impairment losses. 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 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 costs are charged to profit or loss during the financial year in which they are incurred.

Depreciation is calculated using the straight-line method to allocate depreciable amounts over their estimated useful lives. The estimated useful lives are as follows:

Office equipment	3 to 5 years
Motor vehicles	3 to 5 years
Plant and machinery	3 to 10 years
Furniture and fixtures	5 years
Leasehold improvements	3 years
Leasehold land and buildings	Lower of 60 years and lease terms

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 disposal are determined by comparing the proceeds with the carrying amount and are recognised within "other gain — net" in profit or loss.

(i) Investment properties under development

Investment properties are defined as properties held to earn rentals or capital appreciation or both. Properties under development for future use as investment properties are classified as investment properties under development. The Group has applied the cost model to its investment properties under development. The investment properties under development are initially recognised at cost and subsequently carried at cost less accumulated depreciation and accumulated impairment losses. The cost of investment properties under development comprises its purchase price and any directly attributable expenditure. Once the construction is completed, depreciation is calculated using a straight-line method to allocate the depreciable amounts over the estimated useful lives of 50 years, or remaining lease term, whichever is shorter. The residual values and useful lives of investment properties are reviewed, and adjusted as appropriate, at the end of each reporting period. The effects of any revision are included in profit or loss when the changes arise. Any gain or loss arising from derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year in which the item is derecognised.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Goodwill

Goodwill arises on the acquisition of subsidiaries represents 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 identified net assets acquired.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units ("CGUs"), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

(k) Intangible assets

(i) Unfinished construction contracts and construction license

Unfinished construction contracts and construction license acquired in business combination are recognised at fair value at the acquisition date. The unfinished construction contracts have a finite useful life and are carried at cost less accumulated amortisation. Amortisation of unfinished construction contract is calculated based on the estimated realisation of the unfinished sales contracts. Costs of construction license are amortised to profit or loss using the straight-line method over their estimated useful lives of three years.

(ii) Computer software licenses

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.

(iii) Club membership

Club membership are initially recognised 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.

The amortisation period and amortisation method of the intangible assets 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Impairment of non-financial assets

Non-financial assets that have indefinite useful life are not subject to amortisation and are tested annually for impairment. Non-financial assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, non-financial assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

(m) Leases and hire purchase contracts

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

(i) The Group as lessee

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

Assets held under hire purchase contracts are recognised as assets of the Group at their fair values at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as an obligation under finance lease. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to profit or loss, unless they are directly attributable to the acquisition, construction or production of qualifying assets, in which case they are capitalised in accordance with the policy below.

When a sale and leaseback results in a finance lease, any gain on sale is deferred and recognised as an income over the lease term. Any loss on sale is immediately recognised as an impairment loss when the sale occurs.

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease. Benefits received and receivables as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight-line basis.

(ii) The Group as lessor

The Group leases equipment under operating leases to related and third parties.

Leases of equipment where the Group retains substantially all risks and rewards incidental to ownership are classified as operating leases. Rental income from operating leases (net of any incentives given to the lessees) is recognised in profit or loss on a straight-line basis over the lease term.

Initial direct costs incurred by the Group in negotiating and arranging operating leases are added to the carrying amount of the leased assets and recognised as an expense in profit or loss over the lease term on the same basis as the lease income.

Contingent rents are recognised as income in profit or loss when earned.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Construction contracts in progress and trade and other receivables

(i) Construction contracts in progress

A construction contract is defined in HKAS 11 as a contract specifically negotiated for the construction of an asset or a combination of assets that are closely interrelated or interdependent in terms of their design, technology and functions or their ultimate purpose or use.

When the outcome of a construction contract can be estimated reliably and it is probable that the contract will be profitable, contract revenue is recognised over the period of the contract by reference to the stage of completion. Contract costs are recognised as expenses by reference to the stage of completion of the contract activity at the end of the reporting period. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable.

Variations in contract work, claims and incentive payments are included in contract revenue to the extent that may have been agreed with the customer and are capable of being reliably measured.

The Group uses the “percentage of completion method” to determine the appropriate amount to recognise in a given period. The stage of completion of a contract is established by reference to the construction works certified by independent surveyors.

The Group presents as an asset the gross amount due from customers for contract work for all contracts in progress for which costs incurred plus recognised profits (less recognised losses) exceed progress billings. Progress billings not yet paid by customers and retention are included within “trade and other receivables”.

The Group presents as a liability the gross amount due to customers for contract work for all contracts in progress for which progress billings exceed costs incurred plus recognised profits (less recognised losses).

(ii) Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Development properties for sale

Development properties refer to properties developed for sale.

Development properties that are unsold are carried at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less cost to complete the development and selling expenses.

Development cost of property comprises cost of leasehold land, construction costs, depreciation of machinery and equipment, borrowing costs capitalised for qualifying assets and professional fees incurred during the development period.

Sales of development properties in respect of sale and purchase agreements entered into prior to completion of construction are recognised when the development properties are delivered to the buyers, upon such time as the issuance of Temporary Occupation Permit ("TOP") by the Building and Construction Authority of Singapore.

(p) Financial assets

(a) Classification

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

(i) 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 presented as current assets, except for those expected to be realised later than 12 months after the reporting date which are presented as non-current assets. Loans and receivables are presented as "trade and other receivables" and "cash and bank balances" in the consolidated statement of financial position.

(ii) 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 presented as non-current assets unless the investment matures or management intends to dispose of the assets within 12 months after the reporting date.

(b) Recognition and measurement

Regular way purchases and sales of financial assets are recognised on trade date — the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets are subsequently carried at fair value. Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured shall be measured at cost. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) Financial assets (Continued)

(b) Recognition and measurement (Continued)

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 profit or loss.

Interest on available-for-sale securities calculated using the effective interest method is recognised in profit or loss as part of other income. Dividends on available-for-sale equity instruments are recognised in profit or loss as part of other income when the Group's right to receive payments is established.

(c) Impairment

(i) Assets carried at amortised cost

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial asset 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 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.

(ii) Assets classified as available-for-sale

The 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) Financial assets (Continued)

(c) Impairment (Continued)

(ii) Assets classified as available-for-sale (Continued)

For equity investments, 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 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 in profit or loss. Impairment losses recognised in profit or loss on equity instruments are not reversed through profit or loss.

(d) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is reported in the consolidated 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. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

(q) Derivative financial instruments

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. Changes in fair value of the derivative financial instruments which do not qualify for hedge account as at end of reporting period are recognised immediately in profit or loss.

(r) Cash and cash equivalents

In the consolidated statements of cash flows, cash and cash equivalents include cash on hand, deposits with financial institutions which are subject to an insignificant risk of change in value, and bank overdrafts. Bank overdrafts are presented as current borrowings in the consolidated statement of financial position. For cash subject to restriction, assessment is made on the economic substance of the restriction and whether they meet the definition of cash and cash equivalents.

(s) Share capital

Ordinary shares are classified as equity. Non-redeemable convertible preference shares for which distribution of dividend is at the discretion of the Company are classified as equity. Incremental costs directly attributable to the issuance of new ordinary shares, preference shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(t) 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 payables 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 initially recognised at fair value, and subsequently carried at amortised cost using the effective interest method.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(u) Borrowings

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

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

(v) 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.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

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

(w) Current and deferred income tax

The tax expense for the period comprises current and deferred 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.

(i) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of each reporting period in the countries where the Group operates and generates 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. The Group accounts for investment tax credits (for example, productivity and innovative credit) similar to accounting for other tax credit.

(ii) Deferred income tax

Inside basis differences

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 consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of each reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred taxation liability is settled.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(w) Current and deferred income tax (Continued)

(ii) Deferred income tax (Continued)

Inside basis differences (Continued)

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

Outside basis differences

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries and associated companies, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Generally the Group is unable to control the reversal of the temporary difference for associated companies. Only where there is an agreement in place that gives the Group the ability to control the reversal of the temporary difference in the foreseeable future, deferred tax liability in relation to taxable temporary differences arising from the associated companies' undistributed profits (if any) is not recognised.

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries and associated companies only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

(iii) Offsetting

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate 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.

(x) Employee compensation

(i) Employee leave entitlements

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

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

(ii) Retirement benefits

The Group operates defined contribution plans and pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expenses when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(x) Employee compensation (Continued)

(iii) Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits at the earlier of the following dates: (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the entity recognises costs for a restructuring that is within the scope of HKAS 37 and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

(iv) Bonus plans

The Group recognises a liability and an expense for bonuses when the Group has a contractual or constructive obligation as a result of services rendered by employees and a reliable estimate of such obligation can be made.

(y) Provisions

Provisions are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amounts have been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditure expected to be required to settle the obligation using a pre-tax discount rate that reflects the current market assessment of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised in profit or loss as finance costs.

(z) 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 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 Group.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(z) Contingent liabilities and contingent assets (Continued)

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 Group does not recognise 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.

(aa) Revenue and income recognition

Revenue is measured at the fair value of the consideration received or receivables for the sale of services and goods in the ordinary course of the Group's activities. The Group recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Group's activities, as described below. Revenue is shown after eliminating sales within the Group.

(i) Construction contracts income

Contract costs are recognised when incurred. When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable. When the outcome of a construction contract can be estimated reliably and it is probable that the contract will be profitable, contract revenue is recognised over the period of the contract. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Variations in contract work, claims and incentive payments are included in contract revenue to the extent that they have been agreed with the customer and are capable of being reliably measured.

Revenue from contract work is recognised based on the stage of completion of the contracts, provided that the stage of contract completion and the gross billing value of contracting work can be measured reliably. The stage of completion of a contract is established by reference to the construction works certified by independent surveyors.

(ii) Sale of properties

Revenue from sales of properties is recognised when the risks and rewards of properties are transferred to the purchasers, which is when the construction of relevant properties has been completed and the properties have been delivered to the purchasers and collectability of related receivables is reasonably assured. Deposits and instalments received on properties sold prior to the date of revenue recognition are included in the consolidated statement of financial position as advanced proceeds received from customers under trade and other payables.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(aa) Revenue and income recognition (Continued)

(iii) Sale of goods — materials used in construction

Revenue from these sales is recognised when the Group has delivered the construction materials to customers.

(iv) Rental of equipment

Operating lease rental income is recognised on a straight-line basis over the term of the lease.

(v) Income from loaning labour to other contractors

Revenue from loaning labour to other constructors is recognised when the labour services are rendered.

(vi) Interest income

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

(vii) Dividend income

Dividend income is recognised when the right to receive payment is established.

(ab) Share-based payment

(i) Equity-settled share-based payment transactions

The Group operates certain equity-settled, share-based compensation plans, under which the entity receives services from employees as consideration for equity instruments (options) of the Group. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted:

- including any market performance conditions (for example, an entity's share price);
- excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period); and
- including the impact of any non-vesting conditions (for example, the requirement for employees to save or holding shares for a specified period of time).

At the end of each reporting period, the Group revises its estimates of the number of options that are expected to vest based on the non-market performance and service conditions. It recognises the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

In addition, in some circumstances employees may provide services in advance of the grant date and therefore the grant date fair value is estimated for the purposes of recognising the expense during the period between service commencement period and grant date. When the options are exercised, the Company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital (and share premium).

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(ab) Share-based payments (Continued)

(i) Equity-settled share-based payment transactions (Continued)

If the terms of an equity-settled award are modified, at a minimum an expense is recognised as if the terms had not been modified. An additional expense is recognised for any modification that increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee, as measured at the date of modification.

If an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

(ii) Share-based payment transactions among group entities

The grant by the Company of options over its equity instruments to the employees of subsidiary undertakings in the Group is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity in the parent entity accounts.

(ac) Dividends distribution

Dividends distribution to the shareholders is recognised as a liability in the Group's and the Company's financial statements in the period in which the dividends are declared by the directors in case of interim dividends or approved by the Company's shareholders in case of final dividends.

(ad) Sales commission

Sales commission paid to third parties for securing pre-sales contracts is charged to profit or loss upon the recognition of sales of development properties. Prior to that, the amount paid is recognised as an asset in the consolidated financial statements.

3 FINANCIAL RISK MANAGEMENT

Financial risk factors

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

The Board of Directors is responsible for setting the objectives and underlying principles of financial risk management for the Group. The finance personnel measures actual exposures against the limits set and prepares regular reports for the review of the management team and the Board of Directors. The information presented below is based on information received by the management team.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

Financial risk factors (Continued)

(a) Market risk

(i) Currency risk

The Group operates in Asia with dominant operation in Hong Kong and Singapore.

Currency risk arises within entities in the Group when transactions are denominated in currencies other than their respective functional currencies.

The Group's currency exposure based on the information provided to key management is as follows:

	Hong Kong dollars HK$'000	Singapore dollars HK$'000	Renminbi HK$'000	United States dollars HK$'000	Indonesian Rupiah HK$$'000	Macau Pataca HK$'000	Others HK$'000	Total HK$'000
At 31 December 2016								
Non-derivative financial assets								
Available-for-sale financial assets	–	92,329	–	–	–	–	–	92,329
Cash and cash equivalents	570,001	1,007,895	580	200,169	1,203	12,755	36	1,792,639
Pledged bank deposits	–	–	165,600	58,096	–	–	–	223,696
Trade and other receivables excluding non-financial assets	335,881	1,385,687	567	40,121	2,481	8,160	–	1,772,897
	905,882	2,485,911	166,747	298,386	3,684	20,915	36	3,881,561
Non-derivative financial liabilities								
Trade and other payables excluding non-financial liabilities	413,471	1,598,125	1,734	212,325	3,847	1,179	–	2,230,681
Borrowings	55,755	5,700,545	167,141	783,607	–	–	–	6,707,048
	469,226	7,298,670	168,875	995,932	3,847	1,179	–	8,937,729
Net non-derivative financial assets/(liabilities)	436,656	(4,812,759)	(2,128)	(697,546)	(163)	19,736	36	(5,056,168)
Currency exposure of non-derivative financial (liabilities)/assets net of those denominated in the functional currencies of the respective group entities	–	–	(2,128)	(697,546)	(163)	19,736	36	(680,065)

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

Financial risk factors (Continued)

(a) Market risk (Continued)

(i) Currency risk (Continued)

	Hong Kong dollars HK$'000	Singapore dollars HK$'000	Renminbi HK$'000	United States dollars HK$'000	Indonesian Rupiah HK$$'000	Macau Pataca HK$'000	Others HK$'000	Total HK$'000
At 31 December 2015								
Non-derivative financial assets								
Cash and cash equivalents	246,102	1,167,498	128,441	68,749	4,442	10,543	41	1,625,816
Pledged bank deposits	–	273,850	–	–	–	–	–	273,850
Trade and other receivables excluding non-financial assets	379,563	2,378,512	3	73,500	6,170	12,719	–	2,850,467
	625,665	3,819,860	128,444	142,249	10,612	23,262	41	4,750,133
Non-derivative financial liabilities								
Trade and other payables excluding non-financial liabilities	307,589	1,828,786	1,451	74,224	11,222	2,368	–	2,225,640
Borrowings	124,629	7,670,541	128,162	–	–	–	–	7,923,332
	432,218	9,499,327	129,613	74,224	11,222	2,368	–	10,148,972
Net non-derivative financial assets/(liabilities)	193,447	(5,679,467)	(1,169)	68,025	(610)	20,894	41	(5,398,839)
Currency exposure of financial (liabilities)/assets net of those denominated in the functional currencies of the respective group entities	–	–	(1,169)	68,025	(610)	20,894	41	87,181

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

Financial risk factors (Continued)

(a) Market risk (Continued)

(i) Currency risk (Continued)

If each of Renminbi ("**RMB**") and United States dollars ("**US$**") fluctuate against SGD by 5% respectively, with all other variables including tax rate being held constant, the effects on profit after income tax will be as follows:

	Increase/(decrease) in profit after tax	
	2016	2015
	HK$'000	HK$'000
RMB against SGD		
— Strengthened	**(88)**	(49)
— Weakened	**88**	49
US$ against SGD (Note)		
— Strengthened	**(28,948)**	2,823
— Weakened	**28,948**	(2,823)

Note:

As at 31 December 2016, the Group has certain foreign currency forward contracts and cross currency swap contracts in respect of SGD against US$ with total notional principal amount of US$68,800,000 (equivalent to approximately HK$533,200,000). If US$ fluctuates against SGD by 5%, these contracts would reduce the effect on profit after income tax by HK$22,128,000.

(ii) Price risk

The Group has insignificant exposure to equity price risk.

(iii) Interest rate risk

Other than bank balances which are carried at variable interest rates, the Group has no other significant interest-bearing assets. Management does not anticipate significant impact to interest-bearing assets resulted from the changes in interest rates, because the interest rates of bank balances are not expected to change significantly.

The Group's interest rate risk arises from borrowings. Borrowings carried at variable rates expose the Group to cash flow interest rate risk which is partially offset by cash held at variable rates. The Group has not hedged its cash flow interest rate risk.

As at 31 December 2016, the Group's borrowings at variable rates are denominated mainly in HK$ and SGD. If the interest rates had increased/decreased by 50 basis points with all other variables including tax rate being held constant, profit before income tax would have been HK$1,161,000 (2015: HK$8,228,000) lower/higher by as a result of higher/lower interest expense on these borrowings.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

Financial risk factors (Continued)

(b) Credit risk

The Group adopts the policy of dealing only with customers of appropriate credit history, and obtaining sufficient security where appropriate to mitigate credit risk. For other financial assets, the Group adopts the policy of dealing with financial institutions and other counterparties with high credit ratings.

Credit exposure to an individual customer is restricted by the credit limit approved by the credit controller. Customers' payment profile and credit exposure are continuously monitored by the credit controller and reported to the management and Board of Directors.

The Group's trade receivables other than those of the real estate development segment include two (2015: two) debtors that individually represented 16%–32% (2015: 12%–28%) of such total trade receivables as at 31 December 2016 and 2015 respectively.

The maximum exposure to credit risk for each class of financial assets is the carrying amount of that class of financial instruments presented in the consolidated statement of financial position. The Group's major classes of financial assets are bank deposits and trade and other receivables.

The Group's bank deposits are mainly deposits placed with banks which have high credit-ratings as determined by international credit-rating agencies.

Trade and other receivables that are neither past due nor impaired are substantially receivables from customers with a good collection track records with the Group or receivables from fellow subsidiaries and related parties.

(c) Liquidity risk

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

The following table details the remaining contractual maturities at the year end date of the Group's financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the year end date) and the earliest date the Group may be required to pay:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

Financial risk factors (Continued)

(c) Liquidity risk (Continued)

	On demand HK$'000	Within one year HK$'000	Between one and two years HK$'000	Between two and five years HK$'000	Over five years HK$'000	Total HK$'000
At 31 December 2016						
Trade and other payables excluding non-financial liabilities	**–**	**2,218,978**	**–**	**11,703**	**–**	**2,230,681**
Borrowings	**313,761**	**3,388,371**	**611,716**	**2,735,953**	**5,907**	**7,055,708**
	313,761	**5,607,349**	**611,716**	**2,747,656**	**5,907**	**9,286,389**
At 31 December 2015						
Trade and other payables excluding non-financial liabilities	–	2,225,640	–	–	–	2,225,640
Borrowings	28,513	3,662,504	3,473,463	1,171,877	531	8,336,888
	28,513	5,888,144	3,473,463	1,171,877	531	10,562,528

(d) Capital risk

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders, to support the Group's stability and growth; to earn a margin commensurate with the level of business and market risks in the Group's operation and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Board of Directors monitors the Group's capital based on net debt and total equity. Net debt is calculated as borrowings less cash and cash equivalents and pledged bank deposits. Total capital is calculated as total equity plus net debt. The Group monitors capital on the basis of the net debt to total capital ratio. This ratio is calculated as the net debt as at each year end divided by the total capital as at each year end.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

Financial risk factors (Continued)

(d) Capital risk (Continued)

The gearing ratios at the year end dates are as follows:

	2016 HK$'000	2015 HK$'000
Net debt	**4,690,713**	6,023,666
Total equity	**3,062,073**	1,480,793
Total capital	**7,752,786**	7,504,459
Net debt to total capital ratio	**61%**	80%

(e) Fair value measurements

The table below analyses the group's financial instruments carried at fair value as at 31 December 2016 by level of the inputs to valuation techniques used to measure fair value. Such inputs are categorised into three levels within a fair value hierarchy as follows:

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

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

Financial risk factors (Continued)

(e) Fair value measurements (Continued)

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

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
31 December 2016				
Assets				
Available-for-sale financial assets	–	–	92,329	92,329
Derivative financial instruments:				
— Foreign exchange forward contracts	–	20,343	–	20,343
— Cross currency swap contracts	–	12,600	–	12,600

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

The investments in unquoted available-for-sale financial assets held by the Group as at 31 December 2016 are equity investments in property development companies that are not traded in an active market. The fair value of these investments is determined by using a dividend discount model for which the assumptions are based on the estimated future dividend plans of the underlying investments. The key assumptions used are disclosed in Note 22. These investments are classified as Level 3.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

Financial risk factors (Continued)

(e) Fair value measurements (Continued)

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

	2016 HK$'000
At 1 January	**1,095**
Acquisition of subsidiaries (Note 38)	**82,463**
Fair value gain recognised in other comprehensive income	**56,667**
Reclassification to investments in associated companies (Note 38(d))	**(18,356)**
Reclassification to investments in subsidiaries (Note 38(d))	**(24,304)**
Exchange differences	**(5,236)**
At 31 December	**92,329**

During the year ended 31 December 2016, there were no transfers of financial assets and liabilities between level 1, level 2 and level 3.

The fair value of available-for-sale financial assets is determined by using a dividend discount model. The unobservable inputs used in the fair value measurement include forecast dividend earnings and discount rate. Should the forecast dividend earnings be increased/decreased by 5%, other comprehensive income would have been HK$4,774,000 higher/lower. Should the discount rate be increased/decreased by 1%, other comprehensive income would have been HK$1,444,000 lower/higher.

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

Management has determined that the carrying amount of cash and cash equivalents, pledged deposits, trade and other receivables, loan receivables, trade and other payables, 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

Financial risk factors (Continued)

(f) Financial instruments by category

	2016 HK$'000	2015 HK$'000
Financial assets		
Available-for-sale financial assets	**92,329**	1,095
Derivative financial instruments	**32,943**	–
Trade and other receivables excluding non-financial assets	**1,772,897**	2,850,467
Pledged bank deposits	**223,696**	273,850
Cash and cash equivalents	**1,792,639**	1,625,816
	3,914,504	4,751,228
Financial liabilities		
Trade and other payables excluding non-financial liabilities	**2,230,681**	2,225,640
Borrowings	**6,707,048**	7,923,332
	8,937,729	10,148,972

4 CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS AND JUDGMENTS

Estimates and judgments used in preparing the financial statements 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 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 financial year are addressed below.

4 CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS AND JUDGMENTS (CONTINUED)

(a) Construction contracts

Revenue recognition on a project is dependent on management's estimation of the total outcome of the construction contract, with reference to the construction works certified by an independent surveyor. The Group reviews and revises the estimates of contract revenue, contract costs, variation orders and provision for claims, prepared for each construction contract as the contract progresses. Budgeted construction costs are prepared by the management on the basis of quotations from time to time provided by the major contractors, suppliers or vendors involved and the experience of the management. In order to keep the budget accurate and up-to-date, the management conducts periodic reviews of the management budgets by comparing the budgeted amounts to the actual amounts incurred. The provision for claims is determined on the basis of the delay in the number of work days to complete of the construction works which is highly subjective and is subject to negotiation with the customers. Management conducts periodic reviews of the provision amount.

Significant judgment is required in estimating the contract revenue, contract costs, variation works and provision for claims which may have an impact in terms of percentage of completion and profit taken. Management bases their judgments of contract costs and revenues on the latest available information, which includes detailed contract valuations. In many cases the results reflect the expected outcome of long-term contractual obligations which span more than one reporting period. Contract costs and revenues are affected by a variety of uncertainties that depend on the outcome of future events and often need to be revised as events unfold and uncertainties are resolved. The estimates of contract costs and revenue are updated regularly and significant changes are highlighted through established internal review procedures. In particular, the internal reviews focus on the timing and recognition of payments and the age and recoverability of any unagreed income from variations to the contract scope or claims. The impact of the changes in accounting estimates is then reflected in the ongoing results.

(b) Deferred income tax assets

The Group recognises deferred income tax assets on carried forward tax losses to the extent there are sufficient estimated future taxable profits and/or taxable temporary differences against which the tax losses can be utilised and that the Group is able to satisfy the continuing ownership test in Singapore, on unrealised profit arising from transactions among companies within the Group, and on certain accrued operating expenses.

As at 31 December 2016, the Group recognised such deferred income tax assets amounting to HK$77,485,000 (2015: HK$93,195,000) substantially related to entities incorporated and operating in Singapore based on the anticipated future use of tax losses and other timing differences carried forward by those entities as at 31 December 2016. If the tax authority regards these group entities as not satisfying the continuing ownership test, the deferred income tax asset will have to be written off as income tax expense.

4 CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS AND JUDGMENTS (CONTINUED)

(c) Useful lives and impairment of property, plant and equipment

The Group has significant investments in property, plant and equipment. The Group is required to estimate the useful lives of property, plant and equipment in order to ascertain the amount of depreciation charges for each reporting period. Useful lives are estimated at the time of purchase of these assets after considering future technology changes, business developments and the Group's strategies. The Group performs annual reviews to assess the appropriateness of the estimated useful lives. Such review takes into account any unexpected adverse changes in circumstances or events, including decline in projected operating results, negative industry or economic trends and rapid advancement in technology. The Group extends or shortens the useful lives and/or makes impairment provisions according to the results of the review.

Property, plant and equipment is reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Management judgment is required in the area of asset impairment particularly in assessing; (i) whether an event has occurred that may indicate that the related asset value may not be recoverable; (ii) whether the carrying amounts of an asset can be supported by the recoverable amount, being the higher of fair value less costs to sell or net present value of future cash flows which are estimated based upon the continued use of the asset in the business; and (iii) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate. Changing the assumptions selected by management in assessing impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could affect the net present value used in the impairment test and as a result affect the Group's financial position and results of the operations.

(d) Net realisable value of development properties for sale

The Group writes down development properties for sale based on assessment of the realisability of the development properties for sale which takes into account costs to completion based on management's experience and net sales value based on prevailing market conditions. If there is an increase in costs to completion or a decrease in net sales value, the net realisable value will decrease which may result in writing down development properties for sale to net realisable value. Write-downs are recorded where events or changes in circumstances indicate that the balance may not be realised. The identification of write-downs requires the use of judgment and estimates. Where the expectation is different from the original estimate, the carrying amounts of the development properties for sale are adjusted in the period in which such estimate is changed.

(e) Provision for impairment of trade and other receivables

The Group makes provision for impairment of trade and other receivables based on an assessment of the recoverability of trade and other receivables. Provisions are applied where events or changes in circumstances indicate that the balances may not be collectible. The identification of doubtful debts requires the use of judgment and estimates. Where the expectation is different from the original estimate, such difference will impact the carrying amounts of trade and other receivables and impairment is recognised in the period in which such estimate has been changed.

4 CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS AND JUDGMENTS (CONTINUED)

(f) Impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment. For the purpose of impairment reviews, the recoverable amount of goodwill is determined based on value-in-use calculations. The value-in-use calculations primarily use cash flow projections based on five-year financial budgets approved by management and estimated terminal value at the end of the five-year period. There are a number of assumptions and estimates involved in the preparation of cash flow projections for the period covered by the approved budgets. Key assumptions include the growth rates and selection of discount rates to reflect the risks involved. Management prepares the financial budgets reflecting actual and prior year performance and market development expectations. Judgment is required to determine key assumptions adopted in the cash flow projections and changes to key assumptions could affect these cash flow projections and therefore the results of the impairment reviews.

(g) Income taxes

The Group is mainly subject to income taxes in Singapore, Hong Kong and Macau. Significant judgment 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 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.

(h) Provision for litigations

When accounting for provisions for litigation and other items, the Group has taken internal and external advice in considering known legal claims and actions made by or against the Group. It carefully assesses the likelihood of success of a claim or action. Appropriate provisions are made for legal claims or actions against the Group on the basis of likely outcome, but no provisions are made for those which in the view of management are unlikely to succeed.

5 SEGMENT INFORMATION

The chief operating decision-maker ("**CODM**") has been identified as the executive directors of the Company, and also the executive directors of the principal operating subsidiaries in Singapore for the period prior to completion of the reverse acquisition on 15 October 2015.

The CODM reviews the performance of the Group's operations mainly from a business operation perspective. The Group is organised into three main business segments, namely (i) Foundation and construction — Hong Kong and Macau; (ii) Construction — Singapore and (iii) Real estate development — Singapore.

The "Foundation and construction — Hong Kong and Macau" segment mainly represents provision of foundation and construction work to property developers, loaning of labour and rental of machinery in Hong Kong and Macau. The "Construction — Singapore" segment mainly represents provision of construction work to property developers, sales of goods, loaning of labour and rental of machinery in Singapore. The "Real estate development — Singapore" segment represents the sales of completed property units in Singapore.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5 SEGMENT INFORMATION (CONTINUED)

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

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

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

	Foundation and construction — Hong Kong and Macau HK$'000	Construction — Singapore HK$'000	Real estate development — Singapore HK$'000	Total HK$'000
Year ended 31 December 2016				
Sales				
Sales to external parties	**1,615,002**	**2,399,700**	**4,591,014**	**8,605,716**
Inter-segment sales	**–**	**1,028,325**	**–**	**1,028,325**
Total segment sales	**1,615,002**	**3,428,025**	**4,591,014**	**9,634,041**
Adjusted segment profit	**112,286**	**77,925**	**744,591**	**934,802**
Depreciation	**58,964**	**24,648**	**2,158**	**85,770**
Amortisation	**5,367**	**23,502**	**–**	**28,869**
Share-based payment expenses	**6,784**	**15,240**	**3,301**	**25,325**
Year ended 31 December 2015				
Sales				
Sales to external parties	1,671,737	3,003,074	6,378,645	11,053,456
Inter-segment sales	–	1,422,860	–	1,422,860
Total segment sales	1,671,737	4,425,934	6,378,645	12,476,316
Adjusted segment profit	216,803	44,894	973,492	1,235,189
Depreciation	63,985	22,428	1,694	88,107
Amortisation	6,261	–	–	6,261
Share-based payment expenses	8,143	16,711	3,560	28,414

During the year ended 31 December 2016, revenue of approximately HK$1,701,871,000 (2015: HK$1,964,370,000) representing 20% (2015: 18%) of the Group's total revenue was derived from a single external customer within the "Construction — Singapore" segment.

5 SEGMENT INFORMATION (CONTINUED)

The following tables present segment assets and liabilities as at 31 December 2016 and 2015 respectively.

	Foundation and construction — Hong Kong and Macau HK$'000	Construction — Singapore HK$'000	Real estate development — Singapore HK$'000	Total HK$'000
As at 31 December 2016				
Segment assets	**1,319,307**	**3,332,497**	**11,325,497**	**15,977,301**
Segment liabilities	**443,650**	**1,979,696**	**10,594,613**	**13,017,959**
Segment assets include:				
Additions to property, plant and equipment	**20,081**	**13,196**	**895**	**34,172**
Additions to investment properties	**–**	**–**	**446,589**	**446,589**
Additions to intangible assets	**–**	**82,375**	**–**	**82,375**
Prepaid land costs	**–**	**–**	**176,666**	**176,666**
Investments in associated companies	**–**	**6,740**	**12,942**	**19,682**
As at 31 December 2015				
Segment assets	1,321,724	2,355,050	12,313,575	15,990,349
Segment liabilities	523,159	1,762,891	11,980,454	14,266,504
Segment assets include:				
Additions to property, plant and equipment	35,423	6,213	3,043	44,679
Investments in associated companies	–	–	1,150	1,150

5 SEGMENT INFORMATION (CONTINUED)

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

	2016 HK$'000	2015 HK$'000
Adjusted segment profit for reportable segments	**934,802**	1,235,189
Unallocated expenses (Note)	**(70,897)**	(238,733)
Elimination	**34,423**	104,607
Finance income	**17,503**	5,681
Finance costs	**(91,745)**	(124,247)
Fair value gain on previously held interests in an associated company as a result of business combination (Note 38)	**7,211**	–
Share of losses of associated companies	**(4,752)**	(833)
Share of profit of joint ventures	**371**	–
Profit before income tax	**826,916**	981,664

Note:

During the years ended 31 December 2015 and 2016, the majority of unallocated expenses related to share-based payment expenses recognised for services rendered by certain management members at corporate level and the transaction costs relating to the reverse acquisition completed on 15 October 2015.

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

	2016 HK$'000	2015 HK$'000
Segment assets	**15,977,301**	15,990,349
Unallocated	**347,861**	826,920
Elimination	**(1,553,490)**	(1,890,597)
Total assets	**14,771,672**	14,926,672

5 SEGMENT INFORMATION (CONTINUED)

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

	2016 HK$'000	2015 HK$'000
Segment liabilities	**13,017,959**	14,266,504
Unallocated	**30,333**	331,514
Elimination	**(1,338,693)**	(1,152,139)
Total liabilities	**11,709,599**	13,445,879

6 REVENUE AND GEOGRAPHICAL SEGMENT INFORMATION

	2016 HK$'000	2015 HK$'000
Construction contracts income	**4,011,863**	4,668,902
Sales of development properties	**4,591,014**	6,378,645
Sale of goods	**–**	1,710
Income from loaning labour to other contractors	**2,687**	2,766
Rental of equipment	**152**	1,433
	8,605,716	11,053,456

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

	2016 HK$'000	2015 HK$'000
Singapore	**6,990,714**	9,381,719
Hong Kong	**1,608,144**	1,650,995
Macau	**6,858**	20,742
	8,605,716	11,053,456

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

7 OTHER INCOME

	2016 HK$'000	2015 HK$'000
Income from default payments of development properties	2,568	3,803
Management fee income from an associated company	3,423	–
Rental income from temporary staff quarters	3,374	3,353
Scrap sales	771	–
Sundry income	4,281	2,442
	14,417	9,598

8 OTHER GAINS — NET

	2016 HK$'000	2015 HK$'000
Gain on disposal of property, plant and equipment	2,143	4,383
Written off of property, plant and equipment	–	(191)
Foreign exchange forward contracts		
— fair value gains	21,290	–
— gains on settlement	11,758	–
Cross currency swap contracts		
— fair value gains	13,187	–
Fair value gain on previously held interest in an associated company as a result of business combination (Note 38)	7,211	–
Others	44	36
Other gains — net	55,633	4,228

9 EXPENSES BY NATURE

	2016 **HK$'000**	2015 HK$'000
Contractor and material costs net of changes in construction contract work-in-progress included in "Cost of sales"	**3,161,392**	3,767,779
Property development costs included in "Cost of sales"	**3,569,162**	4,833,004
Sales commissions	**49,715**	118,307
Show flat costs	**19,661**	16,609
Marketing expenses	**28,855**	30,708
Travel and entertainment expenses	**7,597**	11,326
Depreciation of owned assets	**49,967**	50,405
Depreciation of assets under finance leases	**35,803**	37,702
Amortisation of intangible assets	**28,869**	6,261
Auditors' remuneration		
— recurring audit services	**6,956**	5,692
— other audit services	**2,485**	9,164
— non-audit services	**762**	554
Staff costs, including directors' emoluments	**682,359**	875,042
Rental expenses on operating leases	**86,308**	115,960
Legal and professional fees related to the acquisition of subsidiaries	**2,119**	33,975
Other legal and professional fees	**8,984**	13,908
Other expenses	**29,233**	39,823
Total cost of sales, selling and marketing expenses, general and administrative expenses	**7,770,227**	9,966,219

10 EMPLOYEE BENEFIT EXPENSES

	2016 HK$'000	2015 HK$'000
Directors' fees, employees' salaries, wages and allowances	**533,848**	564,781
Performance bonuses	**66,225**	88,472
Employers' contributions to defined contribution plans	**20,780**	22,387
Share-based payment expenses (Note 30)	**55,606**	195,332
Other staff benefits	**5,900**	4,070
	682,359	875,042

Five highest paid individuals

During the year, the five individuals whose emoluments were the highest in the Group include 3 directors (2015: 2), whose emoluments are reflected in the analysis shown in Note 42. The emoluments payable to the remaining individuals during the years ended 31 December 2016 and 2015 were as follows:

	2016 HK$'000	2015 HK$'000
Salaries, wages and allowances	**3,487**	5,411
Performance bonuses (Note)	**31,113**	27,667
Employers' contributions to defined contribution plans	**132**	108
Share-based payment expenses	**5,958**	89,197
Other staff benefits	**168**	–
	40,858	122,383

The emoluments of the individuals fell within the following bands:

	Number of individuals 2016	Number of individuals 2015
Emolument bands (in HK$)		
HK$10,500,001–HK$11,000,000	**–**	1
HK$18,000,001–HK$18,500,000	**1**	–
HK$22,500,001–HK$23,000,000	**1**	–
HK$30,500,001–HK$31,000,000	**–**	1
HK$80,500,001–HK$81,000,000	**–**	1

Note:

Certain subsidiaries adopted and implemented performance bonus plan for real estate projects. The bonus is determined based on the net profit of each project upon completion and is subject to approval from the board. The amount included a performance bonuses paid and payable to a former director and controlling shareholder of the ultimate holding company amounting to HK$21,756,000. This amount represents bonus for real estate projects completed after the director's resignation.

11 FINANCE COSTS — NET

	2016 HK$'000	2015 HK$'000
Finance income		
Interest income from bank deposits	**8,564**	433
Interest income from loans to associated companies	**7,351**	4,193
Interest income from loans to other related parties	**1,588**	1,055
	17,503	5,681
Finance costs		
Interest expenses on finance leases	**(2,415)**	(3,872)
Interest expenses on bank borrowings and arrangement fee amortised in respect of bank facilities	**(250,004)**	(264,390)
Interest expenses on loan from a holding company	**–**	(32,505)
Interest expenses on loans from non-controlling shareholders of the subsidiaries	**(25,225)**	(66,445)
	(277,644)	(367,212)
Less: Interest expenses capitalised	**227,304**	282,367
	(50,340)	(84,845)
Net foreign exchange losses	**(41,405)**	(39,402)
	(91,745)	(124,247)
Finance costs — net	**(74,242)**	(118,566)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

12 INCOME TAX EXPENSE

Hong Kong profits tax, Macau profits tax and Singapore income tax have been provided for at the rate of 16.5%, 12% and 17% respectively for the years ended 31 December 2016 and 2015 on the estimated assessable profit in the respective jurisdictions, adjusted for those items which are not assessable or deductible for income tax purpose.

	2016 HK$'000	2015 HK$'000
Current income tax		
— Hong Kong profits tax	**21,805**	32,009
— Macau profits tax	**273**	907
— Singapore income tax	**128,687**	169,994
Under-provision in prior years		
— Hong Kong profits tax	**205**	120
— Singapore income tax	**1,536**	9,305
Deferred income tax	**5,270**	28,610
	157,776	240,945

The tax on profit before income tax differs from the theoretical amount that would arise using domestic tax rates applicable to profits in the respective countries as follows:

	2016 HK$'000	2015 HK$'000
Profit before income tax	**826,916**	981,664
Share of losses/(profit) of associated companies and joint ventures	**4,381**	833
Profit before income tax and share of losses/(profit) of associated companies and joint ventures	**831,297**	982,497
Tax calculated at domestic tax rates applicable to profits in the respective countries	**139,893**	166,733
Effects of:		
— Statutory stepped income exemption in Singapore	**(840)**	–
— Further deduction under productivity and innovation credit scheme in Singapore	**(1,665)**	(3,074)
— Income exempted under partial tax rebate scheme in Singapore	**(760)**	(997)
— Income not subject to tax	**(5,826)**	(2,004)
— Expenses not deductible for tax purposes	**24,412**	70,046
— Tax losses and other temporary difference not recognised	**821**	816
— Under-provision in prior years	**1,741**	9,425
Income tax expense	**157,776**	240,945

13 EARNINGS PER SHARE

Basic

	2016	2015
Profit attributable to owners of the Company (HK$'000)	**585,385**	577,317
Weighted average number of issued shares for the purpose of calculating basic earnings per share (in thousands)	**1,448,680**	1,251,873
Basic earnings per share (HK$)	**0.404**	0.461

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares and convertible preference shares ("**CPS**") deemed to be in issue for each of the years presented.

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

Diluted

	2016	2015
Profit attributable to owners of the Company (HK$'000)	**585,385**	577,317
Weighted average number of issued shares for the purpose of calculating basic earnings per share (in thousands)	**1,448,680**	1,251,873
Adjustments for outstanding share options (in thousands)	**436**	424
	1,449,116	1,252,297
Diluted earnings per share (HK$)	**0.404**	0.461

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares and CPS outstanding to assume conversion of all dilutive potential ordinary shares relating to the outstanding share options issued by the Company as at year end dates. The number of shares that would have been issued assuming the exercise of the share options less the number of shares that could have been issued at fair value (determined as the average market price of the Company's share for the year) for the same total proceeds is the number of shares issued for no consideration. The resulting number of shares issued for no consideration is included in the weighted average number of ordinary shares as the denominator for calculating diluted earnings per share.

14 PROPERTY, PLANT AND EQUIPMENT

	Office equipment HK$'000	Motor vehicles HK$'000	Plant and machinery HK$'000	Furniture and fixtures HK$'000	Leasehold improvements HK$'000	Leasehold buildings under construction HK$'000	Leasehold land and buildings HK$'000	Total HK$'000
Year ended 31 December 2015								
Cost								
At 1 January 2015	27,186	24,539	500,355	2,116	20,520	3,081	95,797	673,594
Additions	5,925	2,133	35,059	–	–	–	1,562	44,679
Disposals	(2,037)	(10,968)	(21,563)	–	–	–	–	(34,568)
Write off	(102)	(18)	(962)	–	–	–	–	(1,082)
Transfer upon completion	–	–	–	–	–	(2,959)	2,959	–
Exchange differences	(1,791)	(1,197)	(5,496)	(257)	(1,319)	(122)	(6,275)	(16,457)
At 31 December 2015	29,181	14,489	507,393	1,859	19,201	–	94,043	666,166
Accumulated depreciation								
At 1 January 2015	16,984	17,053	77,075	288	595	–	1,196	113,191
Depreciation charge	6,129	3,101	70,776	372	3,827	–	3,902	88,107
Disposals	(1,440)	(9,864)	(17,055)	–	–	–	–	(28,359)
Write off	(17)	(13)	(861)	–	–	–	–	(891)
Exchange differences	(1,197)	(898)	(2,004)	(257)	(136)	–	(177)	(4,669)
At 31 December 2015	20,459	9,379	127,931	403	4,286	–	4,921	167,379
Net book value								
At 31 December 2015	8,722	5,110	379,462	1,456	14,915	–	89,122	498,787

14 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Office equipment HK$'000	Motor vehicles HK$'000	Plant and machinery HK$'000	Furniture and fixtures HK$'000	Leasehold improvements HK$'000	Leasehold buildings under construction HK$'000	Leasehold land and buildings HK$'000	Total HK$'000
Year ended 31 December 2016								
Cost								
At 1 January 2016	29,181	14,489	507,393	1,859	19,201	-	94,043	666,166
Acquisition of subsidiaries (Note 38)	398	1,114	3,163	-	-	-	-	4,675
Additions	6,452	6,081	16,964	-	-	-	-	29,497
Disposals	-	(5,187)	(11,810)	-	-	-	-	(16,997)
Exchange differences	(861)	(219)	(1,089)	-	(375)	-	(1,837)	(4,381)
At 31 December 2016	35,170	16,278	514,621	1,859	18,826	-	92,206	678,960
Accumulated depreciation								
At 1 January 2016	20,459	9,379	127,931	403	4,286	-	4,921	167,379
Depreciation charge	6,546	3,357	67,969	372	3,826	-	3,700	85,770
Disposals	-	(4,561)	(9,629)	-	-	-	-	(14,190)
Exchange differences	(672)	(94)	(432)	-	(254)	-	(262)	(1,714)
At 31 December 2016	26,333	8,081	185,839	775	7,858	-	8,359	237,245
Net book value								
At 31 December 2016	8,837	8,197	328,782	1,084	10,968	-	83,847	441,715

(a) Depreciation expense of HK$67,089,000 (2015: HK$75,643,000) and HK$18,681,000 (2015: HK$12,464,000) has been charged in "cost of sales" and "general and administrative expenses" respectively.

(b) The net book amount of property, plant and equipment where the Group was a lessee under finance leases as at 31 December 2016 is HK$154,955,000 (2015: HK$201,671,000) (Note 32).

(c) As at 31 December 2016, the Group's leasehold land and buildings with an aggregate net book value of HK$35,431,000 (2015: HK$36,706,000) were pledged as securities for bank borrowings (Note 31(c)).

(d) As at 31 December 2016, the Group's machinery with an aggregate net book value of HK$21,504,000 (2015: HK$28,711,000) was pledged as security for bank borrowings (Note 31(a)(i)).

(e) For the year ended 31 December 2016, rental income amounting to HK$152,000 (2015: HK$1,433,000) relating to the lease of machinery is included in profit or loss (Note 6).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

15 INVESTMENT PROPERTIES UNDER DEVELOPMENT

	HK$'000
Cost	
At 1 January 2015 and 31 December 2015	–
Additions	446,589
Exchange differences	(19,866)
At 31 December 2016	426,723
Accumulated depreciation	
At 1 January 2015, 31 December 2015 and 31 December 2016	–
Net book value	
At 1 January 2015 and 31 December 2015	–
At 31 December 2016	426,723

The Group's investment properties under development as at 31 December 2016 were valued at HK$437,655,000 by an independent professionally qualified valuer who holds a recognised relevant professional qualification and has recent relevant experience of the investment properties being valued. The valuation was determined using the direct comparison approach with reference to the comparable properties in close proximity. The valuations take into account the characteristic of the properties which included the location, size and other factors collectively.

As at 31 December 2016, investment properties under development with net carrying amounts of HK$426,723,000 (2015: Nil) were pledged as securities for certain bank loans of the Group.

16 GOODWILL

	Foundation and construction — Hong Kong and Macau (Note (a)) HK$'000	Construction — Singapore (New Chic International Limited ("New Chic")) (Note (b)) HK$'000	Total HK$'000
At 1 January 2015 and 31 December 2015	282,933	–	282,933
Acquisition of subsidiaries (Note 38)	–	279,021	279,021
At 31 December 2016	282,933	279,021	561,954

16 GOODWILL (CONTINUED)

Notes:

(a) The amount represents goodwill arising from the acquisition of the "Foundation and construction — Hong Kong and Macau" segment deemed to be completed on 17 March 2014 as a result of the reverse acquisition completed on 15 October 2015.

(b) The amount represents goodwill arising from the acquisition of New Chic which is primarily engaged in the provision of construction services as main contractor in Singapore. The acquisition is expected to create synergy from combining the capabilities of the Group's other construction business in Singapore.

Impairment test for goodwill

The recoverable amount of the CGU is determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated growth rates stated below. Management estimates the pre-tax discount rate that reflects market assessment of the time value of money and specific risk relating to the industry.

Key assumptions of the financial budgets covering the five-year period and other key assumptions used for value-in-use calculations are as follows:

Goodwill of Foundation and construction — Hong Kong and Macau

	2016	2015
Average growth rate (Note (i))	**5.0%**	5.0%
Terminal growth rate	**2.0%**	2.0%
Discount rate (Note (ii))	**15.0%**	15.0%

Goodwill of Construction — Singapore (New Chic)

	2016
Average growth rate (Note (i))	**5.0%**
Terminal growth rate	**2.5%**
Discount rate (Note (ii))	**10.9%**

Notes:

(i) Average growth rate used in the budget is for the five-year period ending 31 December 2021.

(ii) The discount rate used is pre-tax and reflects specific risks relating to the relevant business.

(iii) Assuming that the growth rate decreases by 50 basis points and the discount rate increases by 50 basis points, there is still sufficient headroom and no impairment charge is required for goodwill as at 31 December 2016.

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17 INTANGIBLE ASSETS

	Unfinished construction contracts HK$'000	Construction license HK$'000	Computer software license and club membership HK$'000	Total HK$'000
Year ended 31 December 2015				
Opening net book amount	11,628	–	–	11,628
Amortisation charge	(6,261)	–	–	(6,261)
Closing net book amount	5,367	–	–	5,367
At 31 December 2015				
Cost	89,448	–	–	89,448
Accumulated amortisation	(84,081)	–	–	(84,081)
	5,367	–	–	5,367
Year ended 31 December 2016				
Opening net book amount	**5,367**	**–**	**–**	**5,367**
Acquisition of subsidiaries (Note 38)	**24,245**	**57,606**	**524**	**82,375**
Amortisation charge (Note 9)	**(20,782)**	**(8,029)**	**(58)**	**(28,869)**
Exchange difference	**(957)**	**(3,543)**	**(33)**	**(4,533)**
Closing net book amount	**7,873**	**46,034**	**433**	**54,340**
At 31 December 2016				
Cost	**112,053**	**53,706**	**488**	**166,247**
Accumulated amortisation	**(104,180)**	**(7,672)**	**(55)**	**(111,907)**
	7,873	**46,034**	**433**	**54,340**

Amortisation of HK$28,811,000 (2015: HK$6,261,000) was included in "Cost of sales" and HK$58,000 (2015: Nil) was included in "General and administrative expenses".

18 TRADE AND OTHER RECEIVABLES

	2016 HK$'000	2015 HK$'000
Current		
Trade receivables (Note (b))		
— An associated company	**82,616**	–
— A non-controlling shareholder of a subsidiary	**–**	56
— A fellow subsidiary	**–**	5,847
— Other related parties	**36,236**	114,730
— Third parties	**403,987**	611,787
	522,839	732,420
Retention receivables from customers for contract work from (Note (c))		
— Other related parties	**23,743**	48,569
— Third parties	**242,283**	235,100
	266,026	283,669
Development properties — due from customers	**685,160**	1,612,680
Other receivables (Note (d))		
— Holding companies	**–**	3,133
— Associated companies	**14,769**	7,797
— Fellow subsidiaries	**–**	5,853
— Other related parties	**26,283**	11,507
— Third parties	**23,689**	14,327
Prepayments	**137,191**	82,189
Deposits	**32,875**	27,613
Staff advances	**1,080**	1,286
Goods and services tax receivable	**113,553**	2,270
	349,440	155,975
Loans to		
— Other related party (Note (e))	**47,024**	33,133
	1,870,489	2,817,877
Non-current		
Loans to		
— Associated companies (Note (e))	**153,152**	94,220
— Other related parties (Note (e))	**–**	20,559
	153,152	114,779
Prepayment for land costs	**176,666**	–
Other prepayments	**15,060**	12,440
	344,878	127,219

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

18 TRADE AND OTHER RECEIVABLES (CONTINUED)

Notes:

(a) The credit periods granted to customers were 14 to 60 days. No interest was charged on the outstanding balance.

(b) The aging analysis of the trade receivables based on invoice date is as follows:

	2016 HK$'000	2015 HK$'000
1–30 days	**428,243**	690,362
31–60 days	**30,722**	29,809
61–90 days	**16,048**	1,267
Over 90 days	**47,826**	10,982
	522,839	732,420

As at 31 December 2016, trade receivables of HK$130,582,000 (2015: HK$42,058,000) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The aging analysis of trade receivables past due but not impaired by overdue date is as follows:

	2016 HK$'000	2015 HK$'000
1–30 days	**41,702**	19,427
31–60 days	**44,201**	11,649
61–90 days	**6,580**	2,256
Over 90 days	**38,099**	8,726
	130,582	42,058

(c) Retention receivables in respect of the construction and foundation businesses are settled in accordance with the terms of the respective contracts. Retention receivables held by customers for construction and foundation work amounting to approximately HK$39,791,000 (2015: HK$43,319,000) are expected to be recovered in more than twelve months from 31 December 2016.

(d) The other receivables due from associated companies, fellow subsidiaries and other related parties were unsecured, interest-free and repayable on demand. The other receivables did not contain any impaired assets.

(e) Loans to associated companies and other related parties were lent to companies in which the Group invested to develop properties in Singapore. The loans were made in proportion to the percentages of the Group's shareholdings in these companies. The loans were unsecured, and interest-bearing at a fixed rate ranging from 0% to 7.0% (2015: 0% to 7.7%) per annum as at 31 December 2016.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

19 SUBSIDIARIES

The following is a list of the principal subsidiaries as at 31 December 2016:

Name of companies	Principal activities	Country of operation/ incorporation	Particulars of share capital	Effective interest held as at 31 December 2016	Effective interest held as at 31 December 2015
Directly held by the Company:					
One Million International Limited	Investment holding	The British Virgin Islands	US$3	**100%**	100%
Wang Bao Development Limited	Investment holding	The British Virgin Islands	US$0.02	**100%**	100%
New Chic International Limited	Investment holding	The British Virgin Islands	US$100	**100%**	–
Indirectly held by the Company:					
Sunley Engineering & Construction Company Limited	General contracting, building and civil engineering and rental of machinery in Hong Kong	Hong Kong	HK$39,193,000	**100%**	100%
Sunnic Engineering Limited	General contracting, building and civil engineering and rental of machinery in Hong Kong	Hong Kong	HK$9,300,000	**100%**	100%
Full Gain Engineering Limited	General contracting, building and civil engineering and rental of machinery in Hong Kong	Hong Kong	HK$100	**100%**	100%
Sunley Foundation Engineering (Macau) Company Limited	General contracting, building and civil engineering in Macau	Macau	MOP100,000	**100%**	100%
Sunnic Engineering (Macau) Limited	General contracting, building and civil engineering in Macau	Macau	MOP25,000	**100%**	100%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

19 SUBSIDIARIES (CONTINUED)

Name of companies	Principal activities	Country of operation/ incorporation	Particulars of share capital	Effective interest held as at 31 December 2016	Effective interest held as at 31 December 2015
Indirectly held by the Company: (Continued)					
CNQC (South Pacific) Holdings Pte. Ltd.	Investment holding	Singapore	SGD25,500,000	**100%**	100%
Qingjian International (South Pacific) Group Development Co., Pte. Ltd.	General construction	Singapore	SGD45,000,000	**100%**	100%
Qingdao Construction (Singapore) Pte. Ltd.	General construction	Singapore	SGD15,000,000	**100%**	100%
Qingjian Realty (South Pacific) Group Pte. Ltd.	Investment holding	Singapore	SGD2,000,000	**100%**	100%
Max Marine International Trading Pte. Ltd.	General wholesale trade	Singapore	SGD6,000,000	**100%**	100%
Qingjian Realty (Serangoon) Pte. Ltd.	Property development	Singapore	SGD1,000,000	**81%**	81%
Qingjian Realty (Punggol) Pte. Ltd.	Property development	Singapore	SGD1,000,000	**60%**	60%
Qingjian Realty (Sengkang) Pte. Ltd.	Property development	Singapore	SGD1,000,000	**77%** (Note (a))	72%
Qingjian Realty (Punggol Field) Pte. Ltd.	Investment holding	Singapore	SGD1	**100%**	100%
Qingjian Realty (Fernvale) Pte. Ltd.	Investment holding	Singapore	SGD1	**100%**	100%
Qingjian Realty (Pasir Ris) Pte. Ltd.	Investment holding	Singapore	SGD1	**100%**	100%
Qingjian Realty (Punggol Central) Pte. Ltd.	Property development	Singapore	SGD1,000,000	**95%** (Note (a))	85%
Qingjian Realty (Punggol Way) Pte. Ltd.	Property development	Singapore	SGD1,000,000	**85%**	85%
Qingjian Realty (Edgefield Plains) Pte. Ltd.	Property development	Singapore	SGD1,000,000	**95%** (Note (a))	85%
Qingjian Realty (Woodlands) Pte. Ltd.	Property development	Singapore	SGD1,000,000	**75%** (Note (a))	65%

19 SUBSIDIARIES (CONTINUED)

Name of companies	Principal activities	Country of operation/ incorporation	Particulars of share capital	Effective interest held as at 31 December 2016	Effective interest held as at 31 December 2015
Indirectly held by the Company: (Continued)					
Qingjian Realty (Anchorvale) Pte. Ltd.	Property development	Singapore	SGD1,000,000	**63%**	63%
Qingjian Realty (Tuas Bay) Pte. Ltd.	Investment holding	Singapore	SGD10	**100%**	100%
Creative Engineering International Pte. Ltd.	Construction service	Singapore	SGD100,000	**–** (Note (b))	51%
Chong Lee Heng Builder Pte. Ltd.	Building and constructions, leasing of construction equipment	Singapore	SGD616,692	**100%**	100%
Qingjian Construction (Singapore) Pte. Ltd.	General construction	Singapore	SGD7,000,000	**–** (Note (b))	100%
Qingjian Realty (Sembawang) Pte. Ltd.	Property development	Singapore	SGD1,000,000	**77%**	77%
Hilife Interactive Pte. Ltd.	Provision of information technology services	Singapore	SGD100,000	**70%**	70%
Qingjian Realty (BBC) Pte. Ltd.	Property development	Singapore	SGD4,000,000	**73%**	–
Qingjian Realty (BBR) Pte. Ltd.	Property development	Singapore	SGD4,000,000	**73%**	–
Qingjian Realty (Marymount) Pte. Ltd.	Property development	Singapore	SGD1	**100%**	–
Welltech Construction Pte. Ltd.	General construction	Singapore	SGD35,000,000	**100%**	–
Welltech Trading Pte. Ltd.	Trading and letting of tools and equipment	Singapore	SGD100,000	**70%**	–
Bohai Service Pte. Ltd.	Lease of workers dormitory	Singapore	SGD100,000	**100%**	–

19 SUBSIDIARIES (CONTINUED)

Name of companies	Principal activities	Country of operation/ incorporation	Particulars of share capital	Effective interest held as at 31 December 2016	Effective interest held as at 31 December 2015
Indirectly held by the Company: (Continued)					
Bohai Investments (sengkang) Pte. Ltd.	Investment holding	Singapore	SGD10	**100%**	–
Bohai Investments (punggolcentral) Pte. Ltd.	Investment holding	Singapore	SGD10	**100%**	–
Bohai Investments (punggol) Pte. Ltd.	Investment holding	Singapore	SGD10	**100%**	–
BH Investments (woodlands) Pte. Ltd.	Investment holding	Singapore	SGD10	**100%**	–
BH-ZACD (Tuas Bay) Development Pte. Ltd.	Property development	Singapore	SGD1,000,000	**60%** (Note (a))	30% (Note 20)

Notes:

(a) The additional interests were obtained through acquisition of New Chic (Note 38).

(b) These companies were liquidated during the year ended 31 December 2016.

Material non-controlling interests

The total non-controlling interests as at 31 December 2016 represent net aggregate non-controlling interests of HK$81,658,000 (2015: net aggregate deficits shared by non-controlling interests of HK$19,793,000), of which non-controlling interests of HK$4,773,000 (2015: deficits shared by non-controlling shareholders of HK$5,330,000) and non-controlling interests of HK$49,841,000 (2015: deficits shared by non-controlling shareholders of HK$5,496,000) were attributable to Qingjian Realty (Edgefield Plains) Pte. Ltd. and Qingjian Realty (Punggol Way) Pte. Ltd. respectively. The directors are of the opinion that other non-controlling interests are not material to the Group as at 31 December 2016.

19 SUBSIDIARIES (CONTINUED)

Summarised financial information on subsidiaries with material non-controlling interests

Set out below are the summarised financial information for each subsidiary that has non-controlling interests that are material to the Group. See Note 39 for transactions with non-controlling interests.

Summarised balance sheet

	Qingjian Realty (Edgefield Plains) Pte. Ltd.		Qingjian Realty (Punggol Way) Pte. Ltd.	
	2016	2015	**2016**	2015
	HK$'000	HK$'000	**HK$'000**	HK$'000
Current				
Assets	**172,762**	721,646	**514,973**	846,364
Liabilities	**(82,413)**	(765,580)	**(190,900)**	(891,970)
Total current net assets/(liabilities)	**90,349**	(43,934)	**324,073**	(45,606)
Non-current				
Assets	**5,112**	8,400	**8,200**	8,965
Liabilities	**–**	–	**–**	–
Total non-current net assets	**5,112**	8,400	**8,200**	8,965
Net assets/(liabilities)	**95,461**	(35,534)	**332,273**	(36,641)

Summarised statement of comprehensive income

	Qingjian Realty (Edgefield Plains) Pte. Ltd.		Qingjian Realty (Punggol Way) Pte. Ltd.	
	2016	2015	**2016**	2015
	HK$'000	HK$'000	**HK$'000**	HK$'000
Revenue	**1,900,945**	–	**2,687,491**	–
Profit/(loss) before income tax	**264,767**	(4,438)	**464,089**	(7,330)
Income tax expense	**(44,787)**	754	**(78,578)**	1,363
Post-tax profit/(loss) from continuing operations	**219,980**	(3,683)	**385,511**	(5,966)
Other comprehensive income	**–**	–	**–**	–
Total comprehensive income/(loss)	**219,980**	(3,683)	**385,511**	(5,966)
Total comprehensive income/(loss) allocated to non-controlling interests	**31,180**	(552)	**57,827**	(895)
Dividends paid to non-controlling interests	**4,215**	–	**–**	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

19 SUBSIDIARIES (CONTINUED)

Summarised cash flow

	Qingjian Realty (Edgefield Plains) Pte. Ltd.		Qingjian Realty (Punggol Way) Pte. Ltd.	
	2016	2015	**2016**	2015
	HK$'000	HK$'000	**HK$'000**	HK$'000
Cash flows from operating activities				
Cash generated from/ (used in) operations	**752,431**	(48,900)	**794,039**	46,891
Interest paid	**(3,008)**	(4,241)	**(15,159)**	(3,953)
Net cash generated from/(used in) operating activities	**749,423**	(53,141)	**778,880**	42,938
Net cash used in investing activities	**–**	–	**–**	(60)
Net cash used in financing activities	**(718,939)**	–	**(785,987)**	(93,376)
Net increase/(decrease) in cash and cash equivalents	**30,484**	(53,141)	**(7,107)**	(50,498)
Cash, cash equivalents at beginning of year	**402**	55,925	**88,234**	147,299
Exchange losses on cash and cash equivalents	**(1,363)**	(2,382)	**(1,408)**	(8,567)
Cash and cash equivalents at end of year	**29,523**	402	**79,719**	88,234

The information above is the amount before inter-company eliminations.

20 INVESTMENTS IN ASSOCIATED COMPANIES

The carrying amounts recognised in the consolidated statement of financial position are as follows:

	2016	2015
	HK$'000	HK$'000
Share of net assets	**19,682**	1,150

The amounts recognised in profit or loss are as follows:

	2016	2015
	HK$'000	HK$'000
Share of losses	**(4,752)**	(833)

20 INVESTMENTS IN ASSOCIATED COMPANIES (CONTINUED)

The movements of the carrying amounts of associated companies are as follows:

	2016 HK$'000	2015 HK$'000
At 1 January	**1,150**	574
Addition	**–**	1,461
Acquisition of subsidiaries (Note 38)	**13,511**	–
Reclassification from available-for-sale financial assets (Note 38(d))	**18,356**	–
Share of losses of associated companies	**(4,752)**	(833)
Dividend received	**(6,920)**	–
Exchange difference	**(1,663)**	(52)
At 31 December	**19,682**	1,150

The particulars of the Group's associated companies as at 31 December 2016 are as follows:

Name of companies	Principal activities	Country of operation/ incorporation	Particulars of share capital	Effective interest held as at 31 December 2016	Effective interest held as at 31 December 2015
Orion-Four Development Pte. Ltd.	Property development	Singapore	SGD1,000	**–** (Note (a))	20%
BH-ZACD (Tuas Bay) Development Pte. Ltd.	Property development	Singapore	SGD1,000,000	**60%** (Note (b))	30%
Qingjian Realty (Choa Chu Kang) Pte. Ltd.	Property development	Singapore	SGD1,000,000	**46%** (Note (c))	26%
BH-ZADC (Wookdlands) Development Pte. Ltd.	Property development	Singapore	SGD40	**40%**	40%

Note:

(a) Orion-Four Development Pte. Ltd. was liquidated during the year ended 31 December 2016.

(b) After the completion of the acquisition of New Chic on 13 July 2016, BH-ZACD (Tuas Bay) Development Pte. Ltd. became a subsidiary of the Group (Note 38).

(c) The additional 20% interest in Qingjian Realty (Choa Chu Kang) Pte. Ltd. was also obtained through the acquisition of New Chic (Note 38).

20 INVESTMENTS IN ASSOCIATED COMPANIES (CONTINUED)

The directors are of the opinion that the investments in associated companies are not material to the Group as at 31 December 2016 and 2015.

There were no material contingent liabilities or financial commitments relating to the Group's interests in associated companies as at 31 December 2016 and 2015.

21 INVESTMENTS IN JOINT VENTURES

	2016 HK$'000	2015 HK$'000
At 1 January	–	–
Share of profits	371	–
Exchange difference	(16)	–
At 31 December	355	–

The particulars of the Group's investments in joint ventures as at 31 December 2016 are as follows:

Name of companies	Principal activities	Country of operation/ incorporation	Measurement method	Effective interest held as at 31 December 2016	Effective interest held as at 31 December 2015
BUT Qingjian International (South Pacific) Group Development Co., Pte. Ltd. — PT. Nusa Konstruksi Enjinring Tbk., Joint Operation ("CNQC-NKE")	Building construction	Indonesia	Equity	60%	–
Welltech Construction Pte. Ltd. and Capital Trust Pte. Ltd. ("WCPL-CTPL")	Building construction	Singapore	Equity	51%	–

The directors are of the opinion that the investments in joint ventures are not material to the Group as at 31 December 2016.

There were no material contingent liabilities and financial commitments relating to the Group's interests in joint ventures as at 31 December 2016.

22 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2016 HK$'000	2015 HK$'000
At 1 January	**1,095**	1,171
Acquisition of subsidiaries (Note 38)	**82,463**	–
Reclassification to investments in associated companies (Note 38(d))	**(18,356)**	–
Reclassification to investments in subsidiaries (Note 38(d))	**(24,304)**	–
Fair value gain recognised in other comprehensive income	**56,667**	–
Exchange differences	**(5,236)**	(76)
At 31 December	**92,329**	1,095

	2016 HK$'000	2015 HK$'000
Unlisted equity investments	**92,329**	1,095

Unquoted investments which comprise equity investments in certain property development companies are carried at fair value at the end of each reporting period unless it cannot be reliably measured. As at 31 December 2016, fair value is determined using a dividend discount model for which the assumptions are based on the estimated future dividend plans of the underlying investments as disclosed in Note 3(e). Discount rates ranging from 6.4% to 13.3% for the year ended 31 December 2016 were used to discount the expected dividends.

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

23 DERIVATIVE FINANCIAL INSTRUMENTS

	2016 HK$'000	2015 HK$'000
Assets		
Foreign exchange forward contracts (Note (a))	**20,343**	–
Cross currency swap contracts (Note (a))	**12,600**	–
Total	**32,943**	–
Less non-current portion:		
Cross currency swap contracts (Note (a))	**(12,600)**	–
Current portion	**20,343**	–

Notes:

(a) The derivative financial instruments mainly consist of the following contracts:

	2016	2015
Foreign exchange forward contracts in respect of SGD against USD		
— Notional principal amounts	**US$40,000,000**	–
— Maturities as at year end	**Range from 7 months to 12 months**	–
Cross currency swap contracts in respect of SGD against USD		
— Notional principal amounts	**US$28,800,000**	–
— Maturities as at year end	**19 months**	–

(b) Derivative financial instruments are carried at fair values.

(c) As at 31 December 2016, the derivative financial instruments were secured by fixed deposits of HK$58,095,000 (2015: Nil).

24 DEFERRED INCOME TAX ASSETS/(LIABILITIES)

Deferred income tax assets and liabilities are offset when there is a legal enforceable right to offset current income tax assets against current income tax liabilities and when the deferred income taxes related to the same fiscal authority. The amounts, determined after appropriate offsetting, are set out as follows:

	2016 HK$'000	2015 HK$'000
Deferred income tax assets		
— to be recovered within 12 months	**10,235**	21,109
— to be recovered after more than 12 months	**65,295**	71,922
	75,530	93,031

24 DEFERRED INCOME TAX ASSETS/(LIABILITIES) (CONTINUED)

	2016 HK$'000	2015 HK$'000
Deferred income tax liabilities		
— to be settled within 12 months	**(9,186)**	(1,450)
— to be settled after more than 12 months	**(67,259)**	(50,795)
	(76,445)	(52,245)

The movements in the net deferred income tax assets/(liabilities) are as follows:

	2016 HK$'000	2015 HK$'000
1 January	**40,786**	76,577
Acquisition of subsidiaries (Note 38)	**(37,743)**	–
Charged to profit or loss (Note 12)	**(5,270)**	(28,610)
Exchange difference	**1,312**	(7,181)
31 December	**(915)**	40,786

	Fair value adjustments of identifiable assets arising from business combination HK$'000	Accelerated tax depreciation HK$'000	Unrealised profit HK$'000	Tax losses HK$'000	Accrued operating expenses HK$'000	Share-based payment HK$'000	Total HK$'000
Year ended 31 December 2015							
At 1 January 2015	(6,427)	(41,341)	73,571	50,355	–	419	76,577
Credited/(charged) to profit or loss	1,701	(6,519)	(29,773)	(15,264)	21,664	(419)	(28,610)
Exchange difference	–	177	(3,969)	(2,833)	(556)	–	(7,181)
At 31 December 2015	(4,726)	(47,683)	39,829	32,258	21,108	–	40,786
Year ended 31 December 2016							
At 1 January 2016	**(4,726)**	**(47,683)**	**39,829**	**32,258**	**21,108**	**-**	**40,786**
Acquisition of subsidiaries (Note 38)	**(38,047)**	**(191)**	**-**	**495**	**-**	**-**	**(37,743)**
Credited/(charged) to profit or loss	**5,539**	**4,320**	**(3,880)**	**(3,444)**	**(7,805)**	**-**	**(5,270)**
Exchange difference	**2,394**	**(6)**	**(519)**	**(491)**	**(66)**	**-**	**1,312**
At 31 December 2016	**(34,840)**	**(43,560)**	**35,430**	**28,818**	**13,237**	**-**	**(915)**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

25 CASH AND BANK BALANCES

(a) Cash and cash equivalents

	2016 **HK$'000**	2015 HK$'000
Cash at banks and on hand	**1,297,836**	1,078,670
Short term bank deposits	**131,211**	82,838
Maintenance fund accounts (Note (a))	**21,302**	14,053
Project accounts (Note (b))	**342,290**	450,255
	1,792,639	1,625,816

Notes:

(a) The funds in the maintenance fund accounts can only be applied for the upkeep of the completed development properties.

(b) The funds in the project accounts can only be applied in accordance with the Housing Developers (Project Account) Rules (1997 Ed.) in Singapore.

(c) Cash at banks earned interest at floating rates based on daily bank deposit rates.

(b) Pledged bank deposits

As at 31 December 2016, deposits of HK$165,601,000 (2015: HK$273,850,000) were held at banks as pledge for certain of the Group's bank facilities and deposits of HK$58,095,000 (2015: Nil) were held at banks as pledge for the Group's derivative financial instruments.

26 AMOUNTS DUE FROM CUSTOMERS FOR CONTRACT WORK

	2016 HK$'000	2015 HK$'000
Aggregate costs incurred and profits (less foreseeable losses) recognised to date on uncompleted construction contracts	**7,910,878**	6,053,496
Less: progress billings to date	**(7,845,638)**	(5,992,526)
Amounts due from customers for contract work	**65,240**	60,970

There were no advances received from customers for contract work as at 31 December 2016 and 2015. Progress billings to date include retention receivables of HK$121,731,000 (2015: HK$204,445,000) as at 31 December 2016 (Note 18).

27 DEVELOPMENT PROPERTIES FOR SALE

	2016 HK$'000	2015 HK$'000
Properties in the course of development		
Leasehold land at cost	**5,298,283**	5,751,787
Development costs	**2,817,835**	2,716,795
Overheads expenditure capitalised	**56,473**	67,437
Interest expenses capitalised	**585,882**	601,863
	8,758,473	9,137,882

Interest expenses on bank borrowings, loans from non-controlling shareholders of the subsidiaries and other related parties were capitalised. The weighted average rates of capitalisation of the interest expenses were 2.7% (2015: 3.1%) per annum for bank borrowings and 5.2% (2015: 7.2%) per annum for loans from non-controlling shareholders of the subsidiaries and other related parties for the year ended 31 December 2016.

As at 31 December 2016, development properties for sale with net carrying amounts of HK$8,758,473,000 (2015: HK$9,137,882,000) were pledged as securities for certain bank loans of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

28 SHARE CAPITAL

	Number of shares (thousands)	Share capital HK$'000
Authorised:		
Ordinary shares		
At 1 January 2015	2,000,000	20,000
Increase during the year (Note (a))	4,000,000	40,000
At 31 December 2015 and 31 December 2016	6,000,000	60,000
CPS		
At 1 January 2015	–	–
Increase during the year (Note (a))	1,000,000	10,000
At 31 December 2015 and 31 December 2016	1,000,000	10,000
Issued and fully paid:		
Ordinary shares		
At 1 January 2015, 31 December 2015 and 1 January 2016	300,000	3,000
Conversion of CPS (Note (c))	708,193	7,082
Placements and subscriptions of new shares (Note (d))	321,203	3,212
Issue of shares as consideration for the acquisition of subsidiaries (Note (e))	100,000	1,000
At 31 December 2016	1,429,396	14,294
CPS		
At 1 January 2015	–	–
Issue during the year (Note (b))	951,873	9,519
At 31 December 2015 and 1 January 2016	951,873	9,519
Conversion during the year (Note (c))	(708,193)	(7,082)
At 31 December 2016	243,680	2,437

28 SHARE CAPITAL (CONTINUED)

Note:

(a) Following the passing of the ordinary resolution at the Company's extraordinary general meeting held on 14 October 2015, the authorised share capital of the Company was increased from HK$20,000,000 divided into 2,000,000,000 ordinary shares of par value of HK$0.01 each to HK$70,000,000 divided into (i) 6,000,000,000 ordinary shares of HK$0.01 each and (ii) 1,000,000,000 CPS of HK$0.01 each. Save for the rights set out below, each CPS has the same rights as each of the ordinary shares:

- CPS are convertible into fully-paid ordinary shares at the option of the CPS holders at any time after the issue date according to a fixed conversion ratio of one CPS for one ordinary share, subject to the condition that the Company is able to meet the requirement of public float under the relevant listing rules of the Stock Exchange and no shareholders of the Company trigger any mandatory general offer obligation under Rule 26 of the Takeovers Code (unless a waiver from compliance with such requirement has otherwise been obtained).

- The CPS are non-redeemable by the Company or their holders.

- Each CPS shall confer on its holder the right to receive a non-cumulative preferred distribution from the date of the issue of the CPS at a rate of 0.01% per annum on the issue price of HK$2.75 per CPS, payable annually in arrears. The Company may, in its sole discretion, elect to defer or not pay a preferred distribution. No interest accrues on any unpaid preferred distribution. However, the Company shall not pay any dividends or distributions to the holders of ordinary shares of the Company unless at the same time it pays to the holders of the CPS any deferred or unpaid preferred distribution which was scheduled to be paid during the same financial year as such dividends or distributions were scheduled.

- Each CPS shall confer on its holder the right to receive, in addition to the above preferred distribution, any dividend pari passu with the holders of the ordinary shares.

- The holders of the CPS shall have priority over the holders of ordinary shares on the assets and funds of the Company available for distribution in a distribution of assets on liquidation, winding-up or dissolution of the Company up to an amount equal to the aggregate nominal amounts of the CPS issued (i.e. HK$9,519,000). Distributions beyond this amount are to be made on a pari passu basis among the holders of any class of shares including the CPS.

- The CPS do not confer on their holders the right to vote at a general meeting of the Company, unless a resolution is to be proposed at a general meeting for the winding-up of the Company or a resolution is to be proposed which if passed would vary or abrogate the rights or privileges of the CPS or vary the restrictions to which the CPS are subject.

Based on the terms of the CPS, it is accounted for as an equity instrument of the Company.

(b) On 15 October 2015, the Company issued 951,872,727 CPS as consideration for the reverse acquisition. The issuance of CPS is accounted for a distribution to the controlling shareholders under the reverse acquisition accounting method. The aggregate fair value of CPS on the date of issuance was HK$2,236,900,908, representing a fair value of HK$2.35 per CPS. The issuance resulted in an increase in share capital of HK$9,519,000, and the excess of the aggregate fair value of the CPS issued over the aggregate nominal amount of CPS issued amounting to HK$2,227,381,908 was credited as share premium.

(c) On 12 January 2016, 28 June 2016 and 13 July 2016, 270,000,000, 330,000,000 and 47,273,454 CPS were converted into ordinary shares by Guotsing Holding Company Limited, a CPS holder. On 15 November 2016, 60,919,852 CPS were transferred to certain selected participants of Management Share Scheme (defined in Note 30) and were converted into ordinary shares. The new ordinary shares rank pari passu with the then existing ordinary shares.

28 SHARE CAPITAL (CONTINUED)

Note: (Continued)

(d) Details of share placements and subscriptions during the year are as follows:

(i) On 17 December 2015, the Company entered into placing agreements with placing agents whereby the Company agreed to place, through the placing agents, up to 215,000,000 new ordinary shares of the Company to no less than six places at a price of HK$2.40 per share. An aggregate of 90,202,500 new ordinary shares of the Company was placed on 12 January 2016.

(ii) On 19 June 2016, the Company entered into subscription agreements whereby the Company agreed to allot and issue, 55,000,000 new ordinary shares of the Company to China Huarong International Holdings Limited and another 55,000,000 new ordinary shares to Great Wall Pan Asia International Investment Company Limited at a price of HK$2.45 per share. The subscription was completed on 28 June 2016.

(iii) On 8 September 2016, the Company entered into subscription agreements whereby the Company agreed to allot and issue, 10,000,000 new ordinary shares of the Company to Tai Hong Asset Management Limited and 12,000,000 new ordinary shares to Chun Sing Engineering Holdings Limited at a price of HK$2.53 per share. The subscription was completed on 20 September 2016.

(iv) On 23 December 2016, the Company entered into subscription agreements whereby the Company agreed to allot and issue, 87,000,000 new ordinary shares of the Company to Great Wall Pan Asia International Investment Company Limited and 12,000,000 new ordinary shares to Cinda International Holdings Limited at a price of HK$2.55 per share. The subscription was completed on 30 December 2016.

(e) On 13 July 2016, the Group completed the acquisition of **New Chic** by allotment and issue of 100,000,000 ordinary shares as part of the consideration. The share issued ranked pari passu with the existing ordinary shares in issue in all respects. The details of the acquisition are set out in Note 38.

29 OTHER RESERVES

	Merger reserves HK$'000	Capital reserve HK$'000	Exchange reserve HK$'000	Available-for-sale financial assets reserve HK$'000	Share-based payment reserve HK$'000	Total HK$'000
Balance at 1 January 2015	(10,771)	780,268	(108)	–	5,319	774,708
Other comprehensive loss						
Currency translation differences	–	–	(20,344)	–	–	(20,344)
Transactions with owners in their capacity as owners						
Effects of the reverse acquisition	–	(2,236,901)	–	–	–	(2,236,901)
Employee share option schemes — share-based compensation benefits (Note 30)	–	–	–	–	195,332	195,332
Total transactions with owners in their capacity as owners	–	(2,236,901)	–	–	195,332	(2,041,569)
Balance as at 31 December 2015 and 1 January 2016	(10,771)	(1,456,633)	(20,452)	–	200,651	(1,287,205)
Other comprehensive (loss)/income						
Currency translation differences	–	–	(52,406)	–	–	(52,406)
Fair value gain on available-for-sale financial assets	–	–	–	56,667	–	56,667
Total comprehensive (loss)/income	**–**	**–**	**(52,406)**	**56,667**	**–**	**4,261**
Transactions with owners in their capacity as owners						
Acquisition of equity interest of a subsidiary from non-controlling shareholders (Note 38(d))	**–**	**(8,191)**	**–**	**–**	**–**	**(8,191)**
Employee share option schemes — share-based compensation benefits (Note 30)	**–**	**48,051**	**–**	**–**	**7,555**	**55,606**
Reclassification of share-based payment reserve to capital reserve	**–**	**187,189**	**–**	**–**	**(187,189)**	**–**
Total transactions with owners in their capacity as owners	**–**	**227,049**	**–**	**–**	**(179,634)**	**47,415**
Balance as at 31 December 2016	**(10,771)**	**(1,229,584)**	**(72,858)**	**56,667**	**21,017**	**(1,235,529)**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

30 SHARE-BASED PAYMENTS

(a) Share option scheme ("Share Option Scheme")

Pursuant to a resolution passed by the shareholders at the general meeting of the Company on 11 September 2012, the Company adopted the Share Option Scheme, under which the board of directors, at its absolute discretion and on such terms as it may think fit, may grant any employee (full-time or part-time), director, consultant or advisor of the Group, or any substantial shareholder of the Group, or any distributor, contractor, supplier, agent, customer, business partner or service provider of the Group, options to subscribe for ordinary shares of the Company.

(i) Details of the share options outstanding at the end of the year are as follows:

Grant date	Exercisable period	Exercise price per option HK$	Number of outstanding options as at 31 December 2016	2015
27 June 2014	27 June 2015 to 26 June 2020	2.70	**3,900,000**	3,900,000
	27 June 2016 to 26 June 2020	2.70	**3,900,000**	3,900,000
	27 June 2017 to 26 June 2020	2.70	**3,900,000**	3,900,000
	27 June 2018 to 26 June 2020	2.70	**3,900,000**	3,900,000
	27 June 2019 to 26 June 2020	2.70	**3,900,000**	3,900,000
28 April 2016	28 April 2017 to 27 April 2022	3.02	**2,100,000**	–
	28 April 2018 to 27 April 2022	3.02	**2,100,000**	–
	28 April 2019 to 27 April 2022	3.02	**2,100,000**	–
	28 April 2020 to 27 April 2022	3.02	**2,100,000**	–
	28 April 2021 to 27 April 2022	3.02	**2,100,000**	–
			30,000,000	19,500,000

The Group has no legal or constructive obligation to repurchase or settle the options in cash.

(ii) Movements in the number of share options outstanding and their related weighted average exercise prices are as follows:

	2016		2015	
	Weighted average exercise price HK$	**Number of options '000**	Weighted average exercise price HK$	Number of options '000
Outstanding at the beginning of the year	**2.70**	**19,500**	2.70	19,500
Granted during the year	**3.02**	**10,500**	N/A	–
Outstanding at the end of the year	**2.81**	**30,000**	2.70	19,500
Exercisable at the end of the year	**2.70**	**7,800**	2.70	3,900

During the year ended 31 December 2016, share-based payment expenses in respect of the Share Option Scheme charged to profit or loss amounted to HK$7,555,000 (2015: HK$8,143,000).

30 SHARE-BASED PAYMENTS (CONTINUED)

(a) Share option scheme ("Share Option Scheme") (Continued)

(iii) Fair value of share options and assumptions

The fair values of the share options were calculated using the Binomial Option Pricing Model prepared by an independent valuer. The inputs into the model were as follows:

Grant date	27 June 2014	28 April 2016
Exercise price	HK$2.70	HK$3.02
Volatility	60%	47%
Expected option life	6 years	6 years
Annual risk-free rate	1.52%	1.06%
Expected dividend yield	2.60%	5.0%

The volatility measured at the standard deviation of expected share price returns is based on statistical analysis of daily share prices of the Company and comparable companies over the past years immediately preceding the valuation date.

(b) Management Share Scheme

On 10 April 2015, CNQC (South Pacific) Holding Pte. Ltd. ("**CNQC (South Pacific)**") granted share options to certain selected participants including senior management and employees of the Group and other subsidiaries of Guotsing Holding Group Co. Ltd not within the Group to subscribe for up to 6,873,000 shares and 5,127,000 shares of CNQC (South Pacific) respectively at a subscription price of SGD 2.43 per share (the then existing management share scheme). 20% of these share options shall vest over 5 years on each 1 April commencing from 1 April 2016.

The fair value of the share options under the then existing management share scheme at grant date amounted to SGD129.8 million (HK$735.0 million). The weighted average fair value of these share options determined using the Binomial Option Pricing Model was SGD 10.81 per share option.

The significant inputs into the model were volatility of 27.4%, dividend yield of 0%, an expected option life of five years, and an annual risk-free interest rate of 1.99%. The volatility measured at the standard deviation of continuously compounded share returns is based on statistical analysis of daily share prices of comparable entities in the industry.

In accordance with the share purchase agreement entered into by the Group on 23 May 2015 and upon completion of the reverse acquisition on 15 October 2015, the management share scheme ("**Management Share Scheme**") was adopted to replace and supersede the then existing management share scheme. Under the Management Share Scheme, share options were granted to the selected participants to purchase from a trust established by Guotsing Holding (South Pacific) Investment Pte Ltd, a related company, up to a total of 304,599,273 CPS at HK$0.56 per share. As at 31 December 2016, 79,271,961 (2015: 174,459,234) and 225,327,312 (2015: 130,140,039) CPS were attributable to personnel rendering services to the Group and outside the Group respectively. 20% of these share options shall vest over 5 years on each 1 April commencing from 1 April 2016.

The fair value of the share options under the Management Share Scheme on 15 October 2015 amounted to HK$570.0 million whereas that of the then existing management share scheme immediately prior to its replacement and supersession amounted to SGD109.2 million (HK$614.3 million), each of which had a fair value of HK$1.87 and SGD 9.10 per share option respectively determined using the Binomial Option Pricing Model. As the modification of the equity-settled award did not result in an increase in the fair value of the equity-settled award, the share-based payment expenses attributable to personnel rendering services to the Group were recognised with reference to the fair value of the then existing management share scheme on 10 April 2015 in accordance with the accounting policy set out in Note 2(ab)(ii).

30 SHARE-BASED PAYMENTS (CONTINUED)

(b) Management Share Scheme (Continued)

During the year ended 31 December 2016, share-based payment expenses in respect of the above equity-settled award arrangement charged to profit or loss amounted to HK$48,051,000 (2015: HK$187,189,000).

Movements in the number of share options outstanding and the exercise price during the year ended 31 December 2016 are as follows:

	Management Share Scheme		The then existing management share scheme	
	Weighted average exercise price HK$	Number of options	Weighted average exercise price SGD	Number of options
Outstanding at 1 January 2015	N/A	–	N/A	–
Granted during the year	N/A	–	2.43	12,000,000
Implementation of Management Share Scheme	0.56	304,599,273	2.43	(12,000,000)
Outstanding at 31 December 2015 and 1 January 2016	0.56	304,599,273	N/A	–
Converted during the year	0.56	(60,919,852)	N/A	–
Outstanding at 31 December 2016	0.56	243,679,421	N/A	–
Exercisable at 31 December 2016	N/A	–	N/A	–

31 BORROWINGS

	2016 HK$'000	2015 HK$'000
Current		
Bank borrowings — secured (Note (a))	**3,167,905**	3,317,457
Bank borrowings — mortgage (Note (c))	**21,507**	23,152
Loans from non-controlling shareholders of subsidiaries — unsecured (Note (d))	**319,784**	34,505
Finance lease liabilities (Note 32)	**33,146**	62,032
	3,542,342	3,437,146
Non-current		
Bank borrowings — secured (Note (a))	**2,903,187**	3,869,070
Bank borrowings — unsecured (Note (b)	**–**	128,162
Bank borrowings — mortgage (Note (c))	**541**	4,966
Loans from non-controlling shareholders of subsidiaries — unsecured (Note (d))	**247,441**	437,864
Finance lease liabilities (Note 32)	**13,537**	46,124
	3,164,706	4,486,186
Total borrowings	**6,707,048**	7,923,332

31 BORROWINGS (CONTINUED)

The exposure of the borrowings of the Group as at 31 December 2016 and 2015 to interest rate changes and the contractual re-pricing dates were as follows:

	2016 HK$'000	2015 HK$'000
Within 1 year	**6,619,680**	6,942,768
Between 1 and 2 years	**40,724**	853,715
Between 2 and 5 years	**44,648**	111,586
Later than 5 years	**1,996**	15,263
Total	**6,707,048**	7,923,332

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

	2016 HK$'000	2015 HK$'000
Within 1 year	**3,346,409**	3,413,503
Between 1 and 2 years	**772,997**	3,357,428
Between 2 and 5 years	**2,564,306**	1,137,138
Later than 5 years	**23,336**	15,263
Total	**6,707,048**	7,923,332

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

	Note	2016 HK$'000	2015 HK$'000
Secured by:			
Machinery and equipment (Note 14(d))	*(i)*	**21,539**	37,492
Interests in construction contracts	*(ii)*	**139,620**	60,247
Development properties for sale, investment properties under development and joint guarantee from directors of certain subsidiaries	*(iii)*	**4,808,290**	6,144,649
Fixed bank deposits (Note 25(b))	*(iv)*	**150,897**	259,514
Interests in construction contracts and corporate guarantee from an intermediate holding company	*(v)*	**950,746**	684,625
		6,071,092	7,186,527
Represented by:			
— Current portion		**3,167,905**	3,317,457
— Non-current portion		**2,903,187**	3,869,070

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 BORROWINGS (CONTINUED)

(a) (Continued)

Notes:

(i) As at 31 December 2016, the amount comprises bank borrowings of HK$21,539,000 (2015: HK$37,210,000) bearing interest rates at 2.5% (2015: 2% to 3.5%) per annum above the Hong Kong Interbank Offered Rate ("**HIBOR**"). As at 31 December 2016, no bank borrowings secured by machinery and equipment bears interest at fixed rate (2015: bank borrowing of HK$282,000 bore interest at a fixed rate of 2% to 2.5% per annum).

(ii) As at 31 December 2016, the bank borrowings bore interest at a fixed rate of 2.9% or 1.8% over 3-months Singapore Interbank Offered Rate ("**SIBOR**") (2015: 2.6% over 3-months SIBOR).

(iii) As at 31 December 2016, the amounts comprise land and development loans of HK$4,808,290,000 (2015: land and development loans of HK$4,407,168,000 and term loans of HK$1,737,481,000), and bear interest at rates from 1.8% over the relevant bank's one month SGD Cost of Funds ("**COF**") (2015: 1.8% to 2.0% over one month SGD COF) per annum. The loans were secured by mortgages over the Group's development properties for sale (Note 27), investment properties under development (Note 15) and legal assignment of all rights, title and interests in the construction contracts, insurance policies, performance bonds (if any), tenancy agreements and sale and purchase agreements in respect of the development properties for sale and personal and joint guarantee of the directors of certain subsidiaries.

(iv) As at 31 December 2016, the bank borrowings were secured by a fixed deposit of RMB150,000,000 (approximately HK$165,601,000) (2015: SGD50,000,000 (approximately HK$273,850,000)), and bore interest at 1.3% over 1-month SIBOR (2015: 0.5% over SGD COF) calculated daily based on a 365-day year.

(v) As at 31 December 2016, the bank borrowings bore interest at a fixed rate of 2.7% per annum and rates from 320 basis points over the 6-months London Interbank offered rate ("**LIBOR**") (2015: fixed rate of 4.6% per annum).

(b) As at 31 December 2015, the bank borrowings bore interest at a fixed rate of 2.7%.

(c) As at 31 December 2016, bank borrowings of HK$22,048,000 (2015: HK$28,118,000) were secured by a mortgage over part of the Group's leasehold land and buildings (Note 14(c)). The effective interest rate of the loan was 6.4% (2015: 5.9%) per annum as at 31 December 2016. The loans will be repaid by fixed monthly payment over 10 years to 20 years.

(d) The loans from non-controlling shareholders of the subsidiaries were unsecured and not expected to be repaid within 1 year, except for the current portions which were expected to be repaid within 1 year. The loans are subject to variable interest rates which contractually re-price within 12 months from the financial reporting date. The effective interest rate was between 5.0% and 7.0% as at 31 December 2016 (2015: between 7.2% and 8.0%).

(e) The fair values of the bank borrowings and the loans from related parties approximated their respective carrying values as at 31 December 2016 and 2015, as these borrowings were charged at market interest rates.

(f) These committed banking facilities are subject to annual review. As at 31 December 2016, the undrawn banking facilities amounted to HK$688,742,000 (2015: HK$700,321,000).

32 FINANCE LEASE LIABILITIES

The Group leased certain plant and machinery and motor vehicles from third parties under finance leases. The lease agreements do not have renewal clauses but provide the Group with options to purchase the leased assets at nominal values at the end of the lease terms.

	2016 HK$'000	2015 HK$'000
Minimum lease payments due		
— Within 1 year	**34,187**	64,679
— Between 1 and 2 years	**11,594**	33,299
— Between 2 and 5 years	**2,395**	14,016
— Later than 5 years	**324**	528
	48,500	112,522
Less: future finance charges	**(1,817)**	(4,366)
Present value of finance lease liabilities	**46,683**	108,156

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

	2016 HK$'000	2015 HK$'000
Within 1 year	**33,146**	62,032
Between 1 and 2 years	**11,086**	32,123
Between 2 and 5 years	**2,167**	13,484
Later than 5 years	**284**	517
	46,683	108,156

These finance leases were secured by the Group's property, plant and equipment (Note 14(b)).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

33 TRADE AND OTHER PAYABLES

	2016 HK$'000	2015 HK$'000
Current		
Trade payables to:		
— A fellow subsidiary	**–**	46,509
— Other related parties	**79,993**	50,725
— Third parties	**1,699,234**	1,530,474
	1,779,227	1,627,708
Non-trade payables to:		
— Holding companies	**–**	8,198
— Fellow subsidiaries	**–**	902
— Non-controlling shareholders of the subsidiaries	**99,761**	166,720
— Other related parties	**24,487**	425
— Third parties	**33,907**	53,065
— Goods and services tax payable	**14,706**	4,932
	172,861	234,242
Accruals for operating expenses	**250,077**	274,600
Accruals for construction costs	**39,202**	97,279
Advanced proceeds received from customers	**2,481,499**	3,024,284
Put option exercisable by non-controlling shareholder of the subsidiaries (Note)	**11,703**	–
	2,782,481	3,396,163
Total trade and other payables	**4,734,569**	5,258,113

Note:

On 20 December 2016, the Group entered into shareholders' agreements which granted the non-controlling shareholder of the subsidiaries the right to sell its interest in the subsidiaries to the Group at a pre-determined price. The put option is exercisable during the period from 30 March 2021 to 29 April 2021.

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

33 TRADE AND OTHER PAYABLES (CONTINUED)

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

	2016 HK$'000	2015 HK$'000
1–30 days	**1,636,973**	1,597,136
31–60 days	**89,741**	21,744
61–90 days	**43,064**	1,513
Over 90 days	**9,449**	7,315
	1,779,227	1,627,708

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

34 DIVIDENDS

A final dividend in respect of the year ended 31 December 2016 of HK$0.11 per share, amounting to a total dividend of approximately HK$184,038,000, is to be proposed at the 2017 annual general meeting. These financial statements do not reflect this final dividend payable but will be reflected as an appropriation of retained earnings for the year ending 31 December 2017 once approved at the annual general meeting.

	2016 HK$'000	2015 HK$'000
Interim dividend of HK$0.05 per ordinary share and per CPS	**78,704**	–
Proposed final dividend of HK$0.11 (2015: HK$0.12) per ordinary share and per CPS	**184,038**	161,085

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

35 NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Reconciliation of profit before income tax to cash generated from operations

	2016 HK$'000	2015 HK$'000
Profit before income tax	**826,916**	981,664
Adjustments for:		
Depreciation	**85,770**	88,107
Amortisation of intangible assets	**28,869**	6,261
Gain on disposal of property, plant and equipment	**(2,143)**	(4,383)
Write off of property, plant and equipment	**–**	191
Share-based payment expenses	**55,606**	195,332
Interest income	**(17,503)**	(5,681)
Interest expense	**50,340**	84,845
Fair value gain on previously held interest in an associated company as a result of business combination	**(7,211)**	–
Fair value gain on derivative financial instruments	**(46,235)**	–
Share of profit of joint ventures	**(371)**	–
Share of losses of associated companies	**4,752**	833
Operating profit before working capital changes	**978,790**	1,347,169
Decrease in development properties for sale	**1,152,660**	2,470,668
Decrease/(increase) in trade and other receivables	**1,007,792**	(831,375)
Decrease in amounts due from customers for contract work	**14,643**	15,121
Decrease in trade and other payables	**(936,260)**	(1,877,085)
Cash generated from operations	**2,217,625**	1,124,498

In the consolidated statement of cash flow, proceeds from disposal of property, plant and equipment comprise:

	2016 HK$'000	2015 HK$'000
Net book amount (Note 14)	**2,807**	6,209
Gain on disposal of property, plant and equipment (Note 8)	**2,143**	4,383
Proceeds from disposal of property, plant and equipment	**4,950**	10,592

(b) Major non-cash transactions

During the year ended 31 December 2016, property, plant and equipment amounting to HK$1,332,000 (2015: HK$5,980,000) were acquired under finance lease arrangements.

36 CONTINGENT LIABILITIES

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

	2016 HK$'000	2015 HK$'000
Guarantees on performance bonds in respect of construction contracts	**107,548**	205,640

Subsidiaries of the Group also issued corporate guarantees to banks for borrowings of the Group's associated companies and related companies in which subsidiaries of the Company are non-controlling shareholders. As at 31 December 2016, these bank borrowings amounted to HK$333,859,000 (2015: HK$329,093,000).

(b) Pending litigation

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 subcontractors 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 will 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 consolidated financial statements.

37 COMMITMENTS

(a) Operating lease commitments — Group as lessee

The Group leases land, offices, warehouse, construction equipment and a factory 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 but not recognised as liabilities as at 31 December 2016 and 2015 were as follows:

	2016 HK$'000	2015 HK$'000
Not later than one year	**21,344**	21,411
Between one and five years	**20,849**	19,641
Later than five years	**31,127**	31,494
	73,320	72,546

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

37 COMMITMENTS (CONTINUED)

(b) Capital commitments

Capital expenditures contracted but not recognised in the consolidated financial statements as at 31 December 2016 and 2015, excluding those relating to investments in associated companies and joint ventures, were as follows:

	2016 HK$'000	2015 HK$'000
Contracted but not provided for:		
Development expenditure	**49,871**	19,911

In addition, the Group entered into a conditional sale and purchase agreement to acquire all properties at a consideration of SGD638,000,000 (equivalent to approximately HK$3,509,000,000). As at 31 December 2016, SGD625,000,000 (equivalent to approximately HK$3,438,000,000) remained unpaid and will be payable within 30 days after obtaining approval from the court of Singapore (Note 2).

38 ACQUISITION OF SUBSIDIARIES

On 26 May 2016, the Company entered into a sale and purchase agreement to acquire 100% equity interests in New Chic (the "**Acquisition**") by allotment and issue of 100,000,000 ordinary shares and cash payment of SGD51,000,000. One of the sellers is Rally Tech Investment Limited, which is held as to 41.25% by a controlling shareholder of the ultimate holding company and a former director of the Company. The Acquisition is expected to create synergy from combining the capabilities of the Group and New Chic in providing construction services in Singapore. The transaction was completed on 13 July 2016 and has been accounted for using the acquisition method of accounting.

The following table summarises the consideration paid, the fair value of assets acquired, liabilities assumed and the non-controlling interests at the acquisition date.

38 ACQUISITION OF SUBSIDIARIES (CONTINUED)

	HK$'000
Consideration:	
— Cash	297,228
— Equity instruments (100,000,000 ordinary shares) (Note (a))	300,672
Total consideration transferred	597,900
Fair value of previously held interest in BH-ZACD (Tuas Bay) Development Pte Ltd. ("**Tuas Bay**") (Note (b))	7,211
Total consideration	605,111
Cash and cash equivalents	147,305
Property, plant and equipment (Note (f))	4,675
Intangible assets (Note (f))	82,375
Available-for-sale financial assets (Note (d))	82,463
Investment in associated companies (Note (d))	13,511
Development properties for sale (Note (f))	743,616
Trade and other receivables (Note (e))	242,495
Loans to other related parties (Note (e))	195,385
Amounts due from customers for contract work (Note (e))	19,278
Trade and other payables	(572,660)
Borrowings	(523,701)
Finance lease liabilities	(273)
Current income tax liabilities	(22,199)
Deferred tax liabilities (Note (g))	(37,743)
Total identifiable net assets of New Chic (including Tuas Bay) (Note (b))	374,527
Non-controlling interests (Note (c))	(48,437)
	326,090
Goodwill	279,021
Net cash outflow arising from the Acquisition	
Cash consideration	(297,228)
Less: Cash and cash equivalents acquired	147,305
	(149,923)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

38 ACQUISITION OF SUBSIDIARIES (CONTINUED)

Notes:

(a) The fair value of the 100,000,000 ordinary shares issued as part of the consideration paid for New Chic (HK$300,672,000) was based on the published share price on 13 July 2016.

(b) Prior to the completion of the Acquisition, each of the Group and New Chic held 30% equity interests in Tuas Bay, a company incorporated in Singapore which is engaged in property development. After the completion of the Acquisition, Tuas Bay became a subsidiary of the Group and therefore, its assets and liabilities are consolidated with the Group. The net identifiable assets of Tuas Bay are included in the table above. As a result, the Group recognised a gain of HK$7,211,000 from measuring at fair value its 30% equity interest in Tuas Bay. The gain is included in "Other gains-net" in the Group's profit or loss for the year ended 31 December 2016.

(c) The non-controlling interests were recognised at the non-controlling interests' proportionate share (40%) of the recognised amounts of Tuas Bay's identifiable net assets.

(d) New Chic held equity investments classified as available-for-sale financial assets ("**AFS**") in four companies which were non wholly-owned subsidiaries of the Company before the Acquisition, with carrying amounts measured at fair value totalling approximately HK$24,304,000 at acquisition date. The difference of HK$8,191,000 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 is recognised in equity. New Chic also holds equity investment classified as AFS in an investee company with carrying amount measured at fair value of HK$18,356,000 which in turn is an associated company of the Group. The carrying amount of such AFS is reclassified to investments in associated companies as the investee company remains an associated company of the Group.

(e) The fair values of trade and other receivables, loans to other related parties and amounts due from customers for contract work are HK$242,495,000, HK$195,385,000 and HK$19,278,000 respectively. The gross contractual amount of these receivables due in aggregate was HK$457,158,000, of which no balance was expected to be uncollectible.

(f) The fair values of the development properties for sales, property, plant and equipment and intangible assets are determined with reference to the valuation reports prepared by Savills (Singapore) Pte. Ltd. and Jones Lang LaSalle Corporate Appraisal and Advisory Limited, independent professionally qualified valuers who hold recognised relevant professional qualifications. The intangible assets identified include unfinished construction contracts, construction licence, computer license and club membership. The carrying amounts and fair values of these assets as at 13 July 2016 are as follows:

	Carrying amounts of assets HK$'000	**Fair value adjustments** HK$'000	**Fair value of assets as at 13 July 2016** HK$'000
Development properties for sale	601,644	141,972	743,616
Property, plant and equipment	4,148	527	4,675
Intangible assets	524	81,851	82,375
	606,316	224,350	830,666

(g) Deferred tax liabilities mainly include HK$38,047,000 arising from the fair valuation surplus on development properties for sales and property, plant and equipment, and the fair value of intangible assets identified, calculated at the principal taxation rate in Singapore of 17%.

38 ACQUISITION OF SUBSIDIARIES (CONTINUED)

Notes: (Continued)

(h) Goodwill recognised is not expected to be deductible for income tax purpose.

(i) Acquisition-related costs of HK$4,604,000 have been charged to general and administrative expenses in the consolidated statement of profit or loss for the year ended 31 December 2016.

(j) The revenue included in the consolidated statement of profit or loss since 13 July 2016 contributed by New Chic was HK$220,348,000. New Chic also contributed profit of HK$15,240,000 over the same period.

(k) Had New Chic been consolidated from 1 January 2016, the consolidated statement of profit or loss would show pro-forma revenue of HK$9,050,731,000 and profit of HK$707,235,000.

39 RELATED PARTY TRANSACTIONS

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

As at 31 December 2016, Hui Long Enterprises Limited became the Company's ultimate holding company as a result of the conversion of CPS into ordinary shares by Guotsing Holding Company Limited, a subsidiary of Hui Long Enterprises Limited, detailed in Note 28(c).

(a) During the years ended 31 December 2016 and 2015, the related parties that had transactions with the Group were as follows:

Name of related parties	Relationship with the Group
Guotsing Holding Group Company Limited	A related company controlled by a controlling shareholder of the ultimate holding company (2015: Ultimate holding company)
Guotsing Holding (South Pacific) Investment Pte. Ltd.	A related company controlled by a controlling shareholder of the ultimate holding company (2015: An intermediate holding company)
Hyday (South Pacific) Investment Pte. Ltd.	A related company controlled by a controlling shareholder of the ultimate holding company (2015: An intermediate holding company)
Qingjian Group Co. Ltd.	A related company controlled by a controlling shareholder of the ultimate holding company (2015: Fellow subsidiary)
Qingjian International (Myanmar) Group Development Co. Ltd.	A related company controlled by a controlling shareholder of the ultimate holding company (2015: Fellow subsidiary)
Qingjian Holding Group (Malaysia) Sdn. Bhd.	A related company controlled by a controlling shareholder of the ultimate holding company (2015: Fellow subsidiary)
Great Wall Technology Aluminium Industry Pte. Ltd.	A related company controlled by a controlling shareholder of the ultimate holding company
Qingdao Bohai Construction Group Co. Ltd.	A related company controlled by a controlling shareholder of the ultimate holding company

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

39 RELATED PARTY TRANSACTIONS (CONTINUED)

(a) During the years ended 31 December 2016 and 2015, the related parties that had transactions with the Group were as follows: (Continued)

Name of related parties	Relationship with the Group
Qingdao Qingjian Holding Co.	A related company controlled by a controlling shareholder of the ultimate holding company
Elite Concrete Pte. Ltd.	A related company in which a director of a subsidiary has an interest
Sinstar Precast Pte. Ltd. (formerly known as Qingjian Precast Pte. Ltd.)	A related company in which a director of a subsidiary has an interest
Welltech Construction Pte. Ltd.	Subsidiary (2015: A related company controlled by a controlling shareholder of the ultimate holding company)
Bohai Investments (Seng Keng) Pte. Ltd.	Subsidiary (2015: A non-controlling shareholder of a subsidiary)
Bohai Investments (Punggol Central) Pte. Ltd.	Subsidiary (2015: A non-controlling shareholder of a subsidiary)
BH-ZACD (Tuas Bay) Development Pte. Ltd.	Subsidiary (2015: Associated company)
Qingjian Realty (Choa Chu Kang) Pte. Ltd.	Associated company
BH-ZACD (Woodlands) Development Pte. Ltd.	Associated company (2015: A non-controlling shareholder of a subsidiary)
Ji Chao	A non-controlling shareholder of a subsidiary
Li Jun	A non-controlling shareholder of a subsidiary
Ouyang Jing	A non-controlling shareholder of a subsidiary
HLY Investments (Anchorvale) Pte. Ltd.	A non-controlling shareholder of a subsidiary
HLY Investments (Sembawang) Pte. Ltd.	A non-controlling shareholder of a subsidiary
OSS Property Investments Pte. Ltd.	A non-controlling shareholder of subsidiaries
Shun Kang Development & Investment Pte. Ltd.	A non-controlling shareholder of a subsidiary
Suntec Property Ventures Pte. Ltd.	A non-controlling shareholder of a subsidiary
TKS International Investment Pte. Ltd.	A non-controlling shareholder of a subsidiary
Yongli He Development Pte. Ltd.	A non-controlling shareholder of a subsidiary
ZACD (Anchorvale) Pte. Ltd.	A non-controlling shareholder of a subsidiary
ZACD (Canberra) Pte. Ltd.	A non-controlling shareholder of a subsidiary
ZACD (Seng Keng) Pte. Ltd.	A non-controlling shareholder of a subsidiary
ZACD (Sennett) Pte. Ltd.	A non-controlling shareholder of a subsidiary
ZACD (Tuas Bay) Pte. Ltd.	A non-controlling shareholder of a subsidiary
ZACD (Woodlands3) Pte. Ltd.	A non-controlling shareholder of a subsidiary
ZACD (BBW6) Pte. Ltd.	A non-controlling shareholder of subsidiaries
ZACD Investment Pte. Ltd.	A non-controlling shareholder of a subsidiary
ZACD International Pte. Ltd.	A related company controlled by non-controlling shareholder of a subsidiary
Zuo Hai Bin	A non-controlling shareholder of a subsidiary
Peak Living Pte. Ltd.	A related company in which a subsidiary is non-controlling shareholder
Publique Realty (Pasir Ris) Pte. Ltd.	A related company in which a subsidiary is non-controlling shareholder
SLP International Property Consultants Pte. Ltd.	A related company in which a subsidiary is non-controlling shareholder

39 RELATED PARTY TRANSACTIONS (CONTINUED)

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

	2016 **HK$'000**	2015 HK$'000
Construction revenue from other related parties	**68,063**	424,470
Construction revenue from an associated company	**100,369**	–
Sale of goods to a fellow subsidiary	**–**	4,091
Purchase of materials from other related parties	**249,409**	473,253
Construction service costs provided by a fellow subsidiary	**–**	132,742
Construction service costs provided by other related parties	**110,346**	–
Dividend received from associated companies	**6,920**	–
Sales commission paid to a related party	**14,116**	15,284
Interest income from a related party	**1,588**	1,055
Interest income from associated companies	**7,351**	4,193
Interest charged by an intermediate holding company	**–**	32,505
Interest charged by non-controlling shareholders of subsidiaries	**25,225**	66,445
Management fee income from an associated company	**3,423**	–

Outstanding balances as at the year-end dates arising from sale/purchase of goods and services, were unsecured and receivable/payable within 12 months from year-end dates, and were disclosed in Note 18 and Note 33.

(c) Key management compensation

Key management includes directors of the Company and two key operating subsidiaries, CNQC (South Pacific) Holdings Pte. Ltd. and Welltech Construction Pte. Ltd. The compensation paid or payable to key management for employee services is shown below:

	2016 **HK$'000**	2015 HK$'000
Salaries and other short-term employee benefits	**57,134**	75,272
Contribution to retirement benefit scheme	**185**	211
Share-based payments	**27,819**	155,924
Total	**85,138**	231,407

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

40 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY

	2016 HK$'000	2015 HK$'000
ASSETS		
Non-current assets		
Investments in subsidiaries	**3,071,019**	2,434,780
Loans to subsidiaries	**107,500**	32,500
	3,178,519	2,467,280
Current assets		
Other receivables	**149**	422
Amounts due from subsidiaries	**162,008**	–
Cash and cash equivalents	**245,145**	21,297
	407,302	21,719
Total assets	**3,585,821**	2,488,999
EQUITY		
Capital and reserves		
Share capital — Ordinary shares	**14,294**	3,000
Share capital — Convertible preference shares	**2,437**	9,519
Share premium	**3,375,258**	2,284,702
Share-based payment reserve (Note (a))	**21,017**	200,651
Capital reserve (Note (a))	**235,240**	–
Accumulated losses (Note (a))	**(115,726)**	(85,163)
Total equity	**3,532,520**	2,412,709
LIABILITIES		
Current liabilities		
Other payables	**344**	23,390
Amounts due to subsidiaries	**57**	–
Loan from a subsidiary	**52,900**	52,900
	53,301	76,290
Total liabilities	**53,301**	76,290
Total equity and liabilities	**3,585,821**	2,488,999

The balance sheet of the Company was approved by the Board of Directors on 28 March 2017 and was signed on its behalf.

Cheng Wing On, Michael
Director

Wang Congyuan
Director

41 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY (CONTINUED)

Note:

(a) Reserve movement of the Company

	Share-based payment reserve HK$'000	Capital reserve HK$'000	Accumulated losses HK$'000
As at 1 January 2015	5,319	–	(31,071)
Loss for the year	–	–	(54,092)
Share-based compensation benefits	195,332	–	–
As at 31 December 2015	200,651	–	(85,163)
As at 1 January 2016	**200,651**	**–**	**(85,163)**
Profit for the year	**–**	**–**	**209,191**
Dividend paid	**–**	**–**	**(239,754)**
Share-based compensation benefits	**7,555**	**48,051**	**–**
Reclassification of share-based payment reserve	**(187,189)**	**187,189**	**–**
As at 31 December 2016	**21,017**	**235,240**	**(115,726)**

42 BENEFITS AND INTEREST OF DIRECTORS

(a) Directors' emoluments

For the year ended 31 December 2016

	As director (Note (iv))									
	Directors' fees HK$'000	Salaries HK$'000	Discretionary bonuses HK$'000	Housing allowance HK$'000	Equity settled Share-based payments HK$'000	Estimated money value of other benefits HK$'000	Employers' contributions to retirement benefit schemes HK$'000	Remunerations paid or receivable in respect of accepting office as director HK$'000	As management (Note (v)) HK$'000	Total HK$'000
Executive directors										
Dr. Du Bo (Note (i))	-	82	34	-	8,481	-	1	-	-	8,598
Mr. Cheng Wing On, Michael (Note (ii))	-	2,703	9,362	-	1,519	-	18	-	-	13,602
Mr. Ho Chi Ling	-	2,351	1,184	-	1,215	-	18	-	-	4,768
Mr. Zhang Yuqiang	-	1,500	1,625	194	597	-	18	-	-	3,934
Mr. Wang Congyuan (Note (i) & (ii))	298	1,923	1,932	204	3,369	-	15	-	-	7,741
Mr. Wang Linxuan (Note (i))	843	1,726	4,941	-	8,085	-	97	-	-	15,692
Independent non-executive directors										
Mr. Chuck Winston Calptor	240	-	-	-	-	-	-	-	-	240
Mr. Ching Kwok Hoo, Pedro	240	-	-	-	-	-	-	-	-	240
Mr. Tam Tak Kei, Raymond	240	-	-	-	-	-	-	-	-	240
Mr Chan Kok Chung, Johnny (Note (i))	224	-	-	-	-	-	-	-	-	224
Non-executive directors										
Mr. Zhang Zhihua	-	240	10,740	-	3,574	-	9	-	-	14,563
Dr. Ding Hongbin (Note (iii))	270	1,589	337	-	747	-	9	-	-	2,952
Mr. Sun Huiye (Note (i))	291	1,113	279	-	232	-	-	-	-	1,915
	2,646	13,227	30,434	398	27,819	-	185	-	-	74,709

42 BENEFITS AND INTEREST OF DIRECTORS (CONTINUED)

(a) Directors' emoluments (Continued)

For the year ended 31 December 2015

	As director (Note (iv))									
	Directors' fees HK$'000	Salaries HK$'000	Discretionary bonuses HK$'000	Housing allowance HK$'000	Equity settled Share-based payments HK$'000	Estimated money value of other benefits HK$'000	Employers' contributions to retirement benefit schemes HK$'000	Remunerations paid or receivable in respect of accepting office as director HK$'000	As management (Note (v)) HK$'000	Total HK$'000
Executive directors										
Dr. Du Bo	1,347	2,072	17,247	–	45,723	–	62	–	–	66,451
Mr. Cheng Wing On, Michael	–	2,558	1,542	–	1,253	–	18	–	–	5,371
Mr. Ho Chi Ling	–	2,224	1,150	–	1,002	–	18	–	–	4,394
Mr. Zhang Yuqiang	–	1,450	625	204	1,002	–	5	–	–	3,286
Independent non-executive directors										
Mr. Chuck Winston Calptor	240	–	–	–	–	–	–	–	–	240
Mr. Ching Kwok Hoo, Pedro	240	–	–	–	–	–	–	–	–	240
Mr. Tam Tak Kei, Raymond	240	–	–	–	–	–	–	–	–	240
Non-executive directors										
Mr. Zhang Zhihua	838	1,070	8,429	–	16,494	–	–	–	–	26,831
Dr. Ding Hongbin	265	225	66	–	1,253	–	–	–	–	1,809
	3,170	9,599	29,059	204	66,727	–	103	–	–	108,862

Notes:

(i) On 26 January 2016, the following directors were appointed or resigned:

— Dr. Du Bo resigned as executive director;

— Mr. Wang Congyuan and Mr. Wang Linxuan were appointed as executive directors;

— Mr. Sun Huiye was appointed as non-executive director; and

— Mr. Chan Kok Chung, Johnny was appointed as independent non-executive director.

(ii) For the year ended 31 December 2015, Mr. Cheng Wing On, Michael was the Chief Executive Officer ("CEO") of the Group. On 26 January 2016, Mr. Wang Congyuan was appointed to be CEO and Mr. Cheng Wing On, Michael was re-designated to be the Chairman.

(iii) Dr. Ding Hongbin resigned as the non-executive director on 30 December 2016.

(iv) The amounts represented emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its subsidiary undertakings.

(v) The amounts represented emoluments paid or receivable in respect of a person's other services in connection with the management of the affairs of the Company or its subsidiary undertakings and included salaries, discretionary bonuses, employer's contributions to retirement benefit schemes and housing allowance.

(vi) No director waived or agreed to waive any emoluments during the years ended 31 December 2016 and 2015.

(vii) During the year, no emoluments were paid by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office.

42 BENEFITS AND INTEREST OF DIRECTORS (CONTINUED)

(b) Directors' retirement benefits and termination benefits

None of the directors received or will receive any retirement benefits or termination benefits for the years ended 31 December 2015 and 2016.

(c) Consideration provided to third parties for making available directors' services

During the years ended 31 December 2015 and 2016, the Company did not pay consideration to any third parties for making available directors' services.

(d) No loans, quasi-loans and other dealings made available in favour of directors, controlled bodies corporate by and connected entities with such directors subsisted at the end of the year or at any time during the year.

(e) Save as disclosed in Note 39, no significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

FIVE YEAR FINANCIAL SUMMARY

	1.1.2016 to 31.12.2016 HK$'000	1.1.2015 to 31.12.2015 HK$'000	1.1.2014 to 31.12.2014 HK$'000 (Restated)	1.1.2013 to 31.12.2013 HK$'000 (Restated)	1.1.2012 to 31.12.2012 HK$'000 (Restated)
Consolidated Result					
Revenue	**8,605,716**	11,053,456	7,302,293	1,704,587	1,825,797
Profit/(loss) before tax	**826,916**	981,664	487,770	(126,334)	164,939
Income tax (expense)/credit	**(157,776)**	(240,945)	(77,087)	22,158	(25,065)
Profit/(loss) for the year	**669,140**	740,719	410,683	(104,176)	139,874
Profit/(loss) attributable to Owners of the Company	**585,385**	577,317	276,299	(89,000)	160,250
Consolidated Assets and liabilities					
Total assets	**14,771,672**	14,926,672	16,215,913	16,881,692	12,189,390
Total liabilities	**(11,709,599)**	(13,445,879)	(15,439,560)	(17,076,543)	(11,972,531)
Net assets/(liabilities)	**3,062,073**	1,480,793	776,353	(194,851)	216,859

The Group has applied the principles of reverse acquisition accounting to account for the reverse acquisition in 2015. Accordingly, the financial information for the three years ended 31 December 2014 had been restated.