CNQC
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


# 2015
ANNUAL REPORT


# CONTENTS

# 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
Dr. Sun Huiye (appointed as a non-executive Director on 26 January 2016)

### 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 (appointed on 22 March 2016)
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 on 22 March 2016)
Mr. Wang Congyuan (appointed on 26 January 2016)
Mr. Ching Kwok Hoo, Pedro
Mr. Chan Kok Chung, Johnny (appointed on 22 March 2016)
Mr. Cheng Wing On, Michael *(Chief Executive)* (resigned as a member on 26 January 2016)

## NOMINATION COMMITTEE

Mr. Cheng Wing On, Michael *(Chairman of the Nomination Committee)* (appointed 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 on 22 March 2016)
Mr. Tam Tak Kei, Raymond
Mr. Ching Kwok Hoo, Pedro
Mr. Chan Kok Chung, Johnny (appointed 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
Dr. Sun Huiye
Mr. Chan Kok Chun, Johnny

## REGISTERED OFFICE

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

## HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

## LEGAL ADVISERS AS TO HONG KONG LAWS

Norton Rose Fulbright Hong Kong
Loong & Yeung Solicitors

## AUDITOR

PricewaterhouseCoopers

# CORPORATE INFORMATION

## PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Appleby Trust (Cayman) Ltd.
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

## PRINCIPAL BANKER

United Overseas Bank
China Development Bank
The Hongkong and Shanghai Banking Corporation Limited
Fubon Bank (Hong Kong) Limited
DBS Bank (Hong Kong) Limited
Dah Sing 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 year ended 31 December 2015 ("**Reporting Period**").

On 15 October 2015, Guotsing Group, the controlling shareholder of the Company, injected its quality residential property development and construction projects in Singapore into the Company and successfully achieved the listing of the Singapore property and construction business in the Hong Kong capital market. The Group is principally engaged in property development business in Singapore and the construction business both in Singapore and in Hong Kong.

Following the asset injection, the financial results of the Group have improved in the Reporting Period. Moreover, the fund raising and financing capabilities of the Company will also be improved, which will pave the way for the Company to become the overseas financing and business development platform for Guotsing Group.

## BUSINESS STRATEGY

The abovementioned asset injection enables the Company to expand from its existing foundation business in Hong Kong and Macao into property development and construction industries in South East Asia, including Singapore, which will help the Company expand to the property development and other construction work in Hong Kong, Macao and other South East Asian Countries.

The Company has been operating in foundation business in Hong Kong for twenty-three years, and the business in Singapore has 17 years history. The industry expertise and the market presence that the Group possesses in each of the markets of property development, construction and foundation businesses would create synergy effect amongst members of the Group in the future, which the integrated business model covering the full industry chain is expected to increase cost efficiency and enhance the competitive advantages of the Company.

### Financial results

During the Reporting Period, the Group recorded a total revenue of approximately HK$11.1 billion (2014: approximately HK$7.3 billion). Net profit attributable to owners of the Company amounted to approximately HK$577.3 million (2014: approximately HK$276.3 million). Basic and diluted earnings per share attributable to equity holders of the Company amounted to HK$0.461 per share (2014: HK$0.232 per share). The Board recommended payment of final dividend for a total of approximately HK$161.1 million for the Reporting Period, representing payment of HK$0.12 per share of all the issued ordinary shares and convertible preference shares.

# CHAIRMAN'S STATEMENT

## OPERATION REVIEW

### Business in Singapore

**Property Development Business**

The Group principally focuses on the development and sale of private condominiums and executive condominiums ("**EC**") in Singapore. During the Reporting Period, there were two private condominiums projects with Temporary Occupation Permit ("**TOP**") issued by the Building and Construction Authority of Singapore ("**BCA**") and were 100% sold, one of which, with TOP, issued in May was known as RiverSound Residence and the total contract value of which was approximately HK$3.2 billion and aggregated contracted sales area of which was 62,423 sq.m. The other project with TOP issued in October 2015 was River Isles with the total contract value of approximately HK$3.2 billion and aggregated contracted sales area of 64,939 sq.m..

After the Reporting Period, there was an EC project with TOP issued on 27 January 2016, the project was called WaterBay with the total contract value of approximately HK$1.6 billion and aggregated contracted sales area of 43,277 sq.m..

In August 2015, the Group successfully tendered for a new land parcel at Choa Chu Kang Avenue 5 in Singapore at a tender price of approximately HK$878 million, the Group held the largest interest of 26% in the said land parcel. The site area of the said land parcel is approximately 16,386.1 sq.m. with a total gross floor area ("**GFA**") of approximately 49,158.3 sq.m., which is intended to be developed as EC Project.

As at the date of this annual report, the Group is holding majority interest in four property development projects across Singapore, with a total saleable floor area of approximately 250,000 sq.m..

**Construction Business**

During the Reporting Period, the Group completed 3 projects and secured 1 new project in the Singapore construction segment with a contract sum of approximately HK$900 million. As disclosed in the announcement of the Company dated 4 December 2015, this new project was awarded by the Housing & Development Board of Singapore to a wholly-owned subsidiary of the Company for the building works of residential units at Tampines Neighbourhood 6 in Singapore on 30 November 2015.

As at 31 December 2015, this segment had 9 external projects in progress with an aggregate remaining contract sum of approximately HK$3,345.5 million.

### Business in Hong Kong

During the Reporting Period, the Group secured several new sizable projects in the Hong Kong construction segment with contract sum of approximately HK$ 1,357.6 million. As at 31 December 2015, the remaining contract sum of projects in progress was approximately HK$1,495.3 million. In 2015, the Group successfully tendered for three superstructure construction projects, which signaled a good start in this new business arena.

# CHAIRMAN'S STATEMENT

## PROSPECTS AND FUTURE STRATEGY

In 2016, the Group will closely monitor the market and enhance our capability to foresee and respond to changes in market conditions. The Group will continue to participate in Government land tender exercises for residential sites in Singapore, should the opportunities arise, the Company will also consider to take part in the development of commercial and industrial plots. With a base in the Singapore market, the company further studies to improve the ability to obtain the projects and opportunities on nations which are encompassed by "One Belt One Road" strategy and "The Trans-Pacific Partnership" strategy.

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

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

The business and the oversea development of the controlling shareholder, Guotsing Group, has more than 60 years history and 30 years experiences respectively. At present, Guotsing Group has business on around 30 nations. As the only offshore listing platform of Guotsing Group, the Group will expand its business scale in property development business and construction business by leveraging its function as the offshore financing platform and will also enhance overun cost and financing efficiency.

Last but not least, the Group will continue to put more effort into promoting the "CNQC" brand in both Singapore and Hong Kong in its different lines of business. The management believes that the increasing recognition of the Group's CNQC branding as an integrated property developer and contractor will benefit the Group's synergy in both Singapore and Hong Kong property development and construction industries.

## APPRECIATION

On behalf of the Board and the management, I would like to take this opportunity to thank Dr. Du Bo, who resigned as the chairman of the Company ("**Chairman**") and has been appointed as the honorary chairman of the Company with effect from 26 January 2016, for his contributions during his tenure as the Chairman. In the meantime, I wish 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*

22 March 2016

# MANAGEMENT DISCUSSION AND ANALYSIS

## SINGAPORE PROPERTY MARKET REVIEW

With a looming over supply as well as concerns over potential hikes in interest rates in Singapore, homebuyers remained cautious, with many adopting a highly-selective, "wait-and-see" approach. With such significant downside headwinds facing the residential property market, overall private home prices were expected to decline a bit in 2015 on a whole-year basis.

As for the EC segment, the cooling measure and the Mortgage Servicing Ratio (MSR) framework imposed on EC homebuyers have dampened home-buying demand for the EC sector. Moreover the declining trend of private home prices and ample supply of private apartment and condominium units presented more choices for prospective home owners. These factors impacted selling price of ECs in 2015.

Under the Singapore Budget 2015 that was announced by the Singapore government on 23 February 2015, the Singapore Government will make vast improvements in public transport. In terms of making improvements to the public transport system, the Budget outlined that another Singapore Dollars ("**SGD**") $14 billion has been deployed for enhancement initiatives over the past five years, and another SGD$26 billion has been committed for the next five years.

With overall island-wide accessibility expected to be substantially enhanced by the further development of the public transport system, housing developments in the Outside Central Region ("**OCR**") of Singapore are likely to receive greater attention from homebuyers. In view of the expected improvement in accessibility, purchasing budget is likely to precede proximity to the city-centre as a greater priority in the minds of homebuyers. With the continued emphasis on public transport enhancements, mass-market homes can be expected to deliver a better value proposition for some homebuyers. This is in turn likely to drive up demand for OCR homes, and lead to a possible narrowing in price gaps between the mass-market homes and other segments of the residential property market.

## SINGAPORE CONSTRUCTION MARKET REVIEW

Construction activities slowed down in 2014 after being weighed down by weaker private sector construction activities. In 2015, there are pipeline of construction projects and construction orders (mostly civil engineering works) estimated between SGD16.0 billion and SGD19.5 billion. Overall construction demand is expected to decline marginally but remains buoyant in the near future.

## HONG KONG CONSTRUCTION MARKET REVIEW

In Hong Kong, 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$49.0 billion in 2010 to about HK$76.1 billion in 2015. The increase in expenditure is mainly due to the Hong Kong Government's commitment to provide 470,000 units of housing in the coming years whilst 60% of which belongs to public housing. Given that the foundation work such as piling work is to provide base for superstructure construction, the foundation industry is supported by the overall growth in the superstructure construction industry.

# MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS REVIEW

As the only offshore listing platform of Guotsing Holding Group Co. Ltd ("**Guotsing PRC**"), one of the controlling shareholders of the Company, and its subsidiaries ("**Guotsing Group**"), the Company was benefited from the brand, reputation and quality operating system which Guotsing Group has established over years of operation, the Group has made concerted effort to achieve rapid growth in the property development business.

### Property Development Business

During 2015, the sales revenue, sales area and average selling price ("**ASP**") realised by the Group are set out in the table below:

| Project | | Sales Revenue 2015 (HK$' million) | Sales Area 2015 (sq.m.) | ASP 2015 (HK$/sq.m.) |
|---|---|---|---|---|
| I | RiverSound Residence | 3,176.1 | 62,423 | 50,880 |
| II | River Isles | 3,202.5 | 64,939 | 49,316 |
| Total | | 6,378.6 | 127,362 | |

The Group started to hand over units at RiverSound Residence and River Isles which obtained their Temporary Occupation Permit (TOP) in May 2015 and October 2015 respectively.

# MANAGEMENT DISCUSSION AND ANALYSIS

## Highlights of the Property Development Projects

**As at 31 December 2015**

| | Project | Location | Intended use | Site area | Total GFA | % of completion as at 22 March 2016 | Estimated year of construction completion | Ownership interest | Market value in existing state as at 30 June 2015, 100% ownership |
|---|---|---|---|---|---|---|---|---|---|
| | | | | sq.m. | sq.m. | | | | SGD'M |
| 1 | WaterBay | Edgefield Plains, Singapore | Residential | 13,242 | 43,698 | 100% | January 2016 | 85% | 292.8 |
| 2 | Ecopolitan | Punggol Walk, Singapore | Residential | 18,748 | 61,867 | 94% | June 2016 | 85% | 388.8 |
| 3 | Bellewoods | Woodlands Avenue 5, Singapore | Residential | 21,004 | 64,693 | 80% | February 2017 | 65% | 335.4 |
| 4 | Bellewaters | Anchorvale Crescent, Singapore | Residential | 23,000 | 75,900 | 72% | February 2017 | 63% | 390.6 |
| 5 | Visionaire | Sembawang Road/ CanberraLink, Singapore | Residential | 28,746 | 60,366 | 9% | October 2018 | 77% | 232.0 |

As at 31 December 2015, the Group's current portfolio of property development projects with majority interest consists of 5 projects across Singapore, focusing on the development of EC apartments. The saleable GFA of these properties which had not been sold or pre-sold as at 31 December 2015 was 124,326 sq.m..

As at 31 December 2015, the total saleable GFA of the said 5 projects with majority interest in the OCR of Singapore was approximately 293,013 sq.m. Details of which are set out below:

**WaterBay**

WaterBay is an EC development featuring six blocks of 17-storey apartments comprising 383 units of two to five bedrooms and penthouse units. It is located at the junction of Punggol Central and Edgefield Plains, approximately 17 km from the city centre at Raffles Place.

In 2015, the contracted pre-sales of WaterBay were HK$15.7 million and the contracted pre-sales area was 337 sq.m. which accounted for approximately 0.8% of this project's saleable area. As at 31 December 2015, the percentage of saleable area sold was 100%. The TOP of this project was granted on 27 January 2016 by the Building and Construction Authority of Singapore.

# MANAGEMENT DISCUSSION AND ANALYSIS

**Ecopolitan**

Ecopolitan is an EC development featuring eight blocks of 16-storey apartments comprising 512 units ranging from three to five-bedrooms including dual key, premium and Co-Space units. It is located at the end of Punggol Walk, bounded by Punggol Way and Tampines Expressway, approximately 17 km from the city centre at Raffles Place.

In 2015, the contracted pre-sales of Ecopolitan were HK$309.1 million and the contracted pre-sales area was 6,489 sq.m. which accounted for approximately 11.4% of this project's saleable area. As at 31 December 2015, the percentage of saleable area sold was 97.46%.

**Bellewoods**

Bellewoods is an EC development featuring three blocks of 11-storey and nine blocks of 12-storey apartments comprising 561 units ranging from two to five-bedrooms including premium and Co-Space units. It is located at the corner of Woodlands Avenue 5 and Woodlands Avenue 6 junctions, approximately 25 km from the city centre at Raffles Place.

In 2015, the contracted pre-sales of Bellewoods were HK$1,108.1 million and the contracted pre-sales area was 23,694 sq.m. which accounted for approximately 38.9% of this project's saleable area. As at 31 December 2015, the percentage of saleable area sold was 48.84%.

**Bellewaters**

Bellewaters is an EC development featuring three blocks of 17-storey and seven blocks of 16-storey apartments comprising 651 units ranging from three to five-bedrooms including premium and Co-Space units. It is located along Anchorvale Crescent, approximately 20 km from the city centre at Raffles Place.

In 2015, the contracted pre-sales of Bellewaters were HK$1,767.0 million and the contracted pre-sales area was 38,930 sq.m. which accounted for approximately 54.8% of this project's saleable area. As at 31 December 2015, the percentage of saleable area sold was 62.37%.

**The Visionaire**

The Visionaire is an EC development. It is located at the junction of Canberra Link and Sembawang Road, approximately 25 km from the city centre at Raffles Place.

This project provides 16 blocks of 9-storey to 12-storey apartments ranging from two to four bedrooms. The pre-sales of this projects commences in the first half of 2016. As at 31 December 2015, the pre-sales of this project had not yet been commenced.

## New Property Development Project

The Group keeps making efforts in seizing the opportunities in the land market in Singapore. In August 2015, the Group acquired a new parcel of land at Choa Chu Kang Avenue 5 through a wholly-owned subsidiary together with other independent third parties which the Group held the largest interest of 26% in this land. The land cost was approximately HK$877.8 million with site area of approximately 16,386.1 sq.m. and the total GFA reaches 49,158.3 sq.m. which is intended to be developed as EC.

# MANAGEMENT DISCUSSION AND ANALYSIS

The management believes that continual new addition property development of the Group is required in order for the Group to expand further in the coming years. The Group will insist on its business strategy whilst maintaining a prudent approach and selecting 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 public construction work, private construction work 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 specialisation in piling works and superstructure construction for both private and public sector.

The Group's revenue from the Singapore construction contracts for the Reporting Period was approximately HK$3,003.1 million (year ended 31 December 2014: approximately HK$2,424.6 million). The revenue attributable from the Hong Kong segment is approximately HK$1,671.7 million (year ended 31 December 2014: approximately HK$957.9 million).

During the Reporting Period, for the Singapore segment, the Group completed three construction projects including HDB Seng Kang N4C24, HDB Hougang N4C18 and China Cultural Centre, with one new project awarded by the Housing and Development Board of Singapore ("**HDB**") in November 2015, with an estimated contract sum of approximately HK$900 million. As at 31 December 2015, there were 9 external private construction projects on hand with another 5 construction projects of the Group's property segment and the outstanding contract sums are approximately HK$3,345.5 million and HK$1,479.8 million respectively.

As for the Hong Kong segment, the Group commenced work of several new sizable foundation and superstructure construction projects including Kwun Tong Inland Lot No. 761, Shatin Town Lot No. 482 & No. 578, No. 18–20 Caine Road, No. 101–111 Wanchai Road, with a total contract sum of approximately HK$1,357.6 million. As at 31 December 2015, the outstanding contract sums of on-going projects are approximately HK$1,495.3 million.

## FINANCIAL REVIEW

### Revenue

The Group's total revenue for the Reporting Period was approximately HK$11.1 billion (2014: approximately HK$7.3 billion), representing an increase of 51.4% as compared with last year. The increase is mainly attributable to the recognition of property sales in Singapore upon the issuance of temporary occupation permit. During the Reporting Period, the revenue derived from the projects in Singapore was approximately HK$9.4 billion (2014: approximately HK$6.3 billion) whereas those in Hong Kong and Macau was approximately HK$1.7 billion (2014: approximately HK$957.9 million).

Out of the HK$9.4 billion revenue derived from the Singapore segment, the aggregate contracted sales of properties amounted to HK$6.4 billion, representing an increase of 62.7% over that of last year. The average selling price was approximately HK$50,083 sq.m..

# MANAGEMENT DISCUSSION AND ANALYSIS

### Gross Profit Margin

The Group's gross profit margin during the Reporting Period was approximately 16.3% (2014: approximately 14.7%). 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 optimisation, 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. Higher portion of private condominium sales recognized also accounted for the increase in gross profit margin during the Reporting Period.

### Selling and Marketing Expenses

The Group's selling and marketing expenses for the Reporting Period were approximately HK$165.6 million (2014: approximately HK$123.4 million), which was approximately 1.5% (2014: approximately 1.7%) of the Group's total revenue. The increase was mainly attributable to the increase in sales commission during the Reporting Period.

### General and Administrative Expenses

The Group's general and administrative expenses for the Reporting Period were approximately HK$553.0 million (2014: approximately HK$389.4 million), which was approximately 5.0% (2014: approximately 5.3%) of the Group's total revenue. The increase was mainly attributable to the general increase in staff costs including Directors' emoluments incurred and the expenses in relation to the Group's equity settled award granted to employees (as described below) during the Reporting Period.

### Net Profit

During the Reporting Period, the Group reported a net profit of approximately HK$740.7 million (2014: approximately HK$410.7 million), representing an increase of 80.4% as compared with last year. The profit attributable to owners of the Company was HK$577.3 million (2014: approximately HK$276.3 million, representing an increase of approximately 108.9% over last year. Basic earnings per share was HK$0.461 (2014: HK$0.232).

## NON-COMPETITION DEED

To minimise the potential competition, Dr. Du Bo, Guotsing PRC and Guotsing Holding Company Limited (collectively, "**Covenantors**") entered into a deed of non-competition dated 22 September 2015 ("**Non-Competition Deed**"), pursuant to which the Covenantors have severally and jointly undertaken that they will not engage in property development business or property construction business in Hong Kong, Macau and Singapore ("**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.

# MANAGEMENT DISCUSSION AND ANALYSIS

## PROSPECTS

In view of the property segment in Singapore, the Singapore government recently reiterated their stance to maintain the property market cooling measures and the Total Debt Servicing Ratio restriction until a meaningful correction is achieved, prices of private residential properties are expected to continue on a path of moderation in 2016.

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

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

In February 2015, the Group signed a strategic cooperation agreement with Samsung Asia Pte Ltd pursuant to which the Group and Samsung Asia Pte Ltd will jointly develop smart home technologies in Singapore.

Looking ahead, the Group will 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 Visionaire is the first EC project of the Group which provides smart home technologies in Singapore. We will further promote and develop the application of smart home technologies in our upcoming property development projects.

Furthermore, in view of the immense impact of e-commerce, the Group is contemplating to merge e-commerce with property management function by way of inventing its lifestyle smartphone application “HiLife” which aims to bring each household daily needs to be managed on their palm.

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 to enable better living environment.

# MANAGEMENT DISCUSSION AND ANALYSIS

As the only offshore listing platform of the Guotsing Group, the Group will actively explore the opportunities in the overseas market by leveraging on the experience and the strength of the Guotsing Group over the course of the overseas expansion, going in line with the "One-Belt-One-Road" Policy and the "Trans-Pacific Partnership" development opportunity with a core base in Singapore and in Hong Kong. The Group will fully capitalise the experience and resources and leverage on its function as an offshore listing platform in order to create value to shareholders of the Company in the long run.

## DEBTS AND CHARGE ON ASSETS

The total interest bearing bank borrowings of the Group, including bank loans and finance leases, increased from approximately HK$7,858.2 million as at 31 December 2014 to approximately HK$7,923.3 million as at 31 December 2015. 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$230,382,000 (2014: HK$265,429,000), HK$36,706,000 (2014: HK$38,133,000) and HK$9,137,882,000 (2014: HK$12,044,327,000) respectively.

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.

## LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

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

As at 31 December 2015, the Group had cash and cash equivalents of approximately HK$1,625.8 million (2014: approximately HK$906.9 million) of which approximately 71.8% was held in Singapore Dollar, 15.1% was held in Hong Kong dollar, 7.9% was held in Renminbi, 4.2% was held in US Dollars and the remaining was mainly held in Macau Patacas and Indonesian Rupiah. The gearing ratio of the Group as at 31 December 2015 (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 80.3% (2014: approximately 90.0%).

During the Reporting Period, the Group did not employ any financial instrument for hedging purposes.

## FOREIGN EXCHANGE

Since the Group mainly operates in Singapore and Hong Kong and most of the revenue and transactions arising from its operations were settled in Singapore Dollar and Hong Kong Dollar, and the Group's assets and liabilities were primarily denominated in Singapore Dollar and Hong Kong Dollar, the Board believes that the Group will have sufficient foreign exchange to meet its foreign exchange requirements. The Group has not experienced any material difficulties or effects on its operations or liquidity as a result of fluctuations in currency exchange rates and has not adopted any currency hedging policy or other hedging instruments during the Reporting Period.

# MANAGEMENT DISCUSSION AND ANALYSIS

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

On 23 May 2015, the Company and Guotsing Holding (South Pacific) Investment Pte Ltd ("**Guotsing SG**", a company wholly owned by Guotsing PRC and at the material time indirectly holds approximately 74.72% of the issued share capital of the Company, and thus an associate of CNQC Development, a substantial shareholder of the Company) entered into a share purchase agreement (the "**Agreement**") pursuant to which the Company conditionally agreed to acquire, and Guotsing SG conditionally agreed to sell or procure to be sold the entire issued share capital of Wang Bao Development Limited on the terms and subject to the conditions set out in the Agreement, at a consideration of HK$2,617,650,000 to be satisfied by the issuance and allotment of 951,872,727 convertible preference shares ("**CPS**") at the issue price of HK$2.75 per CPS by the Company (the "**Acquisition**"). The Acquisition was completed on 15 October 2015.

The Acquisition constituted a substantial transaction, a connected transaction and a reverse takeover under the Listing Rules. Details of the Acquisition are set out in the "ACQUISITION OF CNQC (SOUTH PACIFIC) AND REVERSE TAKEOVER" section of the Report of the Directors in this annual report.

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 2015, the Group had capital commitments of approximately HK$19.9 million (2014: HK$48.8 million).

## CONTINGENT LIABILITIES

Save as disclosed in note 33 to the consolidated financial statements, the Group had no other contingent liabilities as at 31 December 2014 and 31 December 2015.

## EVENT AFTER THE REPORTING PERIOD

There was completion of placing of new shares of the Company under specific mandate and conversion of CPS as disclosed in the announcement dated 12 January 2016. In addition, there was also change in board composition as disclosed in the announcement of the Company dated 26 January 2016. On 22 March 2016, the Company established a strategy and investment committee and the terms of reference of the committee adopted by the Board are available on the website of the Company and the Stock Exchange. There is no other significant event after the Reporting Period and up to the date of this annual report.

# MANAGEMENT DISCUSSION AND ANALYSIS

## EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2015, the Group had 2,034 full-time employees (2014: 2,398 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$875.0 million (2014: approximately HK$662.7 million).

## SHARE OPTIONS

### Share Option Scheme

On 27 June 2014, the Company offered to grant an aggregate of 19,500,000 share options (the "**Share Options**") to certain Directors, employees and consultants of the Group (collectively, the "**Grantees**"), subject to acceptance of the Grantees, under its share option scheme adopted on 11 September 2012 (the "**Share Option Scheme**"). The Share Options will enable the 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. Since then, the Group has not granted any new options under the Share Option Scheme up to the date of this annual report nor is there any option being exercised. The Share Option Scheme is further discussed in the Report of the Directors in this annual report.

### Management Share Scheme

Pursuant to the terms of the Agreement, a trust (the "**Trust**") was constituted upon completion of the Agreement to service a management share scheme (the "**Management Share Scheme**") pursuant to which awards were conditionally granted to certain senior management and employees of Guotsing Group (the "**Selected Participants**") 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. The Management Share Scheme is further discussed in the Report of the Directors in this annual report.

# 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 18 to the financial statements.

During the Reporting Period, the Company was involved in a very substantial acquisition, of which details are set out in the section headed "ACQUISITION OF CNQC (SOUTH PACIFIC) AND REVERSE TAKEOVER" section of this Report of the Directors. As the Target Company (as defined below) was primarily engaged in property development and construction businesses in Singapore, after the Acquisition the Group's principal activity has expanded to property development and construction business in Singapore, as well as the longstanding construction business in Hong Kong.

## 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 11 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 61 and 62 of this annual report. The payment of a final dividend of HK$0.12 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 11 May 2016 and the holders of the Convertible Preference Shares has 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 1 June 2016.

## 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 the movements in the Company's share capital during the Reporting Period are set out in note 25 to the financial statements.

# REPORT OF THE DIRECTORS

## 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 66.

As at 31 December 2015, the Company had reserves amounting to HK$2,199.5 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 (2014: HK$26.2 million).

## GROUP FINANCIAL SUMMARY

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

## DIRECTORS

The Directors who held office during the Reporting Period and up to the date of this annual 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)*
(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
Mr. Ding Hongbin
Dr. Sun Huiye (appointed as a non-executive Director on 26 January 2016)

### 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)

# REPORT OF THE DIRECTORS

Mr. Cheng Wing On, Michael, Mr. Zhang Yuqiang, Mr. Ho Chi Ling, Mr. Wang Congyuan, Mr. Wang Linxuan, Dr. Sun Huiye and Mr. Chan Kok Chung, Johnny will retire from office as Directors at the forthcoming annual general meeting of the Company, being eligible, 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.

Mr. Zhang Zhihua and Dr. Ding Hongbin have respectively entered into a service contract as a non-executive Director on 11 August 2014 with the Company for a term of three years. Dr. Sun Huiye entered into a service contract as a non-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 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 2014 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 Reporting Period.

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

As at 31 December 2015, 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 | 1.00% |
| Mr. Ho Chi Ling | Beneficial owner *(note 1)* | 2,400,000 | 0.80% |
| Mr. Zhang Yuqiang | Beneficial owner *(note 1)* | 2,400,000 | 0.80% |
| Dr. Ding Hongbin | Beneficial owner *(note 1)* | 3,000,000 | 1.00% |
| | Beneficiary of a trust *(note 2)* | 12,691,636 | 4.23% |
| Mr. Zhang Zhihua | Beneficial owner *(note 1)* | 3,000,000 | 1.00% |
| | Beneficiary of a trust *(note 2)* | 44,801,476 | 14.93% |

*Notes*:

1. This represents long position in the underlying shares under share options granted on 27 June 2014 pursuant to the Share Option Scheme.

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 Option Scheme" and "Management Share Scheme" in this Report of the Directors for more details.

Save as disclosed above, as at 31 December 2015, none of the Directors nor the 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.

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

As at 31 December 2015, the following persons (not being a Director or chief executive of the Company) had interests or short positions in the shares or underlying shares of the Company 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 of the Company

| 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)* | 647,273,454 | 215.76% |
| | Interest of controlled corporation *(Note 2)* | 224,145,000 | 74.72% |
| | Beneficiary of a trust *(Note 3)* | 114,224,727 | 38.07% |
| Hui Long Enterprises Limited | Interest in controlled corporation *(Note 1)* | 647,273,454 | 215.76 |
| Bliss Wave Holding Investments Limited | Interest in controlled corporation *(Note 1)* | 647,273,454 | 215.76 |
| Top Elate Investments Limited | Interest in controlled corporation *(Note 1)* | 647,273,454 | 215.76 |
| Hao Bo Investments Limited | Interest in controlled corporation *(Note 1)* | 647,273,454 | 215.76 |
| Guotsing Holding Company Limited | Beneficial owner *(Note 1)* | 647,273,454 | 215.76 |
| Trustee | Trustee | 304,599,273 | 101.53 |
| Qingdao Qingjian Holding Co Staff Shareholding Union | Interest in controlled corporation *(Notes 1 and 2)* | 871,418,454 | 290.48 |
| Shanghai Heliyuan Investment Co Ltd | Interest in controlled corporation *(Note 2)* | 224,145,000 | 74.72 |
| Qingdao Bohai Construction Group Co Ltd | Interest in controlled corporation *(Note 2)* | 224,145,000 | 74.72 |
| Qingdao Qingjian Holdings Co | Interest in controlled corporation *(Notes 1 and 2)* | 871,418,454 | 290.48 |

# REPORT OF THE DIRECTORS

| Name of substantial shareholder | Capacity/Nature of interest | Number of Shares and underlying Shares held/ interested | Approximate Shareholding Percentage |
|---|---|---|---|
| Guotsing Holding Group Co., Ltd | Interest in controlled corporation *(Note 2)* | 224,145,000 | 74.72 |
| Guotsing Holding (South Pacific) Investment Pte. Ltd. | Interest in controlled corporation *(Note 2)* | 224,145,000 | 74.72 |
| Hyday (South Pacific) Investment Pte Ltd | Interest in controlled corporation *(Note 2)* | 224,145,000 | 74.72 |
| GUOTSING Group (HK) Limited | Interest in controlled corporation *(Note 2)* | 224,145,000 | 74.72 |
| CNQC Development Limited | Beneficial owner *(Note 2)* | 224,145,000 | 74.72 |

*Notes:*

(1) The 647,273,454 shares were held by Guotsing Holding Company as at 31 December 2015. Guotsing Holding Company is indirectly owned by Top Elate and Hui Long. Hui Long held 74.533% of Bliss Wave, which held 51.453% of Hao Bo, which held 85% of Guotsing Holding Company. Top Elate held 48.547% of Hao Bo.

(2) The 224,145,000 Shares were held by CNQC Development as at 31 December 2015. CNQC Development is indirectly wholly-owned by Guotsing PRC through Guotsing SG (wholly-owned by Guotsing PRC), Hyday (South Pacific) Investment Pte Ltd. (wholly-owned by Guotsing SG) and GUOTSING Group (HK) Limited (wholly-owned by Hyday (South Pacific) Investment Pte Ltd. Guotsing Holding Group Co Ltd is in turn controlled by the Guotsing PRC Controlling Shareholders pursuant to a concert party agreement dated 22 September 2015 entered into amongst the Guotsing PRC Controlling Shareholders. Dr. Du Bo owns 99.5% interest in Shanghai Heliyuan Investment Ltd., being a member of the Guotsing PRC Controlling Shareholders.

(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 Option Scheme — Management Share Scheme" in this report for more details.

Save as disclosed above, as at 31 December 2015, 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 TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

On 23 May 2015, the Company and Guotsing SG entered into the Agreement pursuant to which the Company conditionally agreed to acquire, and Guotsing SG conditionally agreed to sell or procure to be sold the entire issued share capital of Wang Bao Development Limited on the terms and subject to the conditions set out in the Agreement. Please refer to the section headed "Principal Activities" in this Report of the Directors for further details. As (i) each of Dr. Du Bo and Mr. Zhang Zhihua is a director of Guotsing SG; (ii) Dr. Du Bo is a director and controlling shareholder of Guotsing Holding Company Limited; and (iii) each of Dr. Du Bo, Mr. Zhang Zhihua and Dr. Ding Hongbin have been granted with awards under the Management Share Scheme, Dr. Du Bo, Mr. Zhang Zhihua and Dr. Ding Hongbin were considered to have material interests in the Agreement and the Acquisition.

Save as disclosed in this annual report, no transaction, arrangement contract 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:

| | **2015**<br>**%** | 2014<br>% |
|---|---|---|
| Percentage of construction material purchases and construction subcontracted: | | |
| From the largest supplier | **5.8%** | 6.3% |
| From the five largest suppliers | **22.7%** | 19.9% |
| Percentage of turnover: | | |
| From the largest customer | **17.8%** | 21.8% |
| From the five largest customers | **30.8%** | 34.3% |

The largest supplier, 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 8% by Dr. Ding Hongbin, a non-executive Director and the third largest supplier, Elite Concrete Pte Ltd, is held as to 50% by Qingjian 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. Dr. Du Bo was the chairman of the board of directors of Guotsing PRC until 22 December 2015. Mr. Zhang Zhihua was the director and chief executive officer of Guotsing PRC until 22 December 2015 and was appointed a supervisor of Guotsing PRC effective from 22 December 2015 and Dr. Ding Hongbin is a director 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.

## PUBLIC FLOAT

Based on the information that is publicly available to the Company and to the best knowledge of the Directors, the Company has retained the prescribed public float of at least 25% of the Company's total issued share capital as at the date of this annual report pursuant to the Listing Rules.

## 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 CNQC (SOUTH PACIFIC) AND REVERSE TAKEOVER

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 23 May 2015, the Company and Guotsing SG (a connected person of the Company by virtue of being an associate of CNQC Development Ltd, a substantial shareholder of the Company) entered into the Agreement pursuant to which the Company has conditionally agreed to acquire, and Guotsing SG has conditionally agreed to sell or procure to be sold the entire issued share capital in CNQC (South Pacific) Holdings Pte Ltd (the "**CNQC (South Pacific)**") (in respect of any period prior to the completion of the internal reorganisation of the Guotsing Group (the "**Reorganisation**") which took place after the date of the Agreement and before completion of the sale of shares under the Agreement or Wang Bao Development Limited (in respect of any period upon completion of the Reorganisation) (collectively, the "**Target Company**") on the terms and subject to the conditions set out in the Agreement.

# REPORT OF THE DIRECTORS

The consideration of the Acquisition was HK$2,617,650,000 and was settled through the issuance and allotment by the Company of the following new non-redeemable convertible preference shares of HK$0.01 each to be created as a new class of shares in the share capital of the Company upon completion of the Acquisition at issue price of HK$2.75 per CPS:

(i) 647,273,454 CPS to Guotsing SG (or Guotsing Holding Company Limited as Guotsing SG may direct);

(ii) 304,599,273 CPS to Guotsing SG (or a professional independent trustee (the "**Trustee**") to be appointed for the purpose of the Trust to be constituted to service a Management Share Scheme or a company to be held by the Trustee as Guotsing SG may direct). The Trustee shall hold such 304,599,273 CPS on trust for certain management of Guotsing Group which were granted rights to subscribe for shares of CNQC (South Pacific) under the pre-existing management share scheme.

The Acquisition had the following implications under the Listing Rules:

(i) a very substantial acquisition for the Company under Rule 14.06(5) of the Listing Rules as one or more of the relevant percentage ratios under Rule 14.07 of the Listing Rules are over 100% for the Company in relation to the Acquisition;

(ii) a connected transaction of the Company under Chapter 14A of the Listing Rules, as Guotsing SG was a connected person of the Company by virtue of being an associate of CNQC Development, a substantial shareholder of the Company; and

(iii) a reverse takeover of the Company under Rule 14.06(6)(b) of the Listing Rules on the basis that the Acquisition constitutes a very substantial acquisition for the Company under Chapter 14 of the Listing Rules and involves an acquisition of assets by the Company from Guotsing SG (being an associate of CNQC Development) within 24 months of CNQC Development gaining control of the Company;

and accordingly the Acquisition was subject to the approval of the independent shareholders of the Company at an EGM, in addition to the reporting and announcement requirements set out in the Listing Rules for very substantial acquisitions and connected transactions.

Moreover, as the Acquisition constitutes a reverse takeover of the Company, the Company was being treated as if it were a new listing applicant under Rule 14.54 of the Listing Rules. The Acquisition was therefore also subject to the approval of the Listing Committee of a new listing application which was filed with the Stock Exchange on 8 June 2015. Such new listing application was required to comply with all the requirements under the Listing Rules, in particular the requirements under Chapters 8 and 9 of the Listing Rules.

The Acquisition and the issue of CPS were completed on 15 October 2015, after which the Target Company has become a wholly-owned subsidiary of the Company and its financial results are to be consolidated into the financial statements of the Company.

Further details regarding the Acquisition can be found in the announcements of the Company dated 23 May 2015, 8 June 2015, 12 June 2015, 23 July 2015, 25 September 2015, 15 October 2015 and the circular of the Company dated 25 September 2015.

## 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.

As at the date of this annual report, the total number of securities available for issue under the Scheme was 10,500,000 shares, which represented 3.5% of the issued share capital of the Company as at the date of adoption.

# REPORT OF THE DIRECTORS

The outstanding share options granted entitled the relevant grantees to subscribe for an aggregate 19,500,000 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 Reporting Period is as follows:

| | | | Number of options | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Grantees | Date of Grant | Exercise price per share | As at 01/01/2015 | Granted during the reporting period | Exercised during the reporting period | Lapsed during the reporting period | Cancelled during the reporting period | As at 31/12/2015 | Vesting Period | Exercise period |
| **Executive directors** | | | | | | | | | | |
| Cheng Wing On, Michael | 27/6/2014 | HK$2.70 | 3,000,000 | – | – | – | – | 3,000,000 | 27/6/2015-27/6/2019 | 27/6/2015-27/6/2020 |
| Ho Chi Ling | 27/6/2014 | HK$2.70 | 2,400,000 | – | – | – | – | 2,400,000 | 27/6/2015-27/6/2019 | 27/6/2015-27/6/2020 |
| Zhang Yuqiang | 27/6/2014 | HK$2.70 | 2,400,000 | – | – | – | – | 2,400,000 | 27/6/2015-27/6/2019 | 27/6/2015-27/6/2020 |
| **Non-executive Directors** | | | | | | | | | | |
| Ding Hongbin | 27/6/2014 | HK$2.70 | 3,000,000 | – | – | – | – | 3,000,000 | 27/6/2015-27/6/2019 | 27/6/2015-27/6/2020 |
| Zhang Zhihua | 27/6/2014 | HK$2.70 | 3,000,000 | – | – | – | – | 3,000,000 | 27/6/2015-27/6/2019 | 27/6/2015-27/6/2020 |
| Employees of the Group in aggregate | 27/6/2014 | HK$2.70 | 1,500,000 | – | – | – | – | 1,500,000 | 27/6/2015-27/6/2019 | 27/6/2015-27/6/2020 |
| Other participants of the Group in aggregate | 27/6/2014 | HK$2.70 | 4,200,000 | – | – | – | – | 4,200,000 | 27/6/2015-27/6/2019 | 27/6/2015-27/6/2020 |
| | | | 19,500,000 | – | – | – | – | 19,500,000 | | |

Save as disclosed above, as at 31 December 2015, no Directors had any interests in the share options to subscribe for the shares.

# REPORT OF THE DIRECTORS

## MANAGEMENT SHARE SCHEME

Reference is made to the "ACQUISITION OF CNQC (SOUTH PACIFIC) AND REVERSE TAKEOVER" section in this Report of the Directors.

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

Further details regarding the Management Share Scheme, including the list of Selected Participants, can be found in the announcements of the Company dated 23 May 2015, 8 June 2015, 12 June 2015, 23 July 2015, 25 September 2015, 15 October 2015 and the circular of the Company dated 25 September 2015.

## 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 CNQC (SOUTH PACIFIC) AND REVERSE TAKEOVER" section in this Report of Directors, as Guotsing SG was a connected person of the Company by virtue of being an associate of CNQC Development, a substantial shareholder of the Company, 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 23 May 2015, 8 June 2015, 12 June 2015, 23 July 2015, 25 September 2015, 15 October 2015 and the circular of the Company dated 25 September 2015. Details of the Acquisition are also set out in ACQUISITION OF CNQC (SOUTH PACIFIC) AND REVERSE TAKEOVER in this Report of Directors.

## Continuing connected transactions

The transactions set out below which were entered into between the Group and either Guotsing Holding Group Co Ltd ("**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 Group estimated that the Myanmar Construction Contract would be completed by May 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 Reporting Period, a total contract sum of SGD23,615,000 was incurred. The remaining balance of the contracted sum of approximately SGD16.0 million will be incurred in the year ending 31 December 2016.

**(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 have become connected persons of the Company and SLP International, being an associate of Ms. Sim and Mr. Yeo, would 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.

# REPORT OF THE DIRECTORS

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 of the Company 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 Reporting Period was SGD$2.7 million. (equivalent to HK$15.3 million)

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.

*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 those material related party transactions disclosed in note 36 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 Reporting Period as disclosed above in accordance with Rule 14A.38 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to the Stock Exchange at least 10 business days prior to the bulk printing of this annual report.

The Board has received confirmation from the auditors of the matters set out in Rule 14A.56 of the Listing Rules in respect of the abovementioned continuing connected transactions.

# REPORT OF THE DIRECTORS

## TRANSACTIONS WITH QINGJIAN PRECAST

The transactions set out below were entered into between the Group and Qingjian Precast Pte. Ltd. ("Qingjian Precast"). Qingjian Precast 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:

Qingjian Precast, 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 Qingjian Precast which principal business is the manufacturing of ready-mix concrete, is held as to 50% by Qingjian Precast and has been regarded as a subsidiary of Qingjian Precast and consolidated to the financial statements of Qingjian Precast. Qingjian Precast was 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, 7% by Mr. Song Xiuyi, director of certain group companies and the balance is held by certain other individuals. Although these four Directors/former Director collectively controls 39% of the issued share capital of Qingjian Precast, none of them individually controls 30% or more interests, Qingjian Precast is not a connected person of the Company under the Listing Rules.

The Company entered into a master service agreement with Qingjian Precast 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.

The annual caps approved by the shareholders of the Company 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 Reporting Period, the transaction amount under the Qingjian Precast Master Service Agreement amounted to SGD84.2 million which had exceeded the annual cap of SGD78.4 million. The reason for the exceeding of annual cap was due to accelerated construction work progress. Despite the excess, 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 Qingjian Precast for the Reporting Period as disclosed above in accordance with Rule 14A.38 of the Listing Rules, except for the exceeding of the annual cap as described above.

The Company will endeavor to carry out adequate supervision over the transaction amount under the Qingjian Precast Master Service Agreement against the annual caps in the future, with a view to prevent reoccurrence of the incident.

# REPORT OF THE DIRECTORS

## CONVERTIBLE SECURITIES

Reference is made to the sections headed "ACQUISITION OF CNQC (SOUTH PACIFIC) AND REVERSE TAKEOVER" and "PLACING OF NEW SHARES UNDER SPECIFIC PLACING MANDATE" in this Report of Directors, and to the announcements of the Company dated 23 May 2015, 8 June 2015, 12 June 2015, 23 July 2015, 25 September 2015, 15 October 2015, 17 December 2015 and 12 January 2016, as well as the circular of the Company dated 25 September 2015.

On 15 October 2015, the Acquisition was completed and upon completion of the Acquisition, the Company issued 647,273,455 CPS to Guotsing Holding Company Limited and 304,599,273 CPS to the Trustee as settlement of the consideration for the Acquisition. 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 excise of the conversion rights attaching to the CPS (the "**Conversion Share**") 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).

# REPORT OF THE DIRECTORS

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.

On 17 December 2015, the Company received a conversion notice from Guotsing Holding Company Limited in respect of the conversion of up to an aggregate of 647,273,454 CPS held by it, subject to the completion of the Placing and the Company meeting the minimum public float requirement under Rule 8.08 of the Listing Rules.

Based on the final number of 90,202,500 Placing Shares (as defined below) placed pursuant to the Placing and for the purpose of the Company meeting the minimum public float requirement under Rule 8.08 of the Listing Rules, the Company has allotted and issued a total of 270,000,000 conversion shares to Guotsing Holding Company Limited. As at 12 January 2016, Guotsing Holding Company Limited holds an aggregate of 270,000,000 Shares, representing approximately 40.90% of the issued shares as enlarged by the Placing and the conversion of CPS.

## 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.

## NON-COMPETITION UNDERTAKING

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

Guotsing PRC, Guotsing Holding Company Limited and Dr. Du Bo and the Company entered into the Non-Competition Deed on 22 September 2015, 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 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 circulars of the Company dated 25 September 2015.

Guotsing Group has declared in writing that it has complied with the Non-Competition Deed within the Reporting Period.

# REPORT OF THE DIRECTORS

## 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 are set out in the Corporate Governance Report from page 46 to page 58 of this report.

## AUDITOR

The accounts for the years ended 31 December 2013, 2014 and 2015 were audited by PwC whose term of office will expire upon the forthcoming annual general meeting. A resolution for the re-appointment of PwC as the 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 for development and not being able to maintain good relationships with the customers could materially and adversely affect the Group's financial results.

The Company's 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. It is therefore vital for the Company to respond to these changes promptly as failure to continually enhance our existing products and market new products in a timely manner would adversely affect the Company's performance.

The Group's business operation in Singapore is subject to extensive industry standards and government regulations and it is important for the Group's compliance with those standards and regulations to avoid adverse effects on the operation and sales of the Group. The Group currently operates under various construction requisite licenses, which will expire in July 2017. 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.

# REPORT OF THE DIRECTORS

## RELATIONSHIP WITH EMPLOYEES

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

## RELATIONSHIP WITH SUB-CONTRACTORS AND SUPPLIERS

The Group has developed longstanding relationships with a number of sub-contractors and suppliers and takes great care to ensure that they share the Group's commitment on quality and ethics. We carefully select and require the sub-contractors to satisfy certain assessment criteria including track record, experience, financial strength, reputation, ability to produce high-quality construction and quality control effectiveness.

## RELATIONSHIP WITH 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 have been aiming to provide quality and value-added services to our clients in each project in order to maintain continuous relationship.

## ENVIRONMENTAL POLICIES AND PERFORMANCE

We are committed to building an environmentally-friendly workplace that pays close attention to conserving natural resources. We strive to ensure minimal environmental impact by carefully managing our energy consumption and water usage and encourage recycle of office supplies and construction materials.

# REPORT OF THE DIRECTORS

## 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 shall therefore comply with the relevant laws and regulations in Singapore and Hong Kong. External compliance and legal advisers are engaged to ensure transactions and businesses performed by the Group are within the applicable law framework. Updates on applicable laws, rules and regulations are brought to the attention of relevant employees and operation units from time to time. During the Reporting Period and up to the date of this report, there is no material non-compliance with the relevant prevailing laws and regulations in Singapore and Hong Kong by the Group.

On behalf of the Board

**Cheng Wing On, Michael**
*Chairman*

Hong Kong, 22 March 2016

# BIOGRAPHIES OF THE DIRECTORS AND SENIOR MANAGEMENT

## DIRECTOR

### Executive Director

**Mr. Cheng Wing On, Michael (鄭永安)**, aged 59, is an executive Director and the chairman of the Board .He was appointed as a Director on 15 April 2011, and was the chief executive officer of the Company from 11 September 2012 to 26 January 2016. He was appointed as the chairman of the Board and the chairman of the nomination committee of the Company (the "**Nomination Committee**") on 26 January 2016 and was appointed as the chairman of the strategy and investment committee of the Company (the "**Strategy and Investment Committee**") on 22 March 2016.

Mr. Cheng 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 41, was appointed as an executive Director, the chief executive officer of the Company and a member of the remuneration committee of the Company (the "**Remuneration Committee**") on 26 January 2016 and was appointed as a member of the Strategy and Investment Committee on 22 March 2016. Mr. Wang is also a director of certain 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 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 國清控股集團有限公司 (Guotsing Holding Group Co., Ltd.*). 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 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 holds a bachelor's degree in thermal engineering from The University of Science and Technology Beijing, the People's Republic of China (the "**PRC**"). He is a senior engineer and a member of the Chartered Institute of Building. Mr. Wang 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.

* *For identification purpose only*

# BIOGRAPHIES OF THE DIRECTORS AND SENIOR MANAGEMENT

**Mr. Zhang Yuqiang (張玉強)**, aged 54, was appointed as an executive Director on 11 April 2014 and a general manager of the Company on 22 April 2014. Mr. Zhang has also been a member of the Remuneration Committee and the Strategy and Investment Committee since 22 March 2016. Mr. Zhang joined the Group on 11 April 2014 and is responsible for assisting the chief executive officer of the Company in the overall operations and management of the Group. 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*), deputy president of the international business department and property department of Qingjian. He had served as the vice-president of the Guotsing PRC from 2013 to 2015. Mr. Zhang has more than 30 years of 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 51, is an executive Director. He joined the Company on 11 September 2012 and is responsible for execution of the foundation projects of the Group. Mr. Ho is also a director of certain subsidiaries of the Company. He has been a member of the Strategy and Investment Committee since 22 March 2016.

He has 28 years of experience in the engineering and construction industry. 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 43, was appointed as an executive Director on 26 January 2016. He has been a member of the Strategy and Investment Committee since 22 March 2016.

Mr. Wang has more than 20 years of experience in engineering and construction industry. During the period from June 1998 to May 2015, Mr. Wang 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 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 was the managing director of 高技工程私營有限公司 (Welltech Construction Pte Ltd*). Mr. Wang 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 has been a director and the chief executive officer of CNQC (South Pacific) Holdings Limited from May 2015. Mr. Wang is also a director of certain subsidiaries of the Company.

Mr. Wang 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 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 59, was appointed as a non-executive Director on 11 April 2014 and a member of the audit committee of the Company (the "**Audit Committee**") on 25 June 2014. He has been a member of the Strategy and Investment Committee since 22 March 2016. Mr. Zhang joined the Group on 11 April 2014 and is responsible for overseeing the overall performance of the Group. Mr. Zhang is also a director of certain subsidiaries of the Company.

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 Guotsing PRC (from November 2012 to December 2013). Mr. Zhang has been the chief executive officer of Guotsing PRC from December 2013 to December 2015. He is also 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

**Dr. Ding Hongbin (丁洪斌)**, aged 49, was appointed as a non-executive Director by the Company on 11 April 2014 and a member of the Audit Committee and the Strategy and Investment Committee on 22 March 2016. Dr. Ding joined the Group on 11 April 2014 and is responsible for overseeing the overall performance of the Group. Dr. Ding is also a director of certain subsidiaries of the Company.

Prior to joining the Group, Dr. Ding consecutively served as the assistant to the general manager, deputy general manager and executive deputy general manager of Qingjian from 2002 to 2007. He acted consecutively as the president of Qingjian, the president of information technology of Qingjian and the vice-chairman of the board of directors of Qingjian from 2007 to 2013. He was the chairman of the supervisory committee of the Guotsing PRC from November 2012 to December 2013. Dr. Ding was the president (from December 2013 to December 2015) and the chief information officer (from March 2014 to December 2015) of Guotsing PRC. He is the chairman and the chief executive officer of Guotsing PRC since December 2015. He is also a director of CNQC Development Limited, Guotsing PRC.

Dr. Ding was qualified as a research associate in engineering application in 2008 and was awarded with special subsidy by the State Council of the PRC for his contribution in engineering technology in 2011. Dr. Ding graduated from Tongji University (同濟大學), PRC, specialising in management theory and industrial engineering, as a doctor graduate in 2011.

He is also the honorary chairman of Shandong Branch (山東分會) of Masters of Business Administration of Beijing Institute of Technology (北京理工大學), the PRC, a council member of the Construction Economics Branch (建築經濟分會) of the Fifth Session of the Architectural Society of China (中國建築學會) and a council member of the Eighth Session of 中國質量協會 (China Quality Association*).

Save as disclosed above, Dr. Ding 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 53, was appointed as a non-executive Director on 26 January 2016 and a member of the Nomination Committee and 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. He is also a director of certain subsidiary of the Company. Dr. Sun is a director of Guotsing PRC.

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 60, was appointed as an independent non-executive Director, the 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 has acted as a consultant of James P.Y. Lam & Co. since July 2000.

Mr. Chuck also acts as an independent non-executive director of ITC Corporation Limited (Stock Code: 372) since November 2001 and acted as an independent non-executive director of Shihua Development Company Limited (Stock Code: 485) from September 2004 to July 2014, (both the shares of which 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 72, was appointed as an independent non-executive Director, a member of each of the Audit Committee and Remuneration Committee and Nomination Committee on 11 September 2012. 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 52, 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 29 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).

Mr. Tam has also acts as an independent non-executive director of, Jin Cai Holdings Company Limited (stock code: 1250) since June 2013 and Vision Fame International Holding Limited (stock code: 1315) since December 2011.

# BIOGRAPHIES OF THE DIRECTORS AND SENIOR MANAGEMENT

Mr. Tam was an independent non-executive director of Sun Innovation Holdings Limited (stock code: 547) from September 2009 to August 2013 and an independent non-executive director of Tianjin Jinran Public Utilities Company Limited (stock code: 1265, formerly 8290) from February 2011 to July 2015, and an independent non-executive director of Ngai Shun Holdings Limited (stock code: 1246) from September 2013 to June 2015, and an independent non-executive director of Zebra Strategic Holdings Limited (stock code: 8260) from June 2012 to September 2014. Mr. Tam was also the chief financial officer of King Force Security Holding Limited (stock code: 8315) 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 56, was appointed as an independent non-executive Director on 26 January 2016, a member of the Audit Committee, the Nomination Committee, the Remuneration Committee and the Strategy and Investment Committee on 22 March 2016.

Mr. Chan has over 31 years of experience in investment banking and investment management industry. He is a co-founder of Crosby Capital Limited, and was the chairman and chief executive officer of Crosby Asset Management (Hong Kong) Limited from 2004 to 2015. He is the Managing Director of Tecpacific Capital Limited. Mr. Chan is the president of the Hong Kong Venture Capital and Private Equity Association Limited. He is also the founder of the Asian Venture Capital and Private Equity Council Limited. Mr. Chan is a 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 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 Louis XIII 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).

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 39, joined the Group in December 2014. He is the vice president of the Company. Mr.Li holds a bachelor of accountancy degree from Qingdao University, the PRC, and a master of accountancy degree from Tianjin University of Finance and Economic, the PRC.

Mr. Li has more than 17 years of experience in financial management, investment and corporate finance. Prior to joining the Group, he worked at several companies engaged in auditing work from 1999 to 2007, he was the deputy chief accountant and president assistant from Qingjian Group Co and Guotsing PRC during 2007 to 2015. Mr. Li is a qualified accountant of PRC.

**Mr. Xu Zhengpeng (徐正鵬)**, aged 42, 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, and a master's degree in management from Shanghai Jiao Tong University, the PRC.

Mr. Xu has more than 18 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 42, joined the Group in September 2012. Mr. Yeong 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 44, joined the Group in July 2012. Mr. Sun is the director and general manger of Qingjian International (South Pacific) Group Development Co. Pte. Ltd. Mr. Sun holds a bachelor's degree in civil engineering from Zhejiang University, and the PRC, a master's degree in building science from University of Singapore.

Mr. Sun has more than 23 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 2012.

**Mr. Li Jun (李俊)**, aged 40, joined the Group in April 2008. Mr. Li is 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 16 years of experience in engineering and construction industry. He worked at Qingjian Realty Pte. Ltd as a deputy general manager during 2008 to 2012. Mr. Li qualified as a engineer of the PRC in 2004.

**Mr. Gao Shigang (高士剛)**, aged 47, joined the Group in August 2001. Mr. Gao 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 23 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 67, 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. Save as disclosed above, 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 recognised qualification for First Class Registered Structural Engineer in the PRC.

**Mr. Ho Chun Chuen (何振全)**, aged 64, joined the Group in May 2015 and is a director of Sunnic Engineering Limited, mainly responsible for the general management and supervision of the 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) and a member of Hong Kong Institute of Project Management (MHKIPM).

## CHIEF FINANCIAL OFFICER AND COMPANY SECRETARY

**Mr. Ng Yiu Fai (吳耀輝)**, aged 41, joined the Group in May 2014. Mr. Ng holds a bachelor's degree of business administration major in accounting from the Hong Kong University of Science and Technology. Mr. Ng has more than 18 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 summarised 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 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)

Dr. Du Bo had been the Chairman and an executive Director since 11 April 2014 and he resigned from both positions on 26 January 2016.

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 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 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
Dr. Sun Huiye (appointed as an non-executive Director on 26 January 2016)

Mr. Zhang Zhihua and Dr. Ding Hongbin have respectively 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. 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.

### 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. 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 2014 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.

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.

# CORPORATE GOVERNANCE REPORT

The Company has complied with rules 3.10(1) and 3.10A of the Listing Rules. During the Reporting Period, there were three 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. Cheng Wing On, Michael, Mr. Zhang Yuqiang, Mr. Ho Chi Ling, Mr. Wang Congyuan, Mr. Wang Linxuan, Dr. Sun Huiye and Mr. Chan Kok Chung, Johnny will retire from office as Directors at the forthcoming annual general meeting of the Company, being eligible, offer themselves for re-election pursuant to Article 108(a) and Article 112 (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 and the Chief Executive Officer.

## 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, 9 Board meetings and 2 general meetings were held.

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)* | 7/8 | 2/2 |
| Mr. Cheng Wing On, Michael *(Note 2)* | 8/8 | 2/2 |
| Mr. Ho Chi Ling | 8/8 | 2/2 |
| Mr. Zhang Yuqiang | 8/8 | 2/2 |
| **Non- executive Director** | | |
| Mr. Zhang Zhihua | 7/8 | 2/2 |
| Dr. Ding Hongbin | 7/8 | 2/2 |
| **Independent Non-executive Directors** | | |
| Mr. Chuck Winston Calptor | 7/8 | 2/2 |
| Mr. Ching Kwok Hoo, Pedro | 7/8 | 2/2 |
| Mr. Tam Tak Kei, Raymond | 7/8 | 2/2 |

*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.

# 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 the management's performance.

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

- 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 the 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 *(Note 1)* | 1 | 1 |
| Mr. Cheng Wing On, Michael *(Note 2)* | 1 | 1 |
| Mr. Ho Chi Ling | 1 | 1 |
| Mr. Zhang Yuqiang | 1 | 1 |
| Mr. Zhang Zhihua | 1 | 1 |
| Dr. Ding Hongbin | 1 | 1 |
| Mr. Chuck Winston Calptor | 1 | 1 |
| Mr. Ching Kwok Hoo, Pedro | 1 | 1 |
| Mr. Tam Tak Kei, Raymond | 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.

# CORPORATE GOVERNANCE REPORT

## 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 Officer during the Reporting Period. In order to ensure that there is clear division of responsibilities between the Chairman and the Chief Executive Officer, the two positions are assumed by different individuals, the Chairman during the Reporting Period, Dr. Du Bo (resigned as the Chairman on 26 January 2016), was responsible for the operation of the Board and the formulation of the Group's strategies and policies, whereas Mr. Cheng Wing On, Michael (resigned as the Chief Executive Officer on 26 January 2016), the Chief Executive Officer 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 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 three members including, Mr. Cheng Wing On, Michael, Chairman and an executive Director, and two independent non-executive Directors, namely Mr. Chuck Winston Calptor and Mr. Ching Kwok Hoo, Pedro, 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 2 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 meetings of the Remuneration Committee during the Reporting Period is set out as follows:

| Name of committee members | Attendance/ Number of meetings during the Reporting Period |
|---|---|
| Mr. Chuck Winston Calptor *(Chairman)* | 2/2 |
| Mr. Ching Kwok Hoo, Pedro | 2/2 |
| Mr. Cheng Wing On, Michael *(Note 1)* | 2/2 |

*Notes:*

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

During the Reporting Period, members of the Remuneration Committee had performed the following duties under the terms of reference:

- assessed the performance of executive Directors and consulted the Chairman and the Chief Executive Officer about their remuneration proposals for other executive Directors;
- made recommendations to the Board on the Company's remuneration policy and structure for all Directors' and senior management;
- 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 39 of the financial statements.

## REMUNERATION OF THE SENIOR MANAGEMENT

During 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 and below | 1 |
| HK$1,000,001 to HK$2,000,000 | 2 |
| HK$2,000,001 to HK$3,000,000 | 2 |
| Above HK$3,000,000 | 4 |

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 and Note 39 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 services for tax services provided by the auditor of the Group were approximately HK$5,692,000, HK$9,164,000 and HK$554,000 respectively.

## AUDIT COMMITTEE

During the Reporting Period, the Audit Committee consisted of four members, including a non-executive Director, namely, Mr. Zhang Zhihua and three independent non-executive Directors, namely Mr. Tam Tak Kei, Raymond, Mr. Chuck Winston Calptor and Mr. Ching Kwok Hoo, Pedro, with Mr. Tam Tak Kei, Raymond being the chairman of the Audit Committee. Dr. Ding Hongbin, a non-executive Director, and Mr. Chan Kok Chung, Johnny, an independent non-executive Director, were appointed as members of the Audit Committee on 22 March 2016.

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 and internal control system of the Group as well as external auditor of the Group. Policies in relation to financial controls, internal controls and 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 results and audited results for the Reporting Period. 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.

# CORPORATE GOVERNANCE REPORT

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

| Name of committee members | 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. Zhang Zhihua | 2/2 |

During the Reporting Period, members of the Audit Committee have performed the following duties under the terms of reference:

- 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.

## DIRECTORS' RESPONSIBILITY FOR FINANCIAL STATEMENTS

All Directors acknowledge their responsibility for preparing the financial statements for the Reporting Period. 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.

## INTERNAL CONTROL

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 unauthorised 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 Board is satisfied that the Group has fully complied with the Code in respect of internal controls during the Reporting Period.

## NOMINATION COMMITTEE

During the Reporting Period, the Nomination Committee consisted of three members including Dr. Du Bo, the then chairman and executive Director and two independent non-executive Directors, namely Mr. Ching Kwok Hoo, Pedro and Mr. Tam Tak Kei, Raymond. 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.

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

| Name of committee members | Attendance/ Number of meetings during the Reporting Period |
|---|---|
| Dr. Du Bo *(Chairman) (Note 1)* | 2/2 |
| Mr. Ching Kwok Hoo, Pedro | 2/2 |
| Mr. Tam Tak Kei, Raymond | 2/2 |

*Note:*

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

During the Reporting Period, the Nomination Committee had performed the following duties under the terms of reference:

- 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 Officer.

## 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. Ding Hongbin and Dr. Sun Huiye, 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.

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 interests 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 interests of shareholders of the Company. In order to safeguard the shareholders' interests, 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.

# CORPORATE GOVERNANCE REPORT

## 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 113 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 113 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)*

We have audited the consolidated financial statements of CNQC International Holdings Limited (the "**Company**") and its subsidiaries set out on pages 61 to 161, which comprise the consolidated statement of financial position as at 31 December 2015, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

## DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants 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.

## AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to 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.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

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

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

# INDEPENDENT AUDITOR'S REPORT

羅兵咸永道

## OPINION

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Company and its subsidiaries as at 31 December 2015, and of their financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

**PricewaterhouseCoopers**
*Certified Public Accountants*

Hong Kong, 22 March 2016

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2015

| | Note | **2015 HK$'000** | 2014 HK$'000 (Restated) (Note 2) |
|---|---|---|---|
| Revenue | 5, 6 | **11,053,456** | 7,302,293 |
| Cost of sales | 9 | **(9,247,614)** | (6,227,767) |
| **Gross profit** | | **1,805,842** | 1,074,526 |
| Other income | 7 | **9,598** | 3,763 |
| Other gains — net | 8 | **4,228** | 1,504 |
| Selling and marketing expenses | 9 | **(165,624)** | (123,375) |
| General and administrative expenses | 9 | **(552,981)** | (389,389) |
| **Operating profit** | | **1,101,063** | 567,029 |
| Finance income | | **5,681** | 20,847 |
| Finance costs | | **(124,247)** | (100,143) |
| Finance costs — net | 11 | **(118,566)** | (79,296) |
| Share of (losses)/profits of associated companies | 19 | **(833)** | 37 |
| **Profit before income tax** | | **981,664** | 487,770 |
| Income tax expense | 12 | **(240,945)** | (77,087) |
| **Profit for the year** | | **740,719** | 410,683 |
| **Other comprehensive loss** | | | |
| *Items that may be reclassified to profit or loss* | | | |
| – Currency translation differences | | **(24,901)** | (1,014) |
| **Total comprehensive income for the year** | | **715,818** | 409,669 |

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2015

| | Note | **2015 HK$'000** | 2014 HK$'000 (Restated) (Note 2) |
|---|---|---|---|
| **Profit for the year attributable to:** | | | |
| Owners of the Company | | **577,317** | 276,299 |
| Non-controlling interests | | **163,402** | 134,384 |
| | | **740,719** | 410,683 |
| **Total comprehensive income for the year attributable to:** | | | |
| Owners of the Company | | **556,973** | 275,285 |
| Non-controlling interests | | **158,845** | 134,384 |
| | | **715,818** | 409,669 |
| Earnings per share for profit attributable to owners of the Company | 13 | | |
| – Basic (HK$) | | **0.461** | 0.232 |
| – Diluted (HK$) | | **0.461** | 0.232 |

The notes on pages 68 to 161 are an integral part of these consolidated financial statements.

Dividends payable to owners of the Company are set out in Note 31.

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2015

| | Note | At 31 December 2015 HK$'000 | At 31 December 2014 HK$'000 (Restated) (Note 2) | At 1 January 2014 HK$'000 (Restated) (Note 2) |
|---|---|---|---|---|
| **ASSETS** | | | | |
| **Non-current assets** | | | | |
| Property, plant and equipment | 14 | **498,787** | 560,403 | 109,956 |
| Goodwill | 15 | **282,933** | 282,933 | – |
| Other intangible assets | 17 | **5,367** | 11,628 | – |
| Prepayments and other receivables | 16 | **127,219** | 108,674 | 132,064 |
| Investments in associated companies | 19 | **1,150** | 574 | 2,462 |
| Available-for-sale financial assets | 20 | **1,095** | 1,171 | 1,224 |
| Deferred income tax assets | 21 | **93,031** | 123,687 | 96,358 |
| | | **1,009,582** | 1,089,070 | 342,064 |
| **Current assets** | | | | |
| Cash and cash equivalents | 22 | **1,625,816** | 906,948 | 1,618,392 |
| Pledged bank deposits | 22 | **273,850** | – | – |
| Trade and other receivables, prepayments and deposits | 16 | **2,817,877** | 2,097,074 | 1,772,782 |
| Amounts due from customers for contract work | 23 | **60,970** | 77,934 | 47,270 |
| Development properties for sale | 24 | **9,137,882** | 12,044,327 | 13,101,184 |
| Tax recoverable | | **695** | 560 | – |
| | | **13,917,090** | 15,126,843 | 16,539,628 |
| **Total assets** | | **14,926,672** | 16,215,913 | 16,881,692 |
| **EQUITY AND LIABILITIES** | | | | |
| **Equity attributable to owners of the Company** | | | | |
| Share capital — ordinary shares | 25 | **3,000** | 3,000 | 158,485 |
| Share capital — convertible preference shares | 25 | **9,519** | – | – |
| Share premium | 25 | **2,227,382** | – | – |
| Other reserves | 26 | **(1,287,205)** | 774,708 | (9,865) |
| Retained earnings/(accumulated losses) | | **547,890** | (29,427) | (305,726) |
| | | **1,500,586** | 748,281 | (157,106) |
| **Non-controlling interests** | | **(19,793)** | 28,072 | (37,745) |
| **Total equity/(deficit)** | | **1,480,793** | 776,353 | (194,851) |

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2015

| | Note | At 31 December 2015 HK$'000 | At 31 December 2014 HK$'000 (Restated) (Note 2) | At 1 January 2014 HK$'000 (Restated) (Note 2) |
|---|---|---|---|---|
| **LIABILITIES** | | | | |
| **Non-current liabilities** | | | | |
| Borrowings | 28, 29 | **4,486,186** | 6,305,393 | 8,269,384 |
| Deferred income tax liabilities | 21 | **52,245** | 47,110 | 2,433 |
| | | **4,538,431** | 6,352,503 | 8,271,817 |
| **Current liabilities** | | | | |
| Trade and other payables | 30 | **5,258,113** | 7,430,354 | 6,826,579 |
| Tax payables | | **212,189** | 103,939 | 33,585 |
| Borrowings | 28, 29 | **3,437,146** | 1,552,764 | 1,935,970 |
| Provisions | | **–** | – | 8,592 |
| | | **8,907,448** | 9,087,057 | 8,804,726 |
| **Total liabilities** | | **13,445,879** | 15,439,560 | 17,076,543 |
| **Total equity and liabilities** | | **14,926,672** | 16,215,913 | 16,881,692 |

The notes on pages 68 to 161 are an integral part of these consolidated financial statements.

The financial statements on page 61 to 161 were approved by the Board of Directors on 22 March 2016 and were signed on its behalf.

**Cheng Wing On, Michael**
*Director*

**Wang Congyuan**
*Director*

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

As at 31 December 2014

| | Note | Share capital – ordinary shares HK$'000 (Note 25) | Share capital – convertible preference shares HK$'000 (Note 25) | Share premium HK$'000 (Note 25) | Other reserves HK$'000 (Note 26) | (Accumulated losses)/ retained earnings HK$'000 | Total HK$'000 | Non-controlling interests HK$'000 | Total (deficit)/ equity HK$'000 |
|---|---|---|---|---|---|---|---|---|---|
| **Balance at 1 January 2014 (Restated)** | | 158,485 | – | – | (9,865) | (305,726) | (157,106) | (37,745) | (194,851) |
| **Comprehensive income** | | | | | | | | | |
| Profit for the year | | – | – | – | – | 276,299 | 276,299 | 134,384 | 410,683 |
| **Other Comprehensive loss** | | | | | | | | | |
| Currency translation differences | | – | – | – | (1,014) | – | (1,014) | – | (1,014) |
| **Total comprehensive income** | | – | – | – | (1,014) | 276,299 | 275,285 | 134,384 | 409,669 |
| **Transactions with owners in their capacity as owners** | | | | | | | | | |
| Effects of the Acquisition (as defined in Note 2) | | (155,485) | – | – | 780,268 | – | 624,783 | – | 624,783 |
| Contributions from non-controlling shareholders of subsidiaries | | – | – | – | – | – | – | 1,710 | 1,710 |
| Dividend relating to 2014 | | – | – | – | – | – | – | (70,277) | (70,277) |
| Employee share option scheme — share based compensation benefits | 27 | – | – | – | 5,319 | – | 5,319 | – | 5,319 |
| **Total transactions with owners in their capacity as owners** | | (155,485) | – | – | 785,587 | – | 630,102 | (68,567) | 561,535 |
| **Balance as at 31 December 2014 (Restated)** | | 3,000 | – | – | 774,708 | (29,427) | 748,281 | 28,072 | 776,353 |

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

As at 31 December 2015

| | Note | Share capital – ordinary shares HK$'000 (Note 25) | Share capital – convertible preference shares HK$'000 (Note 25) | Share premium HK$'000 (Note 25) | Other reserves HK$'000 (Note 26) | (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 income** | | – | – | – | (20,344) | 577,317 | 556,973 | 158,845 | 715,818 |
| **Transactions with owners in their capacity as owners** | | | | | | | | | |
| Effects of the Acquisition *(Note 2)* | | – | – | – | (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 | 27 | – | – | – | 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 |

The notes on pages 68 to 161 are an integral part of these consolidated financial statements.

# CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2015

| | Note | 2015 HK$'000 | 2014 HK$'000 (Restated) |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Net cash generated from operations | 32 | **1,124,498** | 1,303,325 |
| Interest paid | | **(301,273)** | (299,427) |
| Income tax paid | | **(95,930)** | (54,971) |
| Net cash generated from operating activities | | **727,295** | 948,927 |
| **Cash flows from investing activities** | | | |
| Purchase of property, plant and equipment | | **(38,699)** | (171,565) |
| (Loan to)/repayment from related parties | | **(44,140)** | 738,865 |
| Proceeds from disposal of property, plant and equipment | | **10,592** | 2,365 |
| Interest received | | **433** | 20,847 |
| Dividends received from associated companies | | **–** | 1,894 |
| Net cash inflows from the Acquisition (as defined in Note 2) | | **–** | 188,885 |
| Acquisition of equity interest in a subsidiary from a non-controlling shareholder | | **(281)** | – |
| Investment in an associated company | | **(1,461)** | – |
| Net cash (used in)/generated from investing activities | | **(73,556)** | 781,291 |
| **Cash flows from financing activities** | | | |
| Contribution from non-controlling shareholders of subsidiaries | | **169** | 1,710 |
| Dividends paid | | **(151,875)** | (220,283) |
| Inception of finance leases | | **–** | 52,447 |
| Drawdown on bank borrowings | | **3,347,500** | 691,996 |
| Repayment of bank borrowings | | **(2,697,290)** | (2,896,043) |
| Repayments of finance leases | | **(82,623)** | (46,276) |
| Increase in pledged bank deposits | | **(273,850)** | – |
| Net cash generated from/(used in) financing activities | | **142,031** | (2,416,449) |
| Net increase/(decrease) in cash and cash equivalents | | **795,770** | (686,231) |
| Cash and cash equivalents at beginning of the financial year | | **906,948** | 1,618,392 |
| Exchange losses on cash and cash equivalents | | **(76,902)** | (25,213) |
| Cash and cash equivalents at end of the financial year | 22(a) | **1,625,816** | 906,948 |

The notes on pages 68 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 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, 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### (a) Basis of preparation *(Continued)*

#### (i) Reverse acquisition

On 11 February 2014, a sale and purchase agreement was entered into between CNQC Development Limited, a wholly-owned subsidiary of Guotsing Holding Group Co. Ltd. ("**Guotsing PRC**"), and the then controlling shareholders of the Company to acquire approximately 75% of the issued share capital of the Company. The transaction was completed on 17 March 2014 (the "**Transaction**").

On 23 May 2015, the Company and Guotsing Holding (South Pacific) Investment Pte Ltd ("**Guotsing SG**", an entity wholly owned by Guotsing PRC) entered into a share purchase agreement (the "**Agreement**") pursuant to which the Company conditionally agreed to acquire, and Guotsing SG conditionally agreed to sell or procure to be sold the entire issued share capital of Wang Bao Development Limited (the "**Target Company**") and its subsidiaries (collectively the "**Target Group**") on the terms and subject to the conditions set out in the Agreement, the consideration is to be satisfied by the allotment and issuance of 951,872,727 non-redeemable convertible preference shares ("**CPS**") of the Company at a price of HK$2.75 per CPS by the Company (the "**Acquisition**"). Please refer to Note 25 for details of the rights of the CPS holders.

Amongst other terms and conditions stipulated under the Agreement, a management share scheme ("**Management Share Scheme**") under which selected participants were to be granted with a prescribed number of options to purchase for a total of 304,599,273 CPS subject to the relevant terms and conditions should become effective upon the completion of the Acquisition and Guotsing SG should undertake the establishment of a trust (the "**Trust**") for servicing the Management Share Scheme. Upon completion of the Acquisition, the Management Share Scheme should replace and supersede the then existing management share scheme implemented by the Target Group. Details of the Management Share Scheme and the then existing management share scheme implemented by the Target Group are set out in Note 27.

In accordance with the Agreement, the consideration was to be settled through the allotment and issuance by the Company of: (i) 647,273,454 CPS to Guotsing SG (or an entity as Guotsing SG may direct) and (ii) 304,599,273 CPS to Guotsing SG (or the trustee of the Trust or a company to be held by the trustee as Guotsing SG may direct).

The Acquisition was completed on 15 October 2015. Since then, the Company holds the entire issued share capital of the Target Company which, together with its subsidiaries, are engaged in the construction and real estate development businesses primarily in Singapore.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### (a) Basis of preparation *(Continued)*

**(i) Reverse acquisition** *(Continued)*

The Acquisition is accounted for as a reverse acquisition under HKFRS 3 (Revised) "Business Combinations" under which the Target Group is regarded as the accounting acquirer, whereas the Group immediately prior to the completion of the Acquisition (the "**Existing Group**") is regarded as the accounting acquiree, as the Company and the Target Group are both under common control of Guotsing PRC since 17 March 2014 upon completion of the Transaction.

Under the reverse acquisition accounting method, the consolidated financial statements represent the continuation of the financial statements of the Target Group except for its capital structure, which reflect the following:

(a) the assets and liabilities of the Target Group (being the legal subsidiary and the accounting acquirer) recognised and measured at their pre-combination carrying amounts;

(b) the assets and liabilities of the Existing Group (being the legal parent and the accounting acquiree) recognised and measured at their fair value as at 17 March 2014, the date of the reverse acquisition in accordance with HKFRS 3 (Revised) "Business Combinations";

(c) the retained earnings and other equity balances of the Target Group before the business combination; and

(d) the equity structure of the legal subsidiary (the accounting acquirer) restated since the beginning of the earliest period presented.

The comparative financial information is also restated on the above basis.

In applying the reverse acquisition accounting method, the consideration paid by CNQC Development Limited of HK$540,000,000 to acquire the approximately 75% equity interest of the Existing Group and the 25% non-controlling interests of the Existing Group amounting to HK$85,689,000 as at the date of the reverse acquisition were deemed as the consideration of the reverse acquisition. The separately identifiable assets and liabilities of the Existing Group recognised in the consolidated statement of financial position were at their fair value as at the date of the reverse acquisition. Goodwill arising from the acquisition of the Existing Group was recognised on the same date. The results and cash flows of the Existing Group are included in the Company's consolidated financial statements from the date of the reverse acquisition.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### (a) Basis of preparation *(Continued)*

**(i) Reverse acquisition** *(Continued)*

Since the consolidated financial statements are regarded as a continuation of those of the Target Group as a result of the reverse acquisition and the financial statements of the Target Group for the year ended 31 December 2014 were previously presented in Singapore dollars ("**SGD**"), the adoption of HK$ as presentation currency of these consolidated financial statements is considered a change of presentation currency from SGD to HK$. The directors considered that HK$ is a more appropriate presentation currency due to the increase in level of the Group's financing activities denominated in HK$, which also aligns with the Company's functional currency.

The change in presentation currency has been applied retrospectively and the comparative figures in the consolidated financial statements have been translated from SGD to HK$ using the closing rates at the end of the relevant reporting periods for the items in the consolidated statement of financial position (excluding equity items that are translated at historical rates), average rate for the relevant period for consolidated statement of comprehensive income and consolidated statement of cash flows items and historical rates for the items in the consolidated statement of changes in equity. The change in presentation currency has no significant impact on the financial position of the Group as at 31 December 2015, 31 December 2014 and 1 January 2014, or the results and cash flows for the years ended 31 December 2015 and 2014.

**(ii) Going concern assumptions**

As at 31 December 2015, the Group had total current liabilities of HK$8,907,448,000 that would be due for repayment in the coming twelve months, out of which HK$3,024,284,000 represented advanced proceeds received from customers in connection with the pre-sale of properties developed by the Group which are not required to be refunded to the customers if the properties are developed according to the terms of the relevant pre-sale agreements. As at the same date, the Group had cash at banks and on hand and pledged bank deposits of HK$1,899,666,000 and trade and other receivables of HK$2,817,877,000 that were current in nature.

Management has prepared cash flow projections which cover a period of twelve months from the date of the consolidated statement of financial position as at 31 December 2015. The directors of the Company have reviewed the Group's cash flow projections and banking facilities available and are of the opinion that the Group will have sufficient working capital to meet its financial obligations as and when they fall due within the next twelve months from the date of the statement of financial position. In addition, the directors of the Company closely monitor the Group's liquidity position and financial performance to improve the Group's cash flows. In the opinion of the directors of the Company, with the anticipated cash flows from pre-sale of properties and other operations and the available banking facilities, the directors of the Company are satisfied that it is appropriate to prepare the consolidated financial statements on a going concern basis.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### (a) Basis of preparation *(Continued)*

**(iii) Amendments to standards adopted by the Group**

During the year ended 31 December 2015, the Group has adopted the following amendments to standards which are mandatory for accounting periods beginning on 1 January 2015:

| | |
|---|---|
| Hong Kong Accounting Standard ("**HKAS**") 19 (2011) (Amendment) | Defined Benefit Plans: Employee Contributions |
| Annual Improvements Project | Annual Improvements 2010–2012 Cycle |
| Annual Improvements Project | Annual Improvements 2011–2013 Cycle |

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

**(iv) 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 2016, but have not been early adopted by the Group:

| | | Effective for annual periods beginning on or after |
|---|---|---|
| HKAS 1 (Amendment) | Disclosure Initiative | 1 January 2016 |
| HKAS 16 and HKAS 38 (Amendment) | Clarification of Acceptable Methods of Depreciation and Amortization | 1 January 2016 |
| HKAS 16 and HKAS 41 (Amendment) | Agriculture: Bearer Plants | 1 January 2016 |
| HKAS 27 (Amendment) | Equity Method in Separate Financial Statements | 1 January 2016 |
| 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 10, HKFRS 12 and HKAS 28 (Amendment) | Investment Entities: Applying the Consolidation Exception | 1 January 2016 |
| HKFRS 11 (Amendment) | Accounting for Acquisitions of Interests in Joint Operations | 1 January 2016 |
| HKFRS 14 | Regulatory Deferral Accounts | 1 January 2016 |
| HKFRS 15 | Revenue from Contracts with Customers | 1 January 2018 |
| Annual Improvements Project | Annual Improvements 2012–2014 Cycle | 1 January 2016 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### (a) Basis of preparation *(Continued)*

**(iv) 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 Note 2(x) 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, 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.

**(v) New Hong Kong Companies Ordinance (Cap. 622)**

In addition, the requirements of Part 9 "Accounts and Audit" of the new Hong Kong Companies Ordinance (Cap. 622) come into operation during the financial year, as a result, there are changes to presentation and disclosures of certain information in the consolidated financial statements.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### (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.

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.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### (b) Consolidation and combination *(Continued)*

**(i) Business combinations** *(Continued)*

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.

**(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.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### (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 (losses)/profits of associated companies' in profit or loss.

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.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### (d) 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.

### (e) 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.

### (f) Foreign currency translation

#### (i) Functional and presentation currency

Items included in the financial statements of each of the group's 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.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### (f) Foreign currency translation *(Continued)*

**(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 that statement of financial position;

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

(iii) all resulting 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.

### (g) 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 |

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### (g) Property, plant and equipment *(Continued)*

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.

### (h) 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.

### (i) Other intangible assets

**Unfinished construction contracts**

Unfinished construction contracts acquired in a 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 is calculated based on the estimated realisation of the unfinished sales contracts.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### (j) 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.

### (k) 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 Group's general policy on borrowing costs as stated in 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.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### (k) Leases and hire purchase contracts *(Continued)*

**(ii) The Group as lessors**

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.

### (l) Construction contracts in progress and trade and other receivables

(i) 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 is measured by reference to the contract costs incurred up to the end of the reporting period as a percentage of total estimated costs for each contract. Costs incurred in the year in connection with future activity on a contract are excluded from contract costs in determining the stage of completion.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### (l) Construction contracts in progress and trade and other receivables *(Continued)*

(i) (Continued)

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 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.

### (m) 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.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### (n) 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" (Note 16) and "cash and bank balances" (Note 22) on 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. 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.

**(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. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

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

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in profit or loss.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### (n) Financial assets *(Continued)*

**(b) Recognition and measurement** *(Continued)*

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.

Trade receivables that are factored out to banks and other financial institutions with recourse to the Group are not derecognised until the recourse period has expired and the risks and rewards of the receivables have been fully transferred. The corresponding cash received from the financial institutions is recorded as borrowings.

**(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.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### (n) Financial assets *(Continued)*

**(c) Impairment** *(Continued)*

*(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.

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 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.

### (o) 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.

### (p) 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.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### (q) 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.

### (r) 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.

### (s) 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### (t) 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.

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.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### (t) Current and deferred income tax *(Continued)*

**(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.

### (u) 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.

**(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.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### (v) 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 the profit or loss as finance costs.

### (w) 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.

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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### (x) 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.

**(iii) Sale of goods — materials used in construction**

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

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### (x) Revenue and income recognition *(Continued)*

**(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.

### (y) Share-based payments

**(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.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### (y) Share-based payments *(Continued)*

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

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).

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.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### (z) 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.

### (aa) 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 prepare 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.

**(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.

## 3 FINANCIAL RISK MANAGEMENT *(Continued)*

### Financial risk factors *(Continued)*

**(a) Market risk** *(Continued)*

*(i) Currency risk (Continued)*

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 2015* | | | | | | | | |
| **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 prepayments | 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 |
| **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 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 |

## 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 2014 (Restated)* | | | | | | | | |
| **Financial assets** | | | | | | | | |
| Cash and cash equivalents | 98,280 | 763,203 | 42 | 30,604 | – | 14,774 | 45 | 906,948 |
| Trade and other receivables excluding prepayments | 284,453 | 1,547,080 | – | 210,002 | – | 32,895 | – | 2,074,430 |
| | 382,733 | 2,310,283 | 42 | 240,606 | – | 47,669 | 45 | 2,981,378 |
| **Financial liabilities** | | | | | | | | |
| Trade and other payables excluding non-financial liabilities | 200,476 | 1,506,601 | 280,183 | 67,460 | – | 6,620 | – | 2,061,340 |
| Borrowings | 215,540 | 6,645,048 | 689,197 | 308,372 | – | – | – | 7,858,157 |
| | 416,016 | 8,151,649 | 969,380 | 375,832 | – | 6,620 | – | 9,919,497 |
| **Net financial (liabilities)/assets** | (33,283) | (5,841,366) | (969,338) | (135,226) | – | 41,049 | 45 | (6,938,119) |
| **Currency exposure of financial (liabilities)/assets net of those denominated in the functional currencies of the respective group entities** | – | – | (969,338) | (135,226) | – | 41,049 | 45 | (1,063,470) |

## 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:

| | (Decrease)/increase in profit after tax | |
|---|---|---|
| | **2015** | 2014 |
| | **HK$'000** | HK$'000 |
| | | (Restated) |
| RMB against SGD | | |
| — Strengthened | **(49)** | (40,228) |
| — Weakened | **49** | 40,228 |
| US$ against SGD | | |
| — Strengthened | **2,823** | (5,612) |
| — Weakened | **(2,823)** | 5,612 |

*(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 2015, 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$8,228,000 (2014: HK$9,632,000) 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 (2014: two) debtors that individually represented 12%–18% (2014: 14%–21%) of such total trade receivables as at 31 December 2015 and 2014 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.

## 3 FINANCIAL RISK MANAGEMENT *(Continued)*

### Financial risk factors *(Continued)*

**(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 disregarding any repayment on demand clause:

| | **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 2015** | | | | | |
| Trade and other payables excluding non-financial liabilities | **2,225,640** | **–** | **–** | **–** | **2,225,640** |
| Borrowings | **3,671,677** | **3,475,352** | **1,177,310** | **15,774** | **8,340,113** |
| | **5,897,317** | **3,475,352** | **1,177,310** | **15,774** | **10,565,753** |
| **At 31 December 2014 (Restated)** | | | | | |
| Trade and other payables excluding non-financial liabilities | 2,061,340 | – | – | – | 2,061,340 |
| Borrowings | 1,557,801 | 2,788,987 | 3,700,946 | 22,606 | 8,070,340 |
| | 3,619,141 | 2,788,987 | 3,700,946 | 22,606 | 10,131,680 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 3 FINANCIAL RISK MANAGEMENT *(Continued)*

### Financial risk factors *(Continued)*

**(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, 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.

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

| | **2015**<br>**HK$'000** | 2014<br>HK$'000<br>(Restated) |
|---|---|---|
| Net debt | **6,023,666** | 6,951,209 |
| Total equity | **1,480,793** | 776,353 |
| Total capital | **7,504,459** | 7,727,562 |
| Net debt to total capital ratio | **80%** | 90% |

**(e) Fair value measurements**

The carrying values less impairment provision of trade and other receivables, trade and other payables, amounts due from/to related parties and bank balances are a reasonable approximation of their fair values due to the short-term maturities of these assets and liabilities.

The carrying values of borrowings are a reasonable approximation of their fair values as the interest rates of these borrowings are close to the market rates.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 3 FINANCIAL RISK MANAGEMENT *(Continued)*

### Financial risk factors *(Continued)*

**(e) Fair value measurements** *(Continued)*

*Financial instruments by category*

The Group does not have significant financial assets or financial liabilities that are measured at fair value. The aggregate carrying amounts loans and receivables and financial liabilities at amortised cost are as follows:

| | **2015**<br>**HK$'000** | 2014<br>HK$'000<br>(Restated) |
|---|---|---|
| Loans and receivables | **4,750,133** | 2,981,378 |
| Financial liabilities at amortised cost | **10,148,972** | 9,919,497 |

## 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.

### (a) Construction contracts

Revenue recognition on a project is dependent on management's estimation of the total outcome of the construction contracts, 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 workdays of the completion of the construction works which is highly subjective and is subject to negotiation with the customers. Management conducts periodic review of the provision amount.

## 4 CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS AND JUDGMENTS *(Continued)*

### (a) Construction contracts *(Continued)*

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 revenue 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 2015, the Group recognised such deferred income tax assets amounting to HK$93,195,000 (2014:HK$124,345,000) 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 2015. 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.

### (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.

## 4 CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS AND JUDGMENTS *(Continued)*

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

Impairment of 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 results 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 principal operating subsidiaries in Singapore for period prior to the completion of 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 — Hong Kong and Macau; (ii) Construction — Singapore and (iii) Real estate development — Singapore.

## 5 SEGMENT INFORMATION *(Continued)*

The "Foundation — Hong Kong and Macau" segment mainly represents provision of foundation 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 residential units in Singapore.

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

Segment liabilities exclude intra-group balances and other unallocated head office and corporate liabilities as these 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.

Capital expenditure comprises additions to property, plant and equipment.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 5 SEGMENT INFORMATION *(Continued)*

| | Foundation — Hong Kong and Macau HK$'000 | Construction — Singapore HK$'000 | Real estate development — Singapore HK$'000 | Total HK$'000 |
|---|---|---|---|---|
| **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** |
| Capital expenditure | **35,423** | **6,213** | **3,043** | **44,679** |
| **Year ended 31 December 2014 (Restated)** | | | | |
| **Sales** | | | | |
| Sales to external parties | 957,919 | 2,424,558 | 3,919,816 | 7,302,293 |
| Inter-segment sales | – | 1,836,907 | – | 1,836,907 |
| Total segment sales | 957,919 | 4,261,465 | 3,919,816 | 9,139,200 |
| **Adjusted segment profit** | 59,487 | 130,051 | 494,497 | 684,035 |
| Depreciation | 45,968 | 16,632 | 994 | 63,594 |
| Capital expenditure | 68,648 | 107,136 | 1,651 | 177,435 |

## 5 SEGMENT INFORMATION *(Continued)*

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

| | Foundation — Hong Kong and Macau HK$'000 | Construction — Singapore HK$'000 | Real estate development — Singapore HK$'000 | Total HK$'000 |
|---|---|---|---|---|
| **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** |
| **As at 31 December 2014 (Restated)** | | | | |
| Segment assets | 1,152,739 | 2,323,154 | 14,567,417 | 18,043,310 |
| Segment liabilities | 482,897 | 1,902,516 | 15,029,569 | 17,414,982 |

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

| | **2015 HK$'000** | 2014 HK$'000 (Restated) |
|---|---|---|
| Adjusted segment profit for reportable segments | **1,235,189** | 684,035 |
| Unallocated expenses *(Note)* | **(238,733)** | (14,744) |
| Elimination | **104,607** | (102,262) |
| Finance income | **5,681** | 20,847 |
| Finance costs | **(124,247)** | (100,143) |
| Share of (losses)/profits of associated companies | **(833)** | 37 |
| Profit before income tax | **981,664** | 487,770 |

Note: During the year ended 31 December 2015, the majority of unallocated expenses is related to share-based payment expenses recognised for services rendered by certain management members at corporate level and the transaction costs relating to the Acquisition.

## 5 SEGMENT INFORMATION *(Continued)*

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

| | 2015<br>HK$'000 | 2014<br>HK$'000<br>(Restated) |
|---|---|---|
| Segment assets | **15,990,349** | 18,043,310 |
| Unallocated | **826,920** | 552,434 |
| Elimination | **(1,890,597)** | (2,379,831) |
| Total assets | **14,926,672** | 16,215,913 |

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

| | 2015<br>HK$'000 | 2014<br>HK$'000<br>(Restated) |
|---|---|---|
| Segment liabilities | **14,266,504** | 17,414,982 |
| Unallocated | **331,514** | 216,961 |
| Elimination | **(1,152,139)** | (2,192,383) |
| Total liabilities | **13,445,879** | 15,439,560 |

During the year ended 31 December 2015, revenue of approximately HK$1,964,370,000 (2014: HK$1,590,395,000) representing 18% (2014: 22%) of the Group's total revenue was derived from a single external customer within the "Construction — Singapore" segment.

## 6 REVENUE

| | 2015 HK$'000 | 2014 HK$'000 (Restated) |
|---|---|---|
| Construction contracts income | **4,668,902** | 3,369,928 |
| Sales of development properties | **6,378,645** | 3,919,816 |
| Sale of goods | **1,710** | 8,668 |
| Income from loaning labour to other contractors | **2,766** | 2,217 |
| Rental of equipment | **1,433** | 1,664 |
| | **11,053,456** | 7,302,293 |

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

| | 2015 HK$'000 | 2014 HK$'000 (Restated) |
|---|---|---|
| Singapore | **9,381,719** | 6,344,374 |
| Hong Kong | **1,650,995** | 794,916 |
| Macau | **20,742** | 163,003 |
| | **11,053,456** | 7,302,293 |

## 7 OTHER INCOME

| | 2015 HK$'000 | 2014 HK$'000 (Restated) |
|---|---|---|
| Income from default payments of development properties | **3,803** | 2,907 |
| Rental income from temporary staff quarters | **3,353** | – |
| Sundry income | **2,442** | 856 |
| | **9,598** | 3,763 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 8 OTHER GAINS — NET

| | 2015<br>HK$'000 | 2014<br>HK$'000<br>(Restated) |
|---|---|---|
| Gain on disposal of property, plant and equipment | **4,383** | 1,203 |
| Written off of property, plant and equipment | **(191)** | – |
| Others | **36** | 301 |
| Other gains — net | **4,228** | 1,504 |

## 9 EXPENSES BY NATURE

| | 2015<br>HK$'000 | 2014<br>HK$'000<br>(Restated) |
|---|---|---|
| Contractor and material costs net of changes in construction contract work-in-progress included in "Cost of sales" | **3,767,779** | 2,539,187 |
| Property development costs included in "Cost of sales" | **4,833,004** | 3,096,240 |
| Sales commissions | **118,307** | 52,261 |
| Show flat costs | **16,609** | 39,599 |
| Marketing expenses | **30,708** | 31,515 |
| Travel and entertainment expenses | **11,326** | 13,264 |
| Depreciation of owned assets | **50,405** | 33,991 |
| Depreciation of assets under finance leases | **37,702** | 29,603 |
| Amortisation of intangible assets *(Note 17)* | **6,261** | 77,820 |
| Auditors' remuneration | | |
| — recurring audit services | **5,692** | 4,289 |
| — other audit services | **9,164** | – |
| — non-audit services | **554** | 527 |
| Staff costs, including directors' emoluments *(Note 10)* | **875,042** | 662,690 |
| Donations | **93** | 1,556 |
| Rental expenses on operating leases | **115,960** | 128,350 |
| Legal and professional fees related to the Acquisition | **33,975** | – |
| Other legal and professional fees | **13,908** | 13,407 |
| Other expenses | **39,730** | 16,232 |
| Total cost of sales, selling and marketing expenses, general and administrative expenses | **9,966,219** | 6,740,531 |

## 10 EMPLOYEE BENEFIT EXPENSES

| | 2015 HK$'000 | 2014 HK$'000 (Restated) |
|---|---|---|
| Share-based payment expenses | **195,332** | 5,319 |
| Directors' fees, employee's wages and salaries | **564,781** | 473,970 |
| Employer's contributions to defined contribution plans | **22,387** | 24,077 |
| Performance bonus | **88,472** | 156,581 |
| Other staff benefits | **4,070** | 2,743 |
| | **875,042** | 662,690 |

### Five highest paid individuals

During the year, the five individuals whose emoluments were the highest in the Group include 2 directors (2014: 2), whose emoluments were reflected in the analysis shown in Note 39. The emoluments payable to the remaining individuals during the year ended 31 December 2015 and 2014 were as follows:

| | 2015 HK$'000 | 2014 HK$'000 (Restated) |
|---|---|---|
| Salaries, wages and allowances | **5,411** | 8,605 |
| Discretionary bonuses | **27,667** | 54,535 |
| Retirement benefit expenses | **108** | 154 |
| Share-based payment expenses | **89,197** | – |
| Other staff benefits | **–** | 50 |
| | **122,383** | 63,344 |

The emoluments of these individuals fell within the following bands:

| | Number of individuals 2015 | Number of individuals 2014 (Restated) |
|---|---|---|
| Emolument bands (in HK$) | | |
| HK$10,500,001–HK$11,000,000 | **1** | – |
| HK$12,500,001–HK$13,000,000 | **–** | 1 |
| HK$19,500,001–HK$20,000,000 | **–** | 1 |
| HK$30,500,001–HK$31,000,000 | **1** | 1 |
| HK$80,500,001–HK$81,000,000 | **1** | – |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 11 FINANCE COSTS — NET

| | 2015<br>HK$'000 | 2014<br>HK$'000<br>(Restated) |
|---|---|---|
| **Finance income** | | |
| Interest income from bank deposits | **433** | 4,813 |
| Interest income from loans to associated companies | **4,193** | 2,053 |
| Interest income from loan to a holding company | **–** | 12,835 |
| Interest income from loans to other related parties | **1,055** | 1,146 |
| | **5,681** | 20,847 |
| **Finance costs** | | |
| Interest expenses on finance leases | **(3,872)** | (3,892) |
| Interest expenses on bank borrowings and arrangement fee amortised in respect of bank facilities | **(264,390)** | (170,761) |
| Interest expenses on loan from a holding company | **(32,505)** | (91,886) |
| Interest expenses on loans from non-controlling interest shareholders of subsidiaries | **(66,445)** | (32,889) |
| | **(367,212)** | (299,428) |
| Less: Interest expenses capitalised | **282,367** | 227,569 |
| | **(84,845)** | (71,859) |
| Net foreign exchange losses | **(39,402)** | (28,284) |
| | **(124,247)** | (100,143) |
| Finance costs — net | **(118,566)** | (79,296) |

## 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 2015 and 2014 on the estimated assessable profit in the respective jurisdictions, adjusted for those items which are not assessable or deductible for income tax purpose.

| | **2015** **HK$'000** | 2014 HK$'000 (Restated) |
|---|---|---|
| Current income tax | | |
| — Hong Kong profits tax | **32,009** | 586 |
| — Macau profits tax | **907** | 9,915 |
| — Singapore income tax | **169,994** | 104,561 |
| Under/(over)-provision in prior years | | |
| — Hong Kong profits tax | **120** | (28) |
| — Singapore income tax | **9,305** | – |
| Deferred income tax *(Note 21)* | **28,610** | (37,947) |
| | **240,945** | 77,087 |

## 12 INCOME TAX EXPENSE *(Continued)*

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

| | 2015<br>HK$'000 | 2014<br>HK$'000<br>(Restated) |
|---|---|---|
| Profit before income tax | 981,664 | 487,770 |
| Share of losses/(profits) of associated companies | 833 | (37) |
| Profit before income tax and share of losses/(profits) of associated companies | 982,497 | 487,733 |
| Tax calculated at domestic tax rates applicable to profits in the respective countries | 166,733 | 78,977 |
| Effects of: | | |
| — Statutory stepped income exemption in Singapore | – | (1,268) |
| — Further deduction under productivity and innovation credit scheme in Singapore | (3,074) | (967) |
| — Income exempted under partial tax rebate scheme in Singapore | (997) | (1,271) |
| — Expenses not deductible for tax purposes | 70,046 | 2,133 |
| — Tax losses and other temporary difference not recognised | 816 | 351 |
| — Under/(over)-provision in prior years | 9,425 | (28) |
| — Income not subject to tax | (2,004) | (840) |
| Income tax expense | 240,945 | 77,087 |

## 13 EARNINGS PER SHARE

### Basic

| | **2015** | 2014 (Restated) |
|---|---|---|
| Profit attributable to owners of the Company (HK$'000) | **577,317** | 276,299 |
| Weighted average number of issued shares for the purpose of calculating basic earnings per share (in thousands) | **1,251,873** | 1,190,229 |
| Basic earnings per share (HK$) | **0.461** | 0.232 |

As described in Note 2 above, 951,872,727 CPS were issued on 15 October 2015 in connection with the Acquisition. As further explained in Note 25(a) below, each CPS, in addition to a non-cumulative preferred distribution described therein, 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.

As stated in Note 25(a) below, the CPS is accounted for as an equity instrument. In addition, the rights of the CPS on the entitlements of dividend and distribution of assets are substantially the same as those of the ordinary shares of the Company.

In applying the reverse acquisition accounting method, the issuance of CPS was accounted for as if they had been issued on 1 January 2014, the beginning of the earliest period presented, while the 300,000,000 ordinary shares of the Company in issue as at 1 January 2014 was accounted for as if they were issued on 17 March 2014, the date of the reverse acquisition.

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares and CPS deemed to be in issue during each of the reporting periods calculated on the above basis.

## 13 EARNINGS PER SHARE *(Continued)*

### Diluted

| | **2015** | 2014 (Restated) |
|---|---|---|
| Profit attributable to owners of the Company (HK$'000) | **577,317** | 276,299 |
| Weighted average number of issued shares for the purpose of calculating basic earnings per share (in thousands) | **1,251,873** | 1,190,229 |
| Adjustments for Share Option Scheme | **424** | – |
| | **1,252,297** | 1,190,229 |
| Diluted earnings per share (HK$) | **0.461** | 0.232 |

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 arising from the Company's Share Option Scheme (defined in Note 27). A calculation is made to determine the number of shares that could have been acquired at fair value (determined as the average market price of the Company's share in the relevant periods) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated above is compared with the number of shares that would have been issued assuming the exercise of the share options.

## 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 2014 (Restated)** | | | | | | | | |
| Cost | | | | | | | | |
| At 1 January 2014 | 23,705 | 22,857 | 54,183 | 257 | 622 | 34,597 | 29,677 | 165,898 |
| Additions | 5,469 | 921 | 109,353 | 1,859 | – | 59,833 | – | 177,435 |
| Disposals | (1,420) | – | (3,022) | – | – | – | – | (4,442) |
| Write off | (6) | – | – | – | – | – | – | (6) |
| Transfer upon completion | – | – | – | – | 20,795 | (91,153) | 70,358 | – |
| Arising from the Acquisition *(Note 35)* | 636 | 1,757 | 343,926 | – | – | – | – | 346,319 |
| Exchange differences | (1,198) | (996) | (4,085) | – | (897) | (196) | (4,238) | (11,610) |
| At 31 December 2014 | 27,186 | 24,539 | 500,355 | 2,116 | 20,520 | 3,081 | 95,797 | 673,594 |
| Accumulated depreciation | | | | | | | | |
| At 1 January 2014 | 13,315 | 14,232 | 26,774 | 257 | 622 | – | 742 | 55,942 |
| Depreciation charge *(Note 9)* | 5,752 | 3,571 | 53,733 | 31 | – | – | 507 | 63,594 |
| Disposals | (1,318) | – | (1,962) | – | – | – | – | (3,280) |
| Write off | (6) | – | – | – | – | – | – | (6) |
| Exchange differences | (759) | (750) | (1,470) | – | (27) | – | (53) | (3,059) |
| At 31 December 2014 | 16,984 | 17,053 | 77,075 | 288 | 595 | – | 1,196 | 113,191 |
| Net book value | | | | | | | | |
| At 31 December 2014 | 10,202 | 7,486 | 423,280 | 1,828 | 19,925 | 3,081 | 94,601 | 560,403 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 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 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 *(Note 9)* | 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)*

(a) Depreciation expense of HK$75,643,000 (2014: HK$53,730,000) and HK$12,464,000 (2014: HK$9,864,000) has been charged in 'cost of sales' and 'general and administrative expenses' respectively.

(b) Certain machinery was under finance leases in the form of sale and leaseback arrangements. There was no disposal gain or loss recognised for the transactions as the fair value was not significantly different to the carrying value of the relevant machinery.

(c) The net book amount of property, plant and equipment where the Group was a lessee under finance leases as at 31 December 2015 is HK$201,671,000 (2014: HK$246,536,000) (Note 29).

(d) As at 31 December 2015, the Group's leasehold land and buildings with an aggregate net book value of HK$36,706,000 (2014: HK$38,133,000) were pledged as securities for bank borrowings (Note 28(c)).

(e) As at 31 December 2015, the Group's machinery and equipment with an aggregate net book value of HK$28,711,000 (2014: HK$18,893,000) were pledged as securities for bank borrowings (Note 28(a)(i)).

(f) For the year ended 31 December 2015, rental income amounting to HK$1,433,000 (2014: HK$1,664,000) relating to the lease of machinery is included in profit or loss (Note 6).

## 15 GOODWILL

| | HK$'000 |
|---|---|
| At 1 January 2014 (Restated) | – |
| Arising from the Acquisition *(Note 35)* | 282,933 |
| At 31 December 2015 and 2014 (Restated) | 282,933 |

*Note:*

The amount represents goodwill arising from the Acquisition as disclosed in Notes 2 and 35. Goodwill has been allocated to the Group's "Foundation — Hong Kong and Macau" segment, that is expected to be benefited from the synergies of the Acquisition.

## 15 GOODWILL *(Continued)*

### 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:

| | **2015** | 2014 (Restated) |
|---|---|---|
| Average growth rate *(note a)* | **5%** | 5% |
| Terminal growth rate | **2%** | 2% |
| Discount rate *(note b)* | **15%** | 15% |

(a) Average growth rate used in the budget is for the five-year period ending 31 December 2020.

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

(c) 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 the goodwill as at 31 December 2015.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 16 TRADE AND OTHER RECEIVABLES

| | 2015 HK$'000 | 2014 HK$'000 (Restated) |
|---|---|---|
| **Current** | | |
| Trade receivables | | |
| — A holding company | – | 1,013 |
| — A non-controlling shareholder of a subsidiary | 56 | – |
| — A fellow subsidiary | 5,847 | 5,228 |
| — Other related parties | 114,730 | 25,310 |
| — Third parties | 611,787 | 746,223 |
| | 732,420 | 777,774 |
| Retention receivables from customers for contract work from | | |
| — Other related parties | 48,569 | 50,066 |
| — Third parties | 235,100 | 179,652 |
| | 283,669 | 229,718 |
| Development properties — due from customers | 1,612,680 | 573,821 |
| Other receivables | | |
| — Holding companies | 3,133 | 309,690 |
| — Associated companies | 7,797 | 3,052 |
| — Fellow subsidiaries | 5,853 | 20,333 |
| — Other related parties | 11,507 | 9,887 |
| — Third parties | 14,327 | 222 |
| Prepayments | 82,189 | 110,170 |
| Deposits | 27,613 | 35,802 |
| Staff advances | 1,286 | 2,021 |
| Goods and service tax receivable | 2,270 | – |
| | 155,975 | 491,177 |
| Loans to | | |
| — A non-controlling shareholder of a subsidiary | – | 24,584 |
| — Other related party | 33,133 | – |
| | 2,817,877 | 2,097,074 |
| **Non-current** | | |
| Loans to | | |
| — Associated companies | 94,220 | 28,096 |
| — Other related parties | 20,559 | 59,430 |
| | 114,779 | 87,526 |
| Prepayments | 12,440 | 21,148 |
| | 127,219 | 108,674 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 16 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:

| | **2015 HK$'000** | 2014 HK$'000 (Restated) |
|---|---|---|
| 1–30 days | **690,362** | 697,037 |
| 31–60 days | **29,809** | 57,311 |
| 61–90 days | **1,267** | 7,030 |
| Over 90 days | **10,982** | 16,396 |
| | **732,420** | 777,774 |

As at 31 December 2015, trade receivables of HK$42,058,000 (2014: HK$79,148,000) 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:

| | **2015 HK$'000** | 2014 HK$'000 (Restated) |
|---|---|---|
| 1–30 days | **19,427** | 55,722 |
| 31–60 days | **11,649** | 7,030 |
| 61–90 days | **2,256** | 5,683 |
| Over 90 days | **8,726** | 10,713 |
| | **42,058** | 79,148 |

There was no other class of financial assets that was past due or impaired.

Retention receivables in respect of the construction and foundation businesses are settled in accordance with the terms of respective contracts. Retention receivables held by customers for construction and foundation work amounting to approximately HK$43,319,000 (2014: HK$105,546,000) are expected to be recovered in more than twelve months from 31 December 2015.

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

(d) Loans to associated companies and other related parties were lent to companies in which the Group invested to develop real estates in Singapore. The loans were made in proportion to the percentages of the Group's shareholding in these companies. The loans were unsecured, and interest-bearing at a fixed rate ranging from 0% to 7.68% (2014: 0% to 7.216%) per annum as at 31 December 2015.

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

## 17 OTHER INTANGIBLE ASSETS

| | Unfinished construction contracts HK$'000 |
|---|---|
| **Year ended 31 December 2014 (Restated)** | |
| Opening net book amount | – |
| Arising from the Acquisition *(Note 35)* | 89,448 |
| Amortisation charge | (77,820) |
| Closing net book amount | 11,628 |
| **At 31 December 2014 (Restated)** | |
| Cost | 89,448 |
| Accumulated amortisation | (77,820) |
| | 11,628 |
| **Year ended 31 December 2015** | |
| Opening net book amount | 11,628 |
| Amortisation charge | (6,261) |
| Closing net book amount | 5,367 |
| **At 31 December 2015** | |
| Cost | 89,448 |
| Accumulated amortisation | (84,081) |
| | 5,367 |

Amortisation of HK$6,261,000 (2014: HK$77,820,000) was included in "Cost of sales".

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 18 SUBSIDIARIES

The following is a list of the principal subsidiaries at 31 December 2015:

| Name of companies | Principal activities | Country of operation/ incorporation | Particulars of share capital | Effective interest held as at 31 December 2015 | Effective interest held as at 31 December 2014 |
|---|---|---|---|---|---|
| **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%** | – |
| **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% |

## 18 SUBSIDIARIES *(Continued)*

| Name of companies | Principal activities | Country of operation/ incorporation | Particulars of share capital | Effective interest held as at 31 December 2015 | Effective interest held as at 31 December 2014 |
|---|---|---|---|---|---|
| **Indirectly held by the Company: (Continued)** | | | | | |
| Sunley Engineering & Construction (Singapore) Pte. Ltd. | Investment holding | Singapore | SGD1 | **100%** | – |
| 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 | SGD20,000,000 | **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 Holding Pte. Ltd. | Investment holding | Singapore | SGD1 | **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 | **72%** | 72% |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 18 SUBSIDIARIES *(Continued)*

| Name of companies | Principal activities | Country of operation/ incorporation | Particulars of share capital | Effective interest held as at 31 December 2015 | Effective interest held as at 31 December 2014 |
|---|---|---|---|---|---|
| **Indirectly held by the Company: (Continued)** | | | | | |
| 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 | **85%** | 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 | **85%** | 85% |
| Qingjian Realty (Woodlands) Pte. Ltd. | Property development | Singapore | SGD1,000,000 | **65%** | 65% |
| 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% |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 18 SUBSIDIARIES *(Continued)*

| Name of companies | Principal activities | Country of operation/ incorporation | Particulars of share capital | Effective interest held as at 31 December 2015 | Effective interest held as at 31 December 2014 |
|---|---|---|---|---|---|
| **Indirectly held by the Company: (Continued)** | | | | | |
| Creative Engineering International Pte. Ltd. | Construction service | Singapore | SGD100,000 | **51%** | 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 | **100%** | 100% |
| Qingjian Reality (Sembawang) Pte. Ltd. | Property development | Singapore | SGD1,000,000 | **72%** | 72% |
| Qingjian Realty (Singapore) Pte. Ltd. | Investment holding | Singapore | SGD1 | **100%** | 100% |
| Qingjian Realty (Residential) Pte. Ltd. | Investment holding | Singapore | SGD1 | **100%** | 100% |
| Hilife Interactive Pte. Ltd. | Information technology and computer service activities | Singapore | SGD100 | **70%** | – |

### Material non-controlling interests

The total non-controlling interests as at 31 December 2015 represents net aggregate deficits shared by non-controlling shareholders of HK$19,793,000 (2014: net aggregate non-controlling interests of HK$28,072,000), of which non-controlling interests of HK$2,905,000 (2014: deficits shared by non-controlling shareholders of HK$16,830,000) and non-controlling interests of HK$6,455,000 (2014: deficits shared by non-controlling shareholders of HK$9,520,000) were attributable to Qingjian Realty (Sengkang) Pte. Ltd. and Qingjian Realty (Punggol Central) Pte. Ltd. respectively. The directors are of the opinion that the results individually shared by the non-controlling shareholders of these two entities are relatively significant to the Group, whereas the share of net assets/liabilities as of 31 December 2015 by each of the group entities' non-controlling shareholders is relatively insignificant.

No non-controlling interests were material to the Group as at 31 December 2014.

## 18 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 36 for transactions with non-controlling interests.

**Summarised balance sheet**

| | Qingjian Realty (Sengkang) Pte. Ltd. | | Qingjian Realty (Punggol Central) Pte. Ltd. | |
|---|---|---|---|---|
| | **2015** | 2014 | **2015** | 2014 |
| | **HK$'000** | HK$'000 | **HK$'000** | HK$'000 |
| Current | | | | |
| Assets | **616,871** | 2,841,792 | **1,439,823** | 2,800,154 |
| Liabilities | **(602,006)** | (2,787,356) | **(1,409,979)** | (1,890,399) |
| Total current net assets | **14,865** | 54,436 | **29,844** | 909,755 |
| Non-current | | | | |
| Assets | **–** | – | **17,101** | 292 |
| Liabilities | **–** | (111,945) | **–** | (970,773) |
| Total non-current net (liabilities)/assets | **–** | (111,945) | **17,101** | (970,481) |
| Net assets/(liabilities) | **14,865** | (57,509) | **46,945** | (60,726) |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 18 SUBSIDIARIES *(Continued)*

### Summarised financial information on subsidiaries with material non-controlling interests *(Continued)*

**Summarised statement of comprehensive income**

| | Qingjian Realty (Sengkang) Pte. Ltd. | | Qingjian Realty (Punggol Central) Pte. Ltd. | |
|---|---|---|---|---|
| | **2015** | 2014 | **2015** | 2014 |
| | **HK$'000** | HK$'000 | **HK$'000** | HK$'000 |
| Revenue | **3,176,095** | – | **3,202,551** | – |
| Profit/(loss) before income tax | **450,623** | (15,717) | **573,937** | (13,324) |
| Income tax (expense)/credit | **(76,606)** | 3,750 | **(97,300)** | 2,801 |
| Post-tax profit/(loss) from continuing operations | **374,017** | (11,967) | **476,637** | (10,523) |
| Other comprehensive income | **–** | – | **–** | – |
| Total comprehensive income/(loss) | **374,017** | (11,967) | **476,637** | (10,523) |
| Total comprehensive income/(loss) allocated to non-controlling interests | **104,725** | (3,351) | **71,496** | (1,578) |
| Dividends paid to Non-controlling interests | **69,813** | – | **18,507** | – |

## 18 SUBSIDIARIES *(Continued)*

### Summarised financial information on subsidiaries with material non-controlling interests *(Continued)*

**Summarised cash flow**

| | Qingjian Realty (Sengkang) Pte. Ltd. | | Qingjian Realty (Punggol Central) Pte. Ltd. | |
|---|---|---|---|---|
| | **2015** | 2014 | **2015** | 2014 |
| | **HK$'000** | HK$'000 | **HK$'000** | HK$'000 |
| **Cash flows from operating activities** | | | | |
| Cash generated from operations | **686,452** | 59,427 | **18,551** | 152,848 |
| Interest paid | **(13,830)** | (11,947) | **(18,689)** | (11,919) |
| Net cash generated from/(used in) operating activities | **672,622** | 47,480 | **(138)** | 140,929 |
| Net cash used in financing activities | **(658,781)** | (322,341) | **(44,637)** | (80,637) |
| **Net increase/(decrease) in cash and cash equivalents** | **13,841** | (274,861) | **(44,775)** | 60,292 |
| Cash and cash equivalents at beginning of year | **22,588** | 298,965 | **208,551** | 157,645 |
| Exchange losses on cash and cash equivalents | **(1,807)** | (1,516) | **(12,261)** | (9,386) |
| Cash and cash equivalents at end of year | **34,622** | 22,588 | **151,515** | 208,551 |

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

## 19 INVESTMENTS IN ASSOCIATED COMPANIES

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

| | 2015<br>HK$'000 | 2014<br>HK$'000<br>(Restated) |
|---|---|---|
| Share of net assets | **1,150** | 574 |

The amounts recognised in profit or loss are as follows:

| | 2015<br>HK$'000 | 2014<br>HK$'000<br>(Restated) |
|---|---|---|
| Share of (losses)/profits | **(833)** | 37 |

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

| | 2015<br>HK$'000 | 2014<br>HK$'000<br>(Restated) |
|---|---|---|
| Beginning of financial year | **574** | 2,462 |
| Addition | **1,461** | – |
| Share of (losses)/profits of associated companies | **(833)** | 37 |
| Dividend received | **–** | (1,894) |
| Exchange difference | **(52)** | (31) |
| End of financial year | **1,150** | 574 |

## 19 INVESTMENTS IN ASSOCIATED COMPANIES *(Continued)*

The particulars of the Group's associated companies as at 31 December 2015 are as follows:

| Name of companies | Principal activities | Country of operation/ incorporation | Particulars of share capital | Effective interest held as at 31 December 2015 | Effective interest held as at 31 December 2014 |
|---|---|---|---|---|---|
| Orion-Four Development Pte. Ltd. | Property development | Singapore | SGD1,000 | **20%** | 20% |
| BH-ZACD (Tuas Bay) Development Pte. Ltd. | Property development | Singapore | SGD1,000,000 | **30%** | 30% |
| Qingjian Realty (Choa Chu Kang) Pte. Ltd. | Property development | Singapore | SGD1,000,000 | **26%** | – |

The directors are of the opinion that the investments in associated companies are not material to the Group as at 31 December 2015 and 2014.

There were no contingent liabilities relating to the Group's interests in associated companies as at 31 December 2015 and 2014.

## 20 AVAILABLE-FOR-SALE FINANCIAL ASSETS

| | 2015 HK$'000 | 2014 HK$'000 (Restated) |
|---|---|---|
| Unquoted equity shares | **1,095** | 1,171 |

These represent unlisted equity securities measured at cost as the variability of range of reasonable fair value estimates is so significant that the directors of the Company are of the opinion that their fair values cannot be measured reliably.

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

## 21 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:

| | 2015<br>HK$'000 | 2014<br>HK$'000<br>(Restated) |
|---|---|---|
| **Deferred income tax assets** | | |
| — to be settled within 12 months | **21,109** | 73,571 |
| — to be settled after more than 12 months | **71,922** | 50,116 |
| | **93,031** | 123,687 |
| **Deferred income tax liabilities** | | |
| — to be settled within 12 months | **(1,450)** | (168) |
| — to be settled after more than 12 months | **(50,795)** | (46,942) |
| | **(52,245)** | (47,110) |

The movements in the net deferred income tax assets are as follows:

| | 2015<br>HK$'000 | 2014<br>HK$'000<br>(Restated) |
|---|---|---|
| Beginning of financial year | **76,577** | 93,925 |
| Arising from the Acquisition *(Note 35)* | **–** | (49,866) |
| Tax (charged)/credited to profit or loss *(Note 12)* | **(28,610)** | 37,947 |
| Exchange difference | **(7,181)** | (5,429) |
| End of financial year | **40,786** | 76,577 |

## 21 DEFERRED INCOME TAX ASSETS/(LIABILITIES) *(Continued)*

| | 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 2014 (Restated)** | | | | | | | |
| As 1 January 2014 | – | (2,430) | 68,082 | 28,273 | – | – | 93,925 |
| Arising from the Acquisition *(Note 35)* | (19,768) | (37,796) | – | 7,698 | – | – | (49,866) |
| Tax credited/(charged) to profit or loss | 13,341 | (1,215) | 8,823 | 16,579 | – | 419 | 37,947 |
| Exchange difference | – | 100 | (3,334) | (2,195) | – | – | (5,429) |
| As 31 December 2014 (Restated) | (6,427) | (41,341) | 73,571 | 50,355 | – | 419 | 76,577 |
| **Year ended 31 December 2015** | | | | | | | |
| At 1 January 2015 | **(6,427)** | **(41,341)** | **73,571** | **50,355** | **–** | **419** | **76,577** |
| Tax 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** |

## 22 CASH AND BANK BALANCES

### (a) Cash and cash equivalents

| | **2015** | 2014 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| | | (Restated) |
| Cash at banks and on hand | **1,078,670** | 354,033 |
| Short term bank deposits | **82,838** | – |
| Maintenance fund accounts *(Note i)* | **14,053** | 5,252 |
| Project accounts *(Note ii)* | **450,255** | 547,663 |
| | **1,625,816** | 906,948 |

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

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

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

### (b) Pledged bank deposits

As at 31 December 2015, deposits of HK$273,850,000 (2014: Nil) were held at bank as pledge for certain of the Group's bank facilities.

## 23 AMOUNTS DUE FROM CUSTOMERS FOR CONTRACT WORK

| | 2015 HK$'000 | 2014 HK$'000 (Restated) |
|---|---|---|
| Aggregate costs incurred and profits (less foreseeable losses) recognised to date on uncompleted construction contracts | **6,053,496** | 4,882,015 |
| Less: progress billings to date | **(5,992,526)** | (4,804,081) |
| Amounts due from customers for contract work | **60,970** | 77,934 |

There were no advances received from customers for contract work as at 31 December 2015 and 2014. Progress billings to date include retention receivables of HK$204,445,000 (2014: HK$220,776,000) as at 31 December 2015.

## 24 DEVELOPMENT PROPERTIES FOR SALE

| | 2015 HK$'000 | 2014 HK$'000 (Restated) |
|---|---|---|
| **Properties in the course of development** | | |
| Leasehold land at cost | **5,751,787** | 7,933,075 |
| Development costs | **2,716,795** | 3,385,107 |
| Overheads expenditure capitalised | **67,437** | 90,856 |
| Interest expenses capitalised | **601,863** | 635,289 |
| | **9,137,882** | 12,044,327 |

Interest expenses on bank borrowings, loans from non-controlling shareholders of subsidiaries and other related parties were capitalised. The weighted average rates of capitalisation of the interest expenses were 3.12% (2014: 2.34%) per annum for bank borrowings and 7.22% (2014: 7.22%) per annum for loans from non-controlling shareholders of subsidiaries and other related parties for the year ended 31 December 2015.

As at 31 December 2015, development properties with net carrying amounts of HK$9,137,882,000 and (2014: HK$12,044,327,000), were pledged as securities for certain bank loans of the Group (Note 28(a)(iv)).

## 25 SHARE CAPITAL

| | Number of shares (thousands) | Share capital HK$'000 |
|---|---|---|
| **Authorised:** | | |
| *Ordinary shares* | | |
| At 1 April 2014, 31 December 2014 and 1 January 2015 | 2,000,000 | 20,000 |
| Increase during the year *(Note)* | 4,000,000 | 40,000 |
| At 31 December 2015 | 6,000,000 | 60,000 |
| *CPS* | | |
| At 1 April 2014, 31 December 2014 and 1 January 2015 | – | – |
| Increase during the year *(Note)* | 1,000,000 | 10,000 |
| At 31 December 2015 | 1,000,000 | 10,000 |
| **Issued and fully paid:** | | |
| *Ordinary Shares* | | |
| At 1 April 2014, 31 December 2014 and 31 December 2015 | 300,000 | 3,000 |
| *CPS* | | |
| At 1 April 2014, 31 December 2014 and 1 January 2015 | – | – |
| Issue during the year *(Note)* | 951,873 | 9,519 |
| At 31 December 2015 | 951,873 | 9,519 |

## 25 SHARE CAPITAL *(Continued)*

*Notes:*

(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 have the same rights as each of the ordinary shares:

- CPS shall be 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 would 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 shall be 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. 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 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.

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 acquiring the entire equity interests of the Target Group as detailed in Note 2(a)(i). The issuance of CPS is accounted for as distributions to Guotsing PRC 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.

## 26 OTHER RESERVES

| | Merger reserves HK$'000 | Capital reserve HK$'000 | Exchange reserve HK$'000 | Share-based payment reserve HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|
| **Balance at 1 January 2014 (Restated)** | (10,771) | – | 906 | – | (9,865) |
| **Other comprehensive loss** | | | | | |
| Currency translation differences | – | – | (1,014) | – | (1,014) |
| **Transactions with owners in their capacity as owners** | | | | | |
| Effects of the Acquisition *(Note 2)* | – | 780,268 | – | – | 780,268 |
| Employee share option scheme — share based compensation benefits *(Note 10)* | – | – | – | 5,319 | 5,319 |
| **Total transactions with owners in their capacity as owners** | – | 780,268 | – | 5,319 | 785,587 |
| **Balance as at 31 December 2014 (Restated)** | (10,771) | 780,268 | (108) | 5,319 | 774,708 |
| **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 Acquisition *(Note 2)* | **–** | **(2,236,901)** | **–** | **–** | **(2,236,901)** |
| Employee share option schemes — share based compensation benefits *(Note 10)* | **–** | **–** | **–** | **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** | **(10,771)** | **(1,456,633)** | **(20,452)** | **200,651** | **(1,287,205)** |

## 26 OTHER RESERVES *(Continued)*

### Merger reserves

This represents the difference between the aggregate of share capital of Qingjian International (South Pacific) Group Development Co., Pte. Ltd., Qingdao Construction (Singapore) Pte. Ltd., Max Marine International Trading Pte. Ltd. and Qingjian Realty (South Pacific) Group Pte. Ltd. and the investment costs paid by the CNQC (South Pacific) Holding Pte. Ltd. during the group reorganisation in relation to the Acquisition.

### Capital reserve

The amounts represent the share capital of CNQC (South Pacific) Holdings Pte. Ltd. (the then holding company of the Target Group as at 1 January 2014), the fair value of the CPS issued in connection with the Acquisition, and the difference between (i) the fair value of the cash consideration and the 25% non-controlling interests of the Company totalling to HK$625,689,000 (Note 35) at the date of the reverse acquisition in exchange for the entire equity interests in the Company and (ii) the issued share capital of the Company prior to the date of the reverse acquisition.

## 27 SHARE-BASED PAYMENTS

The following schemes in relation to share options granted to employees of the Group were in place during the year ended 31 December 2015:

### (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, 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 the ordinary shares of the Company.

On 27 June 2014, share options to subscribe for 19,500,000 ordinary shares of the Company were granted by the Company to selected employees including directors. The exercise price of the granted options was HK$2.70 per ordinary share which was equal to the market price of the shares as at the grant date. The share options granted are valid for a period of six years until 26 June 2020 and shall be vested in five tranches in accordance with the following vesting dates:

(i) 20% of the share options shall be vested and exercisable from 27 June 2015;

(ii) an additional 20% (i.e. up to 40% in total) shall be vested and exercisable from 27 June 2016;

(iii) an additional 20% of the share options (i.e. up to 60% in total) shall be vested and exercisable from 27 June 2017;

## 27 SHARE-BASED PAYMENTS *(Continued)*

### (a) Share option scheme ("Share Option Scheme") *(Continued)*

(iv) an additional 20% of the share options (i.e. up to 80% in total) shall be vested and exercisable from 27 June 2018; and

(v) the remaining 20% of the share options (i.e. up to 100% in total) shall be vested and exercisable from 27 June 2019.

The Group has no legal or constructive obligation to repurchase or settle the options in cash.

The weighted average fair value of the share options granted during the period determined using the Binomial Option Pricing Model was HK$1.19 per share option.

The significant inputs into the model were volatility of 60%, dividend yield of 2.6%, an expected option life of six years, and an annual risk-free interest rate of 1.52%. The volatility measured at the standard deviation of continuously compounded share returns is based on statistical analysis of daily share prices over the last 1.8 years (from the valuation date).

Movements in the number of share options outstanding and the exercise price are as follows:

| | **2015** | | 2014 | |
|---|---|---|---|---|
| | **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** | N/A | – |
| Granted during the year | **N/A** | **–** | 2.70 | 19,500 |
| Outstanding at the end of the year | **2.70** | **19,500** | 2.70 | 19,500 |
| Exercisable at the end of the year | **2.70** | **3,900** | N/A | – |

During the year ended 31 December 2015, share-based payment expenses in respect of the Share Option Scheme charged to profit or loss amounted to HK$8,143,000 (2014: HK$5,319,000).

## 27 SHARE-BASED PAYMENTS *(Continued)*

### (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 Target Group and other subsidiaries of Guotsing PRC not within the Target 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 of the calendar date 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 SGD 129.8 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 Agreement and upon completion of the Acquisition on 15 October 2015, the 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 the Trust up to a total of 304,599,273 CPS at HK$0.56 per share, of which the respective total of 174,459,234 and 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 of the calendar date 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 then existing management share scheme immediately prior to its replacement and supersession amounted to SGD 109.2 million (HK$614.3 million), each of which has a weighted average fair value of the share options granted determined using the Binomial Option Pricing Model of SGD 9.10 and HK$1.87 per share option respectively. As the modification of equity-settled award does not result in an increase in the fair value of equity-settled award, the share-based payment expenses 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(y)(i).

During the year ended 31 December 2015, share-based payment expenses in recognition of the employee services received by the Group in respect of above equity-settled award arrangement charged to profit or loss amounted to HK$187,189,000.

## 27 SHARE-BASED PAYMENTS *(Continued)*

### (b) Management Share Scheme *(Continued)*

Movements in the number of share options outstanding and the exercise price during the year ended 31 December 2015 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 the beginning of the year | 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 the end of the year | 0.56 | 304,599,273 | N/A | – |
| Exercisable at the end of the year | N/A | – | N/A | – |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 28 BORROWINGS

| | 2015<br>HK$'000 | 2014<br>HK$'000<br>(Restated) |
|---|---|---|
| **Current** | | |
| Bank borrowings — secured *(Note (a))* | **3,317,457** | 1,445,345 |
| Bank borrowings — mortgage *(Note (c))* | **23,152** | 938 |
| Loans from non-controlling interest shareholders of subsidiaries | | |
| — unsecured *(Note (d))* | **34,505** | 26,345 |
| Finance lease liabilities *(Note 29)* | **62,032** | 80,136 |
| | **3,437,146** | 1,552,764 |
| **Non-current** | | |
| Bank borrowings — secured *(Note (a))* | **3,869,070** | 5,028,661 |
| Bank borrowings — unsecured *(Note (b)* | **128,162** | – |
| Bank borrowings — mortgage *(Note (c))* | **4,966** | 21,528 |
| Loans from non-controlling interest shareholders of subsidiaries | | |
| — unsecured *(Note (d))* | **437,864** | 508,034 |
| Loans from a holding company — unsecured *(Note (d))* | **–** | 640,392 |
| Finance lease liabilities *(Note 29)* | **46,124** | 106,778 |
| | **4,486,186** | 6,305,393 |
| Total borrowings | **7,923,332** | 7,858,157 |

The exposure of the borrowings of the Group as at 31 December 2015 and 2014 to interest rate changes and the contractual re-pricing dates were as follows:

| | 2015<br>HK$'000 | 2014<br>HK$'000<br>(Restated) |
|---|---|---|
| Within 1 year | **6,942,768** | 7,314,977 |
| Between 1 and 2 years | **853,715** | 322,215 |
| Between 2 and 5 years | **111,586** | 203,223 |
| Later than 5 years | **15,263** | 17,742 |
| Total | **7,923,332** | 7,858,157 |

## 28 BORROWINGS *(Continued)*

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

| | **2015 HK$'000** | 2014 HK$'000 (Restated) |
|---|---|---|
| Within 1 year | **3,413,503** | 1,545,685 |
| Between 1 and 2 years | **3,357,428** | 2,699,745 |
| Between 2 and 5 years | **1,137,138** | 3,594,985 |
| Later than 5 years | **15,263** | 17,742 |
| Total | **7,923,332** | 7,858,157 |

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

| | Note | **2015 HK$'000** | 2014 HK$'000 (Restated) |
|---|---|---|---|
| **Secured by:** | | | |
| Machinery and equipment *(Note 14(e))* | (i) | **37,492** | 68,009 |
| Corporate guarantee from ultimate holding company | (ii) | **–** | 103,604 |
| Interests in construction contracts | (iii) | **60,247** | 120,668 |
| Development properties for sale and joint guarantee from directors of certain subsidiaries | (iv) | **6,144,649** | 5,438,352 |
| Fixed bank deposits *(Note 22(b))* | (v) | **259,514** | – |
| Interests in construction contracts and corporate guarantee from a holding company | (vi) | **684,625** | 743,373 |
| | | **7,186,527** | 6,474,006 |
| Represented by: | | | |
| — Current portion | | **3,317,457** | 1,445,345 |
| — Non-current portion | | **3,869,070** | 5,028,661 |

## 28 BORROWINGS *(Continued)*

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

*Notes:*

(i) As at 31 December 2015, the amount comprises bank borrowings of HK$282,000 (2014: HK$504,000) and HK$37,210,000 (2014: HK$67,505,000), respectively bearing interest at a fixed rate of 2% to 2.5% per annum and rates from 2% to 3.5% per annum above the Hong Kong Interbank Offered Rate ("**HIBOR**").

(ii) As at 31 December 2014, the bank borrowings were secured by a RMB Standby Letter of Credit ("**SBLC**") backed by corporate guarantee of the ultimate holding company, and were interest bearing at rates per annum ranging from 2.04% to 2.94%.

(iii) As at 31 December 2015, the bank borrowings borne interest at 2.55% over 3-months Singapore Interbank Offered Rate ("**SIBOR**") (2014: 3.95% over 6-months London Interbank Offered Rate ("**LIBOR**")).

(iv) As at 31 December 2015, the amounts comprise land and development loans of HK$4,407,168,000 (2014: HK$4,077,687,000) and term loans of HK$1,737,481,000 (2014: HK$1,360,665,000), and borne interest at rates from 1.80% to 2.00% over the relevant bank's one month SGD Cost of Funds ("**COF**") (2014: 1.57% to 3.46% over one month SGD COF) per annum. The loans were secured by mortgages over the Group's development properties for sale (Note 24) 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.

(v) As at 31 December 2015, the bank borrowings were secured by a fixed deposit of SGD50,000,000 (approximately HK$273,850,000), and borne interest at 0.5% over SGD COF calculated daily with monthly rate based on a 365-day year.

(vi) As at 31 December 2015, the bank borrowings borne interest at fixed rate of 4.55% per annum (2014: same).

(b) As at 31 December 2015, the bank borrowings borne interest at a fixed rate of 2.65%.

(c) As at 31 December 2015, bank borrowings of HK$28,118,000 (2014: HK$22,466,000) were secured by a mortgage over part of the Group's leasehold land and buildings (Note 14(d)). The interest rate of the loan was 5.85% (2014: 5.25%) per annum as at 31 December 2015. The loans will be repaid by fixed monthly payment over 10 years to 20 years.

(d) The loans from a holding company and non-controlling interest shareholders of subsidiaries were unsecured and not expected to be repaid within 1 year, except for the current portions which were expected to be repaid within 1 year. The loans were subject to variable interest rates which contractually re-priced within 12 months from the financial reporting date. The effective interest rate was between 7.23% and 7.96% as at 31 December 2015 (2014: between 4.55% and 7.96%).

(e) The fair values of the bank borrowings and the loans from related parties approximated their respective carrying values as at 31 December 2015 and 2014, as these borrowings were charged at market interest rates.

(f) These committed banking facilities were subject to annual review. As at 31 December 2015, the undrawn banking facilities amounted to HK$700,321,000 (2014: HK$663,300,000).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 29 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.

| | **2015** **HK$'000** | 2014 HK$'000 (Restated) |
|---|---|---|
| Minimum lease payments due | | |
| — Within 1 year | **64,679** | 84,620 |
| — Between 1 and 2 years | **33,299** | 59,191 |
| — Between 2 and 5 years | **14,016** | 51,086 |
| — Later than 5 years | **528** | 926 |
| | **112,522** | 195,823 |
| Less: future finance charges | **(4,366)** | (8,909) |
| Present value of finance lease liabilities | **108,156** | 186,914 |

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

| | **2015** **HK$'000** | 2014 HK$'000 (Restated) |
|---|---|---|
| Within 1 year | **62,032** | 80,136 |
| Between 1 and 2 years | **32,123** | 57,014 |
| Between 2 and 5 years | **13,484** | 48,878 |
| Later than 5 years | **517** | 886 |
| | **108,156** | 186,914 |

These finance leases were secured by the Group's property, plant and equipment (Note 14(c)).

## 30 TRADE AND OTHER PAYABLES

| | 2015<br>HK$'000 | 2014<br>HK$'000<br>(Restated) |
|---|---|---|
| **Current** | | |
| Trade payables to: | | |
| — A fellow subsidiary | **46,509** | 5,904 |
| — Other related parties | **50,725** | 66,818 |
| — Third parties | **1,530,474** | 1,472,327 |
| | **1,627,708** | 1,545,049 |
| Non-trade payables to: | | |
| — Holding companies | **8,198** | 122,948 |
| — Fellow subsidiaries | **902** | 62,837 |
| — Non-controlling interest shareholders of subsidiaries | **166,720** | 76,560 |
| — Other related parties | **425** | 3,647 |
| — Third parties | **53,065** | 17,709 |
| — Good and service tax payable | **4,932** | 12,368 |
| | **234,242** | 296,069 |
| Accruals for operating expenses | **274,600** | 169,830 |
| Accruals for construction costs | **97,279** | 65,419 |
| Advanced proceeds received from customers | **3,024,284** | 5,353,987 |
| | **3,396,163** | 5,589,236 |
| Total trade and other payables | **5,258,113** | 7,430,354 |

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

## 30 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:

| | **2015<br>HK$'000** | 2014<br>HK$'000<br>(Restated) |
|---|---|---|
| 1–30 days | **1,597,136** | 1,467,709 |
| 31–60 days | **21,744** | 58,926 |
| 61–90 days | **1,513** | 5,209 |
| Over 90 days | **7,315** | 13,205 |
| | **1,627,708** | 1,545,049 |

The amounts due to holding companies, fellow subsidiaries, non-controlling interest shareholders of 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.

## 31 DIVIDENDS

A dividend in respect of the year ended 31 December 2015 of HK$0.12 per share, amounting to a total dividend of HK$161.1 million, is to be proposed at the annual general meeting on 29 April 2016. These financial statements do not reflect this dividend payable but will be reflected as an appropriation of retained earnings for the year ending 31 December 2016.

| | **2015<br>HK$'000** | 2014<br>HK$'000<br>(Restated) |
|---|---|---|
| Proposed final dividend of HK$0.12 (2014: Nil) per ordinary share and per CPS | **161,085** | – |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 32 NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS

### Reconciliation of profit before income tax to net cash generated from operations

| | 2015<br>HK$'000 | 2014<br>HK$'000<br>(Restated) |
|---|---|---|
| Profit before income tax | **981,664** | 487,770 |
| Adjustments for: | | |
| Depreciation | **88,107** | 63,594 |
| Amortisation of intangible assets | **6,261** | 77,820 |
| Gain on disposal of property, plant and equipment | **(4,383)** | (1,203) |
| Written off of property, plant and equipment | **191** | – |
| Share-based payments | **195,332** | 5,319 |
| Interest income | **(5,681)** | (20,847) |
| Interest expense | **84,845** | 71,859 |
| Provision for liquidated damages written back | **–** | (8,577) |
| Share of losses/(profits) of associated companies | **833** | (37) |
| Operating profit before working capital changes | **1,347,169** | 675,698 |
| Decrease in development properties for sale | **2,470,668** | 731,446 |
| Increase in trade and other receivables | **(831,375)** | (950,997) |
| Decrease in amounts due from customers for contract work | **15,121** | 8,459 |
| (Decrease)/increase in trade and other payables | **(1,877,085)** | 838,719 |
| Cash generated from operations | **1,124,498** | 1,303,325 |

In the consolidated statement of cash flows, proceeds from disposal of property, plant and equipment comprise:

| | 2015<br>HK$'000 | 2014<br>HK$'000<br>(Restated) |
|---|---|---|
| Net book amount *(Note 14)* | **6,209** | 1,162 |
| Gain on disposal of property, plant and equipment | **4,383** | 1,203 |
| Proceeds from disposal of property, plant and equipment | **10,592** | 2,365 |

Major non-cash transactions

During the year ended 31 December 2015, property, plant and equipment amounting to HK$5,980,000 (2014: HK$5,870,000) were acquired under finance lease.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 33 CONTINGENT LIABILITIES

**(a)** At each statement of financial position date, the Group had the following contingent liabilities:

| | 2015<br>HK$'000 | 2014<br>HK$'000<br>(Restated) |
|---|---|---|
| Guarantees on performance bonds in respect of construction contracts | **205,640** | 64,489 |

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 2015, these bank borrowings amounted to HK$329,093,000 (2014: HK$335,276,000).

### (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 would not result in any material adverse impact on the financial position or results and operations of the Group. No provision has been made in respect of these claims in the consolidated financial statements.

## 34 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 2015 and 2014 were as follows:

| | 2015<br>HK$'000 | 2014<br>HK$'000<br>(Restated) |
|---|---|---|
| Not later than one year | **21,411** | 28,129 |
| Between one and five years | **19,641** | 22,396 |
| Later than five years | **31,494** | 37,023 |
| | **72,546** | 87,548 |

## 34 COMMITMENTS *(Continued)*

### (b) Capital commitments

Capital expenditures contracted but not recognised in the consolidated financial statements as at 31 December 2015 and 2014, excluding those relating to investment in associated companies, were as follows:

| | 2015 HK$'000 | 2014 HK$'000 (Restated) |
|---|---|---|
| Contracted but not provided for: | | |
| Development expenditure | **19,911** | 48,778 |

## 35 ACQUISITION OF THE EXISTING GROUP

As disclosed in Note 2, the Existing Group is deemed to have been acquired by the Target Group on 17 March 2014, the date on which both the Existing Group and the Target Group became under common control of Guotsing PRC. The total cash consideration of HK$540,000,000 paid in cash by CNQC Development Limited to acquire approximately 75% equity interests of the Company on 17 March 2014 and the 25% non-controlling interests of the Existing Group amounting to HK$85,689,000 on the same date were deemed as the consideration of such acquisition.

The fair value of the identifiable assets and liabilities of the Existing Group at the date of completion of the acquisition are as follows:

| | HK$'000 |
|---|---|
| Property, plant and equipment *(Note 14)* | 346,319 |
| Other intangible assets *(Note 17)* | 89,448 |
| Net operating assets excluding cash and cash equivalents | 128,690 |
| Cash and cash equivalents | 188,885 |
| Other assets | 523 |
| Borrowings | (197,015) |
| Tax payable | (14,228) |
| Dividend payable | (150,000) |
| Deferred income tax liabilities *(Note 21)* | (49,866) |
| Assets identified and liabilities assumed | 342,756 |

## 35 ACQUISITION OF THE EXISTING GROUP *(Continued)*

Goodwill is determined as the excess of the consideration paid for the acquisition and the amount of non-controlling interests in the Existing Group over the fair values of the identifiable assets acquired and liabilities assumed of the Group as at 17 March 2014, as follows:

| | HK$'000 |
|---|---|
| Deemed cash consideration | 540,000 |
| Non-controlling interests, based on 25% of the fair value of the net identifiable assets of the Existing Group | 85,689 |
| Fair value of identifiable net assets of the Existing Group | (342,756) |
| Goodwill | 282,933 |

The goodwill recognised is not expected to be deductible for income tax purposes. The revenue included in the consolidated statement of comprehensive income for the period from 17 March 2014 to 31 December 2014 contributed by the Existing Group was HK$957,919,000. The Existing Group also contributed profit of HK$106,349,000 over the same period.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 36 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. The ultimate holding company of the Company is Guotsing Holding Group Company Limited.

**(a)** During the year ended 31 December 2015 and 2014, 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 | Ultimate holding company |
| Guotsing Holding (South Pacific) Investment Pte. Ltd. | An intermediate holding company |
| Hyday (South Pacific) Investment Pte. Ltd. | An intermediate holding company |
| Qingjian Group Co. Ltd. | Fellow subsidiary |
| Hyday Holdings Ltd. | Fellow subsidiary |
| Qingjian International (Myanmar) Group Development Co. Ltd. | Fellow subsidiary |
| Qingjian Holding Group (Malaysia) Sdn Bhd | Fellow subsidiary |
| Qingdao Qingjian Logistics Co. Ltd. | Fellow subsidiary |
| Orion Four Development Pte Ltd | Associated company |
| BH-ZACD (Tuas Bay) Development Pte Ltd | Associated company |
| Qingjian Realty (Choa Chu Kang) | Associated company |
| Qingdao Qingjian Holding Co. | A shareholder of ultimate holding company |
| Qingdao Bohai Construction Group Co Ltd | A shareholder of ultimate holding company |
| Elite Concrete Pte. Ltd. | A related company in which directors of the Company have interests |
| Qingjian Precast Pte. Ltd. | A related company in which directors of the Company have interests |
| Welltech Construction Pte. Ltd. | A related company controlled by a shareholder of ultimate holding company |
| Creative Engineering Pte Ltd | A non-controlling interest shareholder of a subsidiary |
| Yongli He Development Pte. Ltd. | A non-controlling interest shareholder of a subsidiary |
| TKS International Investment Pte. Ltd. | A non-controlling interest shareholder of a subsidiary |
| Zuo Hai Bin | A non-controlling interest shareholder of a subsidiary |
| Bohai Investments (Sengkang) Pte. Ltd. | A non-controlling interest shareholder of a subsidiary |
| Bohai Investments (Punggol Central) Pte. Ltd. | A non-controlling interest shareholder of a subsidiary |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 36 RELATED PARTY TRANSACTIONS *(Continued)*

**(a)** During the year ended 31 December 2015 and 2014, the related parties that had transactions with the Group were as follows: *(Continued)*

| Name of related parties | Relationship with the Group |
|---|---|
| Shun Kang Development & Investment Pte. Ltd. | A non-controlling interest shareholder of a subsidiary |
| HLY Investments (Anchorvale) | A non-controlling interest shareholder of a subsidiary |
| HLY Investments (Sembawang) Pte. Ltd. | A non-controlling interest shareholder of a subsidiary |
| Suntec Property Ventures Pte. Ltd. | A non-controlling interest shareholder of a subsidiary |
| ZACD (Sengkang) Pte. Ltd. | A non-controlling interest shareholder of a subsidiary |
| ZACD (Sennett) Pte. Ltd. | A non-controlling interest shareholder of a subsidiary |
| ZACD (Anchorvale) Pte. Ltd. | A non-controlling interest shareholder of a subsidiary |
| ZACD (Woodlands3) Pte. Ltd. | A non-controlling interest shareholder of a subsidiary |
| ZACD (Canberra) Pte. Ltd. | A non-controlling interest shareholder of a subsidiary |
| BH-ZACD (Woodlands) Development Pte. Ltd. | A non-controlling interest shareholder of a subsidiary |
| Ji Chao | A non-controlling interest shareholder of a subsidiary |
| Ouyang Jing | A non-controlling interest shareholder of a subsidiary |
| Li Jun | A non-controlling interest shareholder of a subsidiary |
| Peak Living Pte. Ltd. | A related company in which a subsidiary is non-controlling shareholder |
| BH Investments (Woodlands) Pte Ltd | A related company in which a subsidiary is non-controlling shareholder |
| Bohai Investment(s) Group Pte Ltd | A related company in which a subsidiary is non-controlling shareholder |
| Publique Realty 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 controlled by shareholders of subsidiaries |
| Super Ease Holdings Limited | A related company in which a director of the Company has an interest |
| Sunnic Holdings Limited | A related company in which a director of the Company has an interest |

## 36 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:

| | 2015 HK$'000 | 2014 HK$'000 (Restated) |
|---|---|---|
| Construction revenue from other related parties | **424,470** | 394,687 |
| Sale of goods to a fellow subsidiary | **4,091** | 8,668 |
| Purchase of materials from other related parties | **473,253** | 451,369 |
| Construction service costs provided by a fellow subsidiary | **132,742** | 60,395 |
| Sales commission paid to a related party | **15,284** | 15,435 |
| Interest income from a related party | **1,055** | 1,146 |
| Interest income from associated companies | **4,193** | 2,053 |
| Interest income from an intermediate holding company | **–** | 12,835 |
| Interest charged by an intermediate holding company | **32,505** | 91,886 |
| Interest charged by non-controlling interest shareholders of subsidiaries | **66,445** | 32,888 |
| Rental expense charged by other related parties | **–** | 380 |

Outstanding balances as at the year-end dates arising from sale/purchase of goods and services, were unsecured and receivable/payable within 12 months from year-end dates, and were disclosed in Notes 16 and Note 30.

### (c) Key management compensation

Key management includes executive, non-executive and independent non-executive directors. The compensation paid or payable to key management for employee services is shown below:

| | 2015 HK$'000 | 2014 HK$'000 (Restated) |
|---|---|---|
| Salaries and other short-term employee benefits | **75,272** | 117,594 |
| Contribution to retirement benefit scheme | **211** | 152 |
| Share-based payments | **155,924** | 3,764 |
| **Total** | **231,407** | 121,510 |

## 37 EVENTS AFTER THE REPORTING DATE

On 12 January 2016, 90,202,500 ordinary shares of the Company were issued to certain third parties for a gross proceeds of HK$216,486,000 pursuant to a placing agreement entered into between the Company and the placing agents dated 17 December 2015.

On the same date, 270,000,000 ordinary shares were issued by the Company as result of the conversion of 270,000,000 CPS by the holders.

## 38 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY

| | **2015**<br>**HK$'000** | 2014<br>HK$'000 |
|---|---|---|
| **ASSETS** | | |
| **Non-current assets** | | |
| Investments in subsidiaries | **2,434,780** | 2,546 |
| Loans to subsidiaries | **32,500** | 111,710 |
| | **2,467,280** | 114,256 |
| **Current assets** | | |
| Other receivables | **422** | 51 |
| Cash and cash equivalents | **21,297** | 88 |
| | **21,719** | 139 |
| **Total assets** | **2,488,999** | 114,395 |
| **EQUITY** | | |
| **Capital and reserves** | | |
| Share capital — Ordinary shares | **3,000** | 3,000 |
| Share capital — Convertible preference shares | **9,519** | – |
| Share premium | **2,284,702** | 57,320 |
| Share based payment reserve *(Note (a))* | **200,651** | 5,319 |
| Accumulated losses *(Note (a))* | **(85,163)** | (31,071) |
| **Total equity** | **2,412,709** | 34,568 |

## 38 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY *(Continued)*

| | 2015 HK$'000 | 2014 HK$'000 |
|---|---|---|
| **LIABILITIES** | | |
| **Non-current liability** | | |
| Loan from a subsidiary | **–** | 33,000 |
| **Current liabilities** | | |
| Other payables | **23,390** | 1,437 |
| Amounts due to subsidiaries | **–** | 25,490 |
| Loan from a subsidiary | **52,900** | 19,900 |
| | **76,290** | 46,827 |
| **Total liabilities** | **76,290** | 79,827 |
| **Total equity and liabilities** | **2,488,999** | 114,395 |

The balance sheet of the Company was approved by the Board of Directors on 22 March 2016 and was signed on its behalf.

**Cheng Wing On, Michael**
*Director*

**Wang Congyuan**
*Director*

## 38 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY *(Continued)*

*Note:*

**(a) Reserve movement of the Company**

| | Share based payment reserve HK$'000 | Accumulated losses HK$'000 |
|---|---|---|
| **As at 1 January 2014** | – | (16,916) |
| Profit for the year | – | 135,845 |
| Dividends | – | (150,000) |
| Share based compensation benefits | 5,319 | – |
| **As at 31 December 2014** | 5,319 | (31,071) |
| **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)** |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 39 BENEFITS AND INTEREST OF DIRECTORS

### (a) Directors' emoluments

**For the year ended 31 December 2015**

| | As director (note (iii)) | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 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 | Employer's contribution to a retirement benefit scheme contributions HK$'000 | Remunerations paid or receivable in respect of accepting office as director HK$'000 | As management (note (iv)) HK$'000 | Total HK$'000 |
| **Executive directors** | | | | | | | | | | |
| Dr. Du Bo *(note (i))* | 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 *(note (i))* | – | 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 *(note (i))* | 838 | 1,070 | 8,429 | – | 16,494 | – | – | – | – | 26,831 |
| Dr. Ding Hongbin *(note (i))* | 265 | 225 | 66 | – | 1,253 | – | – | – | – | 1,809 |
| | 3,170 | 9,599 | 29,059 | 204 | 66,727 | – | 103 | – | – | 108,862 |

## 39 BENEFITS AND INTEREST OF DIRECTORS *(Continued)*

### (a) Directors' emoluments *(Continued)*

**For the year ended 31 December 2014**

| | As director (note (iii)) | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 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 | Employer's contribution to a retirement benefit scheme contributions HK$'000 | Remunerations paid or receivable in respect of accepting office as director HK$'000 | As management (note (iv)) HK$'000 | Total HK$'000 |
| **Executive directors** | | | | | | | | | | |
| Dr. Du Bo *(note (i))* | 3,346 | 1,408 | 34,024 | – | – | – | 41 | – | – | 38,819 |
| Dr. Ho Kar Chung *(note (ii))* | 30 | – | – | – | – | – | – | – | – | 30 |
| Mr. Cheng Wing On, Michael | – | 1,724 | 958 | – | 818 | – | 13 | – | – | 3,513 |
| Mr. Ho Chi Ling | – | 1,250 | 910 | – | 655 | – | 13 | – | – | 2,828 |
| Mr. Zhang Yuqiang *(note (i))* | – | 872 | 354 | – | 655 | – | – | – | – | 1,881 |
| **Independent non-executive directors** | | | | | | | | | | |
| Mr. Chuck Winston Calptor | 180 | – | – | – | – | – | – | – | – | 180 |
| Mr. Ching Kwok Hoo, Pedro | 180 | – | – | – | – | – | – | – | – | 180 |
| Mr. Tam Tak Kei, Raymond | 180 | – | – | – | – | – | – | – | – | 180 |
| **Non-executive directors** | | | | | | | | | | |
| Mr. Leung Chee Hon *(note (ii))* | – | – | – | – | – | – | – | – | – | – |
| Mr. Zhang Zhihua *(note (i))* | 2,555 | 1,759 | 16,970 | – | 818 | 3 | – | – | – | 22,105 |
| Dr. Ding Hongbin *(note (i))* | 173 | – | – | – | 818 | – | – | – | – | 991 |
| | 6,644 | 7,013 | 53,216 | – | 3,764 | 3 | 67 | – | – | 70,707 |

*Notes:*

(i) These directors were appointed on 11 April 2014. The emoluments of these directors for the year ended 31 December 2014 disclosed above refer to those of the entire financial year, as these consolidated financial statements represent the continuum of the Target Group's financial statements as explained in Note 2(a)(i).

(ii) These directors resigned on 11 April 2014.

(iii) 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.

(iv) 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.

(v) No director waived or agreed to waive any emoluments during the years ended 31 December 2015 and 2014.

(vi) 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.

## 39 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 during the year (2014: Nil).

### (c) Consideration provided to third parties for making available directors' services

During the year ended 31 December 2015, the Company does not pay consideration to any third parties for making available directors' services (2014: Nil).

### (d) Information about loans, quasi-loans and other dealings entered into by the Company or subsidiary undertaking of the Company

During the year ended 31 December 2015, no loans, quasi-loans and other dealings were 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 (2014: Nil).

### (e) Directors' material interests in transactions arrangements or contracts

During the year ended 31 December 2015, no significant transactions, arrangements and contracts in relation to the Company'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 (2014: Nil).

# FIVE YEAR FINANCIAL SUMMARY

| | **1.1.2015 to 31.12.2015 HK$** | 1.1.2014 to 31.12.2014 HK$ (Restated) | 1.1.2013 to 31.12.2013 HK$ (Restated) | 1.1.2012 to 31.12.2012 HK$ (Restated) | 1.4.2011 to 31.3.2012 HK$ |
|---|---|---|---|---|---|
| **Consolidated Result** | | | | | |
| Revenue | **11,053,456** | 7,302,293 | 1,704,587 | 1,825,797 | 313,122 |
| Profit/(loss) before tax | **981,664** | 487,770 | (126,334) | 164,939 | 31,882 |
| Income tax expense/(credit) | **(240,945)** | (77,087) | 22,158 | (25,065) | (6,126) |
| Profit/(loss) for the year | **740,719** | 410,683 | (104,176) | 139,874 | 25,756 |
| Profit/(loss) attributable to Owners of the Company | **577,317** | 276,299 | (89,000) | 160,250 | 25,756 |
| **Consolidated Assets and liabilities** | | | | | |
| Total assets | **14,926,672** | 16,215,913 | 16,881,692 | 12,189,390 | 322,938 |
| Total liabilities | **(13,445,879)** | (15,439,560) | (17,076,543) | (11,972,531) | (157,487) |
| Net assets/(liabilities) | **1,480,793** | 776,353 | (194,851) | 216,859 | 165,451 |

As detailed in note 2(a)(1) to the consolidated financial statements, the Group has applied the principles of reverse acquisition accounting to account for the 2015 Acquisition (as defined in note 2(a)(1) to the consolidated financial statements) which would be reflected in the consolidated financial statements of the Group as a reverse acquisition of the Company by the Target Group (as defined in note 2(a)(1) to the consolidated financial statements). Accordingly, the financial information for the three years ended 31 December 2014 had been restated. However, in the opinion of the directors, it is not practicable to restate the financial information for the year ended 31 December 2011, as the consolidated financial statements of the Target Group have not been prepared for that year.

Save as above, the reporting period end date of the Existing Group was changed from 31 March to 31 December during the year 2014 to align the annual reporting period end date of the Existing Group with that of the ultimate holding company. Therefore, the consolidated financial statements of the Existing Group for the year 2011 as set out above cover the period from 1 April 2011 to 31 March 2012.