THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult a licensed securities dealer or registered institution in securities, a bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your securities in **CNQC INTERNATIONAL HOLDINGS LIMITED**, you should at once hand this circular and the accompanying form of proxy to the purchaser or transferee, licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

This circular is for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for the securities of the Company and is being provided to you solely for the purposes of considering the resolutions to be voted upon at the EGM of the Company to be held on Wednesday, 14 October 2015.

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

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 01240)

(1) VERY SUBSTANTIAL ACQUISITION AND CONNECTED TRANSACTION
(2) REVERSE TAKEOVER INVOLVING A NEW LISTING APPLICATION
(3) ISSUE OF CONVERTIBLE PREFERENCE SHARES AND CONNECTED TRANSACTION
(4) PROPOSED GRANT OF SPECIFIC MANDATE
(5) PROPOSED GRANT OF SPECIFIC PLACING MANDATE
(6) PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL
(7) CONTINUING CONNECTED TRANSACTION
AND
(8) WHITEWASH WAIVER

Sole Sponsor to the deemed new listing application of the Company

HSBC

HSBC Corporate Finance (Hong Kong) Limited

Financial Adviser to the Company in respect of the Acquisition

HSBC

The Hongkong and Shanghai Banking Corporation Limited

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

ALTUS CAPITAL LIMITED

A letter from the Independent Board Committee is set out on pages 70 to 71 of this circular, and a letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 72 to 111 of this circular.

A notice convening the EGM to be held on Wednesday, 14 October 2015 at 11:30 a.m. is set out on pages EGM 1 to EGM 4 of this circular. A form of proxy for use at the EGM is enclosed. Whether or not you intend to attend the EGM, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the Hong Kong branch share registrar of the Company, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for holding of the EGM or any adjournment thereof. Completion and return of the proxy form shall not preclude you from attending and voting in person at the EGM or any adjournment thereof if you so desire and, in such event, the instrument appointing a proxy will be deemed to be revoked.

25 September 2015

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The following expected timetable is indicative only and is subject to change. If necessary, further announcement in relation to any revised timetable will be published as and when appropriate.

Latest time for lodging forms of proxy for the EGM	4:30 p.m. on Monday, 12 October 2015
EGM	11:30 a.m. on Wednesday, 14 October 2015
Announcement of the results of the EGM to be published	Wednesday, 14 October 2015
Completion and issue of the CPS on or before	Thursday, 15 October 2015
Announcement of Completion to be published on or before	Thursday, 15 October 2015

Note: All times and dates in this circular refer to Hong Kong local time and dates.

This summary aims at giving you an overview of the information contained in this circular. As it is a summary, it does not contain all the information that may be important to you. You should read the whole circular before making a decision as to how you would cast your votes at the EGM in relation to the Acquisition and the appropriate course of action for yourself.

There are risks associated with any business. You should read the section headed "Risk Factors" in this circular carefully before making a decision on the Acquisition.

THE ACQUISITION

On 23 May 2015, the Company (as the purchaser) and Guotsing SG (as the seller) entered into the Share Purchase Agreement pursuant to which the Company has conditionally agreed to acquire, and Guotsing SG has conditionally agreed to sell or procure to be sold its interest in the entire issued share capital in the Target Company on the terms and subject to the conditions set out in the Share Purchase Agreement. The Target Group is primarily engaged in property development and construction businesses in Singapore.

The Consideration is HK$2,617,650,000, to be settled through the issuance and allotment by the Company of: (i) 647,273,454 CPS to Guotsing SG (or New Guotsing Holdco as Guotsing SG may direct) and (ii) 304,599,273 CPS to Guotsing SG (or the Trustee or a company to be held by the Trustee as Guotsing SG may direct) at the Issue Price of HK$2.75 per CPS. The Trustee shall hold such 304,599,273 CPS on trust for the Selected Participants in accordance with the terms and conditions of the Management Share Scheme.

The Consideration was determined after arm's length negotiation between the parties to the Share Purchase Agreement having regard to the market value of the property development projects of the Target Group, the financial performance and prospect of the business of the Target Group, results and market value of comparable companies, and the benefits to the Group following Completion.

Please refer to the section headed "Letter from the Board" in this circular for further details on the Acquisition, the Share Purchase Agreement and the Specific Mandate to be sought from Independent Shareholders at the EGM.

IMPLICATIONS OF THE ACQUISITION UNDER THE LISTING RULES AND THE TAKEOVERS CODE

In March 2014, CNQC Development acquired 75% of the total issued share capital of the Company and made a mandatory general offer for all the outstanding Shares (other than the Shares held by parties acting in concert with it) in issue at the time. Following such acquisition and completion of the mandatory general offer, there was a change in control of the Company and CNQC Development and its parent company, Guotsing PRC became the controlling shareholders of the Company. As at the Latest Practicable Date, CNQC Development directly held 74.72% of the issued share capital of the Company.

Guotsing SG is a wholly-owned subsidiary of Guotsing PRC and therefore, the Acquisition constitutes a very substantial acquisition, a connected transaction and a reverse takeover of the Company under Chapters 14 and 14A of the Listing Rules, and is subject to (i) approval by the Independent Shareholders at the EGM to be convened, and (ii) approval by the Listing Committee of the Stock Exchange of a new listing application made by the Company, as the Company is also deemed to be a new listing applicant under the Listing Rules in connection with the reverse takeover. Guotsing PRC acquired a controlling stake in the Company in 2014 in light of the quality of the Company's foundation business in Hong Kong and Macau and the valuable opportunity for Guotsing PRC to expand into the construction industry in Hong Kong. It is also intended that the Company will become Guotsing PRC's flagship for its overseas property development and construction businesses. As such, instead of applying for listing of the shares of the Target Group on the Stock Exchange directly, the Target Group is proposed to be acquired by the Company. Subject to Completion, the property and construction businesses in Hong Kong, Macau and Singapore will be consolidated under one listing platform which will not only increase the Company's business scale and shareholder's value but also enhance the Group's cost and financing efficiency. For further details regarding the reasons and benefits for the Acquisition, please refer to the sub-section headed "Reasons for and Benefit of the Acquisition" below.

Pursuant to the terms of the Share Purchase Agreement, New Guotsing Holdco was established by the ultimate beneficial owners of Guotsing PRC and is controlled (as defined under the Takeovers Code) by Dr. Du, the chairman and an executive director of the Company and will be nominated by Guotsing SG to hold 68% of the Consideration Shares at Completion. Upon Completion, New Guotsing Holdco will hold 647,273,454 CPS which, upon conversion in full, (i) (based on the assumption that all of the CPS held by New Guotsing Holdco have been converted into Shares notwithstanding that the Company will not be able to meet the public float requirement under Rule 8.08 of the Listing Rules upon such conversion and that none of the other outstanding options of the Company or the CPS held by the Trustee (or a company held by the Trustee) will be exercised or converted) will be interested in 68.3% of the enlarged issued share capital of the Company, or (ii) (based on an assumption that the Company shall be able to issue and allot 215.0 million new Shares upon Completion to independent third parties such that the public float requirement stated under Rule 8.08 of the Listing Rules will be satisfied upon conversion of the CPS held by New Guotsing Holdco and that none of the other outstanding options of the Company or CPS held by the Trustee (or a company held by the Trustee) will be exercised or converted) will be interested in approximately 55.7% of the enlarged issued share capital of the Company at such time. As a result, New Guotsing Holdco would be required to make a mandatory general offer for all the issued shares of the Company (not already owned or agreed to be acquired by New Guotsing Holdco and its parties acting in concert) under Rule 26.1 of the Takeovers Code, unless a waiver from strict compliance with Rule 26.1 of the Takeovers Code is granted by the Executive.

New Guotsing Holdco has made an application to the Executive for the granting of the Whitewash Waiver pursuant to Note 1 on dispensation from Rule 26 of the Takeovers Code in respect of the 647,273,454 CPS to be allotted and issued to it at Completion. The Executive has indicated that it will agree to grant the Whitewash Waiver, which if granted by the Executive, would be subject to, among other things, the approval of the Independent Shareholders at the EGM by way of poll, in which New Guotsing Holdco and parties acting in concert with it (including Dr. Du) and CNQC Development will abstain from voting on the relevant resolutions. If the Whitewash Waiver is granted by the Executive, New Guotsing Holdco will not be required to make a mandatory offer which will otherwise be required as a result of the conversion of 647,273,454 CPS. Subject to market conditions and the completion of the Possible Placing, New Guotsing Holdco may convert its CPS into Shares by one or more stages. As New Guotsing Holdco will own more than 50% of the voting rights in the Company upon full conversion of the 647,273,454 CPS interested after Completion (on the basis that the public float requirement under Rule 8.08 of the Listing Rules will be satisfied as stated above), New Guotsing Holdco and its parties acting in concert may increase their shareholding in the Company in the future without incurring an obligation under Rule 26 of the Takeovers Code to make a general offer. The Executive may or may not grant the Whitewash Waiver. If the Whitewash Waiver is not granted, the Share Purchase Agreement will not become unconditional and the Acquisition will not proceed.

REASONS FOR AND BENEFIT OF THE ACQUISITION

The Directors consider the Acquisition will enable the Company to expand from its existing foundation business in Hong Kong and Macao into property development and construction industries in Singapore. The integrated business model covering the full industry chain is expected to increase the cost efficiency and enhance the competitive advantages of the Company. The fund raising and financing capabilities of the Company will also be improved, which will pave the ways for the Company to become the overseas financing and business development platform for Guotsing Group. Please refer to the paragraph headed "Letter from the Board — Reasons for and benefits of the Acquisition".

BUSINESS OF THE TARGET GROUP

The Target Group is an established property developer and contractor primarily engaged in (i) the development and sale of executive condominiums (a hybrid of public and private housing) and condominiums (private housing) in the Outside Central Region of Singapore; and (ii) the provision of construction services as main contractor for both governmental authorities and private property developers in Singapore.

The Target Group first established its market presence in Singapore through Qingdao Construction as a subcontractor in 1999. Through years of operation and consistent quality output in its construction projects involved, the Target Group was first awarded a HDB project as the main-contractor in 2006. Leveraging on the experience and reputation in its construction business, the Target Group subsequently extended its market presence to property development in Singapore in 2008, and was first awarded the DBSS project "Natura Loft" as the property developer. Since then, the Target Group has been increasingly active in the property development with a primary focus on developing quality executive condominiums and condominiums in the Outside Central Region of Singapore. In 2010 and 2011, the Target Group was further awarded two property projects, one of which was an executive condominium project namely RiverParc Residence and the other one was a condominium project namely Nin Residence, both were delivered in 2014 and the sales of which amounted to an aggregate of SGD641.7 million, which was recognised in the financial year ended 31 December 2014. Further, the TOP of another Target Group's condominium project RiverSound Residence was issued in May 2015 and the total contract value of the properties sold in this project amounted to approximately SGD565.0 million, of which approximately SGD348.4 million has been received by the Target Group as at 30 June 2015. According to Knight Frank, during the period from 2010 to 2014, the Target Group was ranked the fifth in terms of the number of new sales units sold for private housing and executive condominium projects launched in both the Outside Central Region as well as in the entire Singapore, with a market share of approximately 3.9% and 3.0%, respectively. In terms of the major peers of the Target Group, the key competitors of the Target Group for its property development segment include, among others, City Developments Limited, Sim Lian Group Limited and Far East Organization, which are property developers with home-grown brands in Singapore with some of them are listed on the Singapore Exchange (SGX). For further details on the market ranking of the Target Group and its competitors, please refer to Appendix 1A of this Circular. As of 30 June 2015, the Target Group held majority interests in six property projects which were under development across Singapore, with a total market value attributable to the Target Group of approximately SGD1,673.8 million (as valued by DTZ according to the respective states of the property projects as at 30 June 2015). The total saleable floor area of these six property projects amounts to approximately 357,952 sq.m. As HDB typically requires property developers of condominium and executive condominium to complete the relevant property development within a specified time period stipulated under the building agreement, which normally ranges from 48 months to 60 months, the property developers in Singapore which acquire land from HDB through public auctions (including the Target Group) normally would not maintain a land bank for future development. Going forward, the Target Group will remain focus on tendering and acquiring land parcels from HDB from time to time for development of quality condominiums and executive condominiums.

In relation to the property construction segment, the Target Group is currently registered with the highest BCA grading of Class One General Builder Licences with A1 financial grading. As at 31 December 2014, under the BCA Contractors Registration System (CRS), there were only 68 other contractors with similar A1 grading. The Target Group was involved in construction projects of governmental authorities, private property developers as well as the Target Group's own property development projects. During the Track Record Period, the Target Group generated revenue from 21 material construction projects engaged by governmental authorities and private property developers, 10 of these construction projects had been completed as at 31 March 2015 with a total contract value of approximately SGD1,074.9 million, of which approximately SGD342.0 million was recognised during the Track Record Period. As at 31 March 2015, 11 construction projects were still on-going, with a total contract value of approximately SGD1,587.5 million of which approximately SGD856.0 million was yet to be recognised. During the Track Record Period, the Target Group had also undertaken eight construction projects for its own property development, three of which had been completed as at 30 June 2015. According to Rider Levett Bucknall, during 2010 to 2014, the market shares of the Target Group (measured by the residential construction contract amount secured by the Target Group against the total amount of the residential construction contract available in Singapore) amounted to approximately 4.3% across the residential construction market for the relevant period.

The table below sets forth details in relation to the three completed property projects of the Target Group of which the TOPs have been issued as at 30 June 2015:

Project	Location	Type	Site Area (sq.m.)	Total saleable floor area (sq.m.)	Percentage of total saleable floor area sold (sq.m.)	Actual construction commencement date (month/year)	Actual construction completion date (month/year)	Development costs expended: Land costs *SGD million*	Development costs expended: Construction cost *SGD million*	Ownership interest	Sales revenue recognized *SGD million*
RiverParc Residence	Punggol Drive/Punggol East	Executive condominium	15,700.0	56,280	100%	September 2011	June 2014	140.4	165.1	60%	406.4
NiN Residence	Upper Serangoon Road/ Pheng Geck Avenue	Condominium	4,971.8	18,923	100%	July 2011	October 2014	117.3	84.0	81%	235.3
RiverSound Residence	Seng Kang East Avenue	Condominium	19,549.2	62,423	100%	May 2012	May 2015	247.0	157.6	72%	565.0 *(Note)*

Note: The TOP of RiverSound Residence was issued in May 2015, and the corresponding revenue representing the contract value of the properties sold in this project was recognised subsequent to the Track Record Period. As at 30 June 2015, approximately SGD348.4 million has been received by the Target Group in respect of the total contract value of the properties sold in this project.

Property projects held by the Target Group

The following tables set out details of the property projects held by the Target Group which were under development as at 30 June 2015:

Project	Location	Type	Tenure (Years) *(Note 1)*	Site Area (sq.m.) *(Note 1)*	Total GFA (sq.m.) *(Note 2)*	Total Saleable Floor Area (sq.m.) *(note 3)*	Total Saleable Area sold/ pre sold (sq.m.)	Percentage of saleable area sold/ pre sold	Actual/ Estimated construction commencement date (month/ year) *(Note 4)*	Actual/ Estimate pre-sale commencement date (month/year)	Actual/ Estimated construction completion date (month/ year) *(Note 5)*	Development costs expended (SGD million): Land costs *SGD million*	Development costs expended (SGD million): Construction cost *SGD million*	Other development costs *(Note 6)* *SGD million*	Estimated further development costs to complete the project *(note 7)* *SGD million*	Market value in existing state as at 30 June 2015 *(note 8)* *SGD million*	Ownership interest	Total market value attributable to the Target Group *SGD million*	Reference to property valuation report
Property projects which the Target Group held a majority interest																			
River Isles	Edgedale Plains	Condominium	99	20,256.1	66,293	64,939	64,869	99.9%	July 2012	June 2012	October 2015	215.9	150.9	50.7	24.5	545.2	85%	463.4	Appendix VI-6
WaterBay	Edgefield Plains	Executive condominium	99	13,241.8	43,698	43,277	42,940	99.2%	December 2012	October 2012	January 2016	136.7	83.3	22.4	28.3	292.8	85%	248.8	Appendix VI-8
Ecopolitan	Punggol Walk	Executive condominium	99	18,747.8	61,867	57,113	51,357	89.9%	August 2013	June 2013	June 2016	189.9	82.3	24.3	66.3	388.8	85%	330.5	Appendix VI-10
Bellewoods	Woodlands Avenue 5	Executive condominium	99	21,004.3	64,693	60,880	9,575	15.7%	December 2013	September 2014	February 2017	216.0	69.0	20.1	95.5	335.4	65%	218.0	Appendix VI-12
Bellewaters	Anchorvale Crescent	Executive condominium	99	23,000.0	75,900	71,075	19,959	28.1%	January 2014	October 2014	February 2017	245.6	57.0	22.7	125.8	390.6	63%	246.1	Appendix VI-14
Sembawang	Sembawang Road/ Canberra Link	Executive condominium	99	28,745.9	60,366	60,668	0	0%	September 2015	February 2016	October 2018	229.4	0	0	194.3	232.0	72%	167.0	Appendix VI-16
Property project which the Target Group held 30% interest or more but below 51%																			
West Star	Tuas Bay Close	Industrial Strata factory	30	24,971.0	42,450	45,863	12,920	28.2%	September 2014	May 2014	March 2018	37.1	8.5	4.0	66.5	50.4	30%	15.1	Appendix VI-18

Notes:

(1) Information regarding tenure and site area are obtained by DTZ from its searches carried out at the Singapore Land Authority.

(2) "Total GFA" of the projects under development represents the maximum GFA of the proposed building provided in the Grant of Written Permission ("**WP**") of the relevant property projects issued by URA. The Total GFA of project Sembawang and West Star represent the maximum allowable gross floor area stated in the tender document of the relevant site. It does not include balcony and private enclosed space areas and is subject to change upon issuance of WP.

(3) "Total saleable floor area" includes net floor area, balcony, private enclosed space, roof terrace and void areas, if any.

(4) The actual/estimated construction commencement date refers to the date on which construction commenced on the first building of the project.

(5) The estimated construction completion date of a property refers to the estimated date of issuance of certificate of statutory completion by the relevant architect of the projects, which is based on the Target Group's best estimate on the current development plan.

(6) The other development costs include marketing expenses, contingencies, professional or consultant fees, property tax and goods and services tax ("**GST**").

(7) The estimated further development cost to be expended by the Target Group mainly comprises of construction cost, marketing expenses, contingencies, professional or consultant fees, property tax and GST. The land cost has been paid in full for all the property projects and there should be no further cost in this regard.

(8) The direct comparison approach is used by making reference to comparable sales evidence as available in the relevant market, the pre-sold area and consideration and has also taken into account the expended construction costs as well as the costs that will be expended to complete the proposed developments.

The following table sets out the Target Group's revenue by segments for the years indicated:

	Year Ended 31 December						Three months ended 31 March	
	2012		2013		2014		2015	
	SGD	*% of total*	*SGD*	*% of total*	*SGD*	*% of total*	*SGD*	*% of total*
Property development segment:								
Sales of development properties *(Note 1)*	—	—	—	—	641,656,498	61.8	—	—
Construction segment:								
Construction revenue	287,353,425	99.2	272,136,825	99.0	395,107,428	38.03	118,510,455	99.73
Sale of goods	1,042,486	0.4	50,680	0.02	1,418,968	0.14	61,152	0.05
Income from loaning labour	1,188,691	0.4	2,235,087	0.81	362,934	0.03	261,012	0.22
Rental of equipment	17,599	0.0	479,685	0.17	—	—	—	—
Subtotal *(Note 2)*	289,602,201	100.0	274,902,277	100.0	396,889,330	38.2	118,832,619	100.0
Total revenue	289,602,201	100.0	274,902,277	100.0	1,038,545,828	100.0	118,832,619	100.0

Note 1: As revenue from sale of properties is not recognised until the TOP of the relevant property is issued, all the revenue attributable to the pre-sales of properties in 2012 and 2013 in respect of Nin Residence and RiverParc Residence were recognised in 2014 when the TOPs for Nin Residence and RiverParc Residence were issued.

Note 2: The revenue of the construction segment recorded an increase of 44.4% to SGD396.9 million in 2014 from SGD274.9 million in 2013, which was primarily attributable to increase in construction revenue from projects in progress, including namely (i) HDB YS N5C6 and (ii) HDB SK N2c43A public housing construction projects. For further details on the analysis of revenue fluctuation of the Target Group during the Track Record Period, please refer to the paragraphs headed "Financial Information of the Target Group — Year ended 31 December 2014 compared to year ended 31 December 2013" and "Financial Information of the Target Group — Year ended 31 December 2013 compared to year ended 31 December 2012".

The TOP of property project RiverSound Residence was issued in May 2015 and as at 30 June 2015, the total contract value of the properties sold in this project amounted to approximately SGD565.0 million, of which approximately SGD348.4 million has been received by the Target Group, and for other property projects in which the Target Group held majority interested in, the total contract value of pre-sale contracts entered into by the Target Group with the relevant purchasers amount to approximately SGD1,602.1 million, of which approximately SGD735.3 million has been received by the Target Group.

The following table sets out the breakdown of the construction project backlog by expected year of delivery:

Project	Contract sum remains to be recognised as at 31 March 2015	Estimated contract sum to be recognised for the year ended 31 December 2015	Estimated contract sum to be recognised for the year ended 31 December 2016	Estimated contract sum to be recognised for the year ended 31 December 2017	Estimated contract sum to be recognised for the year ended 31 December 2018
	SGD million	*SGD million*	*SGD million*	*SGD million*	*SGD million*
HDB Seng Kang N4C24	5.7	12.1	—	—	—
HDB Hougang N4C18	2.7	3.9	—	—	—
HDB Woodlands N6C22	162.8	65.1	74.0	34.1	—
China Cultural Centre	2.3	2.3	—	—	—
HDB TP N4C28	69.4	48.8	37.2	1.3	—
HDB YSN5C6	44.1	56.8	6.0	—	—
HDB SK N2C43a	118.3	116.0	33.4	—	—
Punggol West C33 & C34	186.4	45.2	79.3	63.0	9.1
The Topiary	72.0	72.3	13.9	—	—
The Sule Square	88.3	72.3	19.8	—	—
Riverbank	104.0	56.6	52.0	—	—
	856.0	551.4	315.6	98.4	9.1

SUPPLIERS AND CUSTOMERS

In relation to the property development segment, the Target Group acts as the main contractor for its own properties development projects and only a small portion of construction works are carried out by subcontractors. As a main contractor for both the Target's Group property development projects and construction projects entrusted by third parties, the Target Group will generally engage certain subcontractors for certain types of construction works, as well as procuring construction materials.

The suppliers of the Target Group mainly comprise domestic construction subcontractors and construction material suppliers in Singapore. The five largest suppliers of the Target Group accounted for 51.3%, 23.3%, 28.6% and 36.7% of the total purchase for the three years ended 31 December 2012, 2013, 2014 and the three months ended 31 March 2015, respectively. Purchases from the largest supplier accounted for 19.3%, 11.5%, 11.2% and 13.1% of the total purchase amount of the Target Group for the three years ended 31 December 2012, 2013, 2014 and the three months ended 31 March 2015, respectively. The length of business relationship between the five largest suppliers and the Target Group ranged from 4 years to 11 years.

During the Track Record Period, subcontractors cost accounted for a significant proportion of the Target Group's cost of sale for each of the property development and construction segments. For the year ended 31 December 2014, 18.1% of the cost of sale for the property development segment was attributable to subcontractors cost. For the years ended 31 December 2012, 2013, 2014 and the three months ended 31 March 2015, 60.3%, 71.8%, 73.8% and 73.3% of the cost of sale for the construction segment was attributable to subcontractors cost. Subcontractors cost depends in part on the amount of external and internal construction works the Target Group engages in at the time and the number of construction workers the Target Group has employed. The general increase in subcontractors cost as a percentage of cost of sale for the construction segment during the Track Record Period was primarily due to the increased use of subcontractors by the Target Group, driven by an increase in construction works for both external and internal projects.

For property development segment, the customers of the Target Group mainly comprise individual purchasers, while for construction business segment, the customers of the Target Group mainly comprise governmental authorities, such as HDB, as well as private property developers. During the Track Record Period, the five largest customers of the Target Group accounted for approximately 97.0%, 94.6%, 37.4% and 99.7% of the Target Group's revenue for the three years ended 31 December 2012, 2013, 2014 and the three months ended 31 March 2015, respectively. The largest customer of the Target Group accounted for approximately 52.0%, 57.3%, 25.0% and 80.6% of the Target Group's revenue for the three years ended 31 December 2012, 2013, 2014 and the three months ended 31 March 2015, respectively. The length of business relationship between the five largest customers and the Target Group during the Track Record Period ranged from 1 year to 11 years. Although the revenue generated by the property development segment began to contribute in the financial year ended 31 December 2014, as the customers of the Target Group for property development were mainly individual purchasers and the contribution from the top five largest customers for the property development segment of the Target Group only amounted to less than 1% of the total revenue for the year ended 31 December 2014, the top five customers during the Track Record Period were customers of the construction segment of the Target Group.

COMPETITIVE STRENGTHS AND BUSINESS STRATEGIES

The Directors believe that the Enlarged Group will have the following principal competitive strengths: (i) integrated and complementary capabilities as both a property developer and contractor ensure optimal quality and efficiency; (ii) established track record and reputation in construction and strategic focus on participation in HDB construction projects; (iii) established reputation in Singapore property development; (iv) in-depth market knowledge to identify and acquire development sites with growth potential; and (v) experienced, professional and dedicated management team.

Going forward, the primary focus of the Enlarged Group's business strategies will be to continue to develop quality residential properties and further strengthen the existing capability in construction in Singapore thereby expanding the market presence of the Target Group. The Enlarged Group intends to implement the following business strategies: (i) continue to leverage on the synergy created by the dual capabilities to enhance its market presence in property development market; (ii) continue to build upon the established track record with the local governmental authorities and to diversify the revenue stream for the construction business segment; (iii) continue to enhance the reputation of the Target Group, innovate and improve project designs with value-added features; and (iv) to attract, retain and develop a talented workforce through continual training and attractive remuneration packages.

Please refer to the details of the competitive strengths and business strategies of the Enlarged Group set out in the section headed "Business of the Target Group" of this circular.

CONTROLLING SHAREHOLDER AND BUSINESS DELINEATION

Although both the Enlarged Group and the Guotsing Group will be engaged in property development and provision of construction services ("**Restricted Businesses**"), their businesses will be clearly delineated based on their geographical locations upon Completion. During the Track Record Period, the Target Company and its subsidiaries were the only companies interested by Guotsing PRC that were engaged in the Restricted Businesses in Singapore. Upon Completion, the Enlarged Group will conduct the Restricted Business in Hong Kong, Macao and Singapore ("**Restricted Territories**") and the Guotsing Group (other than through the Enlarged Group) will conduct its Restricted Business mainly in the PRC and in other countries outside of the Restricted Territories. Hence, other than through the Enlarged Group, the Guotsing Group will not, upon Completion, have any subsidiaries engaging in the Restricted Business in the Restricted Territories. Owing to the specific requirements of the property and construction market in Singapore, Guotsing PRC will not be able to easily re-enter into the property and construction market in Singapore because it does not possess the requisite licences to participate in the construction projects for the governmental authorities nor does it have any local established business relationships (including suppliers, subcontractors or customers) in Singapore to develop the property and construction business in Singapore. Such geographical delineation will ring-fence the operations of the Enlarged Group from any potential competition from the Guotsing Group after Completion.

In addition, Guotsing PRC, New Guotsing Holdco and Dr. Du (collectively the "**Covenantors**") have entered into the Non-Competition Deed in favour of the Company which shall become effective at Completion pursuant to which each of the Covenantors has undertaken not to engage in Restricted Businesses in the Restricted Territories. Details of the Non-Competition Deed are set out in the paragraph headed "Relationship with Controlling Shareholders — Measures to minimise future potential competition between the Enlarged Group and the Guotsing Group — Non-Competition Undertaking" below in this circular.

SELECTED FINANCIAL INFORMATION OF THE TARGET GROUP

Selected combined statements of profit or loss and other comprehensive income data

	Year ended 31 December			Three months ended 31 March
	2012	**2013**	**2014**	**2015**
	SGD	*SGD*	*SGD*	*SGD*
Revenue	289,602,201	274,902,277	1,038,545,828	118,832,619
Cost of sales	(230,654,268)	(257,144,862)	(877,782,234)	(113,133,346)
Gross profit	58,947,933	17,757,415	160,763,594	5,699,273
Profit/(loss) for the year/period *(Note 1)*	22,186,258	(16,800,612)	60,870,337	(10,529,853)

Note 1: The Target Group recorded a net loss of SGD16.8 million in 2013 as compared with the net profit of SGD22.2 million in 2012, primarily due to the increased subcontractors cost incurred in 2013. The Target Group began to recognise the revenue of the property development in 2014, and thereby recorded a net profit of SGD60.9 million. The Target Group recorded a net loss of SGD10.5 million for the three months ended 31 March 2015, which was primarily due to its lower gross profit as a result of (i) the Target Group recognising no segment revenue from property development as no properties were completed or delivered during that period and (ii) the more competitive pricing and increased unit cost driven by higher subcontractors cost and labour cost for the construction segment which resulted in a lower gross profit margin. For further details on the analysis of profit fluctuation of the Target Group during Track Record Period, please refer to section headed "Financial Information of the Target Group" of this circular.

Selected combined statements of financial position data

	As at 31 December			As at 31 March
	2012	**2013**	**2014**	**2015**
	SGD	*SGD*	*SGD*	*SGD*
Total non-current assets	24,604,764	55,892,992	72,317,058	72,544,615
Total current assets	1,906,030,747	2,702,553,627	2,500,730,081	2,827,178,649
Total current liabilities	776,697,347	1,438,680,897	1,492,422,333	1,774,868,015
Total non-current liabilities	1,119,590,674	1,351,604,042	1,062,817,315	1,117,577,611
Net current assets	1,129,333,400	1,263,872,730	1,008,307,748	1,052,310,634
Net asset/(liabilities)	34,347,490	(31,838,320) *(note)*	17,807,491	7,277,638

Note: During the year ended 31 December 2013, an interim dividend of SGD1.96 per share amounting to a total dividend of SGD50.0 million was paid by CNQC (South Pacific) to its then shareholders. Since the combined net assets of the Target Group as at 31 December 2012 amounted to only SGD34.4 million and the Target Group recorded a combined loss and total comprehensive loss for 2013, the dividend by CNQC (South Pacific) resulted in the Target Group having net liabilities on a combined basis as at 31 December 2013.

Selected combined statements of cash flows data

	Year ended 31 December			Three months ended 31 March
	2012	2013	2014	2015
	SGD	*SGD*	*SGD*	*SGD*
Net cash (used in)/generated from operating activities	(375,783,271)	(337,930,023)	141,408,512	(126,332,269)
Net cash (used in)/generated from investing activities	(25,865,149)	(118,962,351)	107,086,939	395,744
Net cash generated from/(used in) financing activities	556,767,824	458,929,635	(377,708,643)	211,889,222
Net increase/(decrease) in cash and cash equivalents	155,119,404	2,037,261	(129,213,192)	85,952,697
Cash and cash equivalents at the end of period	262,405,875	264,443,136	135,229,944	221,182,641

Gross profit and gross profit margin

	Year ended 31 December						Three months ended 31 March	
	2012		2013		2014		2015	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	SGD	*%*	*SGD*	*%*	*SGD*	*%*	*SGD*	*%*
Property development	—	—	—	—	134,815,696	21.0	—	—
Construction *(Note)*	58,947,933	20.4	17,757,415	6.5	25,947,898	6.5	5,699,273	4.8
Target Group	58,947,933	20.4	17,757,415	6.5	160,763,594	15.5	5,699,273	4.8

Note: The gross profit margin of the construction segment of the Target Group was 6.5% in 2013 compared to 20.4% in 2012, which was primarily due to the increased subcontractors cost incurred in 2013. The gross profit margin attributable to the construction segment remained at 6.5% in 2014. The gross profit margin for the construction segment was further decreased for the first three months ended 31 March 2015 to 4.8%, which was primarily due to more competitive pricing and increased unit cost driven by higher subcontractors cost and labour cost.

Key Financial Ratios

	As at 31 December			As at 31 March
	2012	**2013**	**2014**	**2015**
Current ratio[(1)]	2.45	1.88	1.68	1.59
Gearing ratio[(2)]	33.81	N/A	73.32	209.19
Net debt to total capital ratio[(3)]	0.96	1.02	0.99	0.99
Return on assets[(4)]	1.6%	–0.7%	2.3%	N/A

Notes:

(1) Current ratio as at a certain date is derived by dividing current assets by current liabilities as at the relevant date.

(2) Gearing ratio as at a certain date is derived by dividing total debt (comprising current and non-current borrowings) by total equity as at the relevant date. The fluctuations in gearing ratio during the Track Record Period were primarily due to (i) the changes to the Target Group's total equity or deficit position resulting primarily from the changes in retained profits or accumulated loses and dividend payment during the period and (ii) the changes in outstanding borrowings. The gearing ratio increased significantly from 73.32 as at 31 December 2014 to 209.19 as at 31 March 2015, which was primarily due to a decrease in total equity from SGD17.8 million to SGD7.3 million between those two dates as a result of the total loss for the three months ended 31 March 2015.

(3) Net debt to total capital ratio as at a certain date is derived by dividing net debt (comprising current and non-current borrowings less cash and cash equivalents) by total capital (comprising equity plus net debt) as at the relevant date.

(4) Return on assets for a certain period is derived by dividing total profit/(loss) and total comprehensive income/(loss) for the relevant period by the arithmetic mean of the opening and closing balances of total assets for such period.

Please see the section headed "Financial Information of the Target Group" of this circular for an analysis of the key financial ratios.

SELECTED UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

The table below sets out selected unaudited pro forma financial information of the Enlarged Group. Further details are set out in the section headed "Appendix V — Unaudited Pro forma Financial Information of the Enlarged Group".

	HK$'000
Pro forma net tangible assets	
Pro forma total assets of the Enlarged Group	17,437,365
Less: Pro forma total liabilities of the Enlarged Group	(16,769,683)
Pro forma goodwill of the Enlarged Group	(282,933)
Pro forma intangible assets of the Enlarged Group	(11,628)
Pro forma net tangible assets of the Enlarged Group	373,121
Less: Non-controlling interests of the Enlarged Group	(19,533)
Pro forma net tangible assets attributable to equity holders of the Company	353,588
Divided by:	
Number of Shares outstanding on 31 December 2014	300,000,000
Number of CPSs to be issued upon the Completion	951,872,727
	1,251,872,727
	HK$
Pro forma net tangible assets attributable to equity holders of the Company per Share	0.2824
Pro forma net tangible assets attributable to equity holders of the Company per CPS	0.2824

PROPERTY VALUATION OF THE TARGET GROUP AS AT 30 JUNE 2015

As of 30 June 2015, the Target Group held majority interests in six property projects across Singapore, all of which were under development, with a total market value attributable to the Target Group of approximately SGD1,673.8 million (as valued by DTZ according to the respective states of the property projects as at 30 June 2015). The Target Group also held 30% interest in one other property project in Singapore. The valuation method adopted by DTZ was based on the direct comparison approach by making reference to comparable sales evidence as available in the relevant market, the pre-sold area and consideration, and has also taken into account the expended construction costs as well as the costs that will be expended to complete the proposed development. Please refer to Appendix VI of this circular for further information of the property projects of Target Group.

RECENT DEVELOPMENTS

Subsequent to 31 March 2015 and up to the Latest Practicable Date, the TOP of one Target Group's property project, namely RiverSound Residence, has been issued in May 2015 and it is expected that the TOPs of two other property projects namely River Isles and WaterBay will be issued by the end of 2015. As at the Latest Practicable Date, one of the property projects of the Target Group, namely Sembawang, had yet to commence pre-sale which is currently expected to take place in February 2016. In August 2015, the Target Group, through Qingjian Realty (Residential) Pte Ltd, together with Bohai Investments (Sengkang) Pte Ltd (a member of Welltech Group) and several other independent third parties, successfully tendered for a new land parcel at Choa Chu Kang Avenue 5 at a tender price of SGD156,157,000 of which the Target Group held the largest interest of 26% in the above land parcel. According to the letter of award, the full tender price should be payable by late November with building agreement to be entered within 14 days upon full payment of such tender price. The site area of the above land parcel is approximately 16,386.1 sq.m. with a total GFA of approximately 49,158.3 sq.m., which is intended to be developed as executive condominiums.

In relation to the construction segment of the Target Group, two construction projects namely China Cultural Centre and HDB Hougang N4C18 were completed as at the Latest Practicable Date. Further, Qingjian International was awarded BCA Construction Excellence Award (Merit) for project The Minton. As at the Latest Practicable Date, the Target Group has already engaged in an aggregate of 15 on-going construction projects engaged by third parties as well as its own property development projects, given the number of construction contracts on hand, in order to avoid over-utilising the existing manpower, as well as to ensure the Target Group has sufficient resource to supervise each on-going construction project, the Target Group has recently been cautious in tendering for third party construction projects and with preference to allocate available resources to the Target Group's own property development projects. Since September 2014 and up to the Latest Practicable Date, the Target Group has only taken up one new engagement by Qingdao Construction in relation to the basement works of the Target Group's property project Sembawang in May 2015.

According to Knight Frank, although it is expected that there will be a continued decline in prices for the private housing market in the short-term due to the property market cooling measures implemented by the Singapore government, the fundamentals of the Singapore property market remain stable and attractive and prices may potentially bottom out from 2016. 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. Further, the market of executive condominiums is expected to see a gradual recovery from its lacklustre performance last year. Nevertheless, in view of the substantial upcoming supply for executive condominium, there remains an overriding need for developers of executive condominiums to differentiate their projects so as to achieve higher selling prices and profit level. Please refer to Appendix IA of this circular for further information on the market outlook for Singapore residential property market. Recently, HDB has relaxed the income ceiling for executive condominium in order to increase the number of eligible purchasers. From 24 August 2015 onwards, the average gross monthly household income ceiling for executive condominium will be raised from SGD12,000 to SGD14,000. The Directors are of the view that such a change in housing policy will have a positive effect to the business of the Target Group, in particular it would assist to boost homeownership of both home renters and middle-income and sandwiched classes through purchasing executive condominiums, and the Target Group is well-positioned to benefit from such a policy change.

According to Rider Levett Bucknall, in relation to construction market in Singapore, it is expected that the tender prices of construction projects will remain competitive due to the increased labour restrictions and regulatory costs. Construction prices movements are anticipated to increase between 1% to 2% for 2015 and the overall construction demand is expected to remain resilient over the next five years with contract values to range between SGD26.0 billion and SGD37.0 billion per year. Please refer to Appendix IB of this circular for further details on the construction market in Singapore.

CNQC (South Pacific) had granted rights to certain senior management to subscribe for its shares under the Pre-existing Management Scheme. The Pre-existing Management Scheme and the Rights will be replaced by the Management Share Scheme and the Awards granted thereunder. Please refer to the section headed "Letter from the Board — Management Share Scheme" for details. On the basis that the Acquisition will be completed, based on an independent valuation of the Rights, the fair value of the Rights granted to the Selected Participants who are employees of the Enlarged Group as at the grant date is approximately SGD75.1 million, which will be recognised as an expenses of the Target Group over the vesting period. The amounts that will be charged to the income statements of the Target Group for each of the financial years ending 31 December 2015, 2016, 2017, 2018, 2019 and 2020 are approximately SGD33.6 million, SGD19.4 million, SGD11.5 million, SGD6.7 million, SGD3.3 million and SGD0.6 million, respectively. Upon Completion, the Management Share Scheme will replace the Pre-existing Management Scheme and if the fair value of the Awards granted to the Relevant Selected Participants is higher than the fair value of the Rights at the date of Completion, the total amount of expenses charged to the Target Group may be increased by such additional amount. Please refer to the paragraph headed "Risk Factors — Risk relating to the business of the Target Group — There may be a dilutive effect on your shareholdings in the Company, the earnings per Share and on the Enlarged Group's future earnings associated with the Management Share Scheme" for the related impact on the Management Share Scheme.

Save as disclosed above, the Directors confirm that there has been no material adverse change in the Target Group's business operations, financial position or prospect since 31 March 2015 (being the date to which the last audited financial information of the Target Group were prepared) and up to the date of this circular, and there is no event since 31 March 2015 which would materially affect the information shown in the combined financial information set out in Appendix III to this circular. So far as the Directors are aware, there has been no material change in the general condition of the property development and construction industries in which the Target Group operates which has materially and adversely affected the Target Group's results of operation or financial condition since 31 March 2015 and up to the date of this circular.

RISK FACTORS

The Directors believe that there are certain risks relating to the Acquisition, the business of the Target Group and property development and construction business in Singapore. Some of the related material risks include (i) the Target Group may not be able to effectively implement its business strategies in respect of its property development or construction businesses which may impact on the operational and financial performance and prospects of the Target Group; (ii) the sale of properties of the Target Group is affected by a number of factors including the Target Group's schedule of property development and the timing of property sales, which may impact on revenue recognition and cash flow and cause the results of operations of the Target Group to fluctuate; (iii) the Target Group may not always be able to obtain sites that are suitable for property development strategy of the Target Group and acquire sufficient land reserves at reasonable cost and may not always be able to secure the construction projects that are sought after by the Target Group through the tendering process, which may restrict and impact on its expansion, business and financial performance; (iv) fluctuations in the currency exchange rates may adversely affect the Target Group's results of operations; and (v) increases in construction and development costs may have an adverse impact on the Target Group's results of operations. The above-mentioned risks are not the only risks which may affect the business, results of operation and financial conditions of the Target Group and for further details on the risks faced by the Target Group, please refer to the section headed "Risk Factors" of this circular.

CONTINUING CONNECTED TRANSACTIONS

On 25 September 2015, the Company entered into the Qingjian Precast Master Service Agreements in relation to the Non-Exempt Continuing Connected Transaction to be entered into by the Enlarged Group after Completion. Pursuant to Chapter 14A of the Listing Rules, resolutions will be proposed at the EGM for the approval by the Independent Shareholders of the Non-Exempt Continuing Connected Transaction and the Annual Caps.

Please refer to the section headed "Continuing Connected Transactions" in this circular for further information relating to the Non-Exempt Continuing Connected Transaction.

DIVIDENDS AND DIVIDEND POLICY

The Target Group declared dividends in the amounts of nil, SGD50.0 million, nil and nil in 2012, 2013, 2014 and the three months ended 31 March 2015, respectively. The Directors may recommend a payment of a dividend in the future after taking into account various factors, including the financial condition, capital requirement and earnings of the Enlarged Group, and subject to the Articles. There is no guarantee that dividends will be paid in the future. Any cash dividend or other distributions will be paid to the Shareholders by any means as the Directors deem legal, fair and practical.

SOLE SPONSOR, FINANCIAL ADVISER AND INDEPENDENT FINANCIAL ADVISER

HSBC Corporate Finance (Hong Kong) Limited has been appointed as the Sole Sponsor to the new listing application of the Company.

The Hongkong and Shanghai Banking Corporation Limited has been appointed as the Financial Adviser in connection with the Acquisition.

Altus Capital Limited has been appointed as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Acquisition, the Share Purchase Agreement, the Specific Mandate, the Whitewash Waiver and the Non-Exempt Continuing Connected Transaction.

TOTAL EXPENSES

The aggregate fees, together with the Stock Exchange listing fee, legal and other professional fees, printing and other expenses relating to the Acquisition, are estimated to be approximately HK$43 million and are payable by the Company, all of which is expected to be charged to the profit and loss account of the Company upon Completion. Such expense is an estimate and the actual amount may differ from this estimate. The Directors do not expect these expenses to have a material impact on the Enlarged Group's result of operations in 2015.

RECOMMENDATIONS

The Independent Board Committee (comprising all the independent non-executive Directors, namely, Mr. Chuck Winston Calptor, Mr. Ching Kwok Hoo, Pedro and Mr. Tam Tak Kei, Raymond) has been constituted to consider the Acquisition, the Share Purchase Agreement, the Specific Mandate, the Whitewash Waiver and the Non-Exempt Continuing Connected Transaction and to make a recommendation to the Independent Shareholders.

The Independent Board Committee, having considered the terms and conditions of the Share Purchase Agreement and after taking into account the advice from the Independent Financial Adviser, considers that the Acquisition, the Whitewash Waiver and the Non-Exempt Continuing Connected Transaction are fair and reasonable and in the interests of the Company and the Shareholders as a whole. The Independent Board Committee accordingly recommends that the Independent Shareholders vote in favour of the resolutions to be proposed at the EGM to approve the Acquisition, the Share Purchase Agreement, the Specific Mandate, the Whitewash Waiver and the Non-Exempt Continuing Connected Transaction. The Directors recommend that the Shareholders vote in favour of the resolutions to be proposed to approve the Acquisition, the Share Purchase Agreement, the Specific Mandate, the Whitewash Waiver, the Specific Placing Mandate and the Non-Exempt Continuing Connected Transaction as well as other resolutions to be proposed at the EGM.

The text of the letter from the Independent Board Committee containing its recommendation to the Independent Shareholders is set out on pages 70 to 71 of this circular. The text of the letter from the Independent Financial Adviser, containing its advice to the Independent Board Committee and the Independent Shareholders with regard to the Acquisition, the Share Purchase Agreement, the Specific Mandate, the Whitewash Waiver and the Non-Exempt Continuing Connected Transaction and the principal factors and reasons which it has taken into account in arriving at its advice, is set out on pages 72 to 111 of this circular.

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

"Acquisition"	the sale and purchase of the Sale Shares as contemplated under the Share Purchase Agreement
"Announcement"	the announcement of the Company dated 23 May 2015 in relation to, among other things, the Acquisition
"Annual Caps"	the maximum aggregate annual transaction amounts set for the Non-Exempt Continuing Connected Transaction for each of the three years ending 31 December 2015, 2016 and 2017
"Articles"	the articles of association of the Company adopted on 11 September 2012, as may be amended from time to time
"associate(s)"	has the meaning given to it under the Listing Rules
"Awards"	has the meaning given to it under the paragraph headed "Letter from the Board — Management Share Scheme" in this circular
"BCA"	The Building & Construction Authority of Singapore
"BCA Academy"	the education and research arm of BCA
"Beijing Uni-land"	北京紫光置地投資有限公司 (Beijing Uni-land Investment Co., Ltd*), a company incorporated in PRC on 17 February 2011 and owned as to 15% equity interest in Guotsing PRC, an independent third party
"Beijing Uni-land BVI"	Tsinghua Unigroup International Co., Ltd., a limited liability company incorporated in the BVI on 15 December 2011 and is wholly-owned by 北京紫光資本管理有限公司, which is wholly-owned by 紫光集團有限公司, a company owned 51% interest in Beijing Uni-land, and is an independent third party
"Board"	the board of Directors
"Bohai Investment"	青島博海投資有限公司 (Qingdao Bohai Investment Co., Ltd*), a company incorporated in the PRC on 2 February 2007 and is beneficially owned as to 20% by Dr. Du, approximately 10.49% by Mr. Yuan Hongjun and the remaining beneficial interests by more than 60 individuals who are existing or former employees of Qingdao Bohai and its subsidiaries
"Business Day"	a business day on which the Stock Exchange is open for the transaction of business

"BVI"	the British Virgin Islands
"BVI Company 1"	Bliss Wave Holding Investments Limited (福濤控股投資有限公司), a limited liability company incorporated in the BVI on 11 May 2015, and owned as to 74.533% by BVI Company 2, 0.343% by BVI Company 3 and 25.124% by BVI Company 4 and is a member of the New Guotsing Concert Group
"BVI Company 2"	Hui Long Enterprises Limited (匯隆企業有限公司), a limited liability company incorporated in the BVI on 18 February 2015 and wholly-owned by Dr. Du and is a member of the New Guotsing Concert Group
"BVI Company 3"	Century Golden Source Investments Limited (世紀金源投資有限公司), a limited liability company incorporated in the BVI on 28 April 2015 and wholly-owned by Mr. Cao Shujian
"BVI Company 4"	Sun East Development Limited (尚東發展有限公司), a limited liability company incorporated in the BVI on 28 April 2015 and wholly-owned by the legal owners of Bohai Investment and is a member of the New Guotsing Concert Group
"BVI Company 5"	Hao Bo Investments Limited (浩博投資有限公司), a limited liability company incorporated in the BVI on 28 April 2015, and owned as to 48.547% by Qingjian BVI and 51.453% by BVI Company 1 and is a member of the New Guotsing Concert Group
"Call Option"	has the meaning given to it under the section headed "Relationship with the Controlling Shareholders — Welltech Group — call option deed" in this circular
"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC
"China" or "PRC"	the People's Republic of China, which shall, for the purposes of this circular, exclude Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
"Chong Lee Heng"	Chong Lee Heng Builder Pte. Ltd. (眾利興建築有限公司), a limited liability company incorporated in Singapore on 26 April 2007, a wholly-owned subsidiary of Max Marine and is a member of the Target Group

"Circular"	the circular to be sent to the Shareholders in relation to the EGM containing, among others, details of the Acquisition, the Share Purchase Agreement, the Specific Mandate, the issuance of CPS, the proposed increase in authorised share capital, the Whitewash Waiver and the continuing connected transactions to be entered into by the Enlarged Group upon Completion
"close associate(s)"	has the meaning as defined in the Listing Rules
"CNQC Development"	CNQC Development Limited, a company incorporated in the BVI on 14 January 2014 with limited liability, a controlling shareholder of the Company and is indirectly wholly-owned by Guotsing PRC
"CNQC (South Pacific)"	CNQC (South Pacific) Holding Pte. Ltd., a company incorporated in Singapore on 10 August 2012 with limited liability and is wholly-owned by New Guotsing BVI as at the Latest Practicable Date
"Companies Law"	The Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands
"Companies Ordinance"	Companies Ordinance (Chapter 622 of the Laws of Hong Kong)
"Company"	CNQC International Holdings Limited (青建國際控股有限公司) (formerly known as Sunley Holdings Limited (新利控股有限公司)), a company incorporated in the Cayman Islands with limited liability on 15 April 2011, the Shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 1240)
"Completion"	the completion of the Acquisition in accordance with the terms and conditions of the Share Purchase Agreement
"Completion Date"	the date on which Completion occurs
"connected persons"	has the meaning given to it under the Listing Rules
"Connected Transaction Agreements"	the Qingjian Precast Master Service Agreement and the SLP International Master Service Agreement
"Consideration"	the consideration for the Sale Shares, being HK$2,617,650,000
"Consideration Shares"	the 951,872,727 CPS to be issued and allotted by the Company for settlement of the Consideration

"controlling shareholder(s)"	has the meaning as defined under the Listing Rules and in the context of the Company, means the Controlling Shareholders Group as at the Latest Practicable Date
"Controlling Shareholders Group"	Qingdao Qingjian, Shanghai Heliyuan, Qingdao Bohai, Guotsing PRC, Guotsing SG, CNQC Development and Dr. Du
"Conversion Shares"	the new Shares to be issued and allotted by the Company upon the exercise of the conversion rights attaching to the CPS
"CPS"	the 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 and to be issued and allotted by the Company credited as fully paid in settlement of the Consideration
"Director(s)"	director(s) of the Company
"Dr. Du"	Dr. Du Bo (杜波), Chairman and an executive Director, chairman of the board of directors of Guotsing PRC, a director of Guotsing SG and the controlling shareholder of New Guotsing Holdco
"DTZ"	DTZ Debenham Tie Leung Limited, a valuation advisory services company, which is an independent third party
"EGM"	the extraordinary general meeting of the Company to be convened for the purpose of considering, and if thought fit, approving, among others, the Acquisition, the Share Purchase Agreement, the Specific Mandate, the proposed increase in the authorized share capital, the Whitewash Waiver and the non-exempt continuing connected transaction to be entered into by the Enlarged Group upon Completion
"Enlarged Group"	the Group and the Target Group
"Executive"	the Executive Director of the Corporate Finance Division of the SFC or any of his delegate

"Financial Adviser"	The Hongkong and Shanghai Banking Corporation Limited, a registered institution under the SFO, registered to conduct Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities), Type 5 (advising on futures contracts), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities, and a licensed bank under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong), being the financial adviser of the Company in relation to the Acquisition
"Group"	the Company and its subsidiaries immediately prior to Completion
"Guotsing Group"	Guotsing PRC and its subsidiaries, including Guotsing SG and if in relation to the period upon Completion, excluding the Enlarged Group
"Guotsing PRC"	國清控股集團有限公司 (Guotsing Holding Group Co Ltd.*), a company incorporated in the PRC on 8 November 2012 with limited liability and is the controlling shareholder of the Company. As at the Latest Practicable Date, Guotsing PRC was held as to (i) 41.265% by Qingjian Staff Union (through its wholly-owned subsidiary, Qingdao Qingjian); (ii) as to 30% by Shanghai Heliyuan; (iii) as to 15% by Beijing Uni-land; and (iv) as to 13.735% by Qingdao Bohai. The controlling shareholders of Guotsing PRC are Qingdao Qingjian and Shanghai Heliyuan
"Guotsing PRC Controlling Shareholders Group"	Qingdao Qingjian, Shanghai Heliyuan and Qingdao Bohai
"Guotsing SG"	Guotsing Holding (South Pacific) Investment Pte Ltd, a private company limited by shares and incorporated in Singapore on 25 May 2012, formerly known as CNQC (South Pacific) Investment Pte. Ltd., and is wholly-owned by Guotsing PRC
"HDB"	Housing & Development Board of Singapore
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"HKFRS"	Hong Kong Financial Reporting Standards
"HKSCC"	Hong Kong Securities Clearing Company Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited

"HLY Investments (Anchorvale)"	HLY Investments (Anchorvale) Pte. Ltd., a company incorporated in Singapore on 11 June 2013 with limited liability and is held as to 83.3% by HLY Investments Pte. Ltd., which is in turn held as to 30% by Ms. Lin XiuE, spouse of Dr. Du, 15% by Mr. Zhang Zhihua, a non-executive Director, 40% by Ms. Dou Guoying, spouse of Mr. Song Xiuyi, a director of certain Target Group Companies and 15% by Ms. Li Minghua, spouse of Mr. Zuo Haibin, a director of certain Target Group Companies
"HLY Investments (Sembawang)"	HLY Investments (Sembawang) Pte. Ltd., a company incorporated in Singapore on 18 November 2014 with limited liability and is held as to 21.74% by Ms. Lin XiuE, spouse of Dr. Du, 26.09% by Mr. Zhang Zhihua, a non-executive Director and 52.17% by Mr. Song Xinyin, a director of certain Target Group Companies
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Independent Board Committee"	an independent committee of the Board, comprising all the independent non-executive Directors, namely Mr. Chuck Winston Calptor, Mr. Ching Kwok Hoo, Pedro and Mr. Tam Tak Kei, Raymond, formed for the purpose of advising the Independent Shareholders in respect of the Acquisition, the Share Purchase Agreement, the Specific Mandate, the Whitewash Waiver and the Non-Exempt Continuing Connected Transaction
"Independent Financial Adviser"	Altus Capital Limited, a corporation licensed under the SFO to carry on type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities as defined under the SFO, is the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Acquisition, the Share Purchase Agreement, the Specific Mandate, the Whitewash Waiver and the Non-Exempt Continuing Connected Transaction
"Independent Shareholder(s)"	the Shareholder(s), other than (i) Guotsing SG and its associates (including CNQC Development), (ii) the New Guotsing Concert Group, (iii) those who are connected, interested or involved in the Acquisition, the Whitewash Waiver or the Non-Exempt Continuing Connected Transaction, and (iv) those who are required to abstain from voting at the EGM to be convened to approve the Acquisition, the Non-Exempt Continuing Connected Transaction, the Whitewash Waiver and matters relating to it

"independent third party"	a person other than a connected person (within the meaning of the Listing Rules) of the Company or of the Target Company, as the case may be
"Issue Price"	HK$2.75 per CPS
"Knight Frank"	Knight Frank Pte Ltd, a real estate market research and consultancy company, which is an independent third party
"Last Trading Day"	22 May 2015, being the last full trading day for the Shares before the date of the Announcement
"Latest Practicable Date"	22 September 2015, being the latest practicable date prior to the date of this circular for the purpose of ascertaining certain information contained in this circular
"Listing"	the listing approval granted by the Listing Committee for the listing of, and permission to deal in, the Conversion Shares on the Stock Exchange in connection with the new listing application of the Company for the purpose of the Acquisition
"Listing Committee"	the Listing Committee of the Stock Exchange
”Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
"LRT Station"	Light Rapid Transit Station
"LTA"	Land Transportation Authority of Singapore
"Macau"	Macau Special Administrative Region of the PRC
"Management Share Scheme"	has the meaning ascribed to it under the paragraph headed "Appendix VIII — Statutory and General Information — J. Share Option Schemes — Management Share Scheme" in this circular
"Max Marine"	Max Marine International Trading Pte. Ltd. (formerly known as Max Marine International Logistics Pte. Ltd), a company incorporated in Singapore with limited liability on 4 November 2010, a wholly-owned subsidiary of CNQC (South Pacific)
"Memorandum"	the memorandum of association of the Company
"MOM"	Ministry of Manpower of Singapore

"New Controlling Shareholders Group"	New Guotsing Holdco, BVI Company 1, BVI Company 2, BVI Company 4, BVI Company 5, Qingjian BVI, Qingdao Qingjian and Dr. Du
"New Guotsing BVI"	Wang Bao Development Limited (旺寶發展有限公司), a limited liability company incorporated in the BVI on 28 April 2015 and wholly-owned by New Guotsing Holdco for the purpose of holding the entire issued capital of CNQC (South Pacific) immediately prior to Completion
"New Guotsing Concert Group"	New Guotsing Holdco and parties acting in concert with it (as defined under the Takeovers Code), including Dr. Du, BVI Company 1, BVI Company 2, BVI Company 4, BVI Company 5, Qingjian BVI and Qingdao Qingjian
"New Guotsing Holdco"	Guotsing Holding Company Limited (國清控股有限公司), a limited liability company incorporated in the BVI on 11 May 2015 and is indirectly owned by the ultimate beneficial owners of Guotsing PRC (being Qingdao Qingjian, Dr. Du, the other shareholders of Shanghai Heliyuan and Bohai Investment and Beijing Uni-land), for the purpose of holding the CPS to be issued at Completion
"Non-Competition Deed"	the deed of non-competition dated 22 September 2015 executed by Guotsing PRC, New Guotsing Holdco and Dr. Du in favour of the Company in relation to the Acquisition
"Non-Exempt Continuing Connected Transaction"	the transactions to be carried out pursuant to the Qingjian Precast Master Service Agreement, which are subject to the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules
"percentage ratios"	any of the five ratios set out in Rule 14.07 of the Listing Rules
"Possible Placing"	the possible placing(s) of not more than 215,000,000 new Shares pursuant to the Specific Placing Mandate proposed to be granted by the Shareholders
"Pre-existing Management Scheme"	has the meaning given to it under the section headed "Letter from the Board — Management Share Scheme" in this circular
"PUB"	Public Utilities Board of Singapore

"Qingdao Bohai"	青島博海建設集團有限公司 (Qingdao Bohai Construction Group Co Ltd*), a PRC company incorporated on 2 June 1998, which in turn is controlled by Bohai Investment, of which Dr. Du is the single largest shareholder with an effective beneficial interest of 20% as at the Latest Practicable Date
"Qingdao Construction"	Qingdao Construction (Singapore) Pte. Ltd., a company incorporated in Singapore with limited liability on 17 September 1999, a wholly-owned subsidiary of CNQC (South Pacific) and is a member of the Target Group
"Qingdao Qingjian"	青島青建控股有限公司 (Qingdao Qingjian Holdings Co*), a PRC company incorporated on 18 July 2002 which is a wholly-owned subsidiary of Qingjian Staff Union and it holds 41.265% shareholdings in Guotsing PRC
"Qingjian BVI"	Top Elate Investments Limited (冠揚投資有限公司), a limited liability company incorporated in the BVI on 12 February 2015, a wholly-owned subsidiary of Qingdao Qingjian and is a member of the New Guotsing Concert Group
"Qingjian Construction"	Qingjian Construction (Singapore) Pte. Ltd. (青建建築(新加坡)有限公司), a company incorporated in Singapore with limited liability on 27 August 2013 and is wholly-owned by Qingjian Holding Pte. Ltd., which is in turn wholly-owned by CNQC (South Pacific)
"Qingjian Group Co Ltd"	青建集團股份公司, a company incorporated in the PRC on 16 February 1995 and is 79.985% owned by Guotsing PRC, 0.075% owned by 青島青建物流集團有限公司 (Qingdao Qingjian Logistic Group Ltd*) (a company incorporated in the PRC and owned as to 66.66% by Guotsing PRC), and 19.94% owned by independent third parties
"Qingjian International"	Qingjian International (South Pacific) Group Development Co., Pte. Ltd., a company incorporated in Singapore with limited liability on 22 February 2010, a wholly-owned subsidiary of CNQC (South Pacific)
"Qingjian Precast Master Service Agreement"	an agreement dated 25 September 2015 entered into by Qingjian Precast Pte. Ltd. and the Company for the supply of precast component and clay and concrete products to the Enlarged Group

"Qingjian Precast"	Qingjian Precast Pte. Ltd., a company incorporated on 18 August 2009 in Singapore with limited liability and is owned as to 16% by Ms. Lin XiuE, spouse of Dr. Du, 8% by Mr. Zhang Zhihua, a non-executive Director and 8% by Dr. Ding Hongbin, a non-executive Director and is considered as a connected person of the Company on a voluntary basis. Please refer to section headed "Continuing Connected Transaction — (III) Other Continuing Connected Transactions — B. Subject to Annual Reporting, Announcement and the Independent Shareholders' Approval Requirements" for further details
"Qingjian Realty"	Qingjian Realty (South Pacific) Group Pte. Ltd., a company incorporated in Singapore with limited liability on 3 October 2011, a wholly-owned subsidiary of CNQC (South Pacific) and is a member of the Target Group
"Qingjian Staff Union"	青島青建控股有限公司工會持股會 (Qingdao Qingjian Holdings Co Staff Shareholding Union*), a legal entity established in the PRC on 17 July 2002, which comprises approximately 400 members which include current or previous employees of the Guotsing Group. As at the Latest Practicable Date, Dr. Du, Mr. Zhang Zhihua and Dr. Ding Hongbin hold 3.6%, 1.6% and 3% interest in Qingjian Staff Union, respectively
"QJ Anchorvale"	Qingjian Realty (Anchorvale) Pte. Ltd., a company incorporated in Singapore with limited liability on 10 June 2013, and owned as to 63% by Qingjian Realty, 15% by Suntec Property Ventures Pte. Ltd., 12% by HLY Investments (Anchorvale) Pte. Ltd. and 10% by ZACD (Anchorvale) Pte. Ltd. and is a member of the Target Group
"QJ Edgefield Plains"	Qingjian Realty (Edgefield Plains) Pte. Ltd., a company incorporated in Singapore with limited liability on 12 April 2012, and owned as to 85% by Qingjian Realty, 10% by Bohai Investments (Punggol Central) Pte. Ltd. and 5% by Mr. Zuo Haibin and is a member of the Target Group
"QJ Punggol"	Qingjian Realty (Punggol) Pte. Ltd., a company incorporated in Singapore with limited liability on 18 October 2010, and owned as to 60% by Qingdao Construction, 16% by ZACD (Punggol Drive) Pte. Ltd., 14% by Yongli He Development Pte Ltd. and 10% by Mr. Zuo Haibin and is a member of the Target Group

"QJ Punggol Central"	Qingjian Realty (Punggol Central) Pte. Ltd., a company incorporated in Singapore with limited liability on 17 November 2011, and owned as to 85% by Qingjian Realty, 10% by Bohai Investments (Punggol Central) Pte. Ltd. and 5% by Mr. Zuo Haibin and is a member of the Target Group
"QJ Punggol Way"	Qingjian Realty (Punggol Way) Pte. Ltd., a company incorporated in Singapore with limited liability on 13 September 2012, and owned as to 85% by Qingjian Realty, 10% by Shun Kang Development & Investment Pte. Ltd. and 5% by Mr. Zuo Haibin and is a member of the Target Group
"QJ Sembawang"	Qingjing Realty (Sembawang) Pte Ltd, a company incorporated in Singapore with limited liability on 24 October 2014, and owned as to 77% by Qingjian Realty (Residential) Pte. Ltd., 3% by HLY Investments (Sembawang), 5% by ZACD (Canberra) Pte. Ltd., and 15% by Suntec Property Ventures Pte. Ltd. and is a member of the Target Group
"QJ Sengkang"	Qingjian Realty (Sengkang) Pte. Ltd. a company incorporated in Singapore with limited liability on 10 June 2011, and owned as to 72% by Qingdao Construction, 12% by ZACD (Sengkang) Pte. Ltd., 5% by Bohai Investments (Sengkang) Pte. Ltd, 5% by Mr. Zuo Haibin, 3.8% by Yongli He Development Pte. Ltd. and 2.2% by TKS International Investment Pte. Ltd. and is a member of the Target Group
"QJ Serangoon"	Qingjian Realty (Serangoon) Pte. Ltd., a company incorporated in Singapore with limited liability on 22 June 2010, and owned as to 81% by Qingdao Construction, 15% by ZACD (Sennett) Pte. Ltd. and 4% by Yongli He Development Pte. Ltd. and is a member of the Target Group
"QJ Woodlands"	Qingjian Realty (Woodlands) Pte. Ltd., a company incorporated in Singapore with limited liability on 23 May 2013, and owned as to 65% by Qingjing Realty, 15% by Suntec Property Ventures Pte. Ltd., 10% by Bohai Investments (Sengkang) Pte. Ltd. and 10% by ZACD (Woodlands3) Pte. Ltd. and is a member of the Target Group
"Reorganisation"	the reorganisation of the shareholding structure of CNQC (South Pacific), details of which are set out in the paragraph headed "Letter from the Board — Reorganisation" in this circular
"Rider Levett Bucknall"	Rider Levett Bucknall LLP, a property and construction consultancy company, which is an independent third party

"Rights"	has the meaning given to it under the section headed "Letter from the Board — Management Share Scheme" in this circular
"Sale Shares"	the entire issued share capital of the Target Company. For the avoidance of doubt, as at the date of the Share Purchase Agreement, the Sale Shares shall be the entire issued shares of CNQC (South Pacific). As all of the shares of CNQC (South Pacific) have been transferred to New Guotsing BVI pursuant to the Reorganisation as at the Latest Practicable Date, the Sale Shares are the entire issued shares of New Guotsing BVI
"Selected Participants"	certain management of Guotsing Group which were granted rights to subscribe for shares of CNQC (South Pacific) under the Pre-existing Management Scheme, details of which are set out in the section headed "Appendix VIII — Statutory and General Information — J. Share Option Schemes — Management Share Scheme" in this circular
"SFC"	the Securities and Futures Commission of Hong Kong
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"SGD" or "S$"	Singapore Dollar, the lawful currency of Singapore
"Shanghai Heliyuan"	上海和利源投資有限公司 (Shanghai Heliyuan Investment Co Ltd*), a company incorporated in the PRC on 22 October 2012 with limited liability and is owned by Dr. Du Bo as to 99.5% and Mr. Cao Shujian as to 0.5%, and holding 30% shareholding in Guotsing PRC
"Share(s)"	ordinary shares of HK$0.01 each in the share capital of the Company
"Share Purchase Agreement"	a sale and purchase agreement dated 23 May 2015 entered into between the Company and Guotsing SG in relation to the Acquisition
"Shareholders"	the holders of the Shares
"Singapore"	the Republic of Singapore
"SLP International Master Service Agreement"	an agreement dated 25 September 2015 entered by SLP International Property Consultants Pte. Ltd. and the Company for the provision of marketing and consultancy services to the Enlarged Group

"Sole Sponsor"	HSBC Corporate Finance (Hong Kong) Limited, a corporation licensed to conduct Type 6 (advising on corporate finance) regulated activities under the SFO, being the sole sponsor to the new listing application of the Company
"Specific Mandate"	the specific mandate to be approved by the Independent Shareholders, details of which are set out in the section headed "Letter from the Board — Proposed Grant of Specific Mandate" in this circular
"Specific Placing Mandate"	the specific mandate proposed to be granted to the Directors by the Shareholders at the EGM to issue not more than 215,000,000 new Shares, representing not more than 18.5% of the total issued share capital of the Company as enlarged by the conversion of all CPS held by New Guotsing Holdco and the completion of the Possible Placing, details of which are set out in the section headed "Letter from the Board — Proposed Grant of Specific Placing Mandate" in this circular
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Takeovers Code"	The Code on Takeovers and Mergers of Hong Kong
"Target Company"	New Guotsing BVI
"Target Group"	the Target Company and its subsidiaries or where the context so required, in respect of the period before the Target Company became the holding company of its present subsidiaries, the present subsidiaries of the Target Company and the business operated by such subsidiaries, and where the context related to the business conducted by the Target Group prior to the incorporation of CNQC (South Pacific), includes the present subsidiaries of the CNQC (South Pacific) and its predecessor companies Qingjian Realty Pte. Ltd and Qingjian Group Co. Ltd (Singapore branch)
"Target Group Companies"	members of the Target Group
"Track Record Period"	the period comprising the three years ended 31 December 2014 and the three months ended 31 March 2015
"Trademark Licence Agreement"	the trademark licence agreement dated 25 September 2015 entered into by the Company and Qingjian Group Co Ltd for the licensing of certain trademarks to the Enlarged Group
"Trust"	the trust to be constituted to service the Management Share Scheme on the Completion Date

"Trustee"	a professional independent trustee appointed for the purpose of the Trust
"URA"	Urban Redevelopment Authority, Singapore's land use planning and conservation authority
"USD" or "US$"	United States Dollars, being the lawful currency of the United States of America
"Welltech"	Welltech Construction Pte Ltd, a company incorporated in Singapore on 19 February 1987 and is wholly-owned by Qingdao Bohai, which in turn is controlled by Bohai Investment, in which Dr. Du, the Chairman of the Company and Director, beneficially owns 20% while Mr. Zhang Zhihua, a non-executive Director beneficially owns 1%, details of which are set out in the section headed "Relationship with Controlling Shareholder"
"Welltech Group"	Welltech and its subsidiaries
"Whitewash Waiver"	a waiver in respect of the obligation of New Guotsing Holdco to make a mandatory general offer to other Shareholders in respect of the Shares not already owned or agreed to be acquired by New Guotsing Holdco as a result of the conversion of the CPS to be issued and allotted to New Guotsing Holdco at Completion pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code
"WSH"	Workplace Safety and Health
"WSH Council"	Workplace Safety and Health Council
"%"	per cent.

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

For the purpose of this circular, unless the context otherwise requires, conversion of SGD into HKD is based on the approximate exchange rate of SGD1 to HK$5.817 and conversion of SGD into USD is based on the approximate exchange rate of SGD1 to USD0.735. Such exchange rate is for the purpose of illustration only and does not constitute a representation that any amounts in SGD or HKD have been, could have been or may be converted at such or any other rate or at all.

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

The percentage shareholding of the Shareholders in the Company upon Completion represent the number of Shares held by them as a percentage of the total number of issued Shares immediately upon Completion (without taking into account any CPS or Conversion Shares).

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

The glossary contains explanations and definitions of certain terms used in this circular in connection with the Target Group and their respective businesses. The terms and their meanings may not correspond to standard industry meanings or usage of these terms.

"A&A"	Alteration and addition works
"BCA Green Mark Requirement"	a green building rating system to evaluate a building for its environmental impact and performance
"BCA Quality Mark Requirements"	a system to assess newly completed residential projects by the BCA
"CCA"	China Construction Industry Association
"condominiums"	a type of non-land private residential property
"Contractors Registration System (CRS)"	Contractors Registration System administered by the BCA to serve the procurement needs of government departments, statutory bodies and other public sector organisations
"CONQUAS"	Construction Quality Assessment System, a standard quality assessment system to measure workmanship quality in public and private building projects
"Core Central Region" or "CCR"	according to Knight Frank, based on the geographic segmentation adopted by URA, the Core Central Region or CCR comprises postal districts 9, 10, 11, Downtown Core and Sentosa. Properties located in the Core Central Region or CCR are usually referred to as high-end residential properties, further details of which is set out in paragraph headed ''Appendix IA Market Report (Property Development) — 3.2 The distinct market segments where the Target Group operates"
"CSC"	Certificate of Statutory Completion. The building works are deemed to be completed and complied with all the requirements for CSC when the CSC in respect of that building is issued by the BCA
"DBSS"	Design, Build and Sell Scheme which was introduced by the HDB in 2005 to involve the private sector to provide for public housing with better design and finishes

"executive condominium"	a hybrid of both public housing and private housing introduced by the HDB in 1995. It has public housing status within the first ten years of its development, where they are subject to restrictions of buyer eligibility (including but not limited to citizenship, age, family nucleus, incoming ceiling and ownership in private housing) and minimum occupation period (similar to other HDB public housing). After the tenth year, they are considered private properties and all restrictions are lifted
"General Builder Licence"	a licence under the Building Control Act, Chapter 29 of Singapore, the Building Control (Amendment) Act 2007 and the Building Control (Licensing of Builders) Regulations 2008 for contractors to carry out general building works excluding works that have been designated as specialist works to be carried out by specialist builders
"GDP"	gross domestic product
"GFA"	Gross Floor Area
"GLS"	Government Land Sales
"Government Land Sales Programme"	a programme under which State land is sold by or on behalf of the Government for development and through a public selection process
"Grant of Written Permission"	written planning permission granted by URA of Singapore in respect of the relevant property projects
"HDB Flats"	public housing offered by HDB which were built primarily to provide affordable housing and their purchase can be financially aided by the Singapore Government
"ISO 9001:2008"	requirements for a quality management system for the designs, manufactures, and supply of any product and services provided to enable an organisation to demonstrate its commitment to quality. It provides a number of requirements which an organisation needs to fulfil if it is to achieve customer expectations
"ISO 14001:2004"	requirements for an environmental management system that enables firms to control the impact of their activities, products and services on the environment. The standards provide a framework for firms to establish a strategic approach to their environmental policy, plans and actions

"landed private housing"	refers to detached houses, semi-detached houses, terrace houses, townhouses
"leasehold"	this is an estate in real property held under a lease by which the owner gives the right to a person to exclusive use and occupy the real property for a fixed duration
"M&E"	mechanical and engineering works
"MYE"	Man Year Entitlements. This represents the total number of foreign workers that each main contractor is entitled to employ based on the value of the projects or contracts awarded by the developers or owners
"non-landed private housing"	refers to multi-storied residential developments comprising condominium housing and apartments
"NTS"	Non-Traditional Sources of foreign workers which includes countries such as India, Thailand, Bangladesh, Myanmar, the Philippines and Sri Lanka
"OHSAS 18001:2007"	requirements for an occupational health and safety management system, to enable an organisation to control its occupational health and safety risks and improve its performance. It requires an organisation to conduct a risk assessment and manage those risks that must include objectives to demonstrate continuous improvement
"Outside Central Region", "OCR" or "Mass market segment"	according to Knight Frank, based on the geographic segmentation adopted by URA, Outside Central Region or OCR comprises the planning areas outside the central region. Non-landed properties located in Outside Central Region or OCR are usually referred to as mass-market residential properties, further details of which is set out in paragraph headed "Appendix IA Market Report (Property Development) — 3.2 The distinct market segments where the Target Group operates"
"Rest of Central Region" or "RCR"	according to Knight Frank, based on the geographic segmentation adopted by URA, RCR refers to the rest of central region which are outside postal districts 9, 10, 11, Downtown Core and Sentosa. Landed and non-landed properties located in Rest of Central Region or RCR are usually referred to as mid-tier residential properties, further details of which is set out in paragraph headed "Appendix IA Market Report (Property Development) — 3.2 The distinct market segments where the Target Group operates"

"substructure"	structural work that is carried out below ground level
"superstructure"	structural work that is carried out above ground level
"TOP(s)"	Temporary Occupation Permit issued by the BCA to allow owner to occupy the building when certain requisite regulatory requirements are complied with

CORPORATE INFORMATION

Registered office	Clifton House, 75 Fort Street P.O. Box 1350, Grand Cayman, KY1-1108 Cayman Islands
Head office and principal place of business	Unit 601, 6/F, Exchange Tower 33 Wang Chiu Road Kowloon Bay Hong Kong
Company secretary	Mr. Ng Yiu Fai *(FCPA)* Room B, 20/F, Tower 1 Nam Fung Plaza 8 Pui Shing Road Tseung Kwan O New Territories Hong Kong
Audit committee	Mr. Tam Tak Kei, Raymond *(Chairman)* Mr. Zhang Zhihua Mr. Chuck Winston Calptor Mr. Ching Kwok Hoo, Pedro
Nomination committee	Dr. Du Bo *(Chairman)* Mr. Tam Tak Kei, Raymond Mr. Ching Kwok Hoo, Pedro
Remuneration committee	Mr. Chuck Winston Calptor *(Chairman)* Mr. Ching Kwok Hoo, Pedro Mr. Cheng Wing On, Michael
Authorised representatives	Mr. Ho Chi Ling Room 2, 15/F., Fung Yan House Fung Lai Court Diamond Hill Kowloon Hong Kong Mr. Ng Yiu Fai Room B, 20/F, Tower 1 Nam Fung Plaza 8 Pui Shing Road Tseung Kwan O New Territories Hong Kong

Compliance adviser	Ample Capital Limited Unit A, 14/F. Two Chinachem Plaza 135 Des Voeux Road Central Hong Kong
Principal bankers	The Hongkong and Shanghai Banking Corporation Limited 1 Queen's Road Central Hong Kong
	DBS Bank (Hong Kong) Limited Institutional Banking Group 16th Floor, The Center 99 Queen's Road Central Central, Hong Kong
	Industrial and Commercial Bank of China (Asia) Limited 33/F, ICBC Tower 3 Garden Road Central Hong Kong
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
Company website	www.cnqc.com.hk (the contents of the website do not form part of this circular)

The following sets out the current Directors and their positions in the Company. Please refer to the section headed "Directors and Senior Management of the Enlarged Group" for further details.

Name	Address	Nationality
Executive Directors		
Dr. Du Bo (杜波) *(Chairman)*	Room 12, 14/F, Block K Telford Garden 33 Wai Yip Street Kowloon Hong Kong	Chinese
Mr. Cheng Wing On, Michael (鄭永安)	Flat D, 2nd Floor Marigold Court 4 Marigold Road Kowloon Hong Kong	Chinese
Mr. Zhang Yuqiang (張玉強)	Room 12, 14/F, Block K Telford Garden 33 Wai Yip Street Kowloon Hong Kong	Chinese
Mr. Ho Chi Ling (何智凌)	Room 2, 15/F. Fung Yan House Fung Lai Court Diamond Hill Wong Tai Sin Kowloon Hong Kong	Chinese
Non-executive Directors		
Mr. Zhang Zhihua (張志華)	Room 601, Unit 1 Block 13 239 Hong Kong East Road Qingdao, Shandong PRC	Chinese
Dr. Ding Hongbin (丁洪斌)	Room 602, Unit 2 Block 13 239 Hong Kong East Road Qingdao, Shandong PRC	Chinese

Name	Address	Nationality
Independent non-executive Directors		
Mr. Chuck Winston Calptor (卓育賢)	Flat A, 3rd Floor Riviera Mansion 59–65 Paterson Street Causeway Bay Hong Kong	British
Mr. Ching Kwok Hoo, Pedro (程國灝)	Flat D, 15/F, Fine Mansion 36 Village Road Happy Valley Hong Kong	Chinese
Mr. Tam Tak Kei, Raymond (譚德機)	Flat A, 12/F, King Tien Mansion Taikoo Shing Quarry Bay Hong Kong	British

Sole Sponsor to the listing application	**HSBC Corporate Finance (Hong Kong) Limited** 1 Queen's Road Central Hong Kong
Financial adviser to the Company in respect of the Acquisition	**The Hongkong and Shanghai Banking Corporation Limited** 1 Queen's Road Central Hong Kong
Independent Financial Adviser to the Independent Board Committee and the Independent shareholders	**Altus Capital Limited** 21 Wing Wo Street Central Hong Kong
Legal advisers to the Company	*as to Hong Kong law:* **Norton Rose Fulbright Hong Kong** 38/F Jardine House 1 Connaught Place Central Hong Kong *as to Singapore law:* **Norton Rose Fulbright (Asia) LLP** One Raffles Quay #34–02 North Tower Singapore 048583 **KhattarWong LLP** 80 Raffles Place #25–01 UOB Plaza 1 Singapore 048624 *as to PRC law:* **Jingtian & Gongcheng Attorneys At Law** 34th Floor, Tower 3 China Central Place 77 Jianguo Road Chaoyang District Beijing 100025 PRC

	as to Cayman Islands law: **Conyers Dill & Pearman** Cricket Square Hutchins Drive P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands
Legal advisers to the Sole Sponsor	*as to Hong Kong law:* **Mayer Brown JSM** 16th–19th Floors, Prince's Building 10 Chater Road Central Hong Kong
	as to Singapore law: **Allen & Gledhill LLP** One Marina Boulevard #28–00 Singapore 018989
Auditor and reporting accountant	**PricewaterhouseCoopers** *Certified Public Accountants* 22nd Floor, Prince's Building Central Hong Kong
Property valuer	**DTZ Debenham Tie Leung Limited** 16/F Jardine House 1 Connaught Place Central Hong Kong
Compliance adviser	**Ample Capital Limited** Unit A, 14/F Two Chinachem Plaza 135 Des Voeux Road Central Hong Kong

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

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 01240)

Executive Directors:
Dr. Du Bo *(Chairman)*
Mr. Cheng Wing On, Michael
Mr. Ho Chi Ling
Mr. Zhang Yuqiang

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

Independent non-executive Directors:
Mr. Chuck Winston Calptor
Mr. Ching Kwok Hoo, Pedro
Mr. Tam Tak Kei, Raymond

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

Principal place of business:
Unit 601, 6/F, Exchange Tower
33 Wang Chiu Road
Kowloon Bay
Hong Kong

25 September 2015

To the Shareholders

Dear Sir or Madam,

(1) VERY SUBSTANTIAL ACQUISITION AND CONNECTED TRANSACTION
(2) REVERSE TAKEOVER INVOLVING A NEW LISTING APPLICATION
(3) ISSUE OF CONVERTIBLE PREFERENCE SHARES AND CONNECTED TRANSACTION
(4) PROPOSED GRANT OF SPECIFIC MANDATE
(5) PROPOSED GRANT OF SPECIFIC PLACING MANDATE
(6) PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL
(7) CONTINUING CONNECTED TRANSACTIONS
AND
(8) WHITEWASH WAIVER

INTRODUCTION

It was announced on 23 May 2015 that, the Company (as the purchaser), and Guotsing SG (as the seller) entered into the Share Purchase 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 the Target Company on the terms and subject to the conditions set out in the Share Purchase Agreement. The Target Group is primarily engaged in property development and construction businesses in Singapore.

Pursuant to the terms of the Share Purchase Agreement, the shareholding structure of CNQC (South Pacific) was reorganised prior to Completion which involved (i) the establishment of an offshore special purpose investment vehicle, New Guotsing Holdco, and its wholly-owned subsidiary, New Guotsing BVI; and (ii) the transfer of the entire issued share capital of CNQC (South Pacific) from Guotsing SG to New Guotsing BVI. As at the Latest Practicable Date, CNQC (South Pacific), the subject matter of the Acquisition, was wholly-owned by New Guotsing BVI which in turn was wholly-owned by New Guotsing Holdco. New Guotsing Holdco is owned by the ultimate beneficial owners of Guotsing PRC on the basis that the effective beneficial interests held by each ultimate beneficial owner of Guotsing PRC in New Guotsing Holdco shall correspond to their respective effective beneficial interest in Guotsing PRC. New Guotsing Holdco will be nominated by Guotsing SG to hold 647,273,454 CPS to be issued and allotted by the Company at Completion.

The Acquisition constitutes a very substantial acquisition of 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. Since Guotsing SG, the seller of the Acquisition, is a connected person of the Company by virtue of being an associate of CNQC Development, a substantial shareholder of the Company, the Acquisition also constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules and is subject to the approval of the Independent Shareholders at the EGM.

In addition, the Acquisition constitutes 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 of the Company and at the same time 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 (as defined in the Takeovers Code) of the Company. Accordingly, under Rule 14.54 of the Listing Rules, the Company is being treated as if it were a new listing applicant. The Acquisition is therefore also subject to the approval of the Listing Committee of a new listing application made by the Company.

HSBC Corporate Finance (Hong Kong) Limited, as the Sole Sponsor, submitted to the Stock Exchange a listing application on behalf of the Company on 8 June 2015. The Listing Committee has given its approval in principle of the new listing application of the Company.

The purpose of this circular is to provide the Shareholders with details of:

(a) the Acquisition and the Share Purchase Agreement;

(b) the Non-Exempt Continuing Connected Transaction;

(c) the proposed increase in the authorised share capital of the Company and the creation of CPS;

(d) the proposed grant of the Specific Mandate for the issuance of the CPS and the Conversion Shares;

(e) the proposed grant of the Specific Placing Mandate for the Possible Placing;

(f) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the Acquisition, the Share Purchase Agreement, the Specific Mandate, the Whitewash Waiver and the Non-Exempt Continuing Connected Transaction;

(g) the financial information of the Group, the Target Group and the Enlarged Group;

(h) the valuation of the properties held by the Target Group;

(i) additional information on the Target Group and the Enlarged Group as required under the Listing Rules in connection with the new listing application; and

(j) information in relation to the Whitewash Waiver.

The notice to the Shareholders of the EGM is also enclosed in this circular.

THE ACQUISITION

The Share Purchase Agreement

Date

23 May 2015

Parties

(1) the Company (as the purchaser); and

(2) Guotsing SG (as the seller).

As at the Latest Practicable Date, Guotsing SG is an investment holding company and a wholly-owned subsidiary of Guotsing PRC, and indirectly holds 224,145,000 Shares, representing approximately 74.72% of the total issued share capital of the Company. Upon completion of the Share Purchase Agreement, the Target Company will become a wholly-owned subsidiary of the Company.

Subject matter

The Company

The Company has conditionally agreed to acquire from Guotsing SG the Sale Shares, which represent the entire issued share capital of the Target Company.

Consideration

The Consideration shall be HK$2,617,650,000, which shall be satisfied by the issuance and allotment by the Company at the Issue Price at Completion of an aggregate of 951,872,727 CPS of which: (i) 647,273,454 CPS (representing approximately 68% of the total number of Consideration Shares) will be issued and allotted to Guotsing SG (or New Guotsing Holdco as Guotsing SG may direct); and (ii) 304,599,273 CPS (representing approximately 32% of the total number of Consideration Shares) will be issued and allotted to Guotsing SG (or the Trustee or a company to be held by the Trustee as Guotsing SG may direct, in which case the Trustee shall hold such 304,599,273 CPS on trust for the Selected Participants in accordance with the terms and conditions of the Management Share Scheme).

Basis of the Consideration

The Consideration was determined after arm's length negotiation between the parties to the Share Purchase Agreement having regard to the market value of the property development projects of the Target Group, the financial performance and prospect of the business of the Target Group, results and market value of comparable companies, and the benefits to the Group following Completion.

Conditions precedent

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

(a) approval having been obtained at the EGM from the Independent Shareholders for, *inter alia* (i) the Acquisition and the terms of the Share Purchase Agreement; (ii) the proposed grant of a Specific Mandate ; (iii) the proposed increase in the authorised share capital of the Company; (iv) the Whitewash Waiver; and (v) the entering into the Non-Exempt Continuing Connected Transaction by the Company upon Completion;

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

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

(d) approval in principle having been obtained from the Listing Committee for the new listing application by the Company in relation to the Acquisition and not having been revoked or withdrawn;

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

(f) the Executive having granted the Whitewash Waiver to the Company, and the Whitewash Waiver remaining valid;

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

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

(i) no material adverse change or prospective material adverse change in the business, operations, financial condition or prospects of any of the members of the Target Group having occurred since 31 December 2014;

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

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

(l) the Reorganisation being duly completed in compliance with all applicable laws and regulations, to the satisfaction of the Company; and

(m) Guotsing SG having delivered to the Company a certificate signed by one of its directors certifying that the conditions set out in the Share Purchase Agreement have been fulfilled.

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

Whether or not the abovementioned discretion will be exercised by the Company may depend on a number of factors, including but not limited to, the materiality of the impact of the condition not being satisfied at the relevant time. The Company currently has no intention in waiving any of the conditions set out in paragraphs (h) to (m).

As at the Latest Practicable Date, the Conditions set out in paragraph (1) had been satisfied and as the Company was not aware of any circumstance which will result in any of the other conditions not being able to be fulfilled on or before Completion and accordingly, the Company has no intention to waive any of such other conditions.

Completion

Completion of the Acquisition is expected to take place on the second business day (or such other date as the parties to the Share Purchase Agreement shall agree) after all the conditions to the Share Purchase Agreement as set out in the section headed "Conditions precedent" above have either been fulfilled or (as the case may be) waived.

Following Completion, New Guotsing Holdco will hold 647,273,454 CPS to be issued and allotted by the Company and the Trustee will hold 304,599,273 CPS on trust for the Selected Participants in accordance with the terms and conditions of the Management Share Scheme. As the CPS are non-voting (except for resolutions to be proposed at a general meeting for the winding-up of the Company or resolutions which if passed would vary or abrogate the rights or privileges of the CPS or vary the restrictions to which the CPS are subject) and would not be convertible into Shares unless upon conversion the Company can meet the minimum public float requirement under Rule 8.08 of the Listing Rules, CNQC Development will remain as the controlling shareholder of the Company immediately following Completion. The Target Company will become a wholly-owned subsidiary of the Company and its financial results will be consolidated into the financial statements of the Enlarged Group.

Please refer to the paragraph headed "Effect of the Acquisition on the shareholding structure of the Company" in this section for the shareholding structure of the Company immediately upon Completion.

INFORMATION ON THE CPS AND THE CONVERSION SHARES

The Conversion Shares

The Conversion Shares to be issued upon conversion of the CPS will be issued as fully paid and will rank pari passu in all respects with the Shares in issue as at the date of conversion.

Application for listing

An application has been made by the Company to the Listing Committee for the listing of, and permission to deal in, the Conversion Shares.

The CPS

The major terms of the CPS are as follows:

Nominal value:	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.
Conversion ratio:	The CPS shall be convertible, 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 CPS will have the right to convert all or such number of CPS into Conversion Shares at any time after the issuance of the CPS, provided that they may not exercise the conversion rights as to such number of CPS the conversion of which would result in the Company not meeting the minimum public float requirement under Rule 8.08 of the Listing Rules or any of the Shareholders having triggered any mandatory general offer obligation under Rule 26 of the Takeovers Code (unless a waiver from compliance with such requirement has otherwise been obtained).
Redemption:	The CPS shall be non-redeemable by the Company or their holders.
Preferred Distribution:	Subject to compliance with all applicable laws and the Articles, each CPS shall confer on its holder the right to receive a preferred distribution ("**Preferred Distribution**") from the date of the issue of the CPS at a rate of 0.01% per annum on the Issue Price, payable annually in arrear. Each Preferred Distribution is non-cumulative.
Deferral or Non-payment of Preferred Distribution:	The Board may, in its sole discretion, elect to defer or not to pay a Preferred Distribution. No interest accrues on any unpaid Preferred Distribution. If the Board elects to defer or not to pay a Preferred Distribution, the Company shall not pay any dividends, distributions or make any other payment on any Shares, unless at the same time it pays to the holders of CPS any deferred or unpaid Preferred Distribution which was scheduled to be paid on a day falling in the same financial year in respect of which payment of such dividends, distributions or other payments is made.

Dividend:	Each CPS shall confer on its holder the right to receive, in addition to the Preferred Distribution, any dividend pari passu with holders of Shares on the basis of the number of Share(s) into which each CPS may be converted and on an as converted basis.
Distribution of Assets:	The holders of the CPS shall have priority over the Shareholders on the assets and funds of the Company available for distribution in a distribution of assets on liquidation, winding-up or dissolution of the Company (but not on conversion of CPS or any repurchase by the Company of CPS).
Voting rights:	The holders of the CPS shall be entitled to receive notices of and to attend general meetings of the Company, but the CPS shall not confer on their holders the right to vote at a general meeting of the Company, unless a resolution is to be proposed at a general meeting for the winding-up of the Company or a resolution is to be proposed which if passed would vary or abrogate the rights or privileges of the CPS or vary the restrictions to which the CPS are subject.
Transferability:	The CPS (including the Conversion Shares once converted from the CPS) may be transferred by their holders without restriction.
Ranking:	Save and except for the voting rights, distribution entitlements upon liquidation, winding-up or dissolution of the Company, the Preferred Distribution rights and the rights set out above, each CPS shall have the same rights as each of the Shares. The Conversion Shares will be issued as fully paid and will rank pari passu in all respects with the Shares in issue as at the date of the conversion.
Adjustment:	If and whenever the Shares are consolidated or sub-divided into a different nominal amount, then the same consolidation or sub-division shall be effected on the CPS, in which the conversion ratio shall remain as one CPS for one Share (as consolidated or sub-divided, as the case may be).
Listing:	No listing will be 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.

In view of the above features of CPS, in particular the terms related to preferred distribution, the priority on distribution of assets on liquidation, winding-up or dissolution of the Company and the restrictions on voting rights, the Directors are of the view that the CPS are in all material respects more akin to debt than equity.

The Issue Price

The Issue Price of HK$2.75 per CPS represents:

(a) a discount of approximately 19.6% to the closing price of the Shares of HK$3.42 per Share as quoted on the Stock Exchange on the Last Trading Day;

(b) a discount of approximately 20.5% to the average of the closing price of the Shares as quoted on the Stock Exchange for the five consecutive trading days up to and including the Last Trading Day of approximately HK$3.46 per Share;

(c) a discount of approximately 19.1% to the average of the closing price of the Shares as quoted on the Stock Exchange for the ten consecutive trading days up to and including the Last Trading Day of approximately HK$3.40 per Share;

(d) a discount of approximately 15.1% to the average of the closing price of the Shares as quoted on the Stock Exchange for the 30 consecutive trading days up to and including the Last Trading Day of approximately HK$3.24 per Share;

(e) a premium of approximately 19.6% to the closing price of the Shares as quoted on the Stock Exchange on the Latest Practicable Date of HK$2.30 per Share; and

(f) a premium of approximately 123.6% to the audited net asset value per Share of the Company as at 31 December 2014 of HK$1.23.

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Directors consider the Acquisition will enable the Company to expand from its existing foundation business in Hong Kong and Macao into property development and construction industries in Singapore and will allow the Company to explore the opportunities in expanding its property development and construction business into the Hong Kong and Macao markets. Given the industry expertise and the market presence that the Enlarged Group possesses in each of the property development, construction and foundation businesses in their respective markets, this would create synergy effect amongst members of the Enlarged Group in the future, which the integrated business model covering the full industry chain is expected to increase the cost efficiency and enhance the competitive advantages of the Company. The fund raising and financing capabilities of the Company will also be improved, which will pave the ways for the Company to become the overseas financing and business development platform for Guotsing Group. As such, the Directors are of the view that the Acquisition will be in the interests of the Shareholders as a whole.

EFFECT OF THE ACQUISITION ON THE SHAREHOLDING STRUCTURE OF THE COMPANY

Details of the shareholding structure of the Company as at the Latest Practicable Date and immediately after Completion and immediately upon conversion of all CPS held by New Guotsing Holdco (assuming that none of the options granted under the option scheme of the Company has been exercised) are set out below:

	(1) As at the Latest Practicable Date		(2) Immediately after Completion (assuming no CPS has been converted)			(3) Assuming no placing of new shares to public shareholders and all CPS held by New Guotsing Holdco are converted into Conversion Shares (for illustration only) *(note 2)*			(4) Assuming a placing of 215.0 million new Shares to public shareholders and all CPS held by New Guotsing Holdco are converted into Conversion Shares (for illustration only) *(note 3)*			(5) Assuming a placing of 215.0 million new Shares to public shareholders and all CPS held by New Guotsing Holdco and the Trustee are converted into Conversion Shares (for illustration only) *(note 4)*		
	Number of Shares held	Approximate percentage of total issued Shares	Number of Shares held	Approximate percentage of total issued Shares	Number of CPS held *(note 1)*	Number of Shares held	Approximate percentage of total issued Shares	Number of CPS held *(note 1)*	Number of Shares held	Approximate percentage of total issued Shares	Number of CPS held *(note 1)*	Number of Shares held	Approximate percentage of total issued Shares	Number of CPS held *(note 1)*
Substantial Shareholders and Directors														
CNQC Development	224,145,000	74.7%	224,145,000	74.7%	–	224,145,000	23.7%	–	224,145,000	19.3%	–	224,145,000	15.3%	–
New Guotsing Holdco	–	–	–	–	647,273,454	647,273,454	68.3%	–	647,273,454	55.7%	–	647,273,454	44.1%	–
Subtotal of New Guotsing Concert Group	224,145,000	74.7%	224,145,000	74.7%	647,273,454	871,418,454	92.0%	–	871,418,454	75.0%	–	871,418,454	59.4%	–
Trustee *(note 4)*	–	–	–	–	304,599,273	–	–	304,599,273	–	–	304,599,273	304,599,273	20.8%	–
	224,145,000	74.7%	224,145,000	74.7%	951,872,727	871,418,454	92.0%	304,599,273	871,418,454	75.0%	304,599,273	1,176,017,727	80.2%	–
Public														
Public Shareholders as at the Latest Practicable Date	75,855,000	25.3%	75,855,000	25.3%	–	75,855,000	8.0%	–	75,855,000	6.5%	–	75,855,000	5.2%	–
New public shareholders upon placing of 215.0 million new Shares by the Company under Scenario (4) and (5) *(note 5)*	–	–	–	–	–	–	–	–	215,000,000	18.5%	–	215,000,000	14.7%	–
Total	300,000,000	100.0%	300,000,000	100.0%	951,872,727	947,273,454	100.0%	304,599,273	1,162,273,454	100.0%	304,599,273	1,466,872,727	100.0%	–

Notes:

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

2. This represents the shareholding structure of the Company assuming all of 647,273,454 CPS issued and allotted by the Company at Completion to New Guotsing Holdco are converted into Shares. This is for illustration purposes only and does not reflect the actual shareholding structure of the Company upon conversion of the CPS as the exercise of the conversion rights attaching to the CPS is subject to the Company meeting the minimum public float requirement under Rule 8.08 of the Listing Rules.

3. This represents the shareholding structure of the Company after Completion, assuming that (i) the Company has issued and allotted 215.0 million new Shares to independent third parties such that the Company will meet the minimum public float requirement under Rule 8.08 of the Listing Rules upon conversion of the CPS held by New Guotsing Holdco; (ii) all 647,273,454 CPS issued to New Guotsing Holdco are converted into Conversion Shares (on a conversion ratio of 1:1); and (iii) no other change to the issued share capital of the Company. This is for illustration purposes only and does not reflect the

actual shareholding structure of the Company upon conversion of the CPS as the exercise of the conversion rights attaching to the CPS is subject to the Company meeting the minimum public float requirement under Rule 8.08 of the Listing Rules and that the Company may or may not be able to successfully issue and allot such number of new Shares to the public in order for the conversion of the CPS. The purpose of assuming the placing of new Shares by the Company is solely for the purpose of calculating the maximum potential holding of voting rights of New Guotsing Holdco upon conversion of all of its CPS into Shares in accordance with the requirements under the Takeovers Code. In order to strengthen the financial position of the Group, to enlarge the shareholder and capital base and to increase the public float of the Company, the Company proposed to seek the approval from the Shareholders at the EGM for the proposed Specific Placing Mandate. Please refer to the sub-section headed "Proposed Grant of Specific Placing Mandate" below. As at the Latest Practicable Date, the Company has not entered into any agreement with placing agents to place any new Shares.

4. This represents the shareholding structure of the Company after Completion, assuming that (i) the Company has issued and allotted 215.0 million new Shares to independent third parties such that the Company will meet the minimum public float requirement under Rule 8.08 of the Listing Rules upon conversion of the CPS held by New Guotsing Holdco; (ii) all 647,273,454 CPS issued to New Guotsing Holdco are converted into Conversion Shares (on a conversion ratio of 1:1); (iii) all 304,599,273 CPS, which are taken up by the Trustee who was appointed to administer the Management Share Scheme and will be nominated by Guotsing SG to take up such 304,599,273 CPS, are transferred to the Selected Participants and are being converted into Conversion Shares in accordance with the Management Share Scheme (on a conversion ratio of 1:1); and (iv) no other change to the issued share capital of the Company. This is for illustration purposes only and does not reflect the actual shareholding structure of the Company upon conversion of the CPS as the exercise of the conversion rights attaching to the CPS is (i) for New Guotsing Holdco, subject to the Company meeting the minimum public float requirement under Rule 8.08 of the Listing Rules and (ii) for the Selected Participants, subject to New Guotsing Holdco converting all of the CPS to be issued to New Guotsing Holdco at Completion into Conversion Shares and the Company meeting the minimum public float requirement under Rule 8.08 of the Listing Rules.

5. This represents the Trustee appointed to administer the Management Share Scheme whom will be nominated by Guotsing SG to take up 32% of the Consideration Shares at Completion. The CPS held by the Trustee shall not be converted into Shares prior to transfers to the Selected Participants. Please refer to the section headed "Appendix VIII — Statutory and General Information — J. Share Option Schemes — Management Share Scheme" for further details. As certain Selected Participants are Directors, the CPS transferred to such Selected Participants which are converted into Conversion Shares shall not be considered as Shares held by public shareholders.

6. This represents the public shareholders who will be holding 215.0 million new Shares on the assumption that the Company will place 215.0 million new Shares to independent third parties after Completion under Scenario (4). This is for illustration for the purpose of calculating the maximum potential holding of voting rights of New Guotsing Holdco upon conversion of all of its CPS into Shares in accordance with the requirements under the Takeovers Code. In order to strengthen the financial position of the Group, to enlarge the shareholder and capital base and to increase the public float of the Company, the Company proposed to seek the approval from the Shareholders at the EGM for the proposed Specific Placing Mandate. Please refer to the sub-section headed "Proposed Grant of Specific Placing Mandate" below. As at the Latest Practicable Date, the Company has not entered into any agreement with placing agents to place any new Shares.

FINANCIAL EFFECT OF THE ACQUISITION ON THE COMPANY

Unaudited Pro Forma Financial Information of the Enlarged Group as at and for the Year Ended 31 December 2014

The financial impact of the Acquisition on the Company (including its effect on the earnings, assets and liabilities of the Company) is illustrated by way of the unaudited pro forma financial information of the Enlarged Group set out in Appendix V to this circular. This pro forma financial information is prepared on the basis set out in the notes in Appendix V to this circular and is prepared for illustrative purposes only.

As set out in the unaudited pro forma consolidated statement of comprehensive income of the Enlarged Group, the pro forma profit for the year of the Enlarged Group attributable to equity holders of the Company for the year ended 31 December 2014, as if the Completion had taken place on 1 April 2014, would have been HK$233.2 million.

As set out in the unaudited pro forma consolidated statement of financial position of the Enlarged Group, assuming the Completion had taken place on 31 December 2014, the pro forma total assets and total liabilities of the Enlarged Group as at 31 December 2014 would have been HK$16,213.9 million and HK$15,482.7 million, respectively.

Consolidated Financial Information of the Group as at and for the Year Ending 31 December 2015

Upon the Completion, the Acquisition will be accounted for as a reverse acquisition in accordance with HKFRS under which the Target Group will be regarded as the acquirer and the Group will be regarded as the acquiree, and the reverse acquisition will be accounted for as if the Completion had taken place on 17 March 2014, the date on which CNQC Development acquired 75% of the total issued share capital of the Company and after which the Target Group and the Group became under common control by the ultimate beneficial owners of Guotsing PRC. In applying reverse acquisition accounting, the consolidated financial statements of the Group as at and for the year ending 31 December 2015 will include the carrying amounts of the results, assets and liabilities of the Target Group, while the results, assets and liabilities of the Group will be accounted for using the acquisition method of accounting with an effective acquisition date on 17 March 2014. The comparative financial information presented in the above consolidated financial statements will also be restated accordingly.

INFORMATION ON THE COMPANY AND THE GROUP

Information of the Company

The Company was incorporated in the Cayman Islands and the Shares are listed on the Main Board of the Stock Exchange. The Company is an investment holding company and the Group is principally engaged in the foundation business and machinery rental business in Hong Kong and Macau.

Change in control of the Company in 2014

In March 2014, CNQC Development acquired 75% of the total issued share capital of the Company and made a mandatory general offer for all the outstanding Shares (other than the Shares held by parties acting in concert with it) in issue at the time. Following completion of the acquisition and the mandatory general offer, there was a change in control of the Company and CNQC Development and its parent company, Guotsing PRC became the controlling shareholders of the Company.

As at the Latest Practicable Date, CNQC Development held 74.72% of the issued share capital of the Company.

INFORMATION ON GUOTSING PRC, GUOTSING SG AND THE TARGET GROUP

Guotsing PRC was established in the PRC, which, together with its key operating subsidiary in the PRC, Qingjian Group Co., Ltd. (青建集團股份公司), is primarily engaged in domestic and international construction projects and investment, real estate development, capital management, logistics and design consulting businesses. As at the Latest Practicable Date, Guotsing PRC is held as to (i) 41.265% by Qingdao Qingjian; (ii) as to 30% by Shanghai Heliyuan; (iii) as to 15% by Beijing Uni-land; and (iv) as to 13.735% by Qingdao Bohai.

Guotsing SG is an investment holding company incorporated in Singapore and is wholly-owned by Guotsing PRC. As at the Latest Practicable Date, it is the sole shareholder of CNQC (South Pacific). Guotsing SG is a connected person of the Company.

Business of the Target Group

The Target Group comprises New Guotsing BVI, CNQC (South Pacific) and its subsidiaries which are primarily engaged in (i) the development and sale of quality condominiums and executive condominiums; and (ii) the provision of construction services as main contractor for both governmental authorities and private property developers in Singapore. Please refer to the section headed "Business of the Target Group" in this circular for further details on the business of the Target Group.

Financial information of the Target Group

For each of the three years ended 31 December 2012, 2013 and 2014 and the three months ended 31 March 2015, the audited combined revenue of the Target Group was SGD289,602,201, SGD274,902,277, SGD1,038,545,828 and SGD118,832,619, respectively. The audited combined net asset value of the Target Group (including net asset value attributable to non-controlling interests) as at 31 March 2015 was approximately SGD7,277,638.

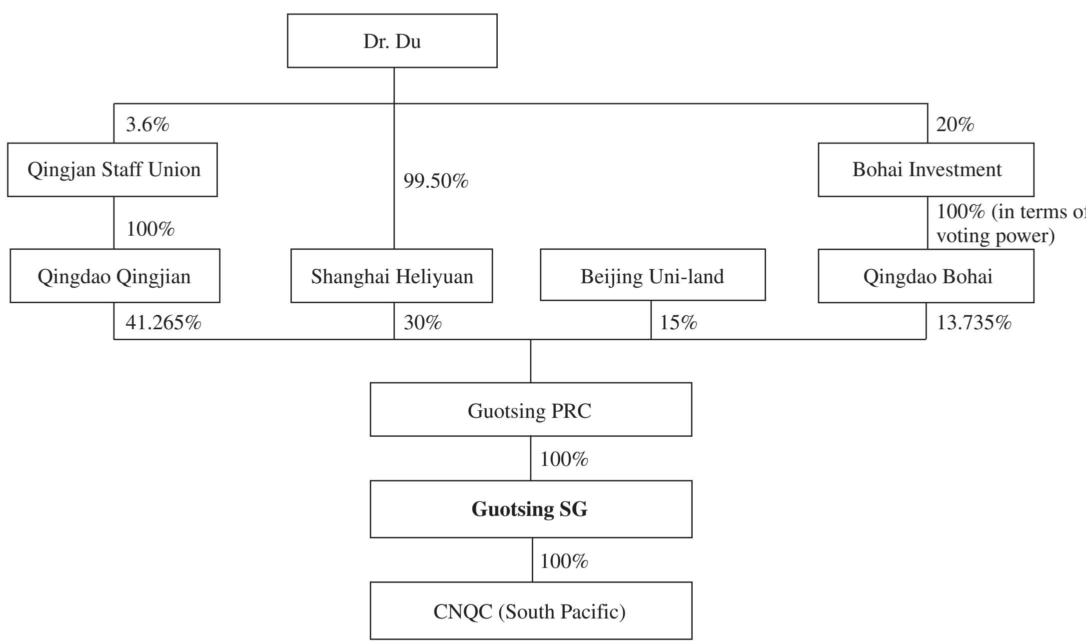
Please refer to the sections headed "Financial Information of the Target Group" in this Circular and "Accountant's Report of the Target Group" as set out in Appendix III to this circular for further information of the Target Group.

Reorganisation

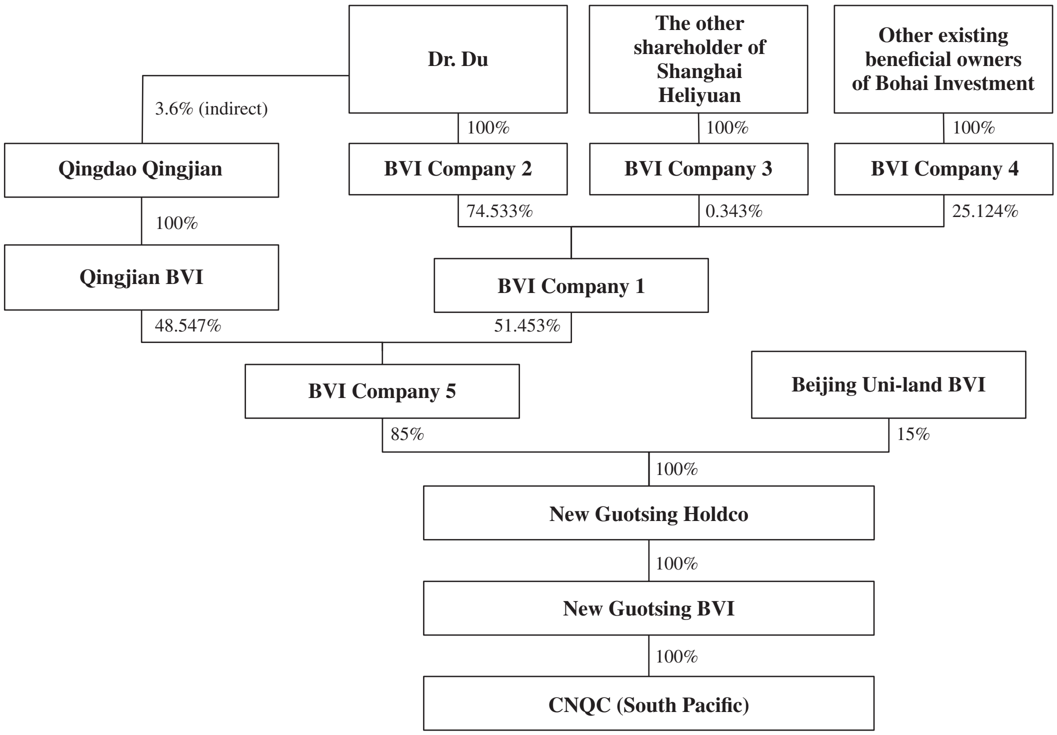
Pursuant to the Share Purchase Agreement, the shareholding structure of CNQC (South Pacific) was reorganised prior to Completion which involved (i) the establishment of an offshore special purpose investment vehicle, New Guotsing Holdco, and its wholly-owned subsidiary, New Guotsing BVI; and (ii) the transfer of the entire issued share capital of CNQC (South Pacific) from Guotsing SG to New Guotsing BVI. As at the Latest Practicable Date, CNQC (South Pacific), the subject matter of the Acquisition was wholly-owned by New Guotsing BVI, which, in turn, was wholly-owned by New Guotsing Holdco. New Guotsing Holdco is owned by the ultimate beneficial owners of Guotsing PRC on the basis that (i) the effective beneficial interests held by each ultimate beneficial owner of Guotsing PRC in New Guotsing Holdco shall correspond to their respective effective beneficial interest in Guotsing PRC and (ii) Dr. Du's interests previously held through Shanghai Heliyuan and Bohai Investment are consolidated into one offshore company. As a result, New Guotsing Holdco is controlled (as defined under the Takeovers Code) by Dr. Du, the chairman and a director of the Company, as at the completion of the Reorganisation. Guotsing SG shall nominate New Guotsing Holdco to take up 68% of the Consideration Shares to be issued and allotted by the Company as consideration at Completion.

The following charts illustrate the shareholding structure of CNQC (South Pacific) before and after the Reorganisation and the shareholding and company structure of the Company upon Completion:

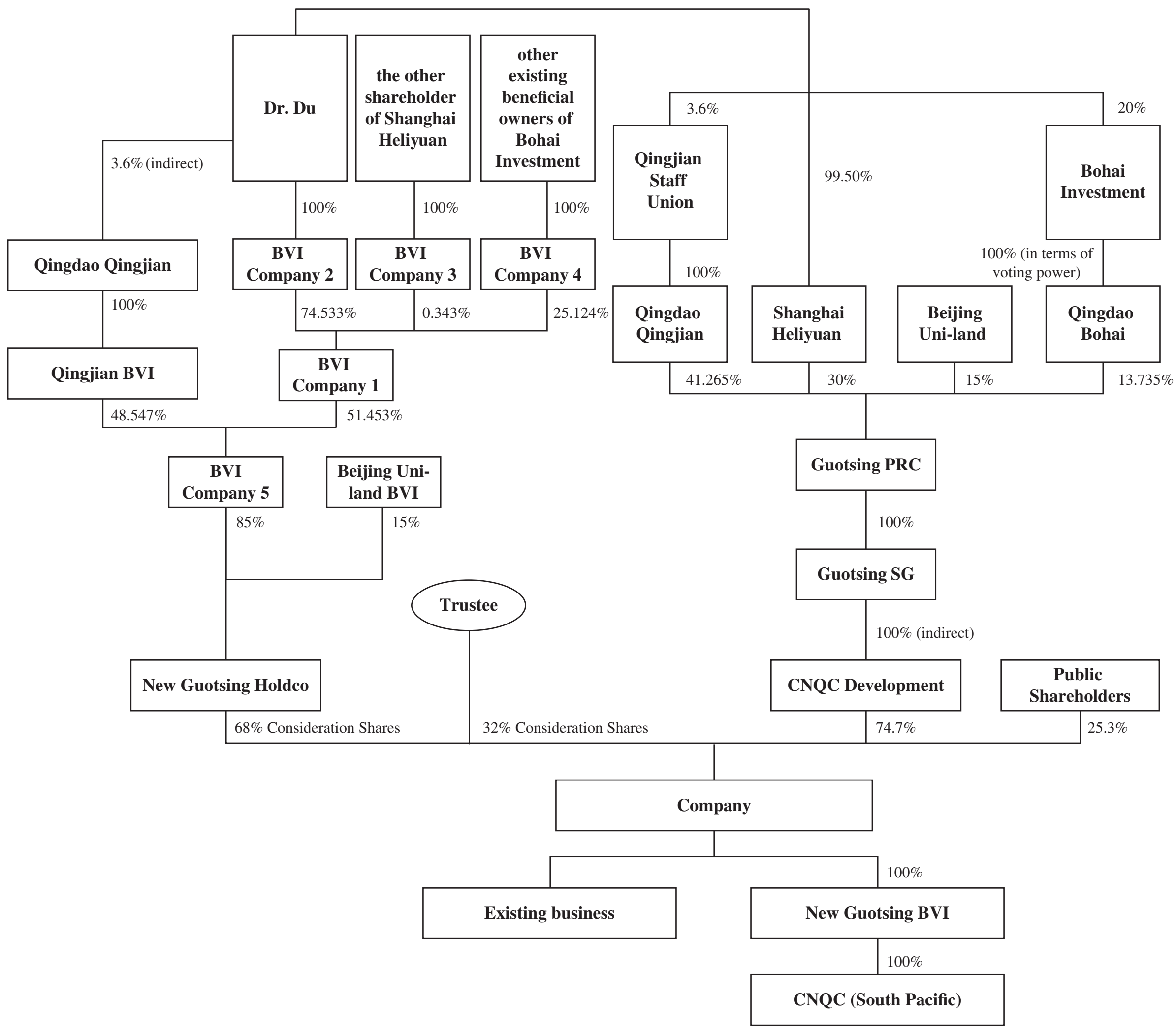
Shareholding structure of CNQC (South Pacific) before the Reorganisation:



Shareholding structure of CNQC (South Pacific) immediately upon completion of the Reorganisation but before Completion:



Shareholding and corporate structure of the Company immediately after Completion (assuming no CPS has been converted and no option granted the share option schemes of the Company has been exercised):



MANAGEMENT SHARE SCHEME

CNQC (South Pacific) had granted rights ("**Rights**") to the Selected Participants to subscribe for up to 12,000,000 shares of CNQC (South Pacific), representing 32% of the total enlarged issued share capital of CNQC (South Pacific) ("**Pre-existing Management Scheme**"). As the Rights shall vest over 5 years commencing from 1 April 2016, no Selected Participant has exercised any of the Rights as at the Latest Practicable Date. It is part of the commercial arrangement between the Company and Guotsing SG that 32% of the total number of the Consideration Shares shall be allotted and issued to the Trustee as nominated by Guotsing SG at Completion on trust for the Management Share Scheme in replacement of the Pre-existing Management Scheme. Pursuant to the terms of the Share Purchase Agreement, the Trust will be constituted on or before the Completion Date whereby awards ("**Awards**") will be conditionally granted to the Selected Participants to purchase from the Trust up to a total of 304,599,273 CPS. The CPS to be awarded shall only be convertible into Shares after all of the

CPS to be issued and allotted to Guotsing SG (or New Guotsing Holdco or any other company Guotsing SG may direct) at Completion have been converted into Shares and subject to such other vesting and terms and conditions of the Management Share Scheme. The Management Share Scheme and the Awards shall become effective immediately upon Completion, and shall replace and supersede the Pre-existing Management Scheme and the Rights. Further details of the Management Share Scheme are set out in the section headed "Appendix VIII — Statutory and General Information — J. Share Option Schemes — Management Share Scheme" in this circular.

RISKS ASSOCIATED WITH THE ACQUISITION AND THE ENLARGED GROUP

The risks relating to the Acquisition, the business of the Enlarged Group, the business, legal and regulatory environment for property development and construction in Singapore and the general economic, legal and political climate in Singapore are set out in the section headed "Risk Factors" in this circular.

IMPLICATIONS OF THE ACQUISITION UNDER THE LISTING RULES

The Acquisition constitutes:

(a) 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;

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

(c) a reverse takeover of the Company under Rule 14.06(6)(b) of the Listing Rules on the basis that the Acquisition (i) constitutes a very substantial acquisition for the Company under Chapter 14 of the Listing Rules and (ii) 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 (as defined in the Takeovers Code) of the Company.

Accordingly, the Acquisition is subject to the approval of the Independent Shareholders at the EGM. CNQC Development and its associates, and any person who has a material interest in the Acquisition are required to abstain from voting on the relevant resolution(s) to be proposed at the EGM to approve, among others, the Acquisition.

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

IMPLICATION UNDER THE TAKEOVERS CODE AND APPLICATION FOR WHITEWASH WAIVER

As disclosed in the sub-section headed "Reorganisation" above, CNQC (South Pacific) was transferred to New Guotsing BVI which in turn was wholly-owned by New Guotsing Holdco. As set out in the shareholding structure upon completion of the Reorganisation in the section headed "Reorganisation" above, as Dr. Du has statutory control of BVI Company 2 which in turn has statutory control over BVI Company 1, BVI Company 5 and New Guotsing Holdco, respectively, New Guotsing Holdco is controlled (as defined under the Takeovers Code) by Dr. Du, the chairman and an executive director of the Company. Upon Completion, New Guotsing Holdco will hold 647,273,454 CPS which, upon conversion in full, (i) (based on the assumption that all of the CPS held by New Guotsing Holdco have been converted into Shares notwithstanding that the Company will not be able to meet the public float requirement under Rule 8.08 of the Listing Rules upon such conversion and that none of the other outstanding options of the Company or the CPS held by the Trustee (or a company held by the Trustee) will be exercised or converted) will be interested in 68.33% of the enlarged issued share capital of the Company, or (ii) based on an assumption that the Company shall be able to issue and allot 215.0 million new Shares upon Completion to independent third parties such that the public float requirement stated under Rule 8.08 of the Listing Rules will be satisfied upon conversion of the CPS held by New Guotsing Holdco and that none of the other outstanding options of the Company or CPS will be exercised or converted) will be interested in approximately 55.7% of the enlarged issued share capital of the Company at such time. As a result, New Guotsing Holdco would be required to make a mandatory general offer for all the issued shares of the Company (not already owned or agreed to be acquired by New Guotsing Holdco and its parties acting in concert) under Rule 26.1 of the Takeovers Code, unless a waiver from strict compliance with Rule 26.1 of the Takeovers Code is granted by the Executive.

New Guotsing Holdco has made an application to the Executive for the granting of the Whitewash Waiver pursuant to Note 1 on dispensation from Rule 26 of the Takeovers Code in respect of the 647,273,454 CPS to be allotted and issued to it at Completion. The Executive has indicated that it will agree to grant the Whitewash Waiver, which if granted by the Executive, would be subject to, among other things, the approval of the Independent Shareholders at the EGM by way of poll, in which New Guotsing Holdco and parties acting in concert with it (including Dr. Du) and CNQC Development will abstain from voting on the relevant resolutions. If the Whitewash Waiver is granted by the Executive, New Guotsing Holdco will not be required to make a mandatory offer which will otherwise be required as a result of the conversion of 647,273,454 CPS. Subject to market conditions and the completion of the Possible Placing, New Guotsing Holdco may convert its CPS into Shares by one or more stages. As New Guotsing Holdco will own more than 50% of the voting rights in the Company upon full conversion of the 647,273,454 CPS issued and allotted to it at Completion (on the basis that the public float requirement stated under Rule 8.08 of the Listing Rules will be satisfied as stated above), New Guotsing Holdco may increase its shareholding in the Company in the future without incurring an obligation under Rule 26 of the Takeovers Code to make a general offer. The Executive may or may not grant the Whitewash Waiver. If the Whitewash Waiver is not granted, the Share Purchase Agreement will not become unconditional and the Acquisition will not proceed.

PROPOSED GRANT OF SPECIFIC MANDATE

The Company will issue 951,872,727 CPS (which are convertible into 951,872,727 Conversion Shares on a 1:1 conversion ratio) in consideration of the Acquisition. The CPS and the Conversion Shares will be issued and allotted under the Specific Mandate proposed to be granted by the Independent Shareholders at the EGM.

PROPOSED GRANT OF SPECIFIC PLACING MANDATE

In order to strengthen the financial position of the Group, to enlarge the shareholder and capital base and to increase the public float of the Company, the Company proposed to seek the approval from the Shareholders at the EGM for the proposed Specific Placing Mandate relating to the Possible Placing for the Board to issue not more than 215 million new Shares, representing (i) not more than approximately 71.67% of the existing issued share capital of the Company as at the Latest Practicable Date; and (ii) not more than 18.5% of the total issued share capital of the Company as enlarged by the conversion of all CPS held by New Guotsing Holdco and the issuance of 215 million new Shares pursuant to the Possible Placing.

The Board proposes, subject to approval from Shareholders at the EGM for the approval of the Acquisition, to seek the grant of the Specific Placing Mandate from Shareholders at the EGM for the purpose of the Possible Placing.

The major terms and conditions of the Specific Placing Mandate are as follows:

(a) to issue not more than 215.0 million new Shares;

(b) the placing price will be at a discount of not more than 20% to the higher of:

  (i) the closing price of the Shares as quoted on the Stock Exchange on the date of signing of the relevant placing agreement; and

  (ii) the average closing price of the Shares as quoted on the Stock Exchange for five trading days immediately prior to the earlier of:

    (A) the date of announcement of the Possible Placing;

    (B) the date of the relevant placing agreement; and

    (C) the date on which the placing price of the Possible Placing is fixed;

(c) the placing price in any event will not be less than HK$2.40 per Share which was determined by reference to the closing price of the Shares as quoted on the Stock Exchange on the Latest Practicable Date and the offer price of the mandatory general offer made by CNQC Development in March 2014 for all the outstanding Shares of the Company at the time (other than the Shares held by parties acting in concert with it), and it represents:

  (i) a premium of approximately 4.3% to the closing price of HK$2.30 per Share as quoted on the Stock Exchange on the Latest Practicable Date;

(ii) a premium of approximately 2.1% to the average closing price of approximately HK$2.35 per Share as quoted on the Stock Exchange for the last five trading days up to and including the Latest Practicable Date; and

(iii) a premium of approximately 4.3% to the closing price of HK$2.30 per Share as quoted on the Stock Exchange on the Last Trading Day.

(d) the grant of the Specific Placing Mandate is subject to the passing of an ordinary resolution by the Shareholders at the EGM approving such grant;

(e) the issue of new Shares pursuant to the Specific Placing Mandate will be conditional upon Completion;

(f) the proposed Specific Placing Mandate is for the period from the passing of the relevant resolution in the EGM up to the earlier of:

(i) the date falling three months after the date of the passing of the aforesaid resolution at the EGM; or

(ii) the revocation or variation of the authority given under the relevant resolution(s) at the EGM by ordinary resolution(s) of the Shareholders in a general meeting of the Company.

The Company undertakes to ensure that the Shares issued pursuant to the Specific Placing Mandate will not be placed to connected persons of the Company.

Estimated proceeds from the Possible Placing (for reference and illustrative purpose only)

The actual size of fund raised from the Possible Placing will depend upon the number of new Shares to be issued and the issue price per new Share. The Directors may issue the new Shares at a premium or a discount, depending on various factors including without limitation the prevailing market conditions and the prevailing share price of the Shares.

On the assumption that the new Shares are to be issued at a price of HK$2.40 per Share under the Possible Placing (being the minimum placing price), the gross proceeds (before deducting the expenses and commission in relation to the Possible Placing) from the issue of 215,000,000 Shares (the maximum Shares that the Company may issue pursuant to the Specific Placing Mandate (if granted)) will be HK$516 million.

On the assumption that the new Shares are to be issued at a price of HK$2.30 per Share under the Possible Placing (being the closing price of the Shares on the Latest Practicable Date), the gross proceeds (before deducting the expenses and commission in relation to the Possible Placing) from the issue of 215,000,000 Shares (the maximum Shares that the Company may issue pursuant to the Specific Placing Mandate (if granted)) will be approximately HK$494.5 million.

On the assumption that the new Shares are to be issued at a price of HK$1.88 per Share under the Possible Placing (being approximately 20% discount to the average closing price of the Shares for the last five trading days up to and including the Latest Practicable Date), the gross proceeds (before deducting the expenses and commission related to the Possible Placing) from the issue of 215,000,000 Shares (the maximum Shares that the Company may issue pursuant to the Specific Placing Mandate (if granted)) will be approximately HK$404.2 million.

Investors should note that as at the Latest Practicable Date, no placing agreement has been signed and no placing agent has been appointed by the Company. Accordingly, the particulars of the Possible Placing are for illustrative purpose only and the actual price per Share and the fund to be raised by the issue of the new Shares under the Possible Placing may be different from the above indicative figures. Depending on market conditions, the Directors may or may not exercise the proposed Specific Placing Mandate, if granted, to issue the new Shares.

Reasons for the Possible Placing and Proposed use of proceeds

Assuming solely for illustration purposes, the new Shares are issued at the minimum price of HK$2.40 per Share with gross placing proceeds of HK$516 million, such proceeds shall be applied as follows:

(a) HK$101 million, representing approximately 19.6% of the gross placing proceeds, in and towards the repayment of portion of the short-term bank loans of the Target Group that will mature in early 2016;

(b) HK$382 million, representing approximately 74.0% of the gross placing proceeds, in and towards the payment for development costs (including land cost, construction costs and other development costs such as marketing expenses, contingencies, professional or consultant fees, property tax and goods and services tax) of the five Target Group's property projects namely Waterbay, Ecopolitan, Bellewoods, Bellewaters and Sembawang that would be due between January 2016 to March 2016; and

(c) HK$33 million, representing approximately 6.4% of the gross placing proceeds, for the general working capital and activities of the Enlarged Group.

In the event that the gross proceeds from the Possible Placing are less than expected, the Directors will consider to adjust the allocation of such proceeds for the above-mentioned purposes, but with the priority in repayment of portion of the short-term bank loan of the Target Group and then the payment for development costs of the five Target Group's property projects. In the event that the Possible Placing does not proceed, the Target Group may satisfy the above capital needs by way of bank or other borrowings.

The proposed issue of the new Shares under the Possible Placing allows the Company to expand the shareholder and capital base of the Company by issuing new Shares to investors who are interested in making an investment in the Company and who understand and recognise the value and potential of the Enlarged Group. The Possible Placing also increases the overall liquidity of the Shares and strengthens the financial position of the Group. The Company seeks the Specific Placing Mandate as it has determined, based on discussions with potential placing agent, that it is not practicable to have a placing agreement signed prior to the despatch of this circular. This is due to the size of the equity fund raising contemplated through the Possible Placing and the requirement of placing agents to minimise the period between pricing and completion of an equity issue.

Further details on the application of such proceeds will be set out in the announcement to be published by the Company should the Possible Placing be proceeded with.

Possible application for listing

Should the Board, upon obtaining the proposed Specific Placing Mandate, proceed to exercise the proposed Specific Placing Mandate to issue the new Shares, the Company will apply to the Listing Committee for the listing of and permission to deal in all of the new Shares to be issued and placed pursuant to the Possible Placing.

Sufficiency of public float

The Company intends to maintain the listing status of the Shares on the Stock Exchange and the 25% minimum public float requirement upon the issue of new Shares pursuant to Possible Placing conducted under the Specific Placing Mandate, as well as to allow New Guotsing Holdco in exercising the conversion rights attaching to the CPS as the conversion of CPS by New Guotsing Holdco is subject to the Company meeting the minimum public float requirement under Rule 8.08 of the Listing Rules.

Accordingly, if New Guotsing Holdco intends to convert the CPS and obtain the Conversion Shares immediately upon the issue of new Shares by the Company pursuant to the Possible Placing, the Company will procure that (1) as a condition precedent to the completion of such Possible Placing, the delivery of a conversion notice with the requisite information by New Guotsing Holdco to the Company; and (2) the issue of the Conversion Shares by the Company to New Guotsing Holdco will complete simultaneously at the same time as the issue of new Shares to the placees pursuant to such Possible Placing, provided always that the conversion of such number of CPS would not result in the Company's failure to satisfy the minimum public float requirement under Rule 8.08 of the Listing Rules immediately after the issue of the requisite number of Conversion Shares and the new Shares pursuant to such Possible Placing.

Investors should be aware that the proposed Specific Placing Mandate may or may not be approved by the Shareholders at the EGM. Even if the proposed Specific Placing Mandate is granted to the Board, the Possible Placing may or may not be proceeded with. Investors should therefore exercise caution when dealing in the Shares.

PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL AND CREATION OF THE CPS

As at the Latest Practicable Date, the authorised share capital of the Company was HK$20,000,000 consisting of 2,000,000,000 Shares of HK$0.01 each, of which 300,000,000 Shares were in issue. The Directors propose to (i) create a new class of shares of HK$0.01 each in the form of the CPS; and (ii) increase the authorised share capital of the Company to HK$70,000,000, comprising 6,000,000,000 Shares of HK$0.01 each and 1,000,000,000 CPS.

FINANCIAL ADVISER, SOLE SPONSOR, INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

The Hongkong and Shanghai Banking Corporation Limited has been appointed as the financial adviser to the Company in relation to the Acquisition, and HSBC Corporate Finance (Hong Kong) Limited has been appointed as the sole sponsor to the Company's new listing application.

An independent board committee comprising all the independent non-executive Directors, namely, Mr. Chuck Winston Calptor, Mr. Ching Kwok Hoo, Pedro and Mr. Tam Tak Kei, Raymond, has been formed pursuant to the requirements under the Listing Rules and the Takeovers Code to advise the Independent Shareholders on matters in relation to the Acquisition, the Share Purchase Agreement, the Specific Mandate, the Whitewash Waiver and the Non-Exempt Continuing Connected Transaction to be entered into by the Enlarged Group upon Completion.

Although both of Mr. Zhang Zhihua and Dr. Ding Hongbin are non-executive Directors, as both of Mr. Zhang Zhihua and Dr. Ding Hongbin are directors of Guotsing PRC and Guotsing SG, they are not members of the independent board committee formed pursuant to the Takeover Code.

The Company has, with the approval of the Independent Board Committee, appointed Altus Capital Limited as the independent financial adviser in accordance with the requirements under the Listing Rules and the Takeovers Code to advise the Independent Board Committee and the Independent Shareholders on matters in relation to the Acquisition, the Share Purchase Agreement, the Specific Mandate, the Whitewash Waiver and the Non-Exempt Continuing Connected Transaction.

RESPONSIBILITY STATEMENT

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

This circular includes particulars given in compliance with the Takeovers Code for the purpose of giving information with regard to the Group. The Directors jointly and severally accept full responsibility for the accuracy information contained in this circular (other than information relation to New Guotsing Holdco) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed (other than those expressed by New Guotsing Holdco) in this circular have been arrived at after due and careful consideration and there are no other facts not contained in this circular, the omission of which would make any statements in this circular misleading.

The information in relation to New Guotsing Holdco contained in this circular has been supplied by the sole director of New Guotsing Holdco. The sole director of New Guotsing Holdco accepts full responsibility for the accuracy of the information contained in this circular (other than information relating to the Group) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed (other than those expressed by the Group) in this circular have been arrived at after due and careful consideration and there are no other facts not contained in this circular, the omission of which would make any statements in this circular misleading.

EGM

A notice of the EGM to be held at Room Peony & Narcissus, 2/F, The Royal Garden, 69 Mody Road, Tsimshatsui East, Kowloon, Hong Kong, on Wednesday, 14 October 2015 at 11:30 a.m. is set out on pages EGM-1 to EGM-4 of this circular for the purpose of considering and, if thought fit, approving (a) the Acquisition and the Share Purchase Agreement; (b) the Non-Exempt Continuing Connected Transaction; (c) the proposed grant of the Specific Mandate; (d) the proposed increase in the authorised share capital of the Company and creation of the CPS; (e) the Whitewash Waiver; and (f) the Specific Placing Mandate.

A form of proxy for use at the EGM is enclosed. Whether or not you intend to attend the EGM, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to Tricor Investor Services Limited, the branch share registrar of the Company in Hong Kong, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof. Completion and return of the proxy form shall not preclude you from attending, and voting in person at the EGM or any adjournment thereof if you so desire and, in such event, the instrument appointing a proxy will be deemed to be revoked.

In order to determine the list of shareholders who will be entitled to attend and vote at the EGM, the register of members of the Company will be closed for registration of transfer of Shares from Monday, 12 October 2015 to Wednesday, 14 October 2015 (both days inclusive) during which period no transfer of Shares will be effected. Shareholders whose names appear on the register of members of the Company on Wednesday, 14 October 2015 shall be entitled to attend and vote at the EGM. In order for the Shareholders to qualify for attending and voting at the EGM, all transfer documents, accompanied by the relevant Share certificates, should be lodged for registration with Tricor Investor Services Limited, the Company's branch share registrar and transfer office in Hong Kong, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong on or before 4:30 p.m., Monday, 12 October 2015.

VOTING AT THE EGM AND THE BOARD MEETINGS

New Guotsing Holdco and parties acting in concert with it (including Dr. Du), CNQC Development and its associates, and any person who has a material interest in the Acquisition are required to abstain from voting on the relevant resolution(s) to be proposed at the EGM to approve, among others, the Acquisition, the Specific Mandate and the Whitewash Waiver. As at the Latest Practicable Date, apart from CNQC Development which held 224,145,000 Shares, representing approximately 74.7% of the entire issued share capital of the Company, none of New Guotsing Holdco or parties acting in concert with it held any Shares.

All Shareholders shall be entitled to vote on the relevant resolutions to be proposed at the EGM to approve the increase in authorised share capital and creation of the CPS and the Specific Placing Mandate. Voting on the resolutions at the EGM will be taken by poll.

As Dr. Du, Mr. Zhang Zhihua and Dr. Ding Hongbin are considered to have material interests in the Acquisition, Dr. Du, Mr. Zhang Zhihua and Dr. Ding Hongbin were required to abstain from voting from the relevant resolutions of the Board. Other than these three Directors, none of the Directors has a material interest in the Acquisition or shall be required to abstain from voting from the relevant resolutions of the Board.

RECOMMENDATIONS

The Independent Board Committee, having considered the terms and conditions of the Share Purchase Agreement and the Qingjian Precast Master Service Agreement and after taking into account the advice from the Independent Financial Adviser, considers that the terms of the Acquisition and the Qingjian Precast Master Service Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole. The Independent Board Committee accordingly recommends that the Independent Shareholders vote in favour of the resolutions to be proposed at the EGM to approve the Acquisition, the Share Purchase Agreement, the Specific Mandate, the Whitewash Waiver and the Non-Exempt Continuing Connected Transaction. The Directors recommend that the Shareholders vote in favour of the resolutions to be proposed to approve the Acquisition, the Share Purchase Agreement, the Specific Mandate, the Whitewash Waiver, the Specific Placing Mandate and the Non-Exempt Continuing Connected Transaction as well as other resolutions to be proposed at the EGM.

The text of the letter from the Independent Board Committee containing its recommendation to the Independent Shareholders is set out on pages 70 to 71 of this circular. The text of the letter from the Independent Financial Adviser, containing its advice to the Independent Board Committee and the Independent Shareholders with regard to the Acquisition, the Share Purchase Agreement, the Whitewash Waiver and the Non-Exempt Continuing Connected Transaction and the principal factors and reasons which it has taken into account in arriving at its advice, is set out on pages 72 to 111 of this circular.

FURTHER INFORMATION

Your attention is drawn to other sections of and appendices to this circular, which contain further information on the Group, the Target Group and the Enlarged Group and other information required to be disclosed under the Listing Rules.

WARNING

THE ACQUISITION IS SUBJECT TO A NUMBER OF CONDITIONS INCLUDING INDEPENDENT SHAREHOLDERS' APPROVAL, WHICH MAY OR MAY NOT BE FULFILLED. SHAREHOLDERS OF THE COMPANY AND POTENTIAL INVESTORS SHOULD EXERCISE CAUTION WHEN THEY DEAL OR CONTEMPLATE DEALING IN THE SHARES OR ANY OTHER SECURITIES OF THE COMPANY.

Yours faithfully,
For and on behalf of the Board of
CNQC International Holdings Limited
Dr. Du Bo
Chairman

The following is the text of a letter from the Independent Board Committee to the Independent Shareholders in connection with the Acquisition for inclusion in this circular.

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

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 01240)

To the Independent Shareholders

Dear Sir or Madam,

(1) VERY SUBSTANTIAL ACQUISITION AND CONNECTED TRANSACTION
(2) PROPOSED GRANT OF SPECIFIC MANDATE
(3) APPLICATION FOR WHITEWASH WAIVER AND
(4) NON-EXEMPT CONTINUING CONNECTED TRANSACTION

We refer to the circular dated 25 September 2015 issued by the Company, of which this letter forms part (the "**Circular**"). Unless otherwise specified, capitalised terms defined in the Circular shall have the same meanings when used herein.

The Independent Board Committee has been formed to advise you in relation to the Acquisition, the Share Purchase Agreement, the Specific Mandate, the Whitewash Waiver and the Non-Exempt Continuing Connected Transaction, details of which are set out in the sections headed "Letter from the Board" and "Continuing Connected Transactions" contained in the Circular. Altus Capital Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard. The text of the letter of advice from the Independent Financial Adviser containing its recommendations and the principal factors it has taken into account in arriving at its recommendations are set out on pages 72 to 111 of the Circular.

Having considered the terms and conditions of the Share Purchase Agreement and the Qingjian Precast Master Service Agreement as well as the advice and recommendations of the Independent Financial Adviser set out in its letter of advice, we consider that the Acquisition, the Share Purchase Agreement, the Specific Mandate, the Whitewash Waiver and the Non-Exempt Continuing Connected Transaction are in the interests of the Company and the Shareholders as a whole, are on normal commercial terms and in the ordinary and usual course of business of the Company, and are fair and reasonable so far as the Company and the Shareholders are concerned.

On the basis above, we recommend that the Independent Shareholders vote in favour of the resolutions approving the Acquisition, the Share Purchase Agreement, the Specific Mandate, the Whitewash Waiver and the Non-Exempt Continuing Connected Transaction at the EGM.

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

The following is the text of a letter of advice from Altus Capital Limited to the Independent Board Committee and the Independent Shareholders in respect of (i) the Acquisition; (ii) the Share Purchase Agreement; (iii) the granting of the Specific Mandate for the issuance of the CPS and the Conversion Shares; (iv) the Whitewash Waiver; and (v) the Non-Exempt Continuing Connected Transaction to be entered into by the Enlarged Group upon Completion which has been prepared for the purpose of incorporation in this circular.

ALTUS CAPITAL LIMITED
21 Wing Wo Street
Central, Hong Kong

25 September 2015

To the Independent Board Committee and the Independent Shareholders

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

Dear Sirs,

(1) VERY SUBSTANTIAL ACQUISITION AND CONNECTED TRANSACTION (2) ISSUE OF CONVERTIBLE PREFERENCE SHARES AND CONNECTED TRANSACTION (3) PROPOSED GRANT OF SPECIFIC MANDATE (4) NON-EXEMPT CONTINUING CONNECTED TRANSACTION AND (5) WHITEWASH WAIVER

INTRODUCTION

We refer to our appointment as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of (i) the Acquisition; (ii) the Share Purchase Agreement; (iii) the granting of the Specific Mandate for the issuance of the CPS and the Conversion Shares; (iv) the Whitewash Waiver; and (v) the Non-Exempt Continuing Connected Transaction to be entered into by the Enlarged Group upon Completion. Terms used in this letter shall have the same meanings as those defined in the circular of the Company dated 25 September 2015 (the "**Circular**") unless the context requires otherwise.

On 23 May 2015, the Company (as the purchaser) and Guotsing SG (as the seller), entered into the Share Purchase 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 the Target Company on the terms and subject to the conditions set out in the Share Purchase Agreement.

The Acquisition constitutes a very substantial acquisition of 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. Since the seller, Guotsing SG, is a connected person of the Company by virtue of being an associate of CNQC Development (a substantial shareholder of the Company), the Acquisition also constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules and is subject to the approval of the Independent Shareholders at the EGM.

In addition, the Acquisition constitutes 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 of the Company and at the same time 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 (as defined in the Takeovers Code) of the Company. Accordingly, under Rule 14.54 of the Listing Rules, the Company is being treated as if it were a new listing applicant. The Acquisition is therefore also subject to the approval of the Listing Committee of a new listing application made by the Company.

Pursuant to the terms of the Share Purchase Agreement, Guotsing Group has carried out an internal reorganisation whereby, amongst others, New Guotsing Holdco has been established by the ultimate beneficial owners of Guotsing PRC for holding the CPS to be allotted and issued by the Company at Completion. It is noted that upon Completion, New Guotsing Holdco will be interested in 647,273,454 CPS which, upon conversion in full will lead to New Guotsing Holdco (i) being interested in approximately 68.3% of the enlarged issued share capital of the Company (based on the assumption that all of the CPS held by New Guotsing Holdco have been converted into Shares notwithstanding that the Company will not be able to meet the public float requirement under Rule 8.08 of the Listing Rules upon such conversion and that none of the other outstanding options of the Company or the CPS held by the Trustee (or a company held by the Trustee) will be exercised or converted); or (ii) being interested in approximately 55.7% of the enlarged issued share capital of the Company at such time (assuming the Company shall be able to issue and allot 215,000,000 new Shares to independent third parties such that the public float requirement stated under Rule 8.08 of the Listing Rules will be satisfied and that none of the other outstanding options of the Company or CPS will be exercised or converted). As a result, New Guotsing Holdco would be required to make a mandatory general offer for all the issued shares of the Company (not already owned or agreed to be acquired by New Guotsing Holdco and its parties acting in concert) under Rule 26.1 of the Takeovers Code, unless a waiver from strict compliance with Rule 26.1 of the Takeovers Code is granted by the Executive. New Guotsing Holdco has made an application to the Executive for the granting of the Whitewash Waiver pursuant to Note 1 on dispensation from Rule 26 of the Takeovers Code, whereby if the Whitewash Waiver is granted, New Guotsing Holdco will not be required to make a mandatory offer to all shareholders of the Company which would otherwise be required as a result of the conversion of 647,273,454 CPS.

As described in the section headed "Continuing Connected Transactions" of the Circular, it is noted that on 25 September 2015 the Company entered into the Qingjian Precast Master Service Agreement, pursuant to which the Enlarged Group will continue to source precast components and clay and concrete products from Qingjian Precast and its subsidiaries (together, "**Qingjian Precast Group**") after Completion. As one or more of the applicable percentage ratios calculated based on the respective annual caps for the Qingjian Precast Master Service Agreement exceed 5%, the transactions contemplated under the Qingjian Precast Master Service Agreement will constitute continuing connected transactions of the Company upon Completion under Chapter 14A of the Listing Rules, and will be subject to reporting, annual review, announcement and independent shareholders' approval.

THE INDEPENDENT BOARD COMMITTEE

The Independent Board Committee (comprising all the independent non-executive Directors, namely, Mr. Chuck Winston Calptor, Mr. Ching Kwok Hoo, Pedro and Mr. Tam Tak Kei, Raymond), has been constituted:

(1) to consider (i) the transactions contemplated under the Share Purchase Agreement; (ii) the Whitewash Waiver; and (iii) the Non-Exempt Continuing Connected Transaction to be entered into by the Enlarged Group upon Completion; and

(2) to advise the Independent Shareholders as to (i) whether the terms of the Share Purchase Agreement and the Qingjian Precast Master Service Agreement are fair and reasonable; (ii) whether the Whitewash Waiver is fair and reasonable; (iii) whether the aforementioned transactions are on normal commercial terms; (iv) whether the Non-Exempt Continuing Connected Transaction is in the ordinary and usual course of the Enlarged Group's business; (v) whether the aforementioned transactions and the Whitewash Waiver are in the interests of the Company and the Shareholders as whole; and (vi) how the Independent Shareholders should vote in respect of the ordinary resolutions relating to the aforementioned transactions and the Whitewash Waiver to be proposed at the EGM.

As the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, our role is to give an independent opinion to the Independent Board Committee and the Independent Shareholders with regard to:

(1) (i) the Share Purchase Agreement; (ii) the Whitewash Waiver; and (iii) the Non-Exempt Continuing Connected Transaction to be entered into by the Enlarged Group upon Completion; and

(2) as to (i) whether the terms of the Share Purchase Agreement and the Qingjian Precast Master Service Agreement are fair and reasonable; (ii) whether the Whitewash Waiver is fair and reasonable; (iii) whether the aforementioned transactions are on normal commercial terms; (iv) whether the Non-Exempt Continuing Connected Transaction is in the ordinary and usual course of the Enlarged Group's business; (v) whether the aforementioned transactions are in the interests of the Company and the Shareholders as whole and the Independent Shareholders; (vi) whether the Whitewash Waiver is in the interests of the Independent Shareholders and (vii) how

the Independent Shareholders should vote in respect of the ordinary resolutions relating to the aforementioned transactions and the Whitewash Waiver to be proposed at the EGM.

We have been appointed as the independent financial adviser by the Company with the approval of the Independent Board Committee to advise the Independent Board Committee and the Independent Shareholders. Apart from the normal advisory fee payable to us in connection with our appointment, no arrangement exists whereby we shall receive any other fees or benefits from the Company.

BASIS OF OUR ADVICE

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

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

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

PRINCIPAL FACTORS AND REASONS CONSIDERED

1. Background of the Group

The Company was incorporated in the Cayman Islands and the Shares are listed on the Main Board of the Stock Exchange. The Company is an investment holding company and the Group is principally engaged in the foundation business and machinery rental business in Hong Kong and Macau.

Change in control of the Company in 2014

In March 2014, CNQC Development acquired 225,000,000 Shares (representing 75% of the entire issued share capital of the Company) at HK$2.40 from Leading Win Management Limited for a total cash consideration of HK$540,000,000. Pursuant to Rule 26.1 of the Takeovers Code, CNQC Development made a mandatory unconditional cash offer to acquire all issued Shares (other than those already acquired or agreed to be acquired and owned by itself and parties acting in concert with it) at an offer price of

HK$2.40 per offer Share. Upon closing of the mandatory unconditional cash offer, CNQC Development received valid acceptances in respect of a total of 40,790,000 offer Shares under the mandatory unconditional cash offer, representing approximately 13.6% of the entire issued share capital. Given that less than 25% of the then issued share capital of the Company was held in public hands immediately after the close of the mandatory unconditional cash offer, CNQC Development entered into a placing agreement with Cinda International Securities Limited on 20 June 2014, to procure placees to purchase an aggregate of 41,645,000 Shares, representing approximately 13.9% of the issued share capital of the Company, at a price of HK$2.40 per Share. Immediately following completion and settlement of the Placing, the public float was restored. As at the Latest Practicable Date, CNQC Development held 224,145,000 Shares, representing approximately 74.7% of the issued share capital of the Company.

Financial Information

Set out below are the financial highlights of the Group for the years ended 31 March 2013 and 2014, the nine months ended 31 December 2014 and the six months ended 30 September 2013, 2014 and 30 June 2015 as extracted from the annual reports of the Company for the year ended 31 March 2014 ("**2014 March Annual Report**"), the annual report for the nine months ended 31 December 2014 ("**2014 December Annual Report**") and interim reports of the Company for the six months ended 30 September 2014 ("**2014 Interim Report**") and the six months ended 30 June 2015 ("**2015 Interim Report**"). The Company changed its financial year end date from 31 March to 31 December after it became an indirect non wholly-owned subsidiary of Guotsing PRC.

	For the year ended 31 March		**For the six months ended 30 September**		**For the nine months ended 31 December**	**For the six months ended 30 June**
	2013	**2014**	**2013**	**2014**	**2014**	**2015**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Audited)	(Audited)	(Unaudited)	(Unaudited)	(Audited)	(Unaudited)
Revenue	597,991	1,218,198	638,266	612,496	957,919	835,217
Cost of sales	(483,830)	(989,861)	(556,698)	(510,669)	(784,629)	(713,692)
Gross profit	114,161	228,337	81,568	101,827	173,290	121,525
Profit and total comprehensive income for the period/year attributable to owners of the Company	65,181	155,796	56,471	63,128	106,349	58,618

	As at 31 March		As at	As at	As at
			30 September	31 December	30 June
	2013	2014	2014	2014	2015
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Audited)	(Audited)	(Unaudited)	(Audited)	(Unaudited)
Total current assets	243,232	407,429	439,638	486,964	598,109
Total non-current assets	259,678	329, 024	360,194	356,912	346,848
Total assets	502,910	736,453	799,832	843,876	944,957
Total current liabilities	119,783	372,172	355,137	351,418	401,350
Total non-current liabilities	112,185	108,543	123,066	125,052	112,471
Net current assets	123,449	35,257	84,501	135,546	196,759
Net assets	270,942	255,738	321,629	367,406	431,136

	For the year ended 31 March		For the six months ended 30 September		For the nine months ended 31 December
	2013	2014	2013	2014	2014
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Audited)	(Audited)	(Unaudited)	(Unaudited)	(Audited)
Net cash generated from operating activities	47,662	218,088	139,798	41,927	123,358
Net cash used in investing activities	(64,567)	(121,343)	(76,417)	(58,667)	(61,777)
Net cash (used in)/generated from financing activities	28,391	34,045	26,817	(101,157)	(137,345)
Net (decrease)/increase in cash and cash equivalents	11,486	130,790	90,198	(117,897)	(75,764)
Cash and cash equivalents at end of the period/year	58,095	188,885	148,293	70,988	113,121

For the year ended 31 March 2014 compared to year ended 31 March 2013

With reference to the 2014 March Annual Report, the Group recorded revenue of approximately HK$1,218.2 million for the year ended 31 March 2014, representing approximately 103.7% increase from the previous year. The increase was attributable mainly to more revenue generated from several sizeable construction projects and more projects undertaken in Hong Kong and Macau. Profit for the year ended 31 March 2014 increased by approximately 139.0% from the previous year, from approximately HK$65.2 million to approximately HK$155.8 million for predominantly the same reasons as those driving the revenue increase.

The effects of the approximate HK$56.8 million increase in net cash outflow from investing activities recorded for the year ended 31 March 2014 from the previous year 2013, brought about predominantly by an increase in purchase of property, plant and equipment, were offset by the significant increase in net cash generated from operating activities for the corresponding year in 2014 (in line with the revenue increase). As a result of the aforementioned increase in cash generated from operating activities, as at 31 March 2014, the Group had cash and cash equivalents of approximately HK$188.9 million, representing an increase of approximately 225.1% from the previous year.

For the six months ended 30 September 2014 compared to the six months ended 30 September 2013

The Group's total revenue for the six months ended 30 September 2014 was approximately HK$612.5 million, representing an approximate 4.0% decrease from the corresponding period in 2013. As set out in the 2014 Interim Report, the slight decrease was attributable mainly to the completion of a significant project in Cotai Macau, whereas revenue from sizeable projects undertaken by the Group both in Hong Kong and Macau had not yet been recognised for the six months ended 30 September 2014. Despite the increase in (i) labour cost; (ii) construction material cost; and (iii) subcontractor charges during the six months ended 30 September 2014, the Group's gross profit margin increased from approximately 12.8% for the six months ended 30 September 2013 to approximately 16.6% for the corresponding period in 2014. The aforementioned increase was attributable mainly to the Group having adjusted its tender price for construction projects to reflect the increase in costs. Such an increase in profit margin resulted in an increase of gross profit contributed by newly undertaken construction projects, which in turn contributed to the approximate 11.8% increase of the Group's net profit for the six months ended 30 September 2014 to approximately HK$63.1 million, from approximately HK$56.5 million for the corresponding period in 2013.

For the six months ended 30 September 2014, the Group recorded a decrease of approximately HK$117.9 million in cash and cash equivalents from approximately HK$188.9 million as at 31 March 2014 to approximately HK$71.0 million. The decrease in cash and cash equivalents was attributable mainly to the HK$150.0 million in dividend paid and the approximate HK$85.0 million in repayment of bank borrowings. However, the Group recorded an approximate HK$63.4 million increase in total assets in the six months between 31 March 2014 and 30 September 2014, from approximately HK$736.5 million to approximately HK$799.8 million. This is mainly due to the approximate HK$151.9 million increase in trade and other receivables in the six months between 31 March 2014 to 30 September 2014, which offset the approximate HK$117.9 million decrease in cash and cash equivalents as the Group continued to undertake more business.

For the nine months ended 31 December 2014

Due to the change in financial year end date, the Group has published the 2014 December Annual Report. For discussion purposes, while the periods for comparison differ in terms of number of months, we have nevertheless analysed the nine month period ended 31 December 2014 with the 12 month period ended 31 March 2014. We noted that the level of revenue recorded during the nine month period ended 31 December 2014 of approximately HK$957.9 million was, when annualised, generally in line with the level recorded during the year ended 31 March 2014. Gross profit margin had remained stable at approximately 18.1% during the nine month period ended 31 December 2014 compared with approximately 18.7% for the year ended 31 March 2014. Net profit for the nine months ended 31 December 2014 was lower at approximately HK$106.3 million compared with HK$155.8 million for the year ended 31 March 2014 as, in particular, administrative expenses during the nine months ended 30 September 2014 were higher despite a shorter time frame. The aforesaid increase was mainly due to higher staff costs (including Directors emoluments) and legal and professional fees.

Due to continued profitability, the Group's net assets increased to approximately HK$367.4 million as at 31 December 2014 compared with approximately HK$255.7 million as at 31 March 2014 and HK$321.6 million as at 30 September 2014. In particular, trade and other receivables, prepayments and deposits increased substantially due to the continued increase in business and slower payment by a client.

For the six months ended 30 June 2015 as compared to the six months ended 30 September 2014

Due to the change in financial year end date, the interim report date has changed to 30 June as opposed to the original 30 September. For discussion purposes, we have nevertheless analysed the six month period ended 30 June 2015 and compared it with the six month period ended 30 September 2014.

The Group recorded total revenue for the six months ended 30 June 2015 of HK$835.2 million, representing an approximate 36.4% increase when compared with the six months ended 30 September 2014. This increase in the Group's revenue can be attributed to the substantial completion of a number of projects during the six months ended 30 June 2015. Mainly due to the absence of the relatively high margin projects in Macau, the Group's gross profit margin recorded a slight decrease from approximately 16.6% to 14.6% for the six months ended 30 September 2014 and 30 June 2015 respectively.

General and administrative expenses of approximately HK$44.4 million were recorded, compared to HK$25.4 million for the six months ended 30 September 2014. This increase was mainly a result of the increased professional fees brought about by the undertaking of the Acquisition.

The Group's net assets of approximately HK$431.1 million as at 30 June 2015 had increased compared to that as at 31 December 2014 of approximately HK$367.4 million, mainly brought about by the net profit recognised from operations.

Outlook

As disclosed in the 2014 March Annual Report, since Guotsing Group gained control of the Group, the Management has been contemplating diversifying its business model, with a new development strategy, a new brand name and a new logo being contemplated.

The change in the Company's name from Sunley Holdings Limited (新利控股有限公司) to CNQC International Holdings Limited (青建國際控股有限公司) as disclosed in the announcements of the Company dated 9 July and 16 September 2014 has enabled the Group to make use of the new corporate image and the reputation of its parent CNQC Development (which is indirectly wholly-owned by Guotsing PRC) and its related group members to potentially expand the foundation construction business to other Asia Pacific regions in the future.

According to the 2014 Interim Report, the Group contracted sizeable foundation projects in Shek Kip Mei, Ma On Shan and Tsing Yi with a total contract sum of approximately HK$1,000 million. With the continual demand of construction work both in Hong Kong and in Macau, the Management expected that there would be many tendering opportunities ahead. As set out in the 2014 December Annual Report, the Management intends to further develop its superstructure business and improve efficiency in the face of the increasing labour costs recorded through the PRC.

2. Background of Guotsing PRC and Guotsing SG

Guotsing PRC was established in the PRC, and through Qingjian Group Co., Ltd., its key operating subsidiary in the PRC, is primarily engaged in (i) domestic and international construction projects and investment; (ii) real estate development; (iii) capital management; (iv) logistics; and (v) design consulting.

As at the Latest Practicable Date, Guotsing PRC was held as to approximately (i) 41.265% by the Qingjian Staff Union (through its wholly-owned subsidiary); (ii) 30.0% by Shanghai Heliyuan; (iii) 15.0% by Beijing Uni-Land; and (iv) 13.735% by Qingdao Bohai.

Guotsing SG, an investment holding company incorporated in Singapore and wholly-owned by Guotsing PRC, is the sole shareholder of CNQC (South Pacific).

3. Background of Target Group

Reorganisation and shareholding structure

Pursuant to the Share Purchase Agreement, Guotsing Group has carried out an internal reorganisation which involved (i) the establishment of an offshore special purpose investment vehicle, New Guotsing Holdco, and its wholly-owned subsidiary, New Guotsing BVI; and (ii) the transfer of the entire issued share capital of CNQC (South Pacific) from Guotsing SG to New Guotsing BVI. As at the Latest Practicable Date, New Guotsing BVI held the entire issued share capital of CNQC (South Pacific), the subject matter of the Acquisition and New Guotsing Holdco as owned by the ultimate beneficial owners of Guotsing PRC on the basis that the effective beneficial interests held by each ultimate beneficial owner of Guotsing PRC in New Guotsing Holdco shall correspond to their respective effective beneficial interest in Guotsing PRC.

Dr. Du has consolidated all his interests previously held through Shanghai Heliyuan and Bohai Investment into one offshore company. As a result, New Guotsing Holdco is controlled (as defined under the Takeovers Code) by Dr. Du, the chairman and a Director of the Company, as at the completion of the Reorganisation. Guotsing SG shall nominate New Guotsing Holdco to take up 68% of the CPS to be allotted and issued by the Company as consideration at Completion.

For details of the shareholding structure of CNQC (South Pacific) before and after completion of the Reorganisation, please refer to the paragraph headed "Information on Guotsing PRC, Guotsing SG and the Target Group" in the "Letter from the Board" of the Circular.

Management Share Scheme

As described in the paragraph headed "Information on Guotsing PRC, Guotsing SG and the Target Group" in the "Letter from the Board" of the Circular, CNQC (South Pacific) had granted rights ("**Rights**") to the Selected Participants to subscribe for up to 12,000,000 shares of CNQC (South Pacific), representing 32% of the total enlarged issued share capital of CNQC (South Pacific) ("**Pre-existing Management Scheme**").

As at the Latest Practicable Date, no Selected Participant has exercised any of the Rights. It is part of the commercial arrangement between the parties that the Company and Guotsing SG shall take up the Rights by issuing and allotting 32% of the total number of the Consideration Shares to the Trust in replacement of the Pre-existing Management Scheme. For more details, please refer to the paragraph headed "Conditions and terms of the Share Purchase Agreement" of the Letter.

Business

The Target Group comprises the Target Company and its subsidiaries which are primarily engaged in (i) property development, whereby the Target Group focuses on the development and sale of quality condominiums and executive condominiums (for further details of the Singapore property market, refer to the section headed "Market report" of the Circular); and (ii) property construction whereby the Target Group focuses on the provision of construction services as the main contractor for both governmental authorities and private property developers in Singapore.

As set out in the section headed "Business of the Target Group" of the Circular, in relation to the property development segment of the Target Group, the Target Group had delivered two property projects in 2014, namely RiverParc Residence and Nin Residence. As of 30 June 2015, the Target Group held majority interest in six property projects across Singapore, with a total saleable floor area and total market value attributable to the Target Group amounting to approximately 357,952 sq.m. and approximately SGD1,673.8 million respectively.

In relation to the property construction segment of the Target Group, the Target Group had participated in 21 construction projects in which they were engaged by government authorities and private property developers during the Track Record Period, of which 10 such projects, amounting to a total contract value of approximately SGD1,074.9 million, had been completed as at 31 March 2015. The total contract value of the 11 on-going construction projects amounts to approximately SGD1,587.5 million. Additionally, the Target Group is also engaged in eight construction projects in relation to its own property development segment, of which three had been completed as at 30 June 2015.

Further details of the business of the Target Group have been disclosed in the section headed "Business of the Target Group" of the Circular.

Financial information of the Target Group

	Construction segment					Property segment				
	For the year ended 31 December			For the three months ended 31 March		For the year ended 31 December			For the three months ended 31 March	
	2012	**2013**	**2014**	**2014**	**2015**	**2012**	**2013**	**2014**	**2014**	**2015**
	SGD'000	*SGD'000*	*SGD'000*	*SGD'000* (Unaudited)	*SGD'000*	*SGD'000*	*SGD'000*	*SGD'000*	*SGD'000* (Unaudited)	*SGD'000*
Revenue[(1)]	386,445	498,438	697,583	141,680	184,436	—	—	641,656	—	—
Profit/(loss) for the year[(1)]	60,098	27,793	21,289	(3,302)	6,727	(22,636)	(14,436)	80,947	(2,353)	(4,078)

	For the year ended 31 December			For the three months ended 31 March	
	2012	**2013**	**2014**	**2014**	**2015**
	SGD'000	*SGD'000*	*SGD'000*	*SGD'000* (Unaudited)	*SGD'000*
Revenue[(1)]	289,602	274,902	1,038,546	65,227	118,833
Cost of sales and services	(230,654)	(257,145)	(877,782)	(61,747)	(113,133)
Gross profit	58,948	17,757	160,764	3,480	5,699
Profit for the period[(1)]	22,186	(16,801)	60,870	(3,430)	(10,530)

Note:

(1) The revenue and profit for the period as broken down by business segment do not match with the total revenue and profit for the period figure since the business segment breakdown does not take into account inter Group elimination referring primarily to the Target Group's provision of construction services to its property development arm. It also does not take into account interest income, interest expenses, head office expenses and corporate expenses.

	As at 31 December			As at 31 March
	2012	2013	2014	2015
	SGD'000	*SGD'000*	*SGD'000*	*SGD'000*
Total current assets	1,906,031	2,702,554	2,500,730	2,827,179
Total non-current assets	24,605	55,893	72,317	72,545
Total current liabilities	776,697	1,438,681	1,492,422	1,774,868
Total non-current liabilities	1,119,591	1,351,604	1,062,817	1,117,578
Net current assets	1,129,333	1,263,873	1,008,308	1,052,311
Net assets	34,347	(31,838)	17,807	7,278

	For the year ended 31 December			For the three months ended 31 March	
	2012	2013	2014	2014	2015
	SGD'000	*SGD'000*	*SGD'000*	*SGD'000*	*SGD'000*
Net cash (used in)/generated from operating activities	(375,783)	(337,930)	141,409	(7,433)	(126,332)
Net cash (used in)/generated from investing activities	(25,865)	(118,962)	107,087	9,315	396
Net cash generated from/ (used in) financing activities	556,768	458,930	(377,709)	(75,989)	211,889
Net increase/(decrease) in cash and cash equivalents	155,120	2,038	(129,213)	(74,107)	85,953
Cash and cash equivalents at end of the period	262,406	264,443	135,230	190,336	221,183

For the three years ended 31 December 2014 and for the three months ended 31 March 2015, the Target Group derived its revenue from real estate development and provision of construction services in Singapore.

For the years ended 31 December 2012, 31 December 2013 and 31 December 2014, the Target Group recorded revenue of approximately SGD289.6 million, SGD274.9 million and SGD1,038.5 million respectively, which corresponded to profit of approximately SGD22.2 million, a loss of approximately SGD16.8 million, and profit of approximately SGD60.9 million respectively. For the three months ended 31 March 2014 and 31 March 2015, the Target Group recorded revenue of approximately SGD65.2 million and SGD118.8 million respectively, which corresponded to losses of approximately SGD3.4 million and SGD10.5 million respectively. As set out in the section headed "Financial Information of the Target Group" of the Circular, property development projects typically require substantial capital expenditures and a substantial amount of time to complete before revenue is recognised from the delivery of completed projects, and for this reason the Target Group's annual results can be volatile depending on the stage of development of various properties. The loss incurred for the year ended 31 December 2013 was primarily due to the fact that costs had been incurred throughout

2013 in respect of two property development projects (namely RiverParc Residence and Nin Residence) however according to the relevant financial standards, revenue had yet to be recognised, as the properties were not yet deliverable. Furthermore, a greater portion of the Target Group's construction segment resources had been used on the Target Group's property development projects and revenue received in connection to these services was subsequently eliminated as it constituted an inter-Group transaction. Following this, for the year ended 31 December 2014 the Target Group recorded a substantial profit for the year of approximately SGD60.9 million as it was able to recognise the revenue from the aforementioned property development projects. The approximate SGD53.6 million increase in revenue for the three months ended 31 March 2015 from the corresponding period in 2014 was attributable to an increase of the same amount in segment revenue from construction, which constituted all of the Target Group's total revenue for each of these periods. However, the Target Group recorded a higher loss for the three months ended 31 March 2015 amounting to approximately SGD10.5 million from approximately SGD3.4 million for the corresponding period in 2014, mainly due to the finance costs (net) incurred for the three months ended 31 March 2015.

The corresponding substantial increase in the cost of sales from SGD257.1 million for the year ended 31 December 2013 to SGD877.8 million for the year ended 31 December 2014, was brought about by the increase in the number of property development projects undertaken by the Target Group during the year ended 31 December 2014 while the approximate SGD51.4 million increase in cost of sales for the three months ended 31 March 2015 from the corresponding period in 2014 was generally in line with the increase in revenue as mentioned above.

As at 31 December 2014 and 31 March 2015, the Target Group held net current assets valued at approximately SGD1,008.3 million and SGD1,052 million respectively. This is primarily attributable to the Target Group's holding of development properties for sales, trade and other receivables and restricted cash, as set out in the section headed "Financial Information of the Target Group" of the Circular.

Further financial information on the Target Group has been disclosed in the sections headed "Financial Information of the Target Group" of the Circular and "Accountant's Report on the Target Group" set out in Appendix III to the Circular.

4. Industry overview

As stated above in the section headed "Background of the Target Group" the Target Group derives the majority of its revenue from real estate development and provision of construction services in Singapore. For this reason, the Management are of the view that the performance of the Target Group is related to (i) the Singapore economy as a whole; (ii) the Singapore property market; and (iii) the Singapore construction industry. In our consideration of the Acquisition, we have taken into account the following information regarding the general trends currently noted in the aforementioned three areas:

Overview of the Singapore economy

Singapore's economy has continued to grow amid the global recovery from the 2008 financial crisis. According to the World Bank, Singapore's GDP per capita grew year-on-year from approximately US$38,577 in 2009 to approximately US$56,287 in 2014. This is reflected in Singapore's economic growth whereby its GDP grew from approximately US$192.4 billion to US$307.9 billion over the same period. Compared to the rest of the world, Singapore's GDP per capita ranking rose from 25th in the world in 2009 to 7th in the world in 2014, which signals Singapore's income growth against the global background.

In addition, as set out in the January 2013 Population White Paper published by the Singapore government, Singapore's population of approximately 5.5 million is forecasted to grow significantly in the next two decades to between 6.5 and 6.9 million by the year 2030, representing an approximate growth of between 18.2% and 25.5%.

Singapore's high savings rates

Despite having experienced a decrease in gross savings as a percentage of GDP from 52% GDP in 2010 to 48% GDP in 2013, Singapore's gross savings rate remains one of the highest in the world. Such high savings rate is consistent with the Singapore government's initiative of a compulsory comprehensive savings plan for working Singaporeans and permanent residents primarily to fund their retirement, healthcare and housing needs through the implementation of the Central Provident Fund.

The 2011 publication by the European Commission titled "Household savings and mortgage decisions: the role of the "down-payment channel" in the euro area", which analysed the link between savings and mortgage decisions in the euro area, identified a "down-payment channel" which represents that as house prices increase, credit-constrained households who wish to acquire a property will need to accumulate more savings due to the down payment required by banks. Furthermore, as set out by the HDB, potential home buyers in Singapore who seek to purchase executive condominiums with housing loans from banks with a date of booking of the property on or after 12 January 2013 are required to pay a certain percentage of the property's value as downpayment in cash. As Singapore has one of the highest gross savings (as a percentage of GDP) in the world, it can be deduced that Singaporean households are better-prepared in relation to increases in house prices and hence downpayment requirements, which makes the Singapore residential property market more attractive.

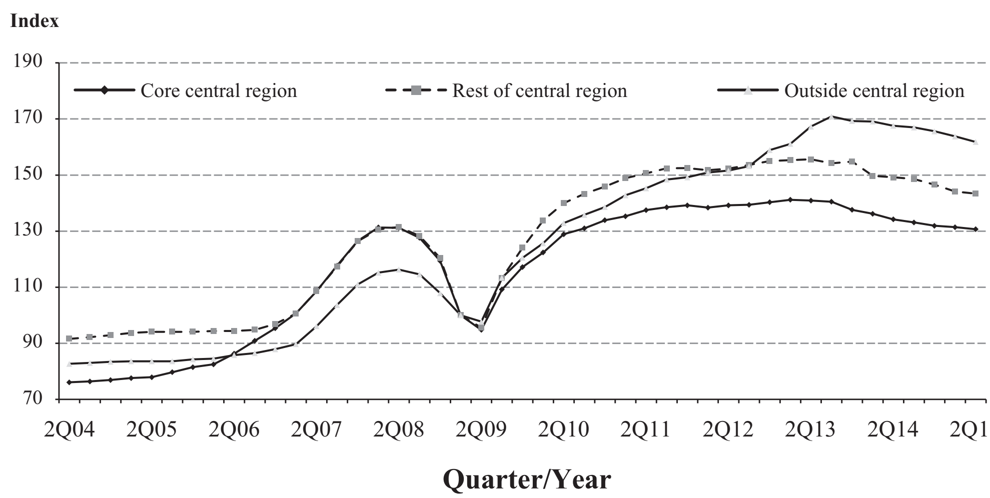
Overview of the Singapore residential property industry

The Singapore residential property market can be categorised into public housing (built and sold by the HDB), private housing (built and sold by private developers) and private-public housing (built and sold by private developers, but with certain restrictions set by the HDB, such as a minimum occupation period before the property can be sold, also referred to as executive condominiums). All public housing is non-landed, whereas private housing developments include landed and non-landed properties. As set out in the

Appendix 1A to the Circular, all of the Target Group's residential projects between 2010 and 2014 are non-landed properties, specifically, condominiums and executive condominiums.

The diagram below illustrates the private residential property price index in Singapore from the second quarter of 2004 to the second quarter of 2015, measured against the base index of 100 as at the first quarter of 2009.

Singapore property price index of non-landed private residential property (1Q09=100)



Source: URA

Notes:

— The index for the second quarter of 2015 is a flash estimate by the URA

— For further information on the categorisation of core central region, rest of central region and outside central region, please refer to Exhibit 3–2 of Appendix 1A to this Circular

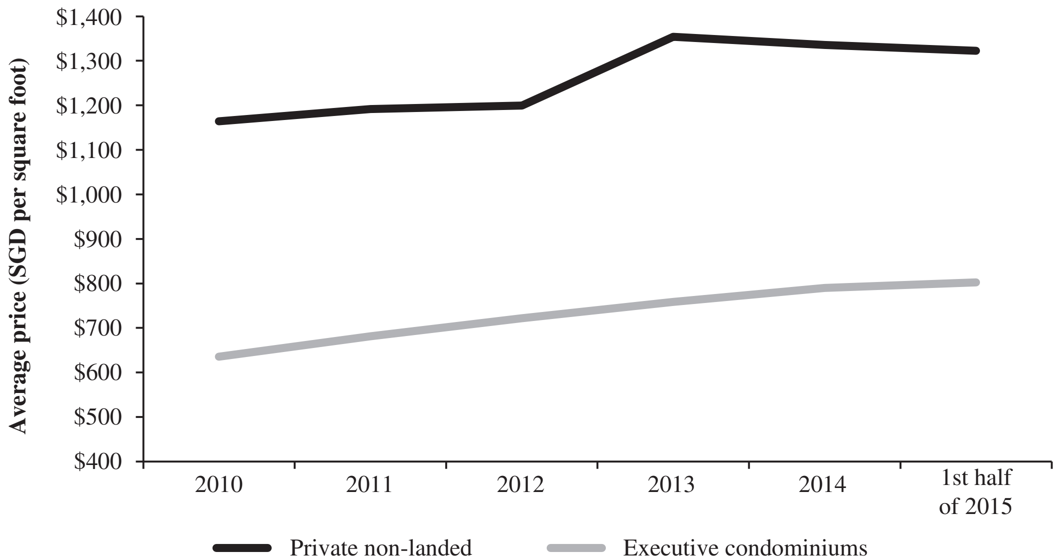
As shown above, residential property prices in Singapore increased sharply from the second quarter of 2004 to a peak in 2008. Following this, the global financial crisis in 2007/2008 temporarily affected the residential property market of Singapore, resulting in a decrease in the prices of private residential property. Amid Singapore's recovery from the aforementioned global financial crisis, the residential property market became more exuberant from early to mid 2009 onwards. Since September 2009, in a prudent effort to stabilise the residential property market, the Singapore government has been imposing policies to cool down the housing market including, among others, the Total Debt Servicing Ratio ("**TDSR**") framework and alterations of mortgage loan terms. As a result of these measures, in the recent year and a half, prices of private residential properties have recorded a slight decrease as seen in the graph above.

In relation to the policies to cool down the housing market as described above, we note that such policies have had the effect of stabilising the residential property market, which the Target Group has been operating in, and this is expected to provide benefits to the Group in the long term. Furthermore, in the future, upon the Singapore government relaxing the aforementioned policies, the Enlarged Group may be able to further reap the benefits of a healthy market.

Based on the Monetary Authority of Singapore's January 2015 preliminary estimates, total new housing loan limits granted in the fourth quarter of 2014 amounted to approximately SGD6,800 million, representing a 5.9% year-on-year increase. For the same period, total outstanding loans in terms of owner-occupied property loans and investment loans amounted to approximately SGD180,900 million, representing a 6.6% year-on-year increase. In contrast, according to caveats lodged with the URA, average prices for private non-landed residential property amounted to SGD1,209 per square feet in 2014, representing a 10.8% year-on-year decrease.

The average transaction prices of non-landed private housing and executive condominiums, as set out in Appendix IA to the Circular, are illustrated in the diagram below. Although the average transaction prices of non-landed private housing have been declining following the peak in 2013, the average transaction prices of executive condominiums continue to exhibit an upward trend, having recorded a fifth consecutive year of increase for the executive condominium segment since 2010, albeit at a slower pace, which signals that the executive condominium segment of the non-landed private residential property market is buoyant. The property development projects launched by the Target Group between August 2013 and November 2014 comprise only of executive condominiums, whereby two property development projects launched in November 2014, namely Bellewaters and Bellewoods, are selling at average prices of SGD814 and SGD794 per square feet respectively, which are higher than the SGD771 average transaction price of executive condominiums in 2014 by approximately 5.6% and 3.0% respectively. As such, we are of the view that although the overall non-landed private residential property market is experiencing a decline, the Target Group is mainly operating in a buoyant segment of the aforementioned market.

Average transaction prices of non-landed private housing and executive condominiums (island-wide) between 2010 to the first half of 2015



Source: REALIS (based on caveats lodged as at 18 September 2015), Knight Frank Consultancy & Research

Based on the 3-Month Singapore Dollar SIBOR rate (which Singapore housing loans are normally pegged to) as per statistics released by the Ministry of Trade and Industry for July 2015, the approximate 0.48% year-on-year increase to 0.88% per annum implies that home buyers may have to service higher monthly mortgages. The TDSR framework, which forms part of the property demand cooling measures taken by the Singaporean government, was introduced by the Monetary Authority of Singapore in June 2013 in order to stabilise the residential property market. According to the TDSR, the total debt of borrowers (including, among others, mortgage loan repayments, car loans, credit card debts and personal loans) cannot exceed 60% of their income.

As set out in Appendix 1A to the Circular, although under the influence of the current cooling measures undertaken by the Singaporean government the residential property market is expected to cool further over 2015, the fundamentals of Singapore property remain stable and attractive, and prices are projected to follow an upward trajectory going forward in 2016 and 2017.

Despite the demand cooling measures taken by the Singapore government, there has been an increase in the value of total development contracts awarded to developers in Singapore. Total contracts awarded in 2014 amounted to approximately SGD37,700 million compared to approximately SGD35,800 million in 2013 and approximately SGD30,800 million in 2012. Further information on the Singapore property market, has been disclosed in Appendix I to the Circular.

We have interviewed Knight Frank to assess its independence and we understand that, as far as they are aware, (i) the team involved in the preparation of the consultant report is not related to the Company, its core connected persons or any close associates as defined under the Listing Rules, nor are they aware of any such relationships; and (ii) Knight Frank has not been engaged by the Company for similar industry research in the past. In addition, we note that Knight Frank is not aware of any potential issues regarding their independence from the Company. We are therefore satisfied that Knight Frank is independent from the Company.

Furthermore, we have discussed with Knight Frank regarding the methodologies and major assumptions employed in the preparation of their report, in particular with regard to the information which we cite as being extracted from Knight Frank's report within this industry overview section. We note that Knight Frank relied on data from sources such as the Urban Redevelopment Authority of Singapore (which is a statutory board of the Ministry of National Development of the government of Singapore), including its Real Estate Information System (REALIS). It was also necessary for Knight Frank to employ assumptions including (i) existing government policies and regulations on the real estate market, and development plans and land use policies remaining unchanged; and (ii) key drivers influencing Singapore's property and construction markets remaining at current levels based on publicly known projections and barring any unforeseen circumstances. Through our discussion with Knight Frank, we understand that the reliance on the abovementioned sources is generally adopted in the industry for similar industry research, and the sources provide robust data in relation to the property market in Singapore. Furthermore, we understand that the abovementioned assumptions are the industry norm in the preparation of similar reports, and that the assumptions are necessary in order to provide a reasonably stable base to analyse data compiled in the preparation of the consultant report. Taking into account the factors above, we are satisfied that the methodologies and major assumptions employed by Knight Frank are fair, reasonable and complete.

Having reviewed the terms of Knight Frank's engagement letter and the scope of work set out in the said letter, we are satisfied that the scope of work appropriately covers such scope to enable Knight Frank in arriving at its opinion. Furthermore, having reviewed the limiting conditions of Knight Frank's work, as set out in the section headed "1.5 Limiting Conditions" of Appendix 1A to this Circular, we concur that such limitations will not have an unduly negative impact on the abovementioned opinion. We are therefore satisfied that Knight Frank's scope of work is appropriate.

Having reviewed the qualifications and working experience of the relevant staff of Knight Frank, we note that Alice Tan, the relevant professional responsible for the signing of the consultant report, has had over 9 years' experience in real estate industry research.

Taking into account the above factors, we are satisfied that (i) Knight Frank is independent of the Company; (ii) the methodologies and major assumptions employed by Knight Frank are fair, reasonable and complete; (iii) the scope of work is appropriate for the preparation of the consultant report; and (iv) the team involved in the preparation of the consultant report has sufficient experience and competency to issue its views per the consultant report, including the view that "the prices within the private residential market are projected to follow an upward trajectory going forward in 2016 and 2017".

Overview of Singapore construction industry

The BCA's preliminary data reported that the total estimated construction demand for 2014 was at SGD37,700 million. Due to the BCA's projection of a slowdown in private sector demand (as discussed below), the BCA projected the construction sector to achieve between SGD29,000 million to SGD36,000 million in total contracts awarded in 2015.

As mentioned above, there has been an increase in the monetary value of total contracts awarded between 2012 and 2014, which has translated to growth in the demand for construction. Such a growth in demand is reflected in the year-on-year growth of construction prices per construction floor area ("**CFA**"), as at the first quarter of 2012, 2013 and 2014 respectively across three categories of condominium namely medium quality, good quality, and luxury quality condominium as illustrated in the table below before plateauing in the first quarter of 2015 predominantly due to the effects of weaker demand for private sector construction activities:

Development type	**Construction price range per CFA (SGD/m^2)**			
	1st quarter 2012	**1st quarter 2013**	**1st quarter 2014**	**1st quarter 2015**
Medium quality condominium	1,900–2,450	1,950–2,550	2,050–2,650	2,050–2,650
Good quality condominium	2,350–3,000	2,450–3,100	2,550–3,250	2,550–3,250
Luxury quality condominium	3,000–4,050	3,050–4,150	3,250–4,400	3,250–4,400

*Source: Rider Levett Bucknall LLP ("**RLB**") Singapore Report June 2012 (Issue No. 58), RLB Singapore Report June 2013 (Issue No. 62), RLB Singapore Report June 2014 (Issue No. 66) and RLB Singapore Report June 2015 (Issue No. 70)*

However, the increase in construction prices has been accompanied by the increasing labour, raw materials and regulatory costs of construction. Developers face ongoing pressure in relation to labour costs from increased foreign worker levies which raises the basic tier levy for foreign construction workers who have not obtained the CoreTrade or Multi-skilling certification from SGD550 in 1 July 2015 to SGD650 in 1 July 2016 and SGD700 in 1 July 2017.

In addition, MYE reductions as well as construction costs due to more stringent requirements on buildability and constructability will further affect the construction industry. Such requirements include the use of productive technologies and practices which contractors are mandated to adopt under the Government Land Sales programme with effect from 1 November 2014, for example the compulsory usage of Prefabricated Pre-finished Volumetric Construction (PPVC) where complete flats made up of multiple units complete with internal fixtures and finishes are manufactured in factories and transported to their respective sites to be installed. Although the available Productivity Innovation Project fund assists contractors in covering part of the start-up costs relating to productive technologies, the overall increase in operating and maintenance costs may negatively impact the profit margins of the construction industry as a whole.

The BCA Green Mark Scheme was launched in January 2005 as an initiative to drive Singapore's construction industry towards more environment-friendly buildings whereby cash incentives are disbursed to contractors upon achievement of a certain tier of the BCA Green Mark Requirement. A further incentive scheme, namely the Green Mark Gross Floor Area Incentive Scheme, was launched by the BCA and URA in April 2009 in order to encourage private contractors to develop buildings that attain higher tier BCA Green Mark Requirement ratings. Further details about the Green Mark Gross Floor Area Incentive Scheme have been disclosed in Appendix 1B to the Circular. We note that the Target Group is a founding member of the Singapore Green Building Council and has received the Green & Gracious Builder Award between 2012 and 2014. As such, we are of the view that the abovementioned schemes represent positive opportunities for the Target Group in relation to cash and additional gross floor area incentives.

Industry outlook

We note that both the residential property and construction industries of Singapore face challenges as set out above. However, taking into account that (i) the Target Group operates in a buoyant segment of the non-landed private residential property market; (ii) the expected upturn in the prices within the private residential property market going forward; (iii) the growth in demand for construction; and (iv) the opportunities presented by the schemes launched by relevant Singapore authorities, we are of the view that the Acquisition represents an opportune and timely entry of the Company into the residential property development and construction industries, which is in the interests of the Company and the Shareholders as a whole and the Independent Shareholders. We further note that while demand is currently artificially depressed, it may be a favourable time to enter the industry, enabling the Group to acquire the Target Group at a lower price than may be available during times when the property market is more positive.

5. The Share Purchase Agreement

Agreement overview

Date

23 May 2015

Parties

(1) the Company (as purchaser); and

(2) Guotsing SG (as seller).

Pursuant to the Share Purchase Agreement, the Company has conditionally agreed to acquire from Guotsing SG the Sale Shares, which represent the entire issued share capital of the Target Company on the terms and subject to the conditions set out in the Share Purchase Agreement as disclosed in the Circular.

Consideration

The Consideration of HK$2,617,650,000 for the Acquisition was determined after arm's length negotiation between the parties to the Share Purchase Agreement having regard to the market value of the property development projects of the Target Group, the financial performance and prospect of the business of the Target Group, results and market value of comparable companies, and the benefits to the Group following Completion.

In reviewing the fairness and reasonableness of the Consideration, we have noted that the net asset value of the Target Group amounts to approximately SGD7.3 million, which is a relatively insignificant amount when compared to the Consideration. Accordingly, we are of the view that the value of the Target Group lies not in the book value of its existing assets but in the market value of the properties of its property development segment and the profitability of its construction business.

This being the case, we have separately considered the Target Group's property development segment and construction segment for the purposes of our evaluation.

(i) Property development segment valuation

For the valuation of the property development segment, we have calculated the fair value gains of the Target Group's property interests with reference to the book value of the properties as at 31 March 2015 and the reassessed valuation of the Target Group's property projects as set out in the valuation report dated 25 September 2015 prepared by DTZ as set out in Appendix VI (the "**Valuation Report**"), adjusted for relevant costs expended on the properties and tax.

We believe this basis of evaluation to be most appropriate in this case since the nature of property development is such that the market value of the property interests owned by a company reflects is fundamental value, being the revenue that could be generated at a specific moment in time. In such cases, it is necessary to calculate the market value since it is unlikely the book value will reflect the true market value of such properties. The positive net asset value of the Target Group of approximately SGD7.3 million as at 31 March 2015 was, conservatively, not included in our calculations for either segment since, it is insignificant relative to the Consideration.

Based on information provided by the Management, as at 31 March 2015, the Target Group's property interests were carried at a negative book value of approximately SGD26.6 million, taking into account the relevant liabilities. The Valuation Report calculated the estimated market value of the Target Group's interests in properties to be approximately SGD1,689.0 million before accounting for relevant liabilities. After making relevant adjustments for the costs expended on the properties and for additional tax on the revalued amount, we have calculated the post-tax fair value gains, and therefore the value of the property segment, to be approximately SGD160.9 million.

We have interviewed DTZ to assess its independence and understand that, as far as they are aware, (i) the team involved in the preparation of the Valuation Report is not related to the Company, its core connected persons or any close associates as defined under the Listing Rules, nor are they aware of any such relationships; and (ii) DTZ is not aware of potential issues regarding their independence from the Company. We are therefore satisfied that DTZ is independent from the Company.

In addition, we have reviewed the qualifications and working experience of Mr. K. B. Wong ("Mr. Wong"), DTZ's senior director, valuation and advisory services, responsible for signing the Valuation Report. We note that Mr. Wong has over 30 years' experience in property valuation, hence we are satisfied that DTZ has sufficient experience and competency to perform the valuation.

Having reviewed the terms DTZ's engagement letter and the scope of work set out in the said letter, we are satisfied that the scope of work appropriately covers such scope to enable DTZ in arriving at its valuation of the relevant properties. Furthermore, we are not aware of any limitations on DTZ's scope of work which may have a negative impact on the abovementioned valuation. We are therefore satisfied that DTZ's scope of work is appropriate in relation to the property industry.

We have discussed with DTZ regarding the representations made by the Company and/or Guotsing SG to DTZ as set out on page VI-3 of the Circular, such as matters pertaining to planning approvals, proposed gross floor area and saleable floor areas, construction costs and pre-sale details. We understand that such representations are generally relied upon by valuers in similar valuation activities, and are necessary in order for DTZ to come to a reasonable valuation of the relevant properties. We are therefore satisfied that the abovementioned representations are reasonable in relation to the Valuation Report.

We note that DTZ employed major assumptions as set out on page VI-2 of the Circular, including but not limited to, (i) the exclusion of estimated price inflated or deflated by special terms in the valuation of the property interests; and (ii) the properties are free from encumbrances, restrictions and outgoings of any onerous nature which could affect their values. Having discussed with DTZ, we understand that such assumptions are generally adopted in similar valuation activities and are necessary for DTZ to arrive at a reasonable estimated valuation of the relevant properties. We are therefore satisfied that the abovementioned major assumptions are fair, reasonable and complete in relation to the Valuation Report.

We have reviewed the Valuation Report and discussed with DTZ the methodology used in the preparation of their report. The direct comparison method (the "**DCM**") was employed in the valuation of the properties. We note from our discussions with DTZ that DCM was selected since there were plenty of recent transactions involving comparable properties in the proximity, and as such, sufficient information was available to form a reliable basis for valuation. DCM entails utilising data concerning recent transactions (in this case within six months of the valuation date) in a geographically proximate location (in this case predominantly within the same development or at least a neighbouring development) to estimate a value for the relevant property subject to adjustments depending on a variety of factors as discussed below. We understand that DTZ considers employment of DCM is an industry norm under such circumstances and alternatives such as the income approach were not applicable since the units within the properties were to be sold, rather than held as an investment.

In valuing the individual properties, the selling price of units which had already been pre-sold with a signed sale and purchase agreement would be directly reflected in the market value. For units not yet pre-sold, an estimated unit rate would be calculated using comparable transactions in the areas, and would be adjusted according to a number of factors such as room size, whether such development was recording high demand and location of the unit within the development itself etc. We understand that such adjustments are in line with the industry norm in the valuation of such units, and based on their experience, DTZ believes the adjustments to be fair, reasonable and complete. Moreover, through our discussion with DTZ, we understand that the adjustments used in the valuation of units not yet pre-sold are necessary and result in a better reflection of the estimated market value of such units.

As set out above, we are satisfied that (i) DTZ is independent from the Company and has sufficient experience and competency to perform the valuation; (ii) DTZ's scope of work is appropriate in relation to the property industry; (iii) the representations relied upon by DTZ are reasonable in relation to the Valuation Report; and (iv) the major assumptions and methodologies used by DTZ are fair, reasonable and complete in relation to the Valuation Report.

(ii) Construction segment valuation

We considered a price-earnings ratio ("**PE Ratio**") basis the most applicable and commonly adopted method in evaluating the Target Group's construction segment, given its nature as relatively asset-light and profit generating. We considered alternatives such as balance-sheet related valuation methodologies inappropriate considering the value of the construction lay in its profit generating capabilities rather than its existing asset base.

Using publicly available information, we have identified four Comparables which (i) operate in the South East Asia region; (ii) are solely, or highly predominantly, engaged in the construction industry as a main contractor of both sub-structure and super-structure works; and (iii) are not materially engaged in other business activities or industries, with which to gauge the market valuation based on their average PE Ratios. Other potential comparables were thought to be inapplicable since the majority of construction companies in Asia have sizeable property development arms or are involved in other businesses and we are not able to accurately isolate the valuation of these potential comparables' construction segment nor, in many cases, are we able to isolate the earnings of such construction segment since it is often the case that only a revenue segment breakdown is provided in their financial reports. Consequently, a PE Ratio comparison cannot be made. Hence, for this purpose, only those companies which were engaged solely or predominantly in construction were selected. The four Comparables below are to the best of our knowledge an exhaustive list of appropriate comparable companies which fulfill the criteria above.

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

Information regarding the Comparables is set out below:

Place of listing	Principal business location	Company	Closing price (as at the Last Trading Day)	Closing price (as at 18 September 2015)	Basic earnings per share (per latest published annual report)	P/E Ratio (as at the Last Trading Day)	P/E Ratio (as at 18 September 2015)	Total revenue
								HK$'000
Hong Kong	Hong Kong	Ngai Shun Holdings Company Limited (Stock Code: 1246)(1)	HK$0.09	N/A	HK$0.004	19.3	N/A	486,906
Philippines	Philippines	EEI Corporation (Stock Code: EEI)	PHP10.44	PHP7.97	PHP0.886	11.8	9.0	3,069,639(2)
Singapore	Singapore	Soilbuild Construction Group Limited (Stock Code: S7P)	SGD0.24	SGD0.235	SGD0.032	7.5	7.5	1,656,241(3)
Malaysia	Malaysia	Zelan Bhd (Stock Code: 2283.KL)	MYR0.35	MYR0.27	MYR0.063(4)	5.6	4.3	455,665(4)(5)
		Average				**11.1**	**6.9**	

Entity	Valuation(6)	Earnings(7)(8)	P/E Ratio	Revenue(7)
	(SGD'000)	*(SGD'000)*		*(HK$'000)*
Construction segment of Target Group(9)	289,108	17,961	16.1	4,067,828

Notes:

(1) Raw data are extracted from www.hkex.com.hk, having been adjusted for a share subdivision and bonus issue as announced in the announcements of Ngai Shun Holdings Limited dated 3 June 2015 and 19 August 2015. Ngai Shun Holdings Limited has announced large-scale corporate activities since the beginning of July 2015, as further discussed below. This has altered its outlook to the extent that it is no longer a pure construction company. As a result, we are of the view that its share performance since such date should not be used for this comparison purpose.

*(2) Converted using an exchange rate of 1 Philippine peso ("**PHP**"):HK$0.1746, being the approximate exchange rate on the Last Trading Day*

(3) Converted using an exchange rate of SGD1: HK$5.8063, being the approximate exchange rate on the Last Trading Day

(4) Calculated using the figures for the three months ended 31 March 2014 and the nine months ended 31 December 2014

*(5) Converted using an exchange rate of 1 Malaysian ringgit ("**MYR**"):HK$2.1599, being the approximate exchange rate on the Last Trading Day*

(6) Calculated by deducting the fair value gains valuation of the Target Group's property segment calculated in the previous section from the total Consideration

(7) As per segment breakdown from the audited financial statements of the Target Group for the year ended 31 December 2014

(8) Adjusted for tax

(9) We note that the segment breakdown of Target Group does not include some interest income, interest expenses, head office expenses and corporate expenses. Since we understand there is no applicable basis upon which these items could be allocated to the construction business and to what extent, if any, they would be applicable following the Acquisition, they are therefore not taken into account in our above comparison.

According to our evaluation, given the total Consideration of approximately HK$2,617.7 million (equivalent to approximately SGD450.0 million) and our estimated valuation of the Target Group's property development segment amounting to approximately SGD160.9 million, we note that the amount paid for the construction segment of the Target Group would be the difference between the total Consideration and the property segment value which amounts to approximately SGD289.1 million. Taking into the account the profit of the construction segment adjusted for tax for the year ended 31 December 2014 of approximately SGD18.0 million, we calculated the relevant historical PE Ratio of the Target Group's construction segment pursuant to the Acquisition to be approximately 16.1, which we noted was, as at the Last Trading Day (being the approximate date the Consideration was agreed upon), within the range of the Comparables and above the average of 11.1 times. From the table above, we further note that as at the Latest Practicable Date, the average of the Comparables' PE Ratios has declined, presumably as a result of recent market conditions. Since recent volatile market conditions may not be indicative of future market trends, the fact that the PE Ratio of the Target Group is, as at the Latest Practicable Date, higher than the range of the Comparables does not affect our view on the Acquisition.

We note that the basic earnings per share of the Comparables were extracted from their respective annual reports, and that the financial year end of the Comparables was in some cases not identical; for example whilst the basic earnings per share of Ngai Shun Holdings Company Limited refers to the financial year ended 31 March 2015, that of EEI Corporation and Soilbuild Construction Group Limited both refer to the financial year ended 31 December 2014. Moreover, since Zelan Bhd changed its financial year end during 2014, its basic earnings per share was calculated using its financial results for the three months ended 31 March 2014 aggregated with its results for the nine months ended 31 December 2014. We are of the view that it is the industry practice that firms will use basic earnings per share as obtained from listed company's most recent annual report and the slight differences in financial year end do not impact our selection, nor the validity, of the

Comparables. However, to ensure recent market conditions are not overlooked, we have also investigated the financial performance of the Comparables as set out in their recent interim reports in the below paragraphs. As described below, save for Ngai Shun Holdings Company Limited, there has been no major change in the operations nor the financial results of the Comparables, and therefore we are satisfied that despite the difference in financial year end, the Comparables remain relevant and applicable.

Since the latest annual report of the Target Group, we have noted in its audited financial information for the three months ended 31 March 2015 as set out in Appendix III to this Circular that the adjusted segment profit of the construction segment of the Target Group amounted to approximately SGD6.7 million. As such, adjusted segment profit generated in the first quarter of 2015 was already equivalent to approximately 31.6% of the adjusted segment profit for the entire year ended 31 December 2014. Meanwhile, as disclosed in their respective interim reports for the six months ended 30 June 2015, the net profit attributable to owners of the company of EEI Corporation, Soilbuild Construction Group Limited and Zelan Bhd for the six months ended 30 June 2015 amounted to within the range of approximately 47% to 53% of their respective net profit attributable to owners of the Company for the entire year ended 31 December 2014. Ngai Shun Holdings Company Limited has announced large-scale corporate activities since the beginning of July 2015, such as the proposed acquisition of a company involved in the provision of an online e-commerce platform and an online peer to peer lending platform for a consideration of not less than HK$6.5 billion announced 20 July 2015, which have altered its outlook to the extent that it is no longer a pure construction company, we do not believe its share performance since such date can be used as a comparison for the construction segment of the Target Group.

Moreover, the adjusted segment profit of the construction segment of the Target Group for the three months ended 31 March 2015, amounting to approximately SGD6.7 million, is a significant improvement from the adjusted segment loss of approximately SGD3.3 million recognised during the three months ended 31 March 2014. Meanwhile, the net profit attributable to owners of the company of EEI Corporation, Soilbuild Construction Group Limited and Zelan Bhd for the six months ended 30 June 2015 recorded moderate growth ranging from approximately 9% to 27%.

Given that (i) as at the Last Trading Day, the P/E Ratio of the construction segment of the Target Group was within the range of the Comparables; (ii) recent market conditions have been volatile; and (iii) as referred to above and as can be seen in their respective interim reports, the construction segment of the Target Group has proportionally recorded a higher percentage of its adjusted segment profit for the year ended 31 December 2014 in the first three months ended 31 March 2015 than the Comparables have recorded in terms of net profit attributable to owners of the Company during the six months ended 30 June 2015, we remain of the view that the consideration paid for the construction segment of the Target Group, which according to our evaluation method represents a P/E Ratio of 16.1, represents a fair and reasonable price.

Taking into account (i) the rationale for using the adjusted fair value gains to value the Target Group's property segment and a PE Ratio to value the Target Group's construction segment; (ii) the fairness and reasonableness of the bases and assumptions relied upon in the preparation of the Valuation Report; (iii) the fact that we are of the view that the adjusted fair value gains truly reflects the value of the Target Group's property segment; and (iv) the fact that the Target Group construction segment's PE Ratio was within the range of that of the Comparables as at the Last Trading Day as well as the recent performance of the Target Group's construction segment relative to the Comparables, we are satisfied that the Consideration is fair and reasonable and in the interests of the Company and the Shareholders as a whole and the Independent Shareholders.

Payment method

The Consideration shall be satisfied (i) as to approximately 68% by the issuance and allotment of 647,273,454 CPS by the Company at the Issue Price at Completion to Guotsing SG (or New Guotsing Holdco as Guotsing SG may direct); and (ii) as to approximately 32% by the issuance and allotment by the Company of 304,599,273 CPS at the Issue Price at Completion to Guotsing SG (or the Trustee 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 the Selected Participants in accordance with the terms and conditions of the Management Share Scheme.

(i) Conversion and Issue Price of the CPS

Regarding the CPS, the Company will issue 951,872,727 CPS (which are convertible on a 1:1 conversion ratio) at the Issue Price of HK$2.75 per CPS in consideration of the transfer of the Sale Shares under the Share Purchase Agreement. The CPS and the Conversion Shares will be allotted and issued under the Specific Mandate proposed to be granted by the Independent Shareholders at the EGM.

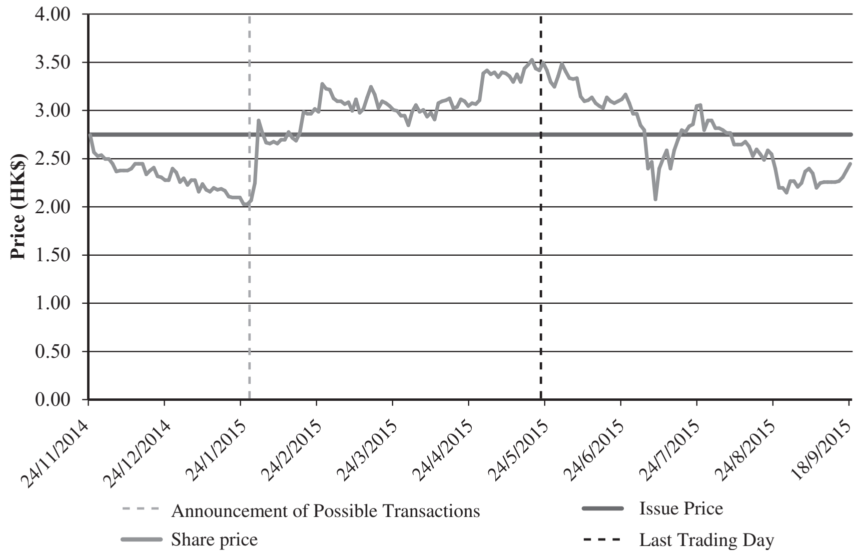
The Issue Price (further comparisons of which can be found in the paragraph headed "The Issue Price" in the "Letter from the Board" of the circular) represents:

a. a premium of approximately 123.6% to the audited net asset value per Share as at 31 December 2014 of HK$1.23;

b. a discount of approximately 19.6% to the closing price of HK$3.42 per Share as quoted on the Stock Exchange on the Last Trading Day;

c. a minimal discount of approximately 1.5% to the average of the Share price for the six months up to and including the Last Trading Day of approximately HK$2.79 (a graph of which, continuing up until 18 September 2015, is set out below); and

d. a premium of approximately 12.2% to the closing price of HK$2.45 per Share as quoted on the Stock Exchange at 18 September 2015.



Source: HKEx website

We noted that during the period between 24 November 2014 and 27 January 2015, the Share price had been trading from HK$2.75 to HK$2.03. On 29 January 2015, the Company announced it was "in preliminary discussion on the feasibility of possible transactions with the controlling shareholder of the Company (the "**Possible Transactions**") which if materialised, may constitute notifiable transaction(s) and/or connected transaction(s)" The Share price increased substantially after the announcement of the Possible Transactions from HK$2.03 three days prior to the announcement to HK$3.42 at the Last Trading Day.

From the above, we note that the issuance of the CPS at the Issue Price is at a substantial premium to the audited net asset value per Share. Whilst the Issue Price is at a discount of approximately 19.6% to the closing price of the Shares of HK$3.42 per Share on the Last Trading Day, taking into account the abovementioned premium to the net asset value per share and the aforesaid upward movement of the Share price since late January 2015, possibly triggered by the announcement of the Possible Transactions, we are of the view that the issuance of the CPS at the Issue Price is favourable to the Independent Shareholders in comparison to other payment methods such as cash. Since the Last Trading Day, the Share Price dropped by approximately 28.4% to the closing price of HK$2.45 per Share as at 18 September 2015, therefore below the Issue Price.

From our discussions with the Directors, we understand that other payment methods for this portion of the Consideration were considered, such as bank borrowings, convertible bonds and cash payment, however it was decided that in order to avoid potentially substantial interest payments and maintain sufficient working capital resources, an issue of CPS would be the most favourable option.

Taking into account the above, we are of the view that the issuance and allotment of CPS at the Issue Price under the Specific Mandate to satisfy the Consideration is fair and reasonable and in the interests of the Company and the Shareholders as a whole and the Independent Shareholders.

Conditions and terms of the Share Purchase Agreement

Management Share Scheme

As referred to in the paragraph headed "3. Background of Target Group" of the Letter, it is part of the commercial arrangement between the Company, the Target Company, and the Selected Participants that the Company and Guotsing SG shall take up the Rights issued under the Pre-existing Management Scheme by issuing and allotting 32% of the total number of the Consideration Shares to the Trustee (or a company to be held by the Trustee) in replacement of the Pre-existing Management Scheme. Pursuant to the terms of the Share Purchase Agreement, the Trust shall be constituted on or prior to Completion whereby Awards shall be granted by the Trustee to the Selected Participants to purchase from the Trust up to a total of 304,599,273 CPS. The CPS to be awarded shall only be convertible into Shares after all of the CPS to be issued and allotted to Guotsing SG (or New Guotsing Holdco or any other company Guotsing SG may direct) at Completion have been converted into Shares and subject to such other vesting and terms and conditions of the Management Share Scheme. The Management Share Scheme and the Awards shall become effective immediately upon Completion, and shall replace and supersede the Pre-existing Management Scheme and the Rights.

Based on the above, we are of the view that this is a fair and reasonable method to address the Target Group's outstanding obligations under the Pre-existing Management Scheme. While being able to retain the existing management of the Target Group which will be essential to ensure smooth transition following the Acquisition, it also allows these existing management to have vested interest in the Enlarged Group which should serve to motivate them.

In addition to the above, we have reviewed the other conditions and terms of the Share Purchase Agreement, further information of which can be found in the paragraph headed "Conditions precedent" under the section headed "Letter from the Board" of the Circular, and have found all conditions to be fair and reasonable and on normal commercial terms.

6. Reasons for and benefits of the Acquisition

In line with the Management's intention to diversify the Group's business model as stated in the 2014 March Annual Report, upon Completion, there will be an operational expansion of the Group's existing construction business and an entry into the property development business which will result in the diversification of the Group's business. In addition, the Acquisition will result in the increase of the scale of the Group's business which the Management expects, alongside the aforementioned diversification, will enable the Group to benefit from the synergy brought about by the two complementary business segments by increasing cost efficiency and enhancing competitive advantages.

The Acquisition will result in the geographical expansion of the Group's existing foundation business currently based in Hong Kong and Macau to include property development and construction businesses in Singapore, which will transform the Enlarged Group into a regional player, in line with the Management's strategy to attract international capital inflow.

In addition to the above benefits of the diversification and expansion to the Group's operations, the Acquisition entails the acquisition of an entity which made a profit of approximately SGD60.9 million for the year ended 31 December 2014 and which the Management expect will continue to generate profits going forward. As discussed above whilst the Target Group generated a loss for the year ended 31 December 2013, this was principally as a result of the Target Group not recognising revenue from the property development segment during that year. Following the year ended 31 December 2014, during which revenue generated from two projects was recognised, it is expected that during the year ended 31 December 2015, three property development projects will be completed and deliverable, generating recognisable revenue for the Target Group's financial results.

Taking into account that the Acquisition will result in (i) the diversification of the Group's business through the operational expansion of the Company's business into property development; (ii) an increase in the scale of the Group's business, which in turn is expected to lead to the increase of cost efficiency and the competitive advantages of the Company; (iii) a geographical expansion of the Group's existing foundation business into Singapore which transforms the Enlarged Group into a regional player; and (iv) the consolidation in the Group's financial results of the Target Group, which has generally been profitable and is expected to continue to generate profit in the future, we are of the view that the Acquisition is in the interests of the Company and the Shareholders as a whole and the Independent Shareholders.

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

The table below illustrates the shareholding structure of the Company (i) as at the Latest Practicable Date and upon Completion (assuming no CPS are converted); (ii) assuming all CPS are converted; and (iii) assuming all CPS are converted and a placing of 215,000,000 new Shares to public shareholders has taken place.

	As at the Latest Practicable Date and upon Completion (assuming no CPS has been converted)		Assuming all CPS are converted into Conversion Shares[(1)]		Assuming a placing of 215,000,000 new shares to public shareholders and all CPS are converted into Conversion Shares	
	Number of Shares held	*Approximate percentage of total issued Shares*	*Number of Shares held*	*Approximate percentage of total issued Shares*	*Number of Shares held*	*Approximate percentage of total issued Shares*
Current Shareholders						
CNQC Development	224,145,000	74.7%	224,145,000	17.9%	224,145,000	15.3%
Existing public Shareholders	75,855,000	25.3%	75,855,000	6.1%	75,855,000	5.2%
New Guotsing Holdco	—	—	647,273,454	51.7%	647,273,454	44.1%
Placees	—	—	—	—	215,000,000	14.7%
Trustee[(2)]	—	—	304,599,273	24.3%	304,599,273	20.8%
	300,000,000	100.0%	1,251,872,727	100.0%	1,466,872,727	100.0%[(3)]

Notes:

(1) *This is for illustration purposes only as the exercise of the conversion rights attached to the CPS is subject to the Company meeting the minimum public float requirement under Rule 8.08 of the Listing Rules and the conversion of CPS by the Trustee shall be subject to the conversion of all of the CPS held by New Guotsing Holdco.*

(2) *It should be noted that a portion of the CPS to be held by the Trustee will be held on behalf of Selected Participants who are Directors and other connected persons of the Company.*

(3) *Any discrepancy in this figure is due to rounding adjustments.*

Upon Completion (assuming no CPS has been converted), the number of CPS held will be 647,273,454 as to New Guotsing Holdco and 304,599,273 as to the Trustee. Under this scenario, the shareholding of existing public Shareholders would remain unchanged at approximately 25.3%. Assuming that all CPS are converted to Conversion Shares and a placing of 215,000,000 new Shares to public shareholders has taken place, the shareholding of the aforesaid existing public Shareholders will be diluted from approximately 25.3% to approximately 5.2%, representing an approximate 79.4% dilution. Under this scenario, we take into account that the 215,000,000 new Shares placed to ensure that the Company maintains the public float requirement under Rule 8.08 of the Listing Rules, which is a condition for the conversion of the CPS as set out in the section headed "Letter from the Board" of the Circular.

As set out in the paragraph headed "Reorganisation" under the section headed "Letter from the Board" of the Circular, the effective interests held by each ultimate beneficial owner of Guotsing PRC in New Guotsing Holdco correspond to their respective beneficial interests in Guotsing PRC. As such, we note that after the exercise of the scenario as illustrated in the table above, the ultimate beneficial owners of Guotsing PRC remain to be the majority shareholders to the Company. As there are no changes in this respect, the continuity in terms of the Company's business strategy is ensured.

We note that the above actions will result in a dilution effect for the current public Shareholders. However, taking into account that (i) the Acquisition involves the purchase of the Target Group which for the year ended 31 December 2014, recorded profit of approximately HK$371.8 million, representing approximately 2.4 times the profit recorded by the Group for the year ended 31 March 2014; (ii) the placing of 215,000,000 new Shares to public shareholders is to ensure that the Company maintains the minimum public float requirement under Rule 8.08 of the Listing Rules; (iii) the Issue Price of the CPS is at a premium of approximately 124.5% to the net asset value per Share as at 31 December 2014; and (iv) the Benefits of the Acquisition as discussed under the paragraph headed "Reasons for and benefits of the Acquisition" above, we are of the view that the dilution of the aforementioned existing public Shareholders is acceptable and fair and reasonable, and the Acquisition in its entirety is in the interests of the Company and the Shareholders as a whole and the Independent Shareholders.

8. Possible financial effects of the Acquisition on the Company

Upon Completion, the Company will wholly own the Target Group and all the members of the Target Group will therefore become subsidiaries of the Company. The financial results, assets and liabilities of the Target Group will be consolidated into the consolidated financial statements of the Group thereafter.

Earnings

As set out in Appendix V to the Circular (assuming the Acquisition had been completed on 1 April 2014), the Enlarged Group would have generated a profit of approximately HK$367.5 million for the year ended 31 December 2014, representing an approximate 245.6% increase from approximately HK$106.3 million recorded by the Group for the nine months ended 31 December 2014), taking into account the approximate HK$110.7 million impact on the aforementioned profit for the year of the Enlarged Group due to (i) the additional amortisation and depreciation charges arising from application of the reverse takeover; and (ii) transaction costs related to the Acquisition.

Based on the above assumptions and for illustration purposes only, the earnings per Share of the Enlarged Group for the year ended 31 December 2014 (calculated using the Group's financial results for the nine months ended 31 December 2014) would have been approximately HK18.6 cents, representing a decrease of approximately 47.5% from the Group's earnings per Share of HK35.4 cents for the nine months ended 31 December 2014. The pro forma earnings per Share is of limited use when evaluating the benefits of the Acquisition to the Shareholders as it does not take into account the value of the property development assets and their earnings potential for the Enlarged Group going forward. Therefore, whilst the Acquisition may result in a decrease in the earnings per Share with reference to the year ended 31 December 2014, taking into account the benefits of the Acquisition referred to elsewhere in this Letter, including the income that can be generated from the sale of the Target Group's property development assets, diversification of the Group's business, the large size and established reputation of the Target Group and the future plans and prospects of the Enlarged Group, going forward, the Management expects that the Target Group will continue to generate significant profits for the Enlarged Group.

It should also be noted that the aggregate fees for the Acquisition, together with the Stock Exchange listing fee, legal and other professional fees, printing and other expenses relating to the Acquisition, are estimated to be approximately HK$43 million payable by the Company, all of which are expected to be charged to the profit and loss account of the Company upon Completion. However, we understand that the Directors do not expect the payment of the total expenses to have a material impact on the Enlarged Group's results of operations for the year ended 31 December 2015.

Net asset value

As set out in Appendix V to the Circular (assuming the Acquisition had been completed on 31 December 2014), the unaudited pro forma consolidated net asset value of the Enlarged Group would have been approximately HK$731.2 million. In comparison, the Group's audited consolidated net asset value as at 31 December 2014 was approximately HK$367.4 million. Based on the aforementioned unaudited pro forma financial information of the Enlarged Group, the resulting net asset value as at 31 December 2014 of the Enlarged Group after Completion would have been an increase of approximately 99.0% from the Group's net asset value as at the same date.

According to note 23 of the accounts of the Group for the nine months ended 31 December 2014 set out in Appendix IV to the Circular, there were 300,000,000 Shares in issue as at 31 December 2014. For illustration, by dividing the abovementioned Group's audited consolidated net asset value as at 31 December 2014 with the number of Shares in issue as at the same date, the Group's net asset value per Share as at 31 December 2014 would be approximately HK$1.22.

As described in the paragraph headed "Effect of the Acquisition on the shareholding structure of the Company" in the "Letter from the Board", it is noted that for illustration, assuming no placing of new shares to public shareholders and all of 951,872,727 CPS issued and allotted by the Company at Completion to New Guotsing Holdco and the Trustee (or a company to be held by the Trustee) are converted into Shares, there will be a total of 1,251,872,727 Shares in issue. Further, for illustration, by dividing the abovementioned unaudited pro forma consolidated net asset value of the Enlarged Group with the total number of Shares that may be in issue following the full conversion of the CPS, the Enlarged Group's unaudited pro forma consolidated net asset value per Share would be approximately HK$0.584, representing approximately 52.3% less than the Group's net asset value per Share as at 31 December 2014. Such illustrative decrease in the net asset value per Share is believed to be partially due to the revaluation surplus of the Target Group not being taken into account in the financial results of the Target Group. Had the revaluation surplus been taken into account, this would have increased the Enlarged Group's unaudited pro forma net asset value per Share.

Gearing

As at 31 March 2015, the Group recorded a gearing ratio (calculated as total debt divided by total assets) of approximately 77.0%. As set out in Appendix V to the Circular, had the transaction been completed on 1 April 2014, the Enlarged Group would have recorded a gearing ratio of approximately 50.4%. We note that the management of the Target Group believes that it is commercially sensible to use borrowings as one of their main sources of funding, as set out in the section headed "Financial information of the Target Group" of the Circular.

Cash flow

Based on the pro forma consolidated statement of cash flows of the Enlarged Group as set out in Appendix V to the Circular, the Group had cash and cash equivalents of approximately HK$113.1 million as at 31 December 2014. Together with the consolidation of the Target Group's assets, the cash and cash equivalent of the Enlarged Group would have been approximately HK$863.8 million, representing an increase of approximately 663.6%.

We note that the Acquisition will result in an overall improvement in the financial position of the Company, in addition to resulting in a larger scale of business of the Company. Although the gearing ratio is of a significant level, we note that the management of the Target Group believes that it is commercially sensible to use borrowings as one of their main sources of funding. Furthermore, the Directors are of the view that the Enlarged Group will be able to finance the borrowings as the aforementioned property development projects of the Target Group are completed. In view of the above and taking into account the pro forma financial effects of the Acquisition prepared for illustrative purposes, we are of the view that the overall potential financial effects of the Acquisition are positive and it will potentially improve the financial position of the Group, and is therefore in the interests of the Company and the Shareholders as a whole and the Independent Shareholders.

9. Independence from the Guotsing Group

Management independence

As set out in the section headed "Relationship with controlling shareholders" of the Circular, Dr. Du, who is also the chairman of Guotsing PRC, and two non-executive Directors, namely Mr. Zhang Zhihua and Mr. Ding Hongbin among the nine Directors on the Board are and will remain to be the chairman, the chief executive officer and president of Guotsing PRC respectively upon Completion.

In assessing whether the Enlarged Group will be able to maintain independence from its controlling shareholder, we have taken into account that three of the four executive Directors do not hold an executive position in the aforementioned controlling shareholder (Mr. Zhang Yuqiang holds a non-executive role) and none of the independent non-executive Directors (which comprise one third of the Board) are also independent non-executive directors of Guotsing PRC, which is in line with the corporate governance best practice in Hong Kong.

In addition, we note that the Company has in place arrangements and corporate governance measures to manage actual or potential conflicts of interest, ensure independent decision-making, safeguard the protective measures under the Non-Competition Deed, and ultimately, protect the interests of the Shareholders. Further details of the aforementioned arrangements and corporate governance measures have been disclosed in the section headed "Relationship with controlling shareholders" of the Circular.

In view of the above, the Directors are satisfied that the Directors are able to perform their roles in the Enlarged Group independently, hence the Directors believe, and we concur, that the Enlarged Group is capable of managing its business independently from Guotsing Group after Completion, which is in the interests of the Company and the Shareholders as a whole and the Independent Shareholders.

Financial independence

As at 31 July 2015, being the latest practicable date (for the purpose of determining the indebtedness of the Target Group), the aggregate book value of loans provided by Guotsing SG to the Target Group was SGD99,321,968, while the aggregate book value of the security provided by Guotsing PRC and certain of its subsidiaries to support certain banking borrowings of the Target Group was SGD153,513,514, respectively. All such loans and security will be repaid or released and discharged (as the case may be) on or prior to Completion. Upon Completion, the Enlarged Group is not expected to rely on any new guarantee, loan or other financial assistance from the Guotsing Group.

Based on the above reasons, the Directors consider, and we concur, that the Enlarged Group will be able to maintain financial independence from the Guotsing Group.

In forming our opinion, we have taken into account the following factors: (i) loans obtained using guarantees provided by other members of the Guotsing Group only amounted to a relatively low percentage of the Target Group's total borrowings, the remaining portion being obtained through other channels; (ii) the Enlarged Group will have its own financial and accounting system independent of Guotsing Group and the Enlarged Group will perform its own accounting functions and financial decision-making independently and according to its own business needs and financial condition; and (iii) the Target Group has been profitable and recorded net cash inflow from operating activities for the financial year ended 31 December 2014, with further income from sales activities expected from projects currently in progress, therefore we concur with the Directors that the Enlarged Group will have the capacity to raise sufficient funds for the development and construction of future property projects.

Based on the factors above, we are of the view that the Acquisition will not lead to any reliance by the Enlarged Group on Guotsing Group for financial assistance.

Operational independence

Geographical delineation between the Enlarged Group and Guotsing Group

As the Enlarged Group will operate exclusively in Hong Kong, Macau, and Singapore (the "**Restricted Territories**") and Guotsing Group will operate exclusively in the PRC and areas outside the Restricted Territories, the operations of the Enlarged Group and Guotsing Group will be physically separated by geographical locations.

In view of maintaining the geographical delineation between the operations of Guotsing Group and the Enlarged Group, and to minimise the potential competition that may arise between the aforementioned operations, on 22 September 2015 Guotsing PRC, New Guotsing Holdco and Dr. Du and the Company entered into the Non-Competition Deed. Pursuant to the Non-Competition Deed, Guotsing PRC, New Guotsing Holdco and Dr. Du (collectively, the "**Covenantors**") have severally and jointly undertaken that upon successful completion of the Acquisition, they will not engage in property development or property construction in Hong Kong, Macau and Singapore. 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 Enlarged Group in relation to the decision whether to exercise the aforementioned right of first refusal, to avoid any potential conflicts of interest. Further details of the Non-Competition Deed have been disclosed in the section headed "Relationship with controlling shareholders" of the Circular.

Taking into account that (i) the operations of the Enlarged Group and Guotsing PRC will be physically separated by geographical locations; (ii) Guotsing PRC, New Guotsing Holdco and Dr. Du and the Company have entered into the Non-Competition Deed to maintain the aforementioned geographical delineation and to minimise potential competition that may arise; and (iii) the right of first refusal granted by Guotsing PRC to the Company during the term of the Non-Competition Deed, we are of the view that the potential conflict of interests has been effectively minimised.

10. Whitewash Waiver

Given that the granting of the Whitewash Waiver by the Executive is one of the conditions precedent, if the Whitewash Waiver is not granted by the Executive or approved by the Independent Shareholders, the Acquisition will not proceed. To consider whether the granting of the Whitewash Waiver is fair and reasonable and in the interests of the Independent Shareholders, we have taken into account (i) the internal reorganisation as described in the paragraph headed "3. Background of Target Group" of the Letter; and (ii) the benefits that the Acquisition, which is conditional upon the granting of the Whitewash Waiver, will bring to the Group as stated elsewhere in the Letter.

Furthermore, pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code, the Executive will not normally waive an obligation under Rule 26 of the Takeovers Code if the person to whom the new securities are to be issued or any person acting in concert with him has acquired voting rights in the company (save for subscriptions for new shares which have been fully disclosed in the whitewash circular) in the 6 months prior to the announcement of the proposals. In this respect, save for 224,145,000 Shares held by CNQC Development and the Awards granted under the Management Share Scheme, New Guotsing Holdco and its concert parties and the sole director of New Guotsing Holdco did not hold any interests in the securities, shares, options, warrants, derivatives or convertible securities of the Company; and they have not dealt for value in any securities of the Company during the period beginning six months prior to the date of the Announcement and ending on the Latest Practicable Date.

Accordingly, we are of the view that the Whitewash Waiver is fair and reasonable and in the interests of the Independent Shareholders.

11. Non-Exempt Continuing Connected Transaction — Qingjian Precast Master Service Agreement

On 25 September 2015 (after trading hours) the Company and Qingjian Precast entered into the Qingjian Precast Master Service Agreement pursuant to which Qingjian Precast Group will continue to supply precast components and clay and concrete products (the "**Products**") to the Enlarged Group after Completion. As set out in the section headed "Continuing Connected Transactions" of the Circular, Qingjian Precast Group has throughout the Track Record Period supplied the Products for various construction projects of the Target Group in Singapore.

Principal terms of the Qingjian Precast Master Service Agreement

The completion date of the Qingjian Precast Master Service Agreement is set at 31 December 2017, which can be renewed on terms to be agreed upon between the Company and Qingjian Precast at arm's length, subject to compliance with applicable Listing Rules.

Historical transaction amounts and proposed annual caps

The table below illustrates the approximate figures of the historical transaction amounts between the Target Group and the Qingjian Precast Group between 2012 and 2014 based on actual sales figures paid by the Target Group to the Qingjian Precast Group, and the proposed annual caps for the Qingjian Precast Master Service Agreement between 2015, 2016 and 2017.

	Year ended 31 December					
	2012	**2013**	**2014**	**2015**	**2016**	**2017**
	SGD'000	*SGD'000*	*SGD'000*	*SGD'000*	*SGD'000*	*SGD'000*
				Proposed annual cap	*Proposed annual cap*	*Proposed annual cap*
Costs of the Products	62,666	60,111	73,887	78,400	68,000	68,000

Basis of proposed annual caps

We understand that the annual caps have been based on projected fees for four ongoing projects and four projected projects which the Management believe will be awarded to the Group based on the historical frequency of projects and discussions with the management of various main contractors. The projected fees for each of the projects are based on the gross floor area of the respective projects and historical pricing rates of the Products.

Basis of pricing

The basis of pricing for the individual transactions to be undertaken under the Qingjian Precast Master Agreement is such that transactions are to be conducted on normal commercial terms according to the prevailing market rate. This market rate shall be identified using the following procedure, as set out on page 230 of the Circular:

"*The relevant member of the Enlarged Group shall, before it enters into specific agreements in respect of the products pursuant to the Qingjian Precast Master Service Agreement:*

(i) obtain at least two price quotations from suppliers who are independent third parties for the supply of the same or similar products required by the Enlarged Group; and

(ii) request members of the Qingjian Precast Group to provide it with at least two sales records of the same or similar products offered by it to its customers, as the reference market price of such products.

If the relevant member of the Enlarged Group proceeds to place a purchase order or enters into a transaction with the relevant members of the Qingjian Precast Group for the products contemplated under the Qingjian Precast Master Service Agreement, the price and other conditions at which such products are to be offered shall be no less favourable to the Enlarged Group than any of the price quotations and sales records (as the case may be)."

We understand that a fixed mark-up or fixed unit rate for such products and services has not been specified under the Qingjian Precast Master Agreement since this does not ensure such transactions are made according to the prevailing market rates going forward. Instead, to better safeguard the interests of the Company and its shareholders as a whole, the above internal controls have been implemented with the aim of ensuring the transactions carried out under the Qingjian Precast Master Agreement are carried out on normal commercial terms.

Taking into the above, we are of the view the terms should ensure that prices will be at a competitive level on normal commercial terms and not to the disadvantage of the Enlarged Group.

Internal controls

As disclosed on page 232 of the Circular:

"*the Contract Department of the Target Group, headed by Mr. Wang Jing Biao ("**Mr. Wang**"), will be responsible for reviewing the transactions contemplated under the Connected Transaction Agreements, which the Contract Department (i) will monitor the respective Annual Caps so that such Annual Caps will not be exceeded; and (ii) will obtain the abovementioned price quotations and sales records to ensure the pricing monitoring procedures are duly carried out so that the respective transactions contemplated under each of the Connected Transaction Agreements will be conducted in accordance to its pricing terms. The Enlarged Group also has the reporting and record-keeping procedures in place to allow independent non-executive Directors and auditors of the Company to properly review the Connected Transaction Agreements and the transactions contemplated therein annually.*"

We have noted the Group's pricing monitoring procedures for the transactions to be carried out under the Qingjian Precast Master Agreement, and the internal controls implemented to ensure compliance with such procedures. We note that the team responsible for ensuring such pricing monitoring procedure is carried out is a contracts team within the Enlarged Group, headed by Mr. Wang Jing Biao ("**Mr. Wang**"). We have reviewed the credentials of such team, in particular that Mr. Wang has (i) obtained a Bachelor's Degree in Civil & Structural Engineering from Zhejiang University, China, in 1992 and a Master's Degree in Building Science from the National University of Singapore in 2001; and (ii) more than 15 years' experience in the construction industry of Singapore, particularly in handling main contract and sub-contract issues pertaining to calling quotations, negotiating and awarding such contracts to contractors or sub-contractors, and we are satisfied that the contracts team, headed by Mr. Wang, has the necessary qualifications and experience to perform such duties.

Taking into account the above, we are satisfied that the internal control measures should be sufficient to supervise and monitor the compliance of the pricing terms and the annual caps.

Reasons for and benefits of entering into the Qingjian Precast Master Service Agreement

The Enlarged Group's operations involve construction projects in its ordinary and usual course of business, for which the Products are required. The Qingjian Precast Group has provided such services to the Target Group throughout the Track Record Period during which period the Target Group and the Qingjian Precast Group have developed a high level of efficiency and a strong working relationship due to the good performance of the latter in its supply of the Products. After Completion, the Enlarged Group intends to continue such transactions with the Qingjian Precast Group to ensure the sustained supply of the Products to meet the demands of the Enlarged Group's construction projects in Singapore.

Moreover, due to the aforementioned basis of pricing, it is effectively ensured that the Enlarged Group will purchase the Products at a rate comparable or more favourable than the market rate going forward. This clause safeguards the interests of the Shareholders and Company as a whole.

Taking into account the factors as set out above, we are of the view that (i) the terms of the transactions contemplated under the Qingjian Precast Master Service Agreement are fair and reasonable; (ii) the aforementioned transactions are on normal commercial terms and are in the ordinary and usual course of the Enlarged Group's business; and (iii) the aforementioned transactions are in the interests of the Independent Shareholders.

RECOMMENDATIONS

Having considered the above factors, we are of the view that (i) the terms of the Share Purchase Agreement and Qingjian Precast Master Service Agreement are fair and reasonable; (ii) the granting of the Whitewash Waiver is fair and reasonable; (iii) the aforementioned transactions are on normal commercial terms; (iv) the Qingjian Precast Master Service Agreement is in the ordinary and usual course of the Enlarged Group's business; (v) the aforementioned transactions are in the interests of the Company and the Shareholders as whole and the Independent Shareholders; and (vi) the granting of the Whitewash Waiver is in the interests of the Independent Shareholders.

Accordingly, we would recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the EGM to approve (i) the Acquisition; (ii) the Share Purchase Agreement; (iii) the grant of the Specific Mandate for the issuance of the CPS and the Conversion Shares; (iv) the Whitewash Waiver; and (v) the Non-Exempt Continuing Connected Transaction to be entered into by the Enlarged Group upon Completion.

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

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

Pursuant to Rule 13.84 of the Listing Rules, Altus Capital Limited is independent of the Company. In particular, Altus Capital Limited has not acted as an independent financial adviser of the Company's other transactions in the last two years from the date of the Circular.

This circular contains forward-looking statements that state the intentions, beliefs, expectations or predictions of the Group, the Target Group and the Enlarged Group for the future that are, by their nature, subject to significant risks and uncertainties, including the risk factors described in this circular. These forward-looking statements include all statements in this circular that are not historical facts, including, without limitation, statements relating to:

- the Enlarged Group's operations and business prospects;
- the future developments, trends and conditions in the Singapore property development and construction sector;
- the Enlarged Group's strategies, plans, objectives and goals and its ability to implement such strategies and achieve its plans, objectives and goals;
- the Enlarged Group's future capital needs and capital expenditure plans;
- the amount and nature of, and potential for, future development of the Enlarged Group's business;
- the regulatory environment relating to, and the general industry outlook for the Singapore property development and construction sector;
- prospective financial matters regarding the Enlarged Group's business, results of operations and financial condition;
- the development costs in relation to the property projects of the Target Group;
- the Target Group's continual review of its strategy regarding its property development and construction business in Singapore;
- the competitive market for property developers and contractors and the actions and developments of the Target Group's competitors in Singapore; and
- the general political and economic environment in the Singapore.

When used in this circular, the words "aim", "anticipate", "believe", "could", "estimate", "expect", "going forward", "intend", "may", "ought to", "plan", "project", "seek", "should", "will", "would" and similar expressions, as they relate to the Group, the Target Group and/or the Enlarged Group, are intended to identify forward-looking statements. However, all statements in this circular other than statements of historical facts are forward-looking statements. Such forward-looking statements reflect the views of the management of the Group or the Target Group (as the case may be) as at the date of this circular with respect to future events and are subject to certain risks, uncertainties and assumptions, including the risk factors described in this circular. Although the Directors believe that the expectations reflected in such forward-looking statements are reasonable, actual results and events may differ materially from information contained in the forward-looking statements as a result of a number of factors, including:

- the performance of the Singapore property market;
- the Enlarged Group's ability to successfully complete and realise benefits from its development and construction projects;
- the Enlarged Group's ability to obtain adequate financing on terms acceptable to it;
- the Enlarged Group's levels of indebtedness and interest payment obligations;
- the Enlarged Group's ability to effectively manage its planned expansion;
- the Enlarged Group's ability to stay abreast of market trends;
- the Enlarged Group's ability to effectively manage its operational and project development costs;
- the Enlarged Group's ability to retain core team members and attract qualified and experienced personnel;
- the Enlarged Group's ability to liquidate assets in response to changes in economic and financial conditions, as necessary;
- the Enlarged Group's ability to maintain and renew the permits and licences it requires to undertake its construction business;
- prospective financial information of the Enlarged Group; and
- other factors beyond the Company's control.

Should one or more of these risks or uncertainties materialise, or should the underlying assumptions prove to be incorrect, the results of operations and financial condition of the Group, the Target Group and/or the Enlarged Group may be adversely affected and may vary materially from those described herein as anticipated, believed or expected. Accordingly, such statements are not a guarantee of future performance and you should not place undue reliance on such forward-looking statements. Moreover, the forward-looking statements should not be regarded as representations by the Company that its plans and objectives will be achieved or realised.

The forward-looking statements in this circular reflect the views of the management of the Group as at the date of this circular and are subject to change in light of future developments. Subject to the requirements of the Listing Rules, the Company does not intend to update or otherwise revise the forward looking statements in this circular, whether as a result of new information, future events or otherwise.

You should carefully consider the following risk factors together with all other information contained in this circular in considering the Acquisition. If any of the possible events described below occurs, the business, financial condition, results of operations and prospects of the Target Group could be materially and adversely affected. The risks and uncertainties described below may not be the only ones that are faced by the Target Group. Additional risks and uncertainties that the Company is not aware of or that the Company currently believes are immaterial may also adversely affect the Target Group's business, financial condition, results of operations and prospects.

RISKS RELATING TO THE ACQUISITION AND THE ISSUE OF THE CPS

Completion is subject to the fulfilment of conditions precedent and there is no assurance that they can be fulfilled and/or the Acquisition will be completed as contemplated

A number of the conditions precedent to Completion as set out in the section headed "Letter from the Board" in this circular involve the decisions of third parties, including approvals by the Independent Shareholders at the EGM. As fulfilment of these conditions precedent are not within the control of the parties involved in the Acquisition, there is no assurance that they can be fulfilled and/or the Acquisition will be completed as contemplated.

The shareholding percentages of the existing Shareholders in the Company will be diluted following the conversion of the CPS into Conversion Shares, and any value enhancement of the Shares as a result of the Acquisition may not offset the dilutive effect to the existing Shareholders in the Company

Pursuant to the Share Purchase Agreement, the Company will issue and allot 951,872,727 CPS in connection with the Acquisition. In such a case, an aggregate of up to 951,872,727 new Shares will be issued upon conversion of the CPS into Conversion Shares, subject to the Company meeting the minimum public float requirement under the Listing Rules, which represent approximately 317.3% of the issued share capital of the Company as at the Latest Practicable Date and 76% of the issued share capital of the Company as enlarged by the allotment and issue of the new Shares (assuming no placing of new shares to public shareholders and that all the CPS are converted into Conversion Shares). Please refer to the section headed "Letter from the Board — Effect of the Acquisition on the shareholding structure of the Company" in this circular for further details of the shareholding structure of the Company immediately after the Completion.

As a result, the shareholding percentages of the existing Shareholders in the Company would be diluted when the CPS are converted into Conversion Shares, subject to the Company meeting the minimum public float requirement under the Listing Rules. Any value enhancement of the Shares as a result of the Acquisition may not necessarily be reflected in their market price and may not offset the dilutive effect to the Shareholders.

RISKS RELATING TO THE BUSINESS OF THE TARGET GROUP

The Target Group may not be able to implement its business strategies effectively in respect of its property development and construction businesses which may impact on the operational and financial performance and prospects of the Target Group

Upon Completion, the Target Group will continue to focus on the development of residential properties and property construction in Singapore. The Target Group intends to maintain a balanced approach towards developing both its property development business and property construction business. For the property development segment, the Target Group intends to strengthen its market presence in the residential property market and continues to target home buyers in the mass-market segment looking for quality condominiums and executive condominiums. For the property construction segment, the Target Group intends to continue to build upon their established track record and reputation in construction sector, in particular, in HDB construction projects and seek to maximize the construction contracts awarded in order to maintain a steady stream of revenue in this respect. Please refer to the sections headed ''Business of the Target Group — Competitive Strength'' and ''Business of the Target Group — Business Strategies'' in this circular for further details of the Target Group's business strategies relating to the Target Group's property development and property construction businesses.

Property development projects typically requires substantial capital investment during the land acquisition and construction phases. During the Track Record Period, the liquidity requirements arose principally from the acquisition of land for, and development of, the Target Group's property development projects, which are mainly funded through borrowings and advances from financial institutions, loans from Guotsing Group and internal cash flows. The Target Group expects to continue to fund its projects mainly through borrowings and advances from financial institutions and internal cash flows. However, there can be no assurance that such funds will be sufficient or that any additional financing can be obtained on satisfactory or commercially reasonable terms.

Depending on the size of the development, the completion of the property development and property construction projects usually requires a number of years. Consequently, any change in the business environment during the development period of the property development projects and the property construction projects may affect the time and cost involved in the development, including the cost of financing and uncertainties as to market demand or a loss of interest from consumers during the development period of the project which may also affect the profitability of the Target Group.

There can be no assurance that any or all of the current or future property development projects in which the Target Group has an interest, plans to acquire or constructs will be completed within the anticipated timeframe or budget, or at all, whether as a result of the factors specified above or for any other reason. The Target Group cannot assure you that these projects will generate profit or positive cash flows at the levels originally planned. The inability to complete a major property development or property construction project within the anticipated timeframe and budget, or an inability to find interested buyers at profitable sales prices, could have adverse effect on the Target Group's business, financial condition and results of operations.

The sale of properties of the Target Group is affected by a number of factors including the Target Group's schedule of property development and the timing of property sales, which may impact on revenue recognition and cash flow and cause the results of operations of the Target Group to fluctuate

The Target Group will generally recognise revenue from the sale of a property upon the completion of property construction and delivery of the property to the buyer, at which point the significant risks and rewards of ownership are transferred to the buyer. Due to capital requirements for land acquisition and construction, limited land supply and the time required for completing a project, the Target Group can undertake only a limited number of property development projects at a time. In addition, since the timing of delivery of the properties varies according to construction timetables, the revenue and results of operations of the Target Group may vary from period to period depending on the number of properties delivered during a specific period. As a result, the period to period comparisons of the Target Group's results of operations and cash flow positions may not be indicative of the Target Group's future results of operations and may not be as meaningful measures of the financial performance of a specific period as they would be for a company with a greater proportion of steady recurring revenues.

Furthermore, the Target Group's property development projects may be delayed or adversely affected by a combination of factors, including adverse weather conditions, delays in obtaining requisite permits and approvals from relevant government authorities, as well as other factors beyond the control of the Target Group, which may in turn adversely affect the revenue recognition and consequently the cash flow and results of operations of the Target Group.

The Target Group may not always be able to obtain sites that are suitable for property development strategy of the Target Group and acquire sufficient land reserves at reasonable cost and may not always be able to secure the construction projects that are sought after by the Target Group through the tendering process, which may restrict and impact on its expansion, business and financial performance

To maintain its business growth strategy, the Target Group will need to acquire suitable development sites in Singapore which are located at accessible areas with amenities for its property development business segment. The Target Group's ability to acquire suitable sites is subject to a number of factors, some of which are beyond its control. During the Track Record Period, the Target Group acquired parcels of land through public tender. According to Knight Frank, from 2010 to 2014, there were 164 companies behind the development of 228 private housing and executive condominiums projects launched in the Outside Central Region of Singapore. The Target Group may not always be able to obtain sites that are suitable for property development strategy of the Target Group.

Similarly, in order to maintain a steady stream of revenue from the property construction business, it is crucial for the Target Group to secure construction projects through the tendering process. Due to the potential competition from other construction companies tendering for the same project, the Target Group may not always be able to successfully secured all property construction projects that are sought after by the Target Group.

The business, financial condition and results of operations of the Target Group may be adversely affected if it is unable to obtain suitable land sites, acquire land sites for development at prices that allow the Target Group to achieve reasonable returns upon the sale or lease of developed properties to its customers or secure the construction projects that are sought after by the Target Group through tendering. Changes in government policies that reduce the land supply or limit the Target Group's ability to tender for land may also materially and adversely affect the Target Group's business and financial condition.

Fluctuations in the currency exchange rates may adversely affect the Enlarged Group's results of operations

The Target Group operates in Asia with dominant operation in Singapore. Currency risk arises within the Target Group when transactions are denominated in currencies other than the functional currencies of the respective members of the Target Group.

As at 31 March 2015, the Target Group had certain financial assets, including trade and other receivables and cash and cash equivalents, and certain financial liabilities, including borrowings and trade and other payables, denominated in Renminbi and US dollars. The Target Group's currency exposure of financial liabilities net of those denominated in its functional currency as at 31 March 2015 amounted to SGD104.7 million. As such, fluctuations in the currency exchange rates between these currencies would affect the Target Group's profitability and could result in significant currency exchange losses.

The appraised value of the properties in the valuation report may be different from the actual realisable value and is subject to change

The valuations of the Target Group's properties contained in the property valuation report set out in Appendix VI to this circular, are prepared based on the valuation methodology, bases and assumptions with reference to the property natures, types, usages and development status of the property projects of the Target Group. Please refer to the section headed "Property Valuation of the Target Group" set out in Appendix VI to this circular for further details of the valuation methodology adopted by the independent property valuer.

Furthermore, the valuations of the Target Group's properties are based upon certain assumptions, which, by their nature, are subjective and uncertain, and may not be realised. Unless otherwise stated in this circular, such assumptions include:

- the exclusion of an estimated price inflated or deflated by special terms or circumstances, such as atypical financing, sale and leaseback arrangement, special considerations or concessions granted by anyone associated with the sale or any element of special value;

- information regarding tenure, site area and ownership is obtained from the searches carried out at the Singapore Land Authority;

- no allowance being made for any charges, mortgages, amounts owing on the property interests nor any expenses or taxation which may be incurred in effecting a sale; and

- the properties are free from encumbrances, restrictions and outgoings of any onerous nature which could affect their values.

Further, unforeseen changes to property development projects as well as economic or regulatory conditions in Singapore or globally may affect the value of the Target Group's properties.

These valuations are not predictions of the actual value of the properties of the Target Group, as the case may be, and may deviate from values that could be realised in a public market transaction as of the date of valuation. Therefore, the appraised value of the properties may be different from their actual realisable value.

Third party contractors may not always meet quality standards or provide services in a timely manner

The Target Group mainly engages subcontractors to provide various services for some of the projects, including earth works, tiling works, aluminium works, furniture works, mechanical and electrical works, air-conditioning works and painting works. The subcontractors of the Target Group are selected based on their ability to provide timely delivery, the quality of material provided, previous working experience with the Target Group as well as the competitiveness of their quotation given. Completion of the construction projects of the Target Group is subject to the satisfactory performance by these third-party subcontractors of their contractual obligations, including their compliance to the Target Group's quality standards and the pre-agreed schedule for completion.

There is no assurance that the services rendered by any of these external subcontractors will always be satisfactory or meet the quality requirements of the Target Group. In the event that the performance of the external contractors falls short of the required standard, or the external contractors encounter financial, operational or managerial difficulties or disputes, the construction progress, sales, leasing or operation of the Target Group's property developments may be disrupted or delayed. The Target Group may incur additional costs in respect of remedial action, such as the replacement of such contractors, as well as potential damage to reputation and additional financial losses as a result of delay in completion. Any of the above factors could have a material adverse effect on the business, financial condition and results of operations of the Target Group.

Increases in construction and development costs may have an adverse impact on the Target Group's results of operations

The Target Group's ability to derive profits from its property development projects and construction business depends on the effectiveness of its cost control measures. Construction costs in Singapore are generally increasing as contractors face rising costs which can be attributed to, amongst others, foreign labour costs from regulatory fees, land cost factor due to land scarcity and overhead costs in order to increase productivity. There is no assurance that the Target Group would be able to get the best prices from its suppliers of construction materials or subcontractors. Further, there is no assurance that the actual construction costs incurred for a property project will not exceed the initial estimate of the Target Group. If the costs of labour or construction materials increase significantly, and the Target Group cannot offset such increase by reducing other costs or is unable to pass on such increase to the buyers of its properties or the customers of its construction business, the Target Group's business, results of operations and financial position may be materially and adversely affected.

The Target Group's business and financial results could be materially and adversely affected by its indebtedness

During the Track Record Period, the Target Group maintains a certain level of indebtedness, which is guaranteed by either a related company or certain fellow subsidiaries controlled by Guotsing PRC or by the shareholders of the relevant subsidiaries; or secured by mortgages over the Target Group's development properties. As at 31 December 2012, 2013 and 2014 and 31 March 2015, the Target Group's current and non-current borrowings amounted to approximately SGD1,161.3 million, SGD1,667.5 million, SGD1,305.7 million and SGD1,522.4 million, respectively. In addition, of the Target Group's total borrowings of approximately SGD1,451.3 million as at 31 July 2015 (being the latest practicable date for the purpose of determining indebtedness), approximately SGD415.1 million was due within a period not exceeding one year. Please refer to the section headed "Financial Information of the Target Group — Indebtedness and Contingent Liabilities" in this circular for further details of the Target Group's indebtedness position as at 31 July 2015.

The property development business is capital intensive, and typically requires substantial capital contribution for land acquisition and property development. Please refer to the section headed "Financial Information of the Target Group — Contractual Obligations and Capital Expenditures" in this circular for further details of the Target Group's capital commitment and cash flow positions.

The Target Group's ability to repay the principal and interest on its borrowings and to service its capital commitments and current and non-current liabilities depends substantially on the cash flow and results of operations of its operating subsidiaries, which depend in part upon the social, political, economic, legal and other risks described herein, most of which are beyond its control. There is no assurance that the Target Group will be able to achieve or maintain a net cash inflow from its operating activities in a sufficient amount or at all in the future. Any decline or under-performance of the Target Group's pre-sale or sale activities and any other matter adversely impacting the net cash inflow of the Target Group could significantly affect its cash flow position. There can be no assurance that the Target Group will always be able to raise the necessary funding to finance its current liabilities and capital commitments.

The Target Group had borrowings and advances from financial institutions and the Target Group's financing costs may increase due to increases in interest rates which may impact on the results of operations and financial condition of the Target Group

The property development business is capital intensive and typically requires substantial capital contribution for land acquisition and property development. During the Track Record Period, the Target Group financed its property projects mainly through borrowings and cash generated from operations. Please refer to the sections headed "Financial Information of the Target Group — Liquidity and Capital Resources" and "Financial Information of the Target Group — Indebtedness and Contingent Liabilities" in this circular for further details.

There is no assurance that the Target Group will be able to obtain bank loans, or renew existing credit facilities in the future on acceptable terms or at all. The Target Group's ability to do so will depend on a number of factors, many of which are beyond its control. The Target Group may be required to seek the lending bank's approval or repay the relevant outstanding loan before it can obtain new borrowings that would result in certain financial ratios exceeding the agreed thresholds. If the Target Group is not able to raise new financing or refinance its existing borrowings at maturity on commercially acceptable terms or at all, its liquidity will be adversely affected and, as a result, its results of operations, financial condition and business prospects may be adversely affected.

In addition, any increase in interest rates on the Target Group's bank borrowings may have adverse effect on its financial condition and results of operations. Please refer to the section headed "Financial Information of the Target Group — Quantitative and qualitative disclosures about market risk — Interest rate risk" in this circular for further details.

The level of the Target Group's indebtedness could also have an adverse effect on its operations. For instance, it may have to dedicate a large portion of its cash flow from operations to fund repayments of its debts, thereby reducing the availability of its cash flow to expand its business and limiting its flexibility in planning for, or reacting to, changes in its business or economic conditions. Any of the above factors and circumstances will adversely affect the Target Group's business and results of operations.

The Target Group may be exposed to certain risks that are not covered by its insurance and any resultant loss may affect the Target Group's operations, financial condition and prospects

The Target Group will maintain insurance policies where practicable covering both its assets and employees in line with general practice in the real estate and construction industries and in compliance with applicable laws and regulations, with policy specifications and insured limits which it believes are reasonable. As at the Latest Practicable Date, the Target Group has taken up the contractor's all-risks insurance, the work injury compensation insurance, the worker's medical insurance and group hospital and surgical insurance and motor vehicle insurance to cover its operational, human resource and fixed asset risks. However, in certain cases it may be difficult to obtain adequate insurance coverage at all or at commercially acceptable rates. Certain types of losses and injuries, such as those resulting from any act of wars insurrection, terror, direct participation in a strike or riot, are generally not insured as a matter of industry practice. Please refer to the section headed "Business of the Target Group — Insurance" in this circular for further information.

There is no assurance that adequate insurance coverage against risks of the Target Group's projects and income-generating properties will be available in the future on commercially reasonable terms or at commercially competitive rates. Should an uninsured loss or a loss in excess of insured limits occur or should the Target Group's insurers fail to fulfill their obligations in relation to the sum insured, the Target Group could suffer loss, including loss of rent or future revenue, and/or may be required to pay compensation to third parties. The Target Group may also be liable for any debt or other financial obligation related to the relevant property or to third parties. Any such loss could adversely affect the Target Group's business, financial condition, results of operations and prospects.

The Target Group may not be able to obtain certificates and other permits and certificates for property development projects and construction projects in the future and the Target Group may face interruptions in its operations and/or third party claims, which may adversely impact on its results of operations and financial condition

In addition to the existing land, buildings and properties owned by the Target Group, there can be no assurance that the land and/or building administrative authorities in Singapore will grant the Target Group appropriate licences, permits and certificates necessary in respect of projects to be developed in the future in a timely manner, or at all.

If the Target Group cannot obtain the abovementioned certificates for its development projects, it may not be able to sell the portions of the project or the relevant building or property in Singapore, which could have a material adverse effect on the Target Group's business, financial condition, results of operations and prospects.

The Target Group may face delay in completing its property development projects which may cause reputational damage and impact on the business, financial condition and results of operations of the Target Group

Property development projects require substantial capital expenditure prior to completion and typically require a substantial amount of time to complete. The progress of a development project can be adversely affected by many factors, including, but not limited to:

- changes in global and local market conditions;
- delays or inability to obtain necessary governmental and regulatory licences, permits, approvals and authorisations for its projects;
- changes in government rules and regulations and the related practices and policies, including reclamation of land for public works or facilities;
- increases in the prices of raw materials;

- shortages of construction and building materials, equipment, contractors or skilled labour;
- latent soil or subsurface conditions and latent environmental damage requiring remediation;
- unforeseen engineering, design, environmental or geographical problems;
- labour disputes;
- construction accidents;
- natural catastrophes;
- adverse weather conditions; and
- other unforeseen problems or circumstances.

The Target Group may also encounter delays or may not be able to obtain all necessary governmental and regulatory licences, permits, approvals and authorisations for its projects. The projects under development may be subject to construction risks which include, among others, default by subcontractors or other third party providers of their obligations or financial difficulties faced by such persons, all of which will cause a delay in construction.

Any delay in progress of a property development project may lead to increased construction costs. Further, if a pre-sold property development is not completed on time, the purchaser may be entitled to compensation for late delivery. In respect of the property construction projects, if a project is unable to be completed by the stipulated completion date, the developer may be entitled to compensation pursuant to the construction contracts. There is no assurance that the Target Group will not experience any delays in completion, delivery or operation or that it will not be exposed to liability or revenue shortfalls for any such delays in the future. Any delay in completion or failure to complete a project according to the specifications, schedule or budget may affect the business, financial condition and results of operations of the Target Group and may also cause reputational damage.

There may be a dilutive effect on your shareholdings in the Company, the earnings per Share and on the Enlarged Group's future earnings associated with the Management Share Scheme

As set out in the paragraph headed "Management Share Scheme" in the section headed "Letter from the Board" of this circular, the Trust shall be constituted on or prior to Completion whereby Awards shall be granted to the Selected Participants to purchase from the Trust up to a total of 304,599,273 CPS. Such Awards shall be exercisable after all of the CPS to be issued and allotted to Guotsing SG (or New Guotsing Holdco as Guotsing SG may direct) at Completion have been converted into Shares and subject to such other vesting and terms and conditions of the Management Share Scheme. The Management Share Scheme and the Awards shall become effective immediately upon Completion, and shall replace and supersede the Pre-existing Management Scheme and the Rights. Details of the Management Share Scheme and the Awards granted thereunder are set out in the section headed "Share Option Schemes — Management Share Scheme" in Appendix VIII to this circular.

On the basis that the Acquisition will be completed, based on an independent valuation of the Rights, the fair value of the Rights granted to the Selected Participants who are employees of the Enlarged Group ("Relevant Selected Participants") as at the grant date is approximately SGD74.2 million which will be recognised as an expense of the Target Group over the vesting period. The amounts that will be charged to the income statements of the Target Group for each of the financial years ending 31 December 2015, 2016, 2017, 2018, 2019 and 2020 are approximately SGD33.6 million, SGD19.4 million, SGD11.5 million, SGD6.7 million, SGD3.3 million and SGD0.6 million, respectively. Upon Completion, the Management Share Scheme will replace the Pre-existing Management Scheme and if the fair value of the Awards granted to the Relevant Selected Participants is higher than the fair value of the Rights at the date of Completion, the total amount of expenses charged to the Target Group may be increased by such additional amount.

The Company will continue to be controlled by Guotsing PRC immediately upon Completion, whose interests may differ from that of the other Shareholders of the Company and Guotsing PRC may take actions which favour itself more than the Target Group or the other Shareholders of the Company

Upon Completion, CNQC Development and Guotsing PRC will continue to be interested in approximately 74.7% of the voting power at general meetings of the Company and will continue to be the controlling shareholders of the Company.

Apart from its interest in the Target Group, Guotsing PRC will, after Completion, continue to be engaged through its subsidiaries in the property development and construction businesses mainly in the PRC and in other countries outside of the Restricted Territories (as defined in the section headed "Relationship with Controlling Shareholders"). As at 31 December 2014, Guotsing Group had eight ongoing property development projects and 1,663 on-going construction projects located outside Singapore.

As Guotsing PRC is able to exercise control or influence over the Target Group's business on matters of significance to the Company, the interests of Guotsing PRC may not be the same as, and may to a certain extent conflict with, those of the Company's other Shareholders. There is no guarantee that Guotsing PRC will not cause the Target Group to revise the business strategies, enter into transactions, take or fail to take any other actions or make decisions that conflict with the best interests of the other Shareholders. In the event that the interests of Guotsing PRC conflict with those of the other Shareholders, the other Shareholder may be disadvantaged. In addition, as certain Directors may serve concurrently as officers of Guotsing PRC or its subsidiaries, there may be an appearance of potential conflict of interest. Please refer to the section headed "Relationship with Controlling Shareholders — Independence from the Guotsing Group — (b) Management independence" in this circular for further details of the over-lapping Directors with the Guotsing Group.

Environmental health and safety issues or non-compliances with applicable laws and regulations may cause delay in the completion of the Target Group's property development and construction projects and results in fines being imposed on the Target Group

Due to the nature of the Target Group's business, the Target Group is required to comply with laws, rules and regulations in respect of, amongst other things, environment, health and safety aspects of the business. During the Track Record Period, there are certain non-compliance incidents concerning noise level exceeding permitted level, carrying out construction works outside the permitted hours or period and improper discharge of certain construction materials. As at the Latest Practicable Date, all outstanding fines imposed by the NEA and the PUB have been paid-up and settled by the Target Group. For further details of the non-compliances relating to environment, health and safety issues, please refer to the section headed "Business of the Target Group — Regulatory Compliance" of this circular.

There can be no assurance that the regulatory environment under which the Target Group's business is operated will not become more stringent in the future. The Target Group may incur more costs to comply with any changing laws and regulations in relation to the property development and construction industry in Singapore. As a result, the business and results of operations of the Target Group could be adversely affected.

During the Track Record Period, the Target Group was involved in two fatal accidents related to one employee of the Target Group and one employee of the subcontractor of the Target Group respectively. In August 2013, there was a fatal accident in the construction site of the Target Group's project River Isles relating to an employee of a subcontractor of Qingjian International. The relevant subcontractor of the Target Group was fined by MOM for the failure to take such measures necessary to ensure the safety and health of its employees at work, while Qingjian International was fined by MOM for a total of SGD5,000 in relation to the above accident for the failure to, as an occupier of the worksite, ensure every formwork structure was of sound material. In January 2014, there was a fatal accident in the construction project Sengkang N4C24. Subsequent to this accident, Qingjian International has entered into the business under surveillance programme ("BUS Programme") in September 2014, which Qingjian International would be ineligible from tendering HDB construction projects during the period under the BUS Programme. For further details of the abovementioned total accidents and the implications arose, please refer to the section headed "Business of the Target Group — Health and Safety and Environmental Matters — Fatal Accidents".

Due to the nature of works in the construction industry, risks of accidents or injuries to workers are inherent and cannot be completely eliminated. There is no assurance that fatal accidents will not occur on construction sites for which the Target Group is held responsible and the occurrence of fatal accidents would result in damages to the reputation of the Target Group and adversely affect our business operations.

In the event that any personal injuries and/or fatal accidents occurred to the employees of the Target Group, the Target Group may be subject to regulatory actions (including fines, penalties or orders imposed on the Target Group) in the future which may have an adverse impact on the Target Group's financial condition, ability to obtain new contracts by tendering process and/or causing delay in the completion of property development projects and construction projects.

There can be no assurance of the timing for Qingjian International to exit from the BUS Programme. If Qingjian International continues to be under the BUS Programme, this would materially affect the number of construction projects that Qingjian International may undertake and would in turn materially affect the business, results of operation and financial condition of the Target Group.

The Target Group's use of joint ventures may limit its flexibility with respect to its joint investments

As at the Latest Practicable Date, the Target Group develops all of its properties in cooperation with other third parties. As at 30 June 2015, the Target Group held majority interest in six property development projects across Singapore and were jointly developed with other third parties. Please refer to the section headed "Business of the Target Group — I. Property Development Business — Description of Property Projects" in this circular for further details of these projects.

Any serious dispute with the Target Group's joint venture partners or project development partners could adversely affect the Target Group's business, financial condition and results of operations. Should a situation arise in which the Target Group cannot complete a project which is being jointly developed with its joint venture partners or property development partners, the rights and obligations of each party with respect to the uncompleted project will be determined as specified in the relevant joint venture or cooperation agreement. To the extent that such agreements are silent or inconclusive with regard to such rights and obligations, the resolution of any dispute may require arbitration or litigation, which could be both costly and time consuming and the outcome may be uncertain. In the event that the Target Group encounters any of the foregoing problems with respect to its joint venture partners or project development partners, the Target Group's business operations, profitability and prospects may be adversely affected.

The Target Group's success and business operations are largely dependent on the ability to retain key executives and management team

The key executives and management team are responsible for the development of the Target Group and business and have been key drivers of the strategies and achievements to date. Most of the members of the key executives and management team have had over 15 years of experience in the property development and construction industry. The continued successful management of the business is, to a considerable extent, dependent on the continued service of the executives and senior management. If one or more of the key executives or management or other key employees are unable or unwilling to continue with their present positions, the Target Group may not be able to replace them promptly or at all with suitable or qualified candidates, and may have to incur additional expenses to recruit and train new personnel, which may severely disrupt the Target Group's business, affect the Target Group's operations and future prospects and inhibit the ability to grow.

Please refer to the section headed "Directors and Senior Management of the Enlarged Group" in this circular for further details regarding the management and other personnel.

The Target Group may be involved in legal and arbitration proceedings arising from the Target Group's operations

The Target Group may be involved in disputes arising from the Target Group's business operations, which may lead to legal and arbitration proceedings. Disputes may arise due to material delay preventing the Target Group from completing the obligations under a contract in accordance with its terms and the Target Group may as a result face claims for liquidated damages (which is normally provided for in the contract with the customers) or losses and damages which may lead to legal and other proceedings. Further, disputes may arise between developers, contractors and subcontractors due to differences in the interpretation of acceptable quality standards of workmanship and materials used, disagreements over the valuation of work in progress and the non-adherence to contract specifications.

In addition, as the construction works generally involve the operation of tools, machinery and equipment, industrial accidents resulting in employee injuries or even deaths may occur. In such event, the Target Group may be liable for personal injury or death, monetary losses or fines or subject to other legal liability as well as business interruptions caused by machinery and equipment shutdowns for investigations and imposition of safety measures. Please refer to the section headed "Business of the Target Group — Legal Proceedings" in this circular for further details regarding the legal proceedings involving the Target Group.

RISKS RELATING TO THE INDUSTRY WHICH THE TARGET GROUP OPERATES IN

The Target Group may be affected by changes in the government regulations and policies governing the property development and construction industry in Singapore

The property construction business of the Target Group is highly dependent on the volume of HDB projects, which is controlled by the Singapore government. Any significant reduction in public housings developed by HDB may have a material adverse effect on the Target Group's business. Moreover, the level of Singapore government's spending budget on public housing may change from year to year and any significant adjustment in the level of spending may affect the business and operation results of the Target Group. In the event that the level of spending on public housing is reduced and the Target Group fails to secure business from the private sector, the business and profitability of the Target Group could be adversely affected.

Furthermore, the Target Group's land bank is often derived from land tenders released by the URA and HDB through the Government Land Sales Programme of Singapore. The Target Group is therefore affected by the amount of land released by the Singapore government. If the supply of land available for property development is higher than the actual demand for a prolonged period, the price of the Target Group's property development properties may be materially affected, and hence the business, results of operations and financial condition of the Target Group may be adversely affected.

Inability to renew the Target Group's existing qualifications, licences and permits or comply with new requirements could materially affect the operations and financial performance of the Target Group

The property construction business of the Target Group in Singapore is regulated by the BCA and other regulatory bodies in Singapore. These regulatory bodies stipulate the various criteria that must be satisfied before permits and licences are granted to, and/or renewed for, the construction business and the registration with the Contractors Registration System (CRS) maintained by the BCA is a pre-requisite requirement for tendering construction projects in the public sector. The renewal of the permits and licences of the Target Group is subject to compliance with the relevant regulations.

Any non-renewal in the existing BCA permits and licences will result in us not being qualified to tender or participate in certain projects, therefore reducing the number of project opportunities for the Target Group, and this may have an adverse impact on the Target Group's operations and financial performance.

Furthermore, if the Target Group is unable to meet the requisite criteria set by the BCA, it would affect the grading on the Contractors Registration System (CRS) which would in turn affect the tendering limit that the Target Group is allowed to undertake. This would adversely affect the business, results of operation and financial condition of the Target Group.

The compliance with any changes to government legislation, regulations and policies in Singapore may also increase the costs and any increase in compliance costs arising from such changes may adversely affect the operating results. There is no assurance that any changes to government legislation, regulations and policies will not have an adverse effect on the financial performance and financial position of the Target Group.

The Target Group faces the risk of a shortage in supply of foreign workers for the property construction projects

In Singapore, the construction industry is highly dependent on skilled, semi-skilled and unskilled foreign workers as the construction labour in Singapore is scarce and costly. Construction companies in Singapore are only allowed to employ foreign construction workers from approved source countries. The approved source countries for construction workers are Malaysia, the PRC, the Non-Traditional Sources (the "**NTS**"), and the North Asian Sources (the "**NAS**"). The NTS countries are India, Sri Lanka, Thailand, Bangladesh, Myanmar and Philippines, and NAS countries are Hong Kong, Macau, Republic of Korea and Republic of China. For the property construction business in Singapore, all of the Target Group's foreign workers are from the PRC, Malaysia, and non-traditional sources countries such as India, Bangladesh, and The Republic of the Union of Myanmar.

Construction companies in Singapore are required to receive prior approval from the Ministry of Manpower ("**MOM**") to employ foreign workers from NTS and the PRC. The prior approval indicates the number of foreign workers a company is allowed to source from NTS and the PRC. Any shortage in the supply of foreign workers or increase in foreign worker levy for foreign workers, or any restriction on the number of foreign workers that the Target

Group can employ for a property construction project or any delay or failure to obtain prior approvals for the foreign workers will adversely affect the operations and financial performance of the Target Group.

The supply of foreign construction workers in Singapore is subject to the policies and regulations imposed by the MOM. The MOM imposes a quota on the number of foreign workers that the Target Group and its subcontractors can employ in respect of each of the property construction projects, known as man-year-entitlement ("**MYE**"). If MOM imposes a more stringent quota on the number of foreign workers that main contractors and subcontractors may employ can adversely affect the Target Group's operations and in turn the business and financial performance. In the Singapore Government 2015 Budget, the MOM announced that the foreign worker levy for basic skilled workers in the construction sector will be increased from S$550 in July 2015 to S$650 in July 2016 and S$700 in July 2017, and the MYE waiver levy rate for more highly skilled workers will be reduced from S$750 to S$600 from July 2015. Any changes in the policies on the foreign workers including increase in foreign worker levy will increase the Target Group's operating expenses and will affect the Target Group's financial performance. Further, any changes in the policies of the foreign workers' countries of origin may also affect the supply of foreign construction workers and cause an adverse effect on our operations and delay in construction.

In the event of non-compliance of the MOM's policies and/or regulations on the employment of foreign workers, the foreign workers in concern may be repatriated by the MOM. In such an event, the relevant member of the Target Group (and/or its directors) may also be subject to a fine and/or imprisonment.

The occurrence of any of the aforementioned events will cause the Target Group to face a shortage of foreign workers, which may result in delays in construction process and hence may adversely affect the business, results of operations and financial condition of the Target Group.

The Target Group faces intense competition from other property developers and contractors

The property development and property construction markets are highly competitive which the Target Group may have to compete with property developers or contractors which may have better track records, greater financial, land and other resources, wider brand recognition and greater economies of scale than the Target Group. Competition among property developers and contractors may result in an increase in land acquisition costs and construction costs, an oversupply of properties, a decrease in property prices, greater difficulties in selling such properties, a slow down in the rate at which new property developments are reviewed or approved by the relevant Singapore government authorities and an increase in compliance costs and administrative costs of hiring or retaining qualified personnel. In particular, competitors of the Target Group may reduce the prices of their properties as a result of the prevailing economic or market conditions, which could result in downward price pressure on the Target Group and further restrict the Target Group's ability to generate revenue. Any of the above factors may adversely affect the Target Group's business, financial position and results of operations.

The Target Group's business is subject to the performance of the property market in Singapore

The Target Group's business is subject to the performance of the property market in Singapore which is cyclical in nature. Cyclical downturns may arise from changes in global and local economic conditions, periodic local oversupply of properties for sale or lease, competition from other developers, changes in wages, energy costs, construction and maintenance costs, government regulations or changes in interest rates, and availability of financing for the Target Group's operating and/or capital requirements. Further, according to Knight Frank, with buying sentiment for private homes largely dampened by the property cooling measures and the Total Debt Servicing Ratio Framework that was imposed over the last two years since June 2013, total island-wide transaction volume of non-landed private housing fell by 50.5% annually to 12,694 units in 2014.

Should the property market in Singapore experience a downturn, demand for the Target Group's property development projects and construction business may slow down significantly. This will in turn affect the Target Group's revenue and financial performance adversely.

The Target Group's property development projects are subject to uncertainties

Our performance is dependent on the Target Group's ability to identify property development projects with good potential returns and by completing such projects within a scheduled time frame to realise such returns. Such ability is based on the understanding of the operational environment and/or the anticipation of the market conditions by the Target Group. Hence, the viability and profitability of the property development projects may be affected by factors such as unexpected project delay, changes in government policies, changes in interest rates, construction costs, land costs and market condition. Accordingly, there is no assurance that the Target Group will be consistently successful in identifying profitable property development projects, and completing and launching such projects under the best possible market conditions as planned. There is also no assurance that a project, which may be assessed by the Target Group to be profitable at the initial phases, will not turn out to be a loss-making asset or investment due to changes in circumstances not within the Target Group's control. Should the Target Group fail to identify profitable property development projects and complete them profitably, the profitability and financial performance of the Target Group will be adversely affected.

The Target Group may be adversely affected by changes in the social, economic or political conditions globally and in Singapore

The Target Group's business may be materially and adversely affected by local and global developments in relation to inflation, prices of raw materials, bank interest rates, government policies and regulations and other conditions which impact on social, economic and political stability. The Target Group has no control over such conditions and developments and there is no assurance that such conditions and developments will not occur and adversely affect the business operations of the Target Group.

Natural disasters, public health and public security hazards in Singapore may severely disrupt the Target Group's business and operations, and may have a material and adverse effect on its business, financial condition and results of operations

The outbreak of any severe communicable disease in Singapore if uncontrolled, could have an adverse effect on the overall business sentiment and environment in Singapore which in turn may have an adverse impact on domestic consumption and, possibly, on its overall GDP growth. Any contraction or slowdown in the growth of the domestic consumption or slowdown in the growth of GDP may adversely affect the financial condition, results of operations and future growth of the Target Group. In addition, if employees are affected by a severe communicable disease, the Target Group may be required to institute measures to prevent the spread of the disease. The spread of any severe communicable disease in Singapore may also affect the operations of the Target Group's general contractors and construction service providers.

Any future natural disasters and public health and public security hazards may, among other things, adversely affect or disrupt the Target Group's operations and the progress of its projects. Furthermore, such natural disasters and public health and public security hazards may severely restrict the level of economic activity in affected areas, which may in turn adversely affect the business, results of operations and prospects of the Target Group.

RISK RELATING TO THIS CIRCULAR

Certain statistics and other information relating to the economy and the Singapore property development and construction industry contained in this circular were derived from various official sources and government publications and have not been independently verified and may not be reliable

Statistics, industry data and other information relating to the economy and the Singapore property development and construction industries contained in this circular have been derived from various official government publications with information obtained from the Singapore and other government agencies. As such statistics, data and information were obtained from official government sources, the Company or its Directors, agents and advisers cannot assure you or make any representation as to the accuracy or completeness of such information and statistics. None of the Company, the Sole Sponsor or any of their respective affiliates, directors, employees, agents or advisers have prepared or independently verified the accuracy or completeness of such information directly or indirectly derived from official government sources. Due to possible flawed collection methods, discrepancies in published information, different market practices or other problems, the statistics, industry data and other information relating to the economy and the industry derived from official government sources might be inaccurate or might not be comparable to statistics produced from other sources and should not be unduly relied upon. Shareholders should give careful consideration as to how much weight or importance to attach or place on such statistics, projected industry data and other information relating to the economy and the industry.

OVERVIEW

The Target Group is an established property developer and contractor primarily engaged in (i) the development and sale of executive condominiums (a hybrid of public and private housing) and condominiums (private housing) in the Outside Central Region of Singapore; and (ii) the provision of construction services as main contractor for both governmental authorities and private property developers in Singapore.

According to Knight Frank, during the period from 2010 to 2014, the Target Group was ranked the fifth in terms of the number of new sales units sold for private housing and executive condominium projects launched in both the Outside Central Region as well as in the entire Singapore, with a market share of approximately 3.9% and 3.0%, respectively. According to Knight Frank, the total number of new sales private housing and executive condominiums units sold in the Outside Central Region of Singapore made up approximately 66.3% of the total number of new sales private housing and executive condominiums units sold island-wide during 2010 to 2014. According to Rider Levett Bucknall, during 2010 to 2014, the market shares of the Target Group in the residential construction market amount to 4.3% in Singapore (measured by the residential construction contracts amount secured by the Target Group against the total amount of the residential construction contracts available in Singapore).

The Target Group first established its market presence in Singapore through Qingdao Construction as a subcontractor in 1999. Through years of operation and consistent quality output in its construction projects involved, the Target Group was first awarded a HDB project as the main-contractor in 2006. Leveraging on the experience and reputation in its construction business, the Target Group subsequently extended its market presence to property development in Singapore in 2008, and was awarded the DBSS project "Natura Loft" as the property developer. Natura Loft was subsequently awarded the BCA Green Mark (2010 Award Gold Plus) in 2010 for its sustainable and environmental friendly design. Since then, the Target Group has been increasingly active in the property development with a primary focus on developing quality executive condominiums and condominiums in the Outside Central Region of Singapore. In 2010 and 2011, the Target Group was further awarded two property projects, one of which was an executive condominium project namely RiverParc Residence and the other one was a condominium project namely Nin Residence, both were delivered in 2014 and the sales of which amounted to an aggregate of approximately SGD641.7 million, which was recognised in the financial year ended 31 December 2014. RiverParc Residence was also awarded BCA Green Mark (Gold Plus) Award in 2012. The TOP of the Target Group's condominium project RiverSound Residence was issued in May 2015 and the total contract value of the properties sold in this project amount to approximately SGD565.0 million, of which approximately SGD348.4 million has been received by the Target Group as at 30 June 2015. As at 30 June 2015, the Target Group held majority interest in six property projects across Singapore, with a total market value attributable to the Target Group of approximately SGD1,673.8 million (as valued by DTZ according to the respective states of the property projects as at 30 June 2015). The total saleable floor area in these six property projects amount to approximately 357,952 sq.m..

In relation to the property construction segment, the Target Group is currently registered with the highest BCA grading of Class One General Builder Licences with A1 financial grading. As at 31 December 2014, under the BCA Contractors Registration System (CRS) there were only 68 other contractors with similar A1 grading. The Target Group was involved in construction projects of governmental authorities, private property developers as well as the Target Group's own property development projects. During the Track Record Period, the Target Group generated revenue from 21 material construction projects engaged by governmental authorities and private property developers (not including construction projects for Target Group's property development), of which 10 of these construction projects have been completed as at 31 March 2015 with a total contract value of approximately SGD1,074.9 million and approximately SGD342.0 million was recognised during the Track Record Period. As at 31 March 2015, 11 construction projects were still on-going with a total contract value of approximately SGD1,587.5 million of which approximately SGD856.0 million was yet to be recognised. During the Track Record Period, the Target Group was also engaged in eight construction projects for its own property development, three of which had been completed as at 30 June 2015. Over the years the Target Group has established a proven track record and renowned reputation for its quality in construction and has received recognitions for its achievements, including, among others, the HDB Construction Award in 2012, the HDB Construction Productivity Award in 2013 and BCA Construction Excellence Award in 2014. Recently, the Target Group was awarded BCA Construction Excellence Award for project The Minton in 2015.

The following table sets out the Target Group's revenue by segment and by nature of revenue for the years indicated:

	Year ended 31 December						Three months ended 31 March	
	2012		2013		2014		2015	
	SGD	*% of total*	*SGD*	*% of total*	*SGD*	*% of total*	*SGD*	*% of total*
Property development:								
Sales of development properties *(note 1)*	—	—	—	—	641,656,498	61.8	—	—
Construction:								
Construction revenue	287,353,425	99.2	272,136,825	99.0	395,107,428	38.03	118,510,455	99.73
Sale of goods	1,042,486	0.4	50,680	0.02	1,418,968	0.14	61,152	0.05
Income from loaning labour	1,188,691	0.4	2,235,087	0.81	362,934	0.03	261,012	0.22
Rental of equipment	17,599	0.0	479,685	0.17	—	—	—	—
Subtotal	289,602,201	100.0	274,902,277	100.0	396,889,330	38.2	118,832,619	100.0
Total revenue	289,602,201	100.0	274,902,277	100.0	1,038,545,828	100.0	118,832,619	100.0

Note 1: As revenue from sale of properties is not recognised until the TOP of the relevant property is issued, all the revenue attributable to the pre-sales of properties in 2012 and 2013 in respect of Nin Residence and RiverParc Residence were recognised in 2014 when the relevant TOPs for Nin Residence and RiverParc Residence were issued.

In the future, the Enlarged Group intends to maintain a balanced approach towards developing of its property development business and its property construction business. For its property development segment, the Enlarged Group intends to strengthen its market presence in the residential property market and continue to target home buyers in the mass-market segment looking for quality condominiums and executive condominiums. For its property construction segment, the Enlarged Group intends to continue to build upon their established business relationship with the local governmental authorities such as HDB and seek to maximise the construction contracts awarded in order to maintain a steady stream of revenue in this respect. In addition, the Enlarged Group also intends to continue to actively co-operate with other private property developers and seek to diversify its revenue stream for the construction business. More importantly, the Enlarged Group will seek to utilise the synergy created by the dual capabilities of the Target Group in both property development and construction in Singapore and strive to offer residential properties at competitive prices to cater for the target customers, while maintaining a favourable profit margin.

COMPETITIVE STRENGTH

The Directors believe that the principal competitive strengths of the Enlarged Group will include the following:

Integrated and complementary capabilities as both a property developer and contractor that ensures optimal quality and efficiency

The Directors believe that the key competitive strength of the Target Group is the integrated and complementary business model of property development and property construction and such dual capabilities has set the Target Group apart from other competitors. The synergy generated from such vertical integration ensures optimal coordination, quality and cost-efficiency.

The Target Group first established itself in Singapore as a property contractor participating mainly in HDB construction projects. Over the years the Target Group has developed a proven track record and reputation for quality construction and the Target Group was awarded the HDB Construction Award in 2012, HDB Construction Productivity Award in 2013 and BCA Construction Excellence Award in 2014. The goodwill associated with the Target Group in property construction compliments and serves as a stepping stone for the Target Group to grow its property development business and in turn boosts the demand and sales of the Target Group's own residential properties. The residential properties developed by the Target Group were also well-received by the market — Waterbay was awarded BCA Green Mark (Gold Plus) Award, RiverSound was awarded BCA Green Mark (Gold) Award, and both RiverParc and River Isles was awarded BCA Green Mark (Gold Plus) Awards.

The integrated business model of property development and property construction allows the Target Group to closely monitor the entire property development process from site selection, project design, property construction to project delivery. As the Target Group possesses the dual capabilities of being the property developer and contractor, this synergy enables the Target Group to synchronize each step of the property development process, thereby leading to a consistent quality output in an efficient and productive manner. Further, the Target Group is also in a better position to monitor the construction progress and to ensure the property could be delivered on a timely basis. The cost savings arising from the efficient project management also enables the Target Group to price its properties competitively to attract homebuyers.

With the experience, suppliers' network and knowledge gained or accumulated from its construction business, the Target Group is able to formulate the most effective and practical options to enhance the property development process. The Directors believe the increasing recognition of the Target Group as a property developer also benefits the Target Group's brand image as a main contractor, which contributes to the Enlarged Group's continuous development in the construction business.

Established track record and reputation in construction and strategic focus on participation in HDB construction projects

The property construction segment of the Target Group is currently registered with the BCA with the highest BCA grading of Class One General Builder Licence with A1 financial grading, which allows the Target Group to undertake public sector construction projects with unlimited contract value unless otherwise notified by the relevant governmental authority. Over the years, the Target Group has established a proven track record and renowned reputation for its quality in construction and has received recognitions for its achievements, including the HDB Construction Awards in 2012, HDB Construction Productivity Award in 2013 and BCA Construction Excellence Award in 2014 and recently the BCA Construction Excellence Award for project The Minton in 2015.

The Target Group strategically focuses on participating in HDB construction projects since its establishment and has maintained a business relationship with HDB which has been a customer of the Target Group since 2006. According to the website of the HDB, more than 80% of Singapore's resident population live in HDB flats. As such, a significant portion of the residential properties in Singapore are public housing developed by HDB. The Target Group strategically focuses on construction of HDB flats which provides the Target Group with a steady and reliable stream of revenue.

The Target Group has been a main contractor for HDB projects since 2006 and has thereafter maintained a stable relationship with HDB through its active participation in HDB building projects. The Target Group's quality work can be signified by the continuous growth in revenue generated from HDB contracts during the Track Record Period. The revenue of the Target Group attributable to HDB during the Track Record Period amounted to approximately SGD53.0 million, SGD157.4 million, SGD260.2 million and 95.8 million, respectively representing 18.3%, 57.3%, 25.0% and 80.6% of the total revenue of the Target Group for each of the three years ended 31 December 2012, 2013, 2014 and three months ended 31 March 2015, respectively.

Further, HDB has been prompt in settling its payment to the Target Group for the construction service rendered over the years in accordance with the time stipulated under the relevant contract. The Directors believe that the strong credibility and payment record could facilitate the Target Company to operate under a healthy cash flow position.

Established reputation in Singapore property development

According to Knight Frank, during the period from 2010 to 2014, the Target Group was ranked the fifth in terms of the number of new sales units sold for private housing and executive condominium projects launched in both the Outside Central Region as well as in the entire Singapore, with a market share of approximately 3.9% and 3.0%, respectively.

Leveraging on the years of operation on both property construction and property development, the Target Group has developed a profound understanding on the customers' preferences on residential properties in Singapore. The Target Group strives to add value to the residential properties by featuring designs that satisfy the local demand and appealing to the target customers. For example, the Target Group award-winning project RiverParc Residence focused on environmentally friendly features in the design. In the recent projects Ecopolitan, Bellewoods and Bellewaters, the Target Group has implemented the "co-space" concept that allows purchasers to choose whether to remove or add walls within two spaces thereby allowing versatility to reconfigure additional space in the residence. The continuous effort by the Target Group in the design of its property projects has helped the Target Group in building a track record of developing high quality condominiums and executive condominiums that respond to customers' preferences.

With the strong presence of the Target Group in Singapore, brand name and proven track record of developing quality residential properties for the mass market in Singapore, the Directors believe that the Enlarged Group could benefit from this established foundation to further develop the presence of the Enlarged Group in property development sector in Singapore.

In-depth market knowledge to identify and acquire development sites with growth potential

The Target Group has in-depth knowledge in the property market in Singapore and this expertise enables the Target Group to identify parcels of land with growth potential for development. The Target Group strategically targets the mass market segment in Singapore with target customers such as first-time home buyer and home-upgraders who look for quality residences at affordable prices in order to capture the main demand in the local market. As such, the Target Group strategically aims at acquiring parcels of land in Outside Central Region of Singapore such as Punggol and Sengkang where the land acquisition cost is relatively lower as compared with other areas in Core Central Region or Rest of the Central Region in Singapore, which allows the Target Group to offer residential properties at a competitive and affordable price. To further enhance value proposition to homebuyers, most of the Target Group's projects are situated within walking distance of public transport amenities such as Mass Rapid Transit and Light Rapid Transit stations. The Target Group has placed itself close to the pulse of the property development industry in Singapore and developed in-depth market knowledge which has in the past demonstrated its ability to identify development sites with growth potential that suit the needs and requirements of the target customers. For instance, RiverParc Residence and River Isles were developed in the vicinity of the government planned developments such as Punggol Town Centre which provides purchasers of units in the developments with convenient access to the nearby parks, promenade and recreational facilities, and both projects have been completely sold-out.

The Directors believe that the Target Group's market knowledge and its ability to identify development sites with growth potential at relatively lower cost will provide the Enlarged Group with a competitive advantage in the Singapore property market.

Experienced, professional and dedicated management team

The Target Group benefits from a team of experienced and capable management with a proven track record in developing residential property in Singapore as well as undertaking large scale construction projects. Mr. Song Xiuyi, the senior management of the Target Group, has been in the construction industry since 1986 and has extended his role to real estate development since 2005. He works closely with the operational teams that possess in-depth knowledge and understanding of local property markets and business environments, to identify potential developable sites and manage existing property projects.

Leveraging on the extensive experience and expertise of the Target Group's existing senior management and operational teams, the Enlarged Group may deploy these existing senior management and operational teams to target new property markets and facilitate their development when necessary. The Directors believe that this would greatly enhance operational efficiency and execution capability.

BUSINESS STRATEGIES

Overview

The primary focus of the Enlarged Group's business strategies will be to continue to develop quality residential properties and further strengthen the existing capability in property construction in Singapore, thereby expanding the market presence of the Target Group. More specifically, the Enlarged Group intends to implement the following business strategies:

Leverage on synergy created by the dual capabilities to enhance its market presence in property development markets

The Enlarged Group will strive to leverage on its dual capabilities in both property development and construction business in order to expand and increase its market share in the residential property market in Singapore.

The Enlarged Group is committed to maximise the positive synergies resulting from the integrated business model and the established capabilities in both construction and property development. The Directors believe that, in order to distinguish the Enlarged Group from the other competitors in the Singapore residential property market, the quality of the property and efficient cost control will be vital competing factors. In this respect, Enlarged Group has the benefit to leverage on the operational efficiency resulting from the complementary interaction between the two segments of business, thereby deliver quality properties at a competitive price at a cost-effective manner.

Going forward, the Enlarged Group will continue to build and develop residential properties of high quality at competitive prices that targets the mass market segment in Singapore and continue to provide customers with unique and innovative designs in order to distinguish from other competitors. Through leveraging on its strengths and abilities in residential property development, the experience and skills of its dedicated personnel and its established market presence, the Directors believe the Enlarged Group is well-positioned to capture the market growth and strengthen its market presence in the property development market.

In addition, the Enlarged Group will explore the opportunity to expand its business to other countries in Southeast Asia (excluding Myanmar). The Enlarged Group shall conduct detailed feasibility analysis and comprehensive market studies on any potential new market identified and, should the Enlarged Group consider suitable and appropriate, it would seek to enter into new countries through formation of joint ventures with reputable and well-established property developers and participated in local property development or construction projects. The Directors believe that the Enlarged Group could benefit from the Target Group's expertise in both property development and property construction and leverage on the market experience and connections of Guotsing PRC in other overseas markets should it expand its business into new countries.

Continue to build upon the established track record with the local governmental authorities and to diversify the revenue stream for the construction business segment

Over the years, the Target Group has consistently delivered quality construction work and has established itself as a reliable and quality contractor in Singapore. The construction segment of the Target Group has been awarded the Class One General Builder Licence with A1 financial grading by the BCA which allows it to undertake property construction projects of any value except works that have been designated as specialist works. As at 31 December 2014, there were only 68 other contractors with similar A1 financial grading. The established reputation enables the Target Group to maintain a stable working relationship with the local governmental authorities and several other private property developers.

The Enlarged Group will continue to build upon the established working relationship with the local governmental authorities such as HDB and seek to maximise the construction contracts awarded in order to maintain a steady stream of revenue. In this respect, the Enlarged Group will continue to focus on quality control in the construction work, as well as provide adequate training to its staff in order to keep abreast with the latest developments and information in relation to the construction industry.

In addition, the Enlarged Group will also continue to actively explore business opportunities to cooperate with other private property developers and be involved in the construction of other property projects such as commercial property, industrial factor or public utilities, with a vision to diversify the stream of revenue for the property development business.

Continue to enhance the reputation of the Target Group, innovate and improve project designs with value-added features

The Directors believe that the reputation of the Target Group has been paramount to its success. The Enlarged Group intends to continue to enhance and promote its established corporate image to the target customers. To achieve the above, the Enlarged Group will continue to (i) enhance the quality of the property developments and (ii) develop new project themes and designs, and innovate and improve the ancillary facilities within each new project development.

The Target Group places great emphasis on quality control at every stage of the construction process in order to ensure the quality of the properties developed by the Target Group are up to the requisite standard, as well as to ensure that the construction work delivered meet the expectation of customers in relation to construction work entrusted by third parties. Please refer to the paragraph headed "Business of the Target Group — Quality Control" for further information regarding the quality control policy of the Target Group. The Enlarged Group will continue to emphasize on the quality of construction as the Directors believe the reputation of the Target Group depends highly on the quality of the properties sold.

In addition, the Enlarged Group will continue to develop new project themes and designs to meet the customers' changing preferences. Further to the Target Group's internal research on product development, the Enlarged Group will continue to collaborate with reputable architecture and design firms to ensure that the designs of properties would be modern yet practical which can meet the demands and needs of the market. A recent example is the "Co-space" concept that the Target Group has incorporated in its recent property development projects which allows the users to modify the internal space of the residence through alteration of walls. Going forward, the Target Group will incorporate the "Smart Homes" feature in their latest project Sembawang which will enable the homeowner to operate their electronic appliances remotely.

To increase the value of the residential properties offered, the Enlarged Group will continue to innovate and improve the ancillary facilities within each new project development. The Enlarged Group actively conducts market research to explore if any significant customer demands for certain ancillary facilities that have not been previously included in the previous project developments, and if such demand exists, the Enlarged Group will consider incorporating such facilities.

Attract, retain and develop a talented workforce through continual training and attractive remuneration packages

The Enlarged Group is committed to building a highly qualified team of personnel with solid experience and strong execution capabilities. The Enlarged Group aim to attract, retain and develop a talented workforce through continual training and attractive remuneration packages. The Target Group has established a comprehensive set of training materials and courses tailored to employees at different levels to meet different job requirements. These training materials and courses cover different aspects that the Target Group considers important to its daily operation as well as the corporate and business advancement. The Enlarged Group will refine and update these training materials and courses from time to time to keep the employees abreast of the relevant information.

HISTORY AND DEVELOPMENT

History of the Target Group

The Target Group's ultimate holding company and its subsidiaries, the Guotsing Group, has a long history tracing back to 1952 when it was established in the PRC. The Guotsing Group has varied business interests including construction, property development, capital management and logistics.

The Target Group first established its market presence in Singapore through Qingdao Construction as a subcontractor in 1999. At the beginning stage, the Target Group was primarily engaged in various property development projects with HDB as a subcontractor. As the business developed, the Target Group has established connections and good relationships with the local suppliers, governmental authorities and other subcontractors.

Over the years, the Target Group strived to expand its market presence with emphasis on safety and quality of the products being their utmost top priority. With the increasing recognition in the market, the Target Group was awarded the first HDB project as the main-contractor in 2006. Thereafter the Target Group focused on participating in construction in HDB flats, as well as DBSS, executive condominiums, private housing, commercial properties and industrial properties.

Leveraging on the experiences and reputation of its construction business, the Target Group subsequently extended its market presence to the property development market in Singapore. In 2008, the Target Group was first awarded the DBSS project "Natura Loft" as the property developer. Natura Loft was subsequently awarded the BCA Green Mark (2010 Award Gold Plus) Award in 2010 for its sustainable and environmentally friendly designs. This marked a significant milestone for the Target Group and since then the Target Group has been awarded further tenders of more property developments.

In 2011, Qingjian Realty was incorporated in order to strengthen the foothold of the Target Group's property development business. Through its subsidiaries, Qingdao Construction and Qingjian Realty, the Target Group has developed projects such as NiN Residence, RiverParc Residence, RiverSound Residence, River Isles and WaterBay. The Target Group was also awarded a BCA Green Mark (Gold Plus) Award for RiverParc Residence's sustainable and environmentally friendly features.

As the construction of the Target Group's property development projects were all entrusted internally, the construction segment benefited from such exposures, which in turn facilitated the expansion of the construction business of the Target Group. The property construction segment of the Target Group was accredited with Class One General Builder Licence with A1 financial grading by the BCA which allows it to undertake property construction projects of any value except works that have been designated as specialist works.

Key Milestones

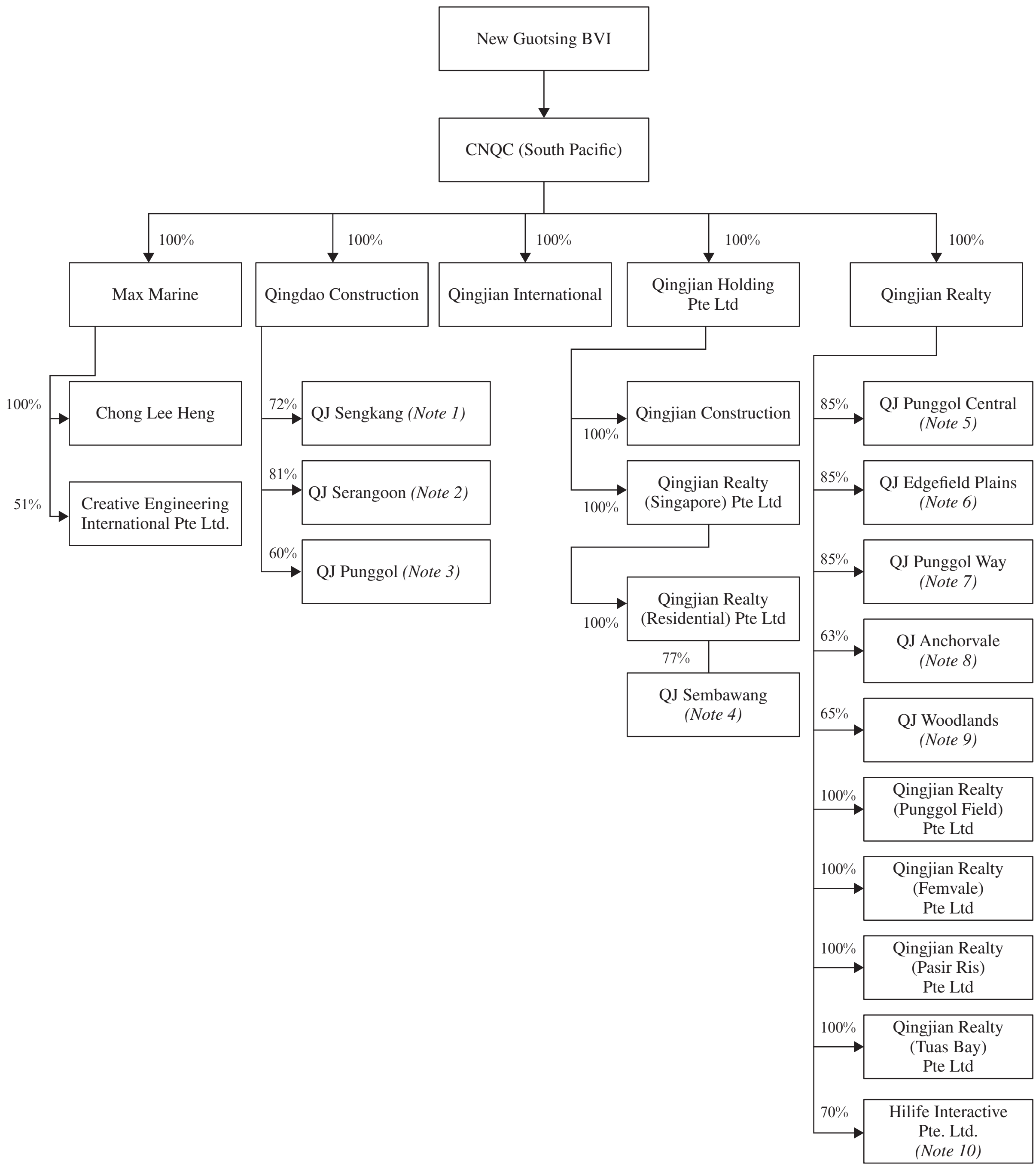
The key milestones in the development of the Target Group are as follow:

1999	The Target Group first entered into the Singapore market as a subcontractor in the construction industry
2006	The Target Group was first awarded the HDB project as the main contractor
2008	The Target Group commenced its property development business and was first awarded the DBSS project "Natura Loft"
2010	The Target Group was awarded the BCA Green Mark (2010 Award Gold Plus) for the project Natura Loft
2012	Qingjian CNQC (South Pacific) was incorporated
	Qingdao Construction was granted the BCA Green and Gracious Builder Award (Merit)
	Qingjian International was granted the BCA Green and Gracious Builder Award (Merit)
	Qingjian International was granted the HDB Construction Award 2012 for Punggol Spring
	The Target Group property project RiverParc Residence was awarded BCA Green Mark (Gold Plus) Award
2013	The Target Group was awarded the BCI Asia Awards — Top 10 Developers
	The Target Group property project WaterBay was awarded BCA Green Mark (Gold Plus) Award
2014	Qingdao Construction general builder workhead was upgraded to Grade A1
	Qingdao Construction and Qingjian International was granted the BCA Green and Gracious Builder Award (Excellent)
	Qingjian International was awarded the BCA Construction Excellence Award (Award) for Punggol East Contract 33 (Punggol Breeze)
	Qingjian International was awarded the BCA Construction Excellence Award (Merit) for "Bukit Panjang N6C9 (Senja Green)"
	Qingjian International was awarded BCA Construction Productivity Awards (Platinum) for Punggol East Contract 33

	The Target Group property project RiverSound was awarded BCA Green Mark (Gold) Award
	The Target Group property project River Isles was awarded BCA Green Mark (Gold Plus) Award
2015	Qingjian International was awarded BCA Construction Excellence Award (Merit) for project The Minton

Please refer to paragraph headed "Appendix VIII Statutory and General Information — B Further Information about the Target Group — 1. Changes in share capital of the Target Group Companies" in this circular for further information on the changes in share capital of the members of the Target Group.

Members forming the Target Group and the corporate structure of the Target Group as at the Latest Practicable Date are illustrated below:



Notes:

(1) the remaining interest is owned as to 3.8% by Yongli He Development Pte. Ltd. (an independent third party), 12% by ZACD (Sengkang) Pte. Ltd. (an independent Third Party), 2.2% by TKS International Investment Pte Ltd. (an independent third party), 5% by Bohai Investments (Sengkang) Pte Ltd (a member of Welltech Group) and 5% by Zuo Haibin (a director of certain subsidiaries of the Target Group)

(2) the remaining interest is owned as to 15% by ZACD (Sennett) Pte. Ltd. (an independent third party) and 4% by Yongli He Development Pte. Ltd. (an independent third party)

(3) the remaining interest is owned as to 14% by Yongli He Development Pte. Ltd. (an independent third party), 16% by ZACD (Punggol Drive) Pte. Ltd. (an independent third party) and 10% by Zuo Haibin (a director of certain subsidiaries of the Target Group)

(4) the remaining interest is owned as to 15% by Suntec Property Venture Pte. Ltd. (an independent third party), 5% by ZACD (Canberra) Pte Ltd (an independent third party) and 3% by HLY Investments (Sembawang)

(5) the remaining interest is owned as to 10% by Bohai Investments (Punggol Central) Pte. Ltd (a member of Welltech Group) and 5% by Zuo Haibin (a director of certain subsidiaries in the Target Group)

(6) the remaining interest is owned as to 10% by Bohai Investments (Punggol Central) Pte. Ltd (a member of Welltech Group) and 5% by Zuo Haibin (a director of certain subsidiaries in the Target Group)

(7) the remaining interest is owned as to 10% by Shun Kang Development & Investment Pte. Ltd (an independent third party) and 5% by Zuo Haibin (a director of certain subsidiaries of the Target Group)

(8) the remaining interest is owned as to 15% by Suntec Property Ventures Pte. Ltd. (an independent third party), 12% by HLY Investments (Anchorvale) and 10% by ZACD (Anchorvale) Pte. Ltd. (an independent third party)

(9) the remaining interest is owned as to 15% by Suntec Property Ventures Pte. Ltd. (an independent third party), 10% by Bohai Investments (Sengkang) Pte Ltd (a member of Welltech Group) and 10% by ZACD (Woodland3) Pte Ltd (an independent third party)

(10) the remaining interest is owned as to 20% by Li Jun, 5% by Ouyang Jing and 5% by Ji Chao, all of whom are employees of the Target Group.

BUSINESS OF THE TARGET GROUP

The Target Group focuses mainly on two segments of businesses namely: (i) property development; and (ii) property construction.

For the property development segment, the Target Group mainly focuses on the development and sale of quality condominiums and executive condominiums in Singapore. During the Track Record Period, two property projects namely RiverParc Residence and NiN Residence were delivered in 2014 and the relevant sales revenue has been recognised for the year ended 31 December 2014. In May 2015, the TOP of one Target Group's condominium project RiverSound Residence was issued and the total contract value of the properties sold in this project amount to approximately SGD565.0 million, of which approximately SGD348.4 has been received by the Target Group as at 30 June 2015. As of 30 June 2015, the Target Group held majority interest in six property projects across Singapore, with a total market value attributable to the Target Group of approximately SGD1,673.8 million (as valued by DTZ according to the respective states of the property projects as at 30 June 2015). The total saleable floor area in these six property projects amount to approximately 357,952 sq.m.. As at the Latest Practicable Date, for all the property projects which the Target Group held majority interest in, the members of the Target Group which conduct property construction have obtained the required BCA licence to conduct property construction and the members of the Target Group which conduct property development have obtained the required URA licence to conduct property development.

For the construction segment, the Target Group generally provides construction services as a main contractor in construction projects of governmental authorities such as HDB and private property developers. During the Track Record Period, the Target Group generated revenue from 21 construction projects engaged by governmental authorities and private property developers, of which 10 constructions project had been completed as at 31 March 2015 with a total contract value of approximately SGD1,074.9 million and approximately SGD342.0 million was recognised during the Track Record Period. As at 31 March 2015, 11 construction projects were still on-going with a total contract value of approximately SGD1,587.5 million of which approximately SGD856.0 million remain to be recognised. During the Track Record Period, the Target Group was also engaged in eight construction projects for its own property development projects, of which three of them had been completed as at 30 June 2015.

I. Property Development Business

According to Knight Frank, the Singapore residential property market is usually divided according to the URA's classification, namely the Core Central Region, Rest of Central Region and Outside Central Region, which is also commonly referred as the high-end segment, mid-tier segment and the mass market segment, respectively. According to Knight Frank, the total number of new sales private housing and executive condominiums units sold in the Outside Central Region of Singapore made up approximately 66.3% of the total number of new sales private housing and executive condominiums units sold island-wide during 2010 to 2014. For further details on the Singapore residential property market please refer to Appendix 1A of this circular.

During the Track Record Period, the Target Group was engaged in the development of executive condominiums and condominiums, of which the majority were located in the Outside Central Region of Singapore. According to Knight Frank, during the past five years from 2010 to 2014, there were approximately 164 companies behind the development of 228 private housing and executive condominium projects launched in the Outside Central Region of Singapore. The Target Group was ranked the fifth in terms of the number of new sale units sold for private housing and executive condominium projects launched in both the Outside Central Region as well as in the entire Singapore in this period, with a market share of approximately 3.9% and 3.0%, respectively.

Property projects delivered by the Target Group

In 2014, the TOPs in respect of two property projects, namely RiverParc Residence and NiN Residence, were issued, which were both fully sold and delivered to its customers. The relevant sales attributable to the sales of these two property projects which amount to an aggregate of approximately SGD641.7 million were recognised by Target Group in the financial year ended 31 December 2014. In May 2015, the TOP of RiverSound Residence was issued in and the total contract value of the properties sold in this project amount to SGD565.0 million, of which approximately SGD348.4 million has been received by the Target Group as at 30 June 2015. The table below sets forth details in relation to these two delivered property projects:

Project	Location	Type	Site Area (sq.m.)	Total saleable floor area (sq.m.)	Percentage of total saleable floor area sold (sq.m.)	Actual construction commencement date (month/year)	Actual construction completion date (month/year)	Development costs expended: Land costs	Development costs expended: Construction cost	Ownership interest	Sales revenue recognized
								SGD million	*SGD million*		*SGD million*
RiverParc Residence	Punggol Drive/Punggol East	Executive condominium	15,700.0	56,280	100%	September 2011	June 2014	140.4	165.1	60%	406.4
NiN Residence	Upper Serangoon Road/ Pheng Geck Avenue	Condominium	4,971.8	18,923	100%	July 2011	October 2014	117.3	84.0	81%	235.3
RiverSound Residence	Seng Kang East Avenue	Condominium	19,549.2	62,423	100%	May 2012	May 2015	247.0	157.6	72%	565.0 *(Note)*

Note: The TOP of RiverSound Residence was issued in May 2015, and the corresponding revenue representing the contract value of the properties sold in this project was recognised subsequent to the Track Record Period. As at 30 June 2015, approximately SGD348.4 million has been received by the Target Group in respect of the total contract value of the properties sold in this project.

Property projects held by the Target Group

The following tables set out details of the property projects held by the Target Group which were under development as at 30 June 2015:

Project	Location	Type	Tenure (Years) *(Note 1)*	Site Area (sq.m.) *(Note 1)*	Total GFA (sq.m.) *(Note 2)*	Total Saleable Floor Area (sq.m.) *(note 3)*	Total Saleable Area sold/ pre sold (sq.m.)	Percentage of saleable area sold/ pre sold	Actual/ Estimated construction commencement date (month/ year) *(Note 4)*	Actual/ Estimate pre-sale commencement date (month/year)	Actual/ Estimated construction completion date (month/ year) *(Note 5)*	Development costs expended (SGD million) Land costs *SGD million*	Construction cost *SGD million*	Other development costs *(Note 6)* *SGD million*	Estimated further development costs to complete the project *(note 7)* *SGD million*	Market value in existing state as at 30 June 2015 *(note 8)* *SGD million*	Ownership interest	Total market value attributable to the Target Group *SGD million*	Reference to property valuation report
Property projects which the Target Group held a majority interest																			
River Isles	Edgedale Plains	Condominium	99	20,256.1	66,293	64,939	64,869	99.9%	July 2012	June 2012	October 2015	215.9	150.9	50.7	24.5	545.2	85%	463.4	Appendix VI-6
WaterBay	Edgefield Plains	Executive condominium	99	13,241.8	43,698	43,277	42,940	99.2%	December 2012	October 2012	January 2016	136.7	83.3	22.4	28.3	292.8	85%	248.8	Appendix VI-8
Ecopolitan	Punggol Walk	Executive condominium	99	18,747.8	61,867	57,113	51,357	89.9%	August 2013	June 2013	June 2016	189.9	82.3	24.3	66.3	388.8	85%	330.5	Appendix VI-10
Bellewoods	Woodlands Avenue 5	Executive condominium	99	21,004.3	64,693	60,880	9,575	15.7%	December 2013	September 2014	February 2017	216.0	69.0	20.1	95.5	335.4	65%	218.0	Appendix VI-12
Bellewaters	Anchorvale Crescent	Executive condominium	99	23,000.0	75,900	71,075	19,959	28.1%	January 2014	October 2014	February 2017	245.6	57.0	22.7	125.8	390.6	63%	246.1	Appendix VI-14
Sembawang	Sembawang Road/ Canberra Link	Executive condominium	99	28,745.9	60,366	60,668	0	0%	September 2015	February 2016	October 2018	229.4	0	0	194.3	232.0	72%	167.0	Appendix VI-16
Property project which the Target Group held 30% interest or more but below 51%																			
West Star	Tuas Bay Close	Industrial Strata factory	30	24,971.0	42,450	45,863	12,920	28.2%	September 2014	May 2014	March 2018	37.1	8.5	4.0	66.5	50.4	30%	15.1	Appendix VI-18

Notes:

(1) Information regarding tenure and site area are obtained by DTZ from its searches carried out at the Singapore Land Authority.

(2) "Total GFA" of the projects under development represents the maximum GFA of the proposed building provided in the Grant of Written Permission ("**WP**") of the relevant property projects issued by URA. The Total GFA of project Sembawang and West Star represent the maximum allowable gross floor area stated in the tender document of the relevant site. It does not include balcony and private enclosed space areas and is subject to change upon issuance of WP.

(3) "Total saleable floor area" includes net floor area, balcony, private enclosed space, roof terrace and void areas, if any.

(4) The actual/estimated construction commencement date refers to the date on which construction commenced on the first building of the project.

(5) The estimated construction completion date of a property refers to the estimated date of issuance of certificate of statutory completion by the relevant architect of the projects, which is based on the Target Group's best estimate on the current development plan.

(6) The other development costs include marketing expenses, contingencies, professional or consultant fees, property tax and goods and services tax ("**GST**").

(7) The estimated further development cost to be expended by the Target Group mainly comprises of construction cost, marketing expenses, contingencies, professional or consultant fees, property tax and GST. The land cost has been paid in full for all the property projects and there should be no further cost in this regard.

(8) The direct comparison approach is used by making reference to comparable sales evidence as available in the relevant market, the pre-sold area and consideration and has also taken into account the expended construction costs as well as the costs that will be expended to complete the proposed developments.

Description of Property Projects

(i) River Isles

River Isles is a condominium development featuring nine blocks of 17-storey apartments comprising 610 units ranging from one to four-bedrooms including dual-key and penthouse units. It is located at the corner of Punggol Central and Edgedale Plains junctions. It is approximately 19 km from the city centre at Raffles Place. The immediate locality is residential in nature comprising mainly HDB flats and apartment/condominium developments. Public transport facilities are readily available along Punggol Central and Punggol East. The Coral Edge and Riviera LRT Stations are located nearby. It is also accessible from major expressways such as Tampines Expressway. River Isles has four main components within the compound which enable residents to enjoy different amenities such as, basement carpark, landscape deck and communal facilities. These are areas which the government plans to develop into a waterfront town with recreational facilities which residents of River Isles would be able to utilise.

Based on the Target Group's internal estimates, records and existing project plans as at 30 June 2015, details of River Isles were as follows:

Construction Period	
— Commencement	July 2012
— Estimated date of completion	October 2015
Development costs expended (SGD million) *(note)*	417.5
Estimated future development costs (SGD million)	24.5
Total GFA (sq.m.)	66,293.17
Total saleable floor area (sq.m.)	64,939.00
% of total saleable floor area sold	99.9%
Interest attributable to the Target Group	85%

Note: the development costs expended comprised land costs paid, construction cost paid, and other development costs including marketing expenses, contingencies, professional or consultant fees, property tax and GST.

(ii) WaterBay

WaterBay is an executive condominium 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. The immediate locality is residential in nature comprising mainly HDB flats and apartment/condominium developments. Public transport facilities are readily available along Punggol Central. Cove LRT station is located nearby. It is also accessible from major expressway such as Tampines Expressway. WaterBay is complete with full amenities and is located near recreational facilities in the upcoming Punggol Town Centre and My Waterway @ Punggol. These are areas which the government plans to develop into a waterfront town, hence residents of WaterBay will be able to enjoy the nearby amenities such as landscaped deck, common basement carparks and communal facilities.

Based on the Target Group's internal estimates, records and existing project plans as at 30 June 2015, details of WaterBay were as follows:

Construction Period	
— Commencement	December 2012
— Estimated date of completion	January 2016
Development costs expended (SGD million) *(note)*	242.4
Estimated future development costs (SGD million)	28.3
Total GFA (sq.m.)	43,697.94
Total saleable floor area (sq.m.)	43,277.00
% of total saleable floor area sold	99.2%
Interest attributable to the Target Group	85%

Note: the development costs expended comprised land costs paid, construction cost paid and other development costs including marketing expenses, contingencies, professional or consultant fees, property tax and GST.

(iii) Ecopolitan

Ecopolitan is an executive condominium development featuring eight blocks of 16-storey apartments comprising 512 units ranging from three to five-bedrooms including dual key, premium and cospace 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. The immediate locality is residential in nature comprising mainly HDB flats and apartment/condominium developments. Ecopolitan is complete with full amenities and is located near Compass Point. Public transport facilities are readily available along Punggol Way. The Soo Teck LRT Station is located short distance away. It is also accessible from major expressway such as Tampines Expressway.

Based on the Target Group's internal estimates, records and existing project plans as at 30 June 2015, details of Ecopolitan were as follows:

Construction Period	
— Commencement	August 2013
— Estimated date of completion	June 2016
Development costs expended (SGD million) *(note)*	296.5
Estimated future development cost (SGD million)	66.3
Total GFA (sq.m.)	61,866.70
Total saleable floor area (sq.m.)	57,113.00
% of total saleable floor area sold	90.0%
Interest attributable to the Target Group	85%

Note: the development costs expended comprised land costs paid, construction cost paid, and other development costs including marketing expenses, contingencies, professional or consultant fees, property tax and GST.

(iv) Bellewoods

Bellewoods is an executive condominium development featuring three blocks of 11-storey and nine blocks of 12-storey apartments comprising 561 units ranging from two to five-bedrooms including premium and cospace 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. The immediate locality is residential in nature comprising mainly HDB flats and apartment/condominium developments. Public transport facilities are readily available along Woodlands Avenue 5 and Woodlands Avenue 6. It is also accessible from major expressway such as Seletar Expressway. Bellewoods is completed with common basement carparks and communal facilities.

Based on the Target Group's internal estimates, records and existing project plans as at 30 June 2015, details of Bellewoods were as follows:

Construction Period	
— Commencement	December 2013
— Estimated date of completion	February 2017
Development costs expended (SGD million) *(note)*	305.1
Estimated future development costs (SGD million)	95.5
Total GFA (sq.m.)	64,693.24
Total saleable floor area (sq.m.)	60,880.00
% of total saleable floor area sold	15.7%
Attributable interest to the Target Group	65%

Note: the development costs expended comprised land costs paid, construction cost paid, and other development costs including marketing expenses, contingencies, professional or consultant fees, property tax and GST.

(v) Bellewaters

Bellewaters is an executive condominium development featuring three blocks of 17-storey and seven blocks of 16-storey apartments ranging from three to five-bedrooms including premium and cospace units. It is located along Anchorvale Crescent, approximately 20 km from the city centre at Raffles Place. The immediate locality is general residential in character comprising HDB flats and apartment/condominium developments. Public transport facilities are readily available along Anchorvale Street. It is also accessible from major expressway such as Tampines Expressway. The subject site is also located near the Farmway LRT Station. Bellewaters is complete with landscape deck, common basement carparks and communal facilities.

Based on the Target Group's internal estimates, records and existing project plans as at 30 June 2015, details of Bellewaters were as follows:

Construction Period	
— Commencement	January 2014
— Estimated date of completion	February 2017
Development costs expended (SGD million) *(Note)*	325.3
Estimated future development costs (SGD million)	125.8
Total GFA (sq.m.)	75,900.00
Total saleable floor area (sq.m.)	71,075.00
% of total saleable floor area sold	28.1%
Attributable interest to the Target Group	63%

Note: the development costs expended comprised land costs paid, construction cost paid, and other development costs including marketing expenses, contingencies, professional or consultant fees, property tax and GST.

(vi) Sembawang

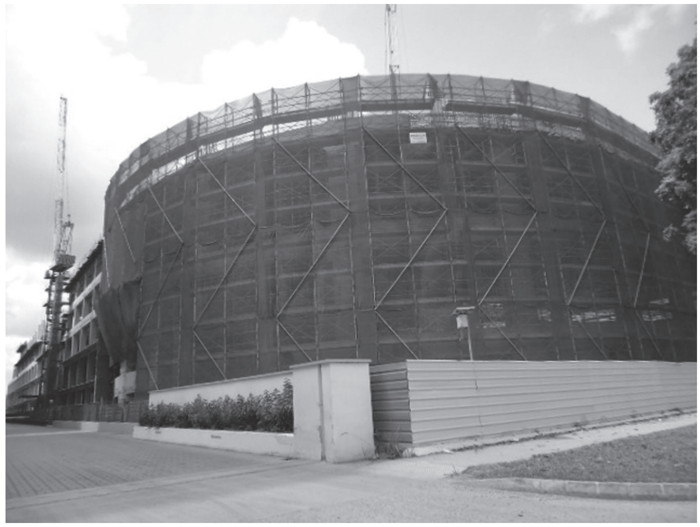
Sembawang is an executive condominium development. It is located at the junction of Canberra Link and Sembawang Road, approximately 25 km from the city centre at Raffles Place. The immediate locality is residential in nature comprising HDB flats, conventional housing and apartment/condominium developments. Public transport facilities are readily available along Sembawang Road. It is also accessible from major expressway such as Seletar Expressway.

Based on the Target Group's internal estimates, records and existing project plans as at 30 June 2015, details of Sembawang were as follows:

Construction Period	
— Commencement	September 2015
— Estimated date of completion	October 2018
Development costs expended (SGD million) *(note)*	230.95
Estimated future development costs (SGD million)	194.3
Estimated total GFA (sq.m.)	60,366.39
Total saleable floor area (sq.m.)	60,668.22
% of total saleable floor area sold	Pre-sales not yet commenced
Interest attributable to the Target Group	72%

Note: the development costs expended comprised land costs paid, construction cost paid, and other development costs including marketing expenses, contingencies, professional or consultant fees, property tax and GST.

(vii) West Star



West Star is an ramp-up factory development featuring one block of an 8-storey building, a temporary ancillary staff canteen and other ancillary facilities. It is located along Tuas Bay Close, approximately 32 km from the city centre at Raffles Place. The surrounding locality comprises standard/purpose-built factories designated for general industry use and vacant land for future developments. It has easy access to other parts of Singapore via the Ayer Rajah Expressway and the Pan Island Expressway.

Based on the Target Group's internal estimates, records and existing project plans as at 30 June 2015, details of West Star were as follows:

Construction Period	
— Commencement	September 2014
— Estimated date of completion	March 2018
Development costs expended (SGD million)	49.6
Estimated future development costs (SGD million)	66.5
Total GFA (sq.m.)	42,450.24
Total saleable floor area (sq.m.)	45,863.00
% of total saleable floor area sold	28.2%
Interest attributable to the Target Group	30%

Note: the development costs expended comprised land costs paid, construction cost paid, and other development costs including marketing expenses, contingencies, professional or consultant fees, property tax and GST.

II. Property Construction Business

Construction projects of the Target Group

The property construction business of the Target Group is mainly carried out by Qingjian International and Qingdao Construction of the Target Group. During the Track Record Period, the Target Group tendered for governmental authorities construction works and external private construction works mainly through Qingjian International, and Qingdao Construction was principally engaged in construction work of Target Group's property development. The table below shows the breakdown of the total value of construction contract work recognised by the Target Group during the Track Record Period by its nature:

	The amount of contract sum recognised (SGD million)							
	For each of the year ended 31 December						For three months ended 31 March	
	2012		2013		2014		2015	
	SGD Million	*Revenue percentage %*	*SGD Million*	*Revenue percentage %*	*SGD Million*	*Revenue percentage %*	*SGD Million*	*Revenue percentage %*
Governmental Authorities construction works *(Note 1)*	132.9	46.2	191.5	70.4	293.0	74.2	95.9	80.9
Private construction works	154.5	53.8	80.6	29.6	102.1	25.8	22.6	19.1
Total Construction Revenue of the Target Group	287.4	100	272.1	100	395.1	100	118.5	100
Target Group construction works *(Note 2)*	96.8		223.5		300.7		65.6	

Note 1: Governmental Authorities construction works including construction works of HDB, LTA, and The Ministry of Culture of the PRC.

Note 2: As the revenue for construction of the Target Group project will be eliminated against the relevant cost of sales for the relevant property projects of the Target Group in the financial information of the Target Group, the contract amount will not be reflected in the combined revenue of the Target Group.

The table below sets out the breakdown on the tender success rate by governmental authorities construction works and private construction works awarded (exclusive of construction work of Target Group's property development projects) of the Target Group respectively for each of years ended 31 December 2012, 2013, 2014 and eight months ended 31 August 2015:

	Governmental authorities construction work	Private construction work
For year ended 31 December 2012		
Total number of projects tendered for	6	—
Total number of projects won	3	—
Success rate	50%	—
Total contract sum awarded *(SGD million)*	308.6	—
For year ended 31 December 2013		
Total number of projects tendered for	6	4
Total number of projects won	3	2
Success rate	50%	50%
Total contract sum awarded *(SGD million)*	478.6	312.0
For year ended 31 December 2014		
Total number of projects tendered for	6	5
Total number of projects won	2	1
Success rate	33.3%	20%
Total contract sum awarded *(SGD million)*	381.4	105.9
For the eight months ended 31 August 2015		
Total number of projects tendered for	6	—
Total number of projects won	0	—
Success rate	0%	—
Total contract sum awarded *(SGD million)*	0	—

The tender success rate for both 2012 and 2013 remained at the same level and decreased in 2014 and the first eight months in 2015. The decrease in tender success rate was attributable to the increased competition in tender price submitted by other competitors, the increased subcontractors costs and the high levy for foreign workers encountered by the Target Group which posed limitation on the competitiveness of the tender prices submitted by the Target Group. In addition, the Target Group was also cautious in assessing and submitting tenders for new construction projects since 31 December 2014 in light of the 17 construction contracts (including Target Group's own property development construction projects) engaged at the relevant period in order to avoid over-utilising the existing man-power available as well as to ensure the Target Group has sufficient resource to supervise each on-going construction project with preference to allocate available resources to its own property development.

During the Track Record Period, the Target Group generally acts as the main contractor for construction projects entrusted. As main contractor, the Target Group is generally responsible for the overall management of the construction projects, procurement of major construction materials, co-ordination with the customers and subcontractors and devising detailed work programmes. Where necessary, the Target Group would delegate to its subcontractors to carry out certain construction works including earth works, tiling works, lift installation works, aluminium works, furniture works, mechanical and electrical works, air-conditioning works and painting works.

(i) Material projects completed

The following is a summary of (i) the material construction projects and (ii) the Target Group's own property development construction projects recognised by the Target Group during the Track Record Period and had been completed as at 31 March 2015:

Project	Nature of construction works *(Note 1)*	Completion date	Percentage of works completion as at 31 March 2015	Contract sum	Unrealised contract sum as at 31 March 2015	Revenue Year ended 31 December 2012	2013	2014	Three months ended 31 March 2015	Over Track Record Period
			%	*SGD million*	*SGD million*	*SGD million*	*SGD million*	*SGD million*	*SGD million*	*SGD million*
Material projects completed (not including Target Group's property development construction projects)										
HDB Bukit Panjang N6C9	Governmental Authorities construction works *(Note 1)*	13 July 2012	100	104.6	—	6.0	—	2.4	—	8.4
LTA CS238	Governmental Authorities construction works *(Note 1)*	8 September 2011	100	24.1	—	4.0	0.6	0.7	—	5.3
HDB Punggol East C33	Governmental Authorities construction works *(Note 1)*	19 April 2012	100	154.7	—	8.8	0.2	1.6	—	10.6
HDB Sengkang N4C8	Governmental Authorities construction works *(Note 1)*	19 December 2011	100	92.8	—	1.7	0.1	1.3	—	3.1
HDB Punggol C27	Governmental Authorities construction works *(Note 1)*	4 November 2011	100	122.7	—	18.9	8.7	1.3	—	28.9
HDB Earthworks at Sembawang & Woodlands	Governmental Authorities construction works *(Note 1)*	22 August 2014	100	7.6	—	—	4.6	2.9	—	7.5
HDB Punggol C21	Governmental Authorities construction works *(Note 1)*	29 July 2011	100	99.2	—	0.6	0.9	—	—	1.5
HDB Punggol West C3	Governmental Authorities construction works *(Note 1)*	4 October 2011	100	97.8	—	0.2	—	—	—	0.2
HDB Sengkang N1C27	Governmental Authorities construction works *(Note 1)*	15 August 2013	100	81.2	—	54.3	8.9	2.5	—	65.7
The Minton	Private property development	29 November 2013	100	290.2	—	150.5	53.0	1.7	—	205.2
Others	N/A	N/A	100	N/A	—	1.4	4.1	0.1	—	5.6
				1,074.9		246.4	81.1	14.5	—	342.0

Project	Nature of construction works (Note 1)	Completion date	Percentage of works completion as at 31 March 2015	Contract sum	Unrealised contract sum as at 31 March 2015	Revenue Year ended 31 December 2012	2013	2014	Three months ended 31 March 2015	Over Track Record Period
			%	*SGD million*	*SGD million*	*SGD million*	*SGD million*	*SGD million*	*SGD million*	*SGD million*
Target Group's property development construction project completed										
NiN Residence	Target Group Development Project	October 2014	100	50	—	11.6	22.7	4.7	—	39 *(Note 2)*
RiverParc Residence	Target Group Development Project	June 2014	100	119.37	—	35.7	54.8	13.6	—	104.1 *(Note 2)*

Note 1: Governmental Authorities construction works refers to construction works of HDB, LTA, and The Ministry of Culture of the PRC.

Note 2: As the revenue for construction of the Target Group project will be eliminated against the relevant cost of sales for the relevant property projects of the Target Group in the financial information of the Target Group, the contract amount will not be reflected in the combined revenue of the Target Group.

(ii) Material projects in progress based on information available as at 31 March 2015:

Project	Nature of construction works	Expected/Actual completion date	Percentage of works completion as at 31 March 2015 *(note 2)*	Contract sum	Unrealised contract sum as at 31 March 2015	Revenue Year ended 31 December 2012	2013	2014	Three months ended 31 March 2015	Over Track Record Period
			%	*SGD million*	*SGD million*	*SGD million*	*SGD million*	*SGD million*	*SGD million*	*SGD million*
On-going material projects (not including Target Group property development construction projects)										
HDB Sengkang N4C24	Governmental Authorities construction works *(Note 1)*	August 2015	96.2	150.5	5.7	20.9	70.4	47.1	6.3	144.7
HDB Hougang N4C18	Governmental Authorities construction works *(Note 1)*	June 2015 *(Note 4)*	97.4	114.5	2.7	14.9	59.8	36.0	0.8	111.5
HDB Woodlands N6C22	Governmental Authorities construction works *(Note 1)*	April 2017	9.4	179.7	162.8	—	—	6.5	10.4	16.9
China Cultural Centre	Governmental Authorities construction works *(Note 1)*	April 2015 *(Note 4)*	94.7	43.6	2.3	1.2	11.8	28.2	0.1	41.3
HDB TP N4C28	Governmental Authorities construction works *(Note 1)*	December 2016	45.8	128.1	69.4	—	6.4	34.4	17.9	58.7
HDB YS N5C6	Governmental Authorities construction works *(Note 1)*	February 2016	69.1	142.6	44.1	—	8.0	71.4	19.1	98.5
HDB SK N2C43A	Governmental Authorities construction works *(Note 1)*	May 2016	43.1	207.9	118.3	—	7.0	51.5	31.1	89.6
Punggol West C33&C34	Governmental Authorities construction works *(Note 1)*	June 2018	7.6	201.7	186.4	—	—	5.1	10.2	15.3
The Topiary	Private property development	December 2015	60.0	179.8	72.0	4.0	27.6	62.0	14.2	107.8
The Sule Square	Private property development	May 2016	16.6	105.9	88.3	—	—	13.8	3.8	17.6
Riverbank	Private property development	October 2016	22.0	133.2	104.0	—	—	24.6	4.6	29.2
				1,587.5	856.0	41.0	191.0	380.6	118.5	731.1

Project	Nature of construction works	Expected/Actual completion date	Percentage of works completion as at 31 March 2015 (note 2) %	Contract sum SGD million	Unrealised contract sum as at 31 March 2015 SGD million	Revenue Year ended 31 December 2012 SGD million	2013 SGD million	2014 SGD million	Three months ended 31 March 2015 SGD million	Over Track Record Period SGD million
On-going Target Group's construction contracts										
RiverSound Residence	Target Group Development Project	May 2015 (Note 4)	99.3	147.3	1	26.0	52.0	64.0	2.8	144.8
River Isles	Target Group Development Project	September 2015	95.9	153.1	6.2	19.1	58.8	55.7	13.3	146.9
WaterBay	Target Group Development Project	December 2015	87.3	90.8	11.6	4.4	25.8	41.4	7.6	79.2
Ecopolitan	Target Group Development Project	July 2016	54.0	131.8	60.6	—	9.4	47.9	13.9	71.2
Bellewoods	Target Group Development Project	March 2017	39.7	139.1	83.9	—	—	38.3	16.9	55.2
Bellewaters	Target Group Development Project	April 2017	28.3	162.9	116.7	—	—	35.1	11.1	46.2
										543.5

Notes:

(1) Governmental Authorities construction works including construction works of HDB, LTA, and The Ministry of Culture of the PRC.

(2) The completion is calculated by reference of the contract value of the work completed compared with the total contract value of the construction contract.

(3) As the revenue for construction of the Target Group project will be eliminated against the relevant cost of sales for the relevant property projects of the Target Group in the financial information of the Target Group, the contract amount will not be reflected in the combined revenue of the Target Group.

(4) As at the Latest Practicable Date, the construction projects have been completed.

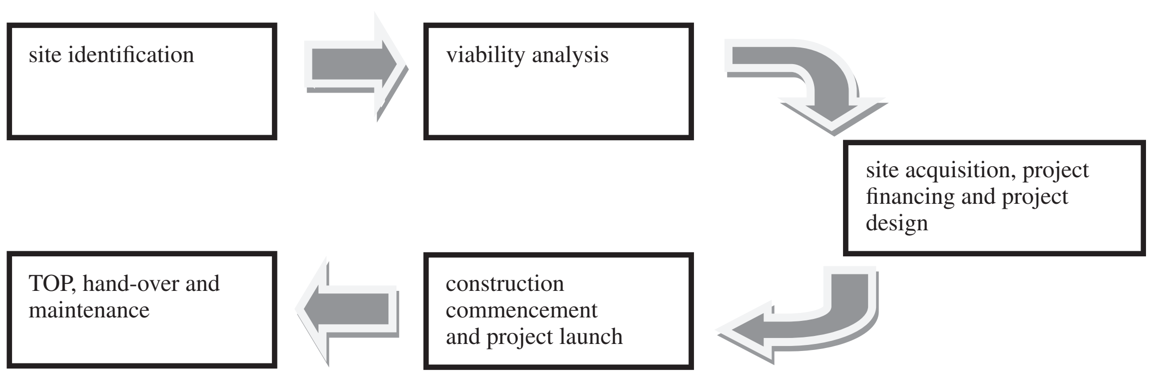
The Target Group computed the unrealised Contract Sum based on the total contract sum of all of the projects in progress as of 31 March 2015, less the aggregate amount of such contract sum of each project that had already been recognised as revenues in the Target Group's financial information as at 31 March 2015.

BUSINESS PROCESSES

Property Development

Excelling at delivering quality products to the customers, the Target Group typically follows a standardised process of planning, development and execution while maintaining a certain degree of flexibility to accommodate new developments, local customers' tastes and preferences and latest market trends within the region.

Our typical project development process may generally be divided into the following phases:



(a) Site identification

Site selection is a crucial step of the development process and a strategic location is crucial to the success of a property development project. During the Track Record Period, the Target Group acquired parcels of land through public tender. Typically, the Target Group would formulate an annual development plan for property development at the beginning of the financial year and start off the process of property development business by identifying potential tender sites through the Government Land Sales program of Singapore whereby the Target Group would tender for land released.

(b) Viability analysis

Upon identification of a potential site for development, the Target Group together with external architecture firm would conduct a number of site inspections and carry out a preliminary study of the tender site. This feasibility study is undertaken to evaluate the viability and profitability of the proposed property development. Factors which the Target Group's property development team would take into consideration include, among others, political, economic and demographic outlook in Singapore, prospects for regional development of the relevant site, peripheral facilities of the site, financial budgeting, type of property development, turnover level of residents, competition from surrounding developments, historical land price from similar projects, planning restriction imposed to the relevant site, market conditions, the supply and demand for the potential property development as well as current governmental regulation and policies.

If the results of the preliminary studies are satisfactory, the Target Group would proceed to acquire the land site or submit a suitable bid for the tender site.

(c) Site acquisition, project financing and project design

The Target Group generally follows the following steps when acquiring land from the Singapore governmental authorities:

(i) obtain information regarding public tender sites through the Government Land Sales program;

(ii) submit a tender with 5% of tender price as deposit, the result of which will usually be released at around 5:15 p.m. on the date of tender; and

(iii) pay 20% of the land acquisition price within 28 days of the date of successful tender and settle the entire land acquisition cost within three months from the date of the successful tender.

The Target Group generally finances the site acquisition and its development through a combination of internal cash flows, including sales proceeds obtained from prior Target Group's property projects, and borrowings. Upon acquisition of the land, the Target Group would select and appoint a team of professional consultants (including architects and structural engineers) to conceptualise the architectural and structural designs of the project. The Target Group places great emphasis on the design of the property and the team of professional consultants would produce an overall proposed development plan detailing aspects of the project including the overall architectural design theme, the layout and landscape design, the proportion of the various units and unit-type designs, the steps to take in development and the timeline of the project. The finance department of the Target Group would actively involve in the process to ensure that the designs are feasible and within the budget allocated. Following which, the property development team of the Target Group would apply for and obtain the necessary planning and building permissions from the relevant authorities.

(d) Construction commencement and project launch

All of the construction work for the property development projects of the Target Group is usually carried out internally by the Target Group itself. With an integrated business operation, the Target Group is well-position to monitor the progress of the entire project. The Target Group maintains a close collaboration with the external professional consultants to ensure that project designs meets the pre-requisite quality standards and reflects the desired product positioning and pricing. Parties involved in the project are also updated on a regular basis through consultation and technical progress meetings.

The Target Group usually launches projects as soon as possible in order to shorten overall development cycles. Generally the overall property development cycle (from successful tender to issuance of TOP) can range from 40 months to 60 months. As part of the launch, the Target Group would complete the construction of the show-flat before the actual property development is erected. The projects are advertised for sale in numerous media forms such as local newspapers, the internet, or on television. The sales and marketing are carried out by both Target Group's in-house sales department as well as through the engagement of third-party marketing agencies.

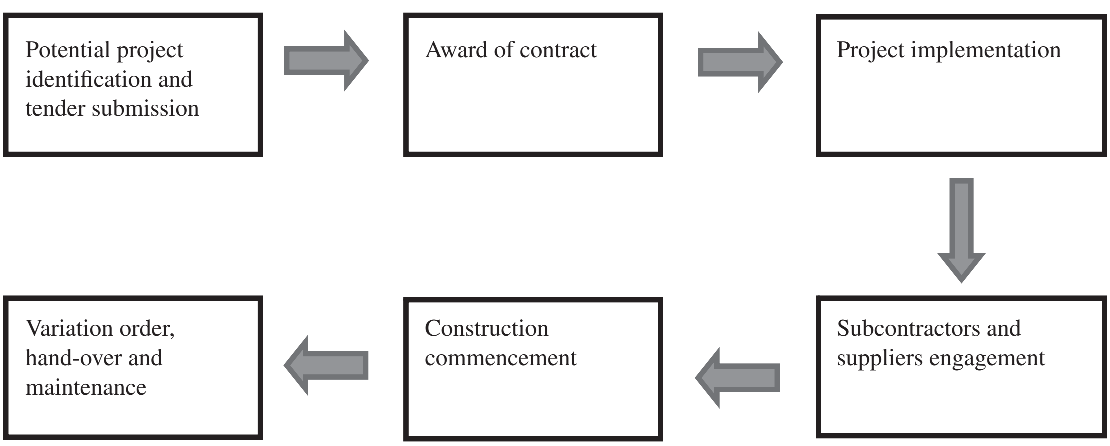
(e) TOP, hand-over and maintenance

Once construction works are completed, the Target Group would submit an application to BCA for the TOP in respect of the project. After the receipt of the TOP, the Target Group would undergo the necessary checks that the completed units are clean and in proper handover condition before the units are released to the purchasers.

The Target Group's sale and purchase agreements with the purchasers provide for a defects liability period which lasts, usually, 12 months from the date the purchasers receive the notice of vacant possession or either the TOP or CSC in respect of the unit or notice in relation to all roads, drainage and sewerage works at where the unit is situated has been completed and the electricity supplies and gas supplies (if any) have been connected.

Construction

A diagram of the operations of the Target Group's construction business is as follows:



(a) Potential project identification and Tender Submission

The Target Group obtains information on public tenders mainly through notices in the newspapers, government websites and other forms of mass media publications. The Target Group also obtains private tenders and referrals from existing or previous customers or other business connections established.

The Target Group assesses the potential tenders based on factors including, among others, the risk involved in the project, the availability of labour resources and equipment, the availability of specialist subcontractors, the amount of projected financial resources and the expertise that may be required.

If the results of the evaluation are satisfactory, the Target Group would proceed to carry out the following steps:

(i) Form a tender team comprising general manager, contract manager, engineering department manager, project directors and quality assurance & quality control project directors manager to prepare the tender proposal. The team would obtain the customer's tender documents which would usually contain information such as the details of the proposed project including the drawing plans, time requirements and project specifications required.

(ii) Based on the specifications as set out in the tender documents, the tender team will proceed to review the tender design, construction methodology and specifications to ensure that the proposed scope of work can be adequately carried out.

(iii) Following which, the tender team would calculate the estimated costs of the project taking into consideration internal costing, construction materials, labour, subcontracting and equipment, the Target Group typically will obtain quotations from the relevant construction material suppliers and subcontractors and these quotations are valid for approximately three months.

(iv) The Target Group would usually obtain the internal costing and budget estimates by compiling quotations from relevant selected suppliers and subcontractors based on their track records and competitiveness. Technical and contractual ambiguities are also resolved prior to a tender submission to ensure that the Target Group's tender is competitive. It is noted that while most contract values will be determined at this stage, however for certain public sector projects, the contract values may vary with the cost of construction materials.

(b) Award of Contract

After the Target Group has submitted the tender proposal, the Target Group would have to await the results of the award of contract. Construction contracts are usually awarded within three months from the close of tender, and for certain construction contracts under private tenders customer may require the Target Group to attend several rounds of tender interviews. These interviews are usually opportunities for the Target Group to provide the developers and consultants with more information as to the pricing and materials offered and the construction methodology.

(c) Project implementation

Upon the award of the contract, the Target Group would usually assemble a project team and, depending on the size, complexity and other specific requirements of the awarded projects, may comprise of a project manager, and site manager, site supervisors, material engineer, project coordinators, project designers, draftsmen, foremen, work place safety officers, quality controller and project clerk. The responsibility of the project team is to manage the project site on a full-time basis. They have to manage and coordinate the work of all parties, deploy the supply of building materials and the usage of plant and machinery, ensure adherence to the internal budget and contract specifications and enforce safety and security at the work. This would ensure the timely completion and hand-over of the project to the developer.

Throughout the implementation of the project, the project team will normally consider, among other things, the relevant codes of practice, specifications, regulations, loading plans and loading schedules provided by the customer's architects/engineers and prepare a design for submission to the architects/engineers for approval. Project meetings between project team and the customers of the Target Group are held to access and review the progress of the project and to resolve any problems which may arise. During such meetings, the Target Group will submit progress reports to the customers/architects/engineers.

(d) Engagement of Subcontractors and Suppliers

The contracts department of the Target Group will prepare a sourcing list detailing the materials to be procured and subcontract works to be awarded once the Target Group have been notified of the award of the contract. The requirements of the project would be strictly adhered to thus ensuring that the required materials and works are procured on schedule. Where possible, contracts will be signed with subcontractors on a lump-sum basis to avoid future disputes. Please refer to paragraph headed "Business of the Target Group — Suppliers and Subcontractors — Engagement of Subcontractors" for further details on the relevant engagement process and "Business of the Target Group — Quality Control — Subcontractors and other third parties engaged" for further details on the relevant quality control measures adopted by the Target Group in the engagement process.

(e) Construction

Building construction can be divided into two main stages:

(i) substructure works which includes piling, the construction of pile caps, installing the ground and basement beams and slabs; followed by

(ii) super-structure works which comprise the construction of upper storey beams, columns, floor slabs reinforced concrete walls, and installation of precast components.

M&E works are carried out concurrently as the super-structure works are carried out floor-by-floor. This includes the installation of electrical works, elevators, air-conditioning, ventilation works, plumbing and sanitary works, and security systems. After the M&E works are completed, finishing architectural works such as tiling, plastering and painting are carried out.

The project manager and the WSH officers (or WSH coordinator) have to ensure that the entire construction process is carried out in accordance with the quality assurance measures and safety measures which the Target Group has adopted, to ensure that the specified requirements of the project are met. Generally, the construction cycle last for about 40 months.

(f) Variation Orders, hand-over and maintenance

Customers may require the Target Group to carry out additional works which were not planned for in the original contract specifications through variation orders. Such variations orders are separately documented acknowledged by the developer and negotiated for separately from the contract value. Upon completion of the project and any variation orders, the Target Group would hand over the project to the developer.

The construction contracts of the Target Group usually provide for a defects liability period which lasts 12 months after completion of the project. During this defects liability period, the Target Group would be responsible for making good any defects found in the completed building.

INVENTORY

The Target Group purchases construction materials on a project-by-project basis based on the requirement for each project. As such, the Target Group does not carry inventories of construction materials in excess of the levels reasonable required to meet the schedule of construction works.

QUALITY CONTROL

The Target Group places great emphasis on quality control at every stage of the construction process in order to ensure the quality of the properties developed by the Target Group are up to the requisite standard, as well as to ensure that the construction work delivered meet the expectation of customers in relation to construction work entrusted by third parties. Our quality control team is divided into property development and construction divisions and consists of quality manager, project manager, site engineer and quality controller.

Property development

The Target Group places strong emphasis on quality control to ensure that the quality of property projects comply with relevant regulations and to maintain the Target Group reputation and market standing.

To ensure the quality of the real estate development, the Target Group closely adhered to its internal policies during the construction process and selection of subcontractors and other third parties engaged, which is further detailed below in the paragraphs headed "Business of the Target Group — Quality Control — Construction Process" and "Business of the Target Group — Quality Control — Subcontractors and other third parties engaged".

Further, in order to ensure that the Target Group maintains high quality standard of the properties developed, the Target group have established the following quality objectives and aim to achieve these objectives.

- to comply and continually improve the effectiveness of the quality management system which satisfies all requirement of ISO 9001:2008 standard, BCA good practices, BCA CONQUAS, Green Mark and Quality Mark requirements, or any relevant statutory and regulatory requirements as well as other requirements stipulated by customer, or other obligations to which the organization subscribes;

- to provide total customer satisfaction and repeat patronage by consistently exceeding customer expectations with reliable quality works;

- to deliver all projects on time and operate within an allocated budget; and

- to constantly provide training to all staff, and upgrading of work progress to improve work quality procedures so as to improve efficiency and reduce wastage of resources.

Construction process

Typically, before the commencement of each construction projects (including both Target Group's property development projects and construction projects entrusted by third parties), the Target Group will conduct detailed analysis on the relevant requisite quality standards and the relevant technical requirements for each construction projects and devise a detail execution plan before construction commences.

During the implementation of such execution plan, monthly review will be conducted on the execution status and examine whether the relevant procedures and precautions have been strictly followed. A detail quality examination will then be conducted when the construction is close to complete.

Subcontractors and other third parties engaged

For construction works that are delegated to subcontractors, the Target Group maintains a list of subcontractors that were selected based on their ability to provide timely delivery, the quality of material provided, overall service provided as well as the competitiveness of their quotation given, and the list is updated and reviewed regularly. The Target Group engages subcontractors based on this internal approved list. Further, the Target Group typically requires its subcontractors engaged to adhere strictly to the quality standards required. The Target Group will also conduct regular inspections on the construction works undertaken by the subcontractors and keep track on the progress of the construction work and, should the Target Group is aware of any potential deviation of the construction works from the requisite standard, the Target Group will revert to the subcontractor and take active actions to prevent any material quality defects in the construction work in a timely manner.

In order to ensure that the Target Group maintains high standards of quality as well as to maintain the Target Group's grading on the BCA's Contractors Registration System (CRS), the Target Group ensures that its subcontractors, designers, architects, engineers, professional and technical personnel and other building professionals have the relevant educational and work experience and proven track records. For instance, when engaging the Target Group's subcontractors, they would have to ensure that their workmanship and work quality fulfil CONQUAS, a standard that assess the quality of the construction of each project. Subcontractors are also contracted to work with the Target Group in order to achieve a requisite CONQUAS score for the whole project. For the project completed during the Track Record Period, the Target Group had obtained CONQUAS scores above the requisite standard and was awarded bonus as a result in two construction projects.

Construction materials

The Target Group also formulates internal policy to monitor the quality of construction materials procured from the suppliers such as fitting-out materials and equipment sourced by the Target Group. Similar to the engagement of subcontractors, the Target Group maintained an internal approved list of construction material suppliers that were selected based on their ability to provide timely delivery, the quality of material provided, overall service provided as well as the competitiveness of their quotation given, and the list is updated and reviewed regularly. These construction materials are subject to the Target Group's internal inspection and acceptance procedures, and the Target Group will require the suppliers to provide relevant approval certificates issued by the relevant governmental authorities if the relevant material supplied is governed by the local governmental authorities. Supplies or equipment that do not meet the required quality standards are not used in projects and are returned to suppliers.

In addition, the Target Group has also established the following quality objectives:

- to ensure that the Target Group's projects meet the customers' needs and to enhance customer satisfaction;
- to control the impact of the Target Group's activities, products and services on the environment;
- to achieve and maintain a good and safe working environment for everyone in the Target Group;
- to ensure that the materials that the Target Group utilise on projects meet the requisite criteria;
- to achieve profitable growth with the commitment to provide internationally recognised quality services; and
- to deliver the projects on time and to operate within the Target Group's stipulated budget.

During the Track Record Period, the Target Group had not experienced any material quality defects in the quality of the property projects developed or participated.

SUPPLIERS AND SUBCONTRACTORS

In relation to the property development segment, the Target Group acts as the main contractor for its own properties development projects and only a small portion of construction works are carried out by subcontractors. As a main contractor for both the Target's Group property development projects and construction projects entrusted by third parties, the Target Group will generally engage certain subcontractors for certain types of construction works, as well as procuring construction materials.

Engagement of subcontractors

To maximize the cost efficiency and flexibility, and to utilize the expertise of other properly qualified specialist contractors, the Target Group would engage third party subcontractors in Singapore to perform a portion of the works under the contracts entrusted to the Target Group or Target Group's own property development. During the Track Record Period, the Target Group mainly engaged subcontractors for works including earth works, piling works, lift installation works, aluminium works, furniture works, mechanical and electrical works, air-conditioning works and painting works. During the Track Record Period, subcontractors cost accounted for a significant proportion of the Target Group's cost of sale for each of the property development and construction segments. For the year ended 31 December 2014, 18.1% of the cost of sale for the property development segment was attributable to subcontractors cost. For the years ended 31 December 2012, 2013, 2014 and three months ended 31 March 2015, 60.3%, 71.8%, 73.8% and 73.3% of the cost of sale for the construction segment was attributable to subcontractors cost.

Terms of engagement

The Target Group engages subcontractors on a project-by-project basis and does not enter into long-term agreements. The subcontractors are not employees or agents of the Target Group. The Target Group does not have any employment arrangement with these subcontractors and their employees. The terms of the Target Group's contracts with its subcontractors vary in accordance with the nature of the works entrusted, however, the Target Group generally adopt the following principal terms in a typical contract made with a subcontractor for any major work:

- scope of work and subcontracting rates or price, which will typically provide that it is inclusive of costs of all ancillary and other works and expenditures required to fulfill its obligations under the subcontract; the contract typically will also stipulate that the subcontractor should carry out additional work at the request of the Target Group subject to additional fee payable to such subcontractor;

- rights and obligations of the parties and that the subcontractor's obligations to observe the terms in the main contract;

- prohibition of assignment or subcontracting by the subcontractor of all of their works under the subcontracting agreement, unless with the prior consent of the Target Group;

- construction quality, which stipulated that the subcontractor should meet the relevant standards stipulated in the subcontracts such as CONQUAS, BCA Green Mark Requirement, BCA Quality Mark Requirements or such other standards or references as required and to the satisfaction of the Target Group;

- insurance, the Target Group will provide the subcontractor all risk insurance and workmen's compensation policy for the entrusted work;

- retention money, the Target Group will retain a specific proportion of total amount of fees payable to the subcontractor as retention money which may be used to make good any defects or faults in the subcontract work. Generally half of the retention money would be released to the subcontractor at the completion date stated in the subcontract, with the remaining balance to be released at the expiry of 18 months from the date of issuance of completion certificate by the architect appointed;

- deduction, which allows the Target Group be entitled to withhold or deduct from or set off against any money due or becoming due to the subcontractor any sum which the subcontractor is liable to pay the contractor, including where subcontractor fails to proceed with the work entrusted diligently or refuse to make good defective works accordingly whereby the Target Group is empowered to deduct from the contract sum two times the expenses incurred for carrying out the aforesaid work;

- compliance, where the subcontractor is obliged to comply with the relevant rules and regulations in connection with the works and the subcontractor's responsibilities and policies relating to quality control, work safety and environmental protection, including prohibition of employing illegal workers;

- termination, which provide for the Target Group's right to terminate the subcontracting agreement in the event stipulated therein which generally include events such as the subcontractor fails to proceed with the subcontract with reasonable diligence and care, continued failure to comply with the Target Group's instruction, abandon works without reasonable causes, fails to make good defective works or commit a material breach of terms;

- site representative, the subcontractor shall provide competent and authorized representative full time on site for receiving instruction, attending meeting and the supervision of the relevant subcontract work;

- defective liability period, the subcontractor shall at his own expense make good any defects due to workmanship not in accordance with the requirement of the subcontract for a period ranging from 12 months to 18 months from the completion of the main contract;

- third party claims and indemnities, which stipulate the subcontractor be liable for and shall indemnify the Target Group against any damage, claims, liability, loss, proceedings or expenses arising from any negligence, breach of duty or non-performance including that of the servants or agents of the subcontractor; and

- prolongation cost, which stipulate the subcontractor should be liable for any extra cost, fee or expenses incurred as a result of the subcontractors delay and/or default.

Liability and control measures

In general, the Target Group is liable to its customers for the performance of its subcontractors under the main contract entered into between the Target Group and its customers. These include the acts, defaults or neglects of its subcontractors.

As a safeguard, subcontractors of the Target Group are required to observe, perform and comply with all the provisions under the main contract of the relevant projects entered into between the Target Group and its customers, and they are deemed to have notice most of the provision of the main contracts. The Target Group typically requires the subcontractor to send competent authorized representative to attend site meetings with the Target Group regularly or co-ordinate meetings if so required by the Target Group. Subcontractors are also responsible for making good all defects, shrinkages or other faults in the subcontract works within a reasonable time after receiving the instructions of the Target Group. The Target Group will closely monitor the progress of the construction to make sure subcontractors perform its duties and obligations stipulated under the subcontracts.

In addition, the Target Group has maintained insurance to cover compensation and costs liable by the Target Group for personal injuries of the employees of its subcontractors in respect of the relevant construction project. As for the employees' compensation claims and personal injuries claims, the Target Group was covered by the relevant insurance policies during the Track Record Period and up to the Latest Practicable Date. Please refer to the paragraph headed "Business of the Target Group — Insurance" in this section for further details.

The Target Group is also committed to the prohibition of recruitment of illegal workers. The Target Group stipulates in the subcontracts that the subcontractors shall not employ any foreign worker without valid work permit on site.

During the Track Record Period, no illegal workers were reported on the sites of any of the Target Group property development projects or construction projects entrusted by the third parties.

List of subcontractors

The Target Group maintain on approved list of subcontractors who generally respond to its request for quotation for works. The stable relationship with the subcontractors allows the Target Group to have a thorough understanding and assessment of its performance over the years, which in turn enable the Target Group to ensure their quality of work. To avoid relying on a few subcontractors to perform tasks which require specific skills, the Target Group maintains more than one subcontractor for each area of expertise on its internal approved list of subcontractors, such as lifts installation and interior fitting out works.

Subcontracting charges and payment to subcontractor

Generally, upon receipt of completion certificate issued by the architect employed by the customer certifying the work progress done by the Target Group and the subcontractor (if any) upon completion, the subcontractor shall submit to the Target Group its final account for the subcontract works within the time stipulated in the subcontract, and the Target Group would then require its customer to make payment after receipt of such final account notice accordingly. During the Track Record Period, the Target Group has no default in making of payment by its customer to the Target Group in relation to the subcontractor's work.

In order to manage the cash flows in terms of matching of payment from customers with payment to subcontractors, the Target Group's account and finance department would closely monitor the incoming and outgoing cash flows by monitoring its own management accounts, which are updated constantly and maintain sufficient cash flow to meet its payment obligation in the event of the customers of the Target Group delay in its payment to the Target Group. The account and finance department also regularly conducts aging analysis of accounts receivable from its customers. As the Target Group is mainly engaged in HDB construction projects and HDB has been prompt in settling its payment with the Target Group, the Target Group is in a position to schedule and match its payment to subcontractors with the payment received by the Target Group as a main contractor.

Procurement of construction material

During the Track Record Period, most of the Target Group's procurements were major construction materials used by the Target Group include precast components, steel products and concrete materials.

Generally, the Target Group would select its own suppliers based on its approved list of suppliers unless otherwise requested by the customer of the Target Group. The amount and timing of construction materials to be ordered are assessed by the project manager on a project-by-project basis depending on the progress of works and specific requirements of each project. The Target Group generally does not keep excess inventory.

List of suppliers

Similar to the engagement of subcontractors, the Target Group maintained an internal approved list of construction material suppliers that were selected based on their general business conditions, supply capacity, technical ability, the quality of material provided, as well as the performance of management system, and the list is updated and reviewed regularly. The Target Group mainly sourced its construction materials within Singapore.

Contractual relationship

Generally the Target Group would firstly obtain quotations from its suppliers for essential construction components, and these quotations typically will be valid for approximately three months. The Target Group would then enter into agreements for supply of materials only if the Target Group has been awarded the relevant construction contract. The Target Group then places purchase orders approximately one to two months in advance of actual delivery depending on the types of materials to be ordered. The Target Group does not enter into any long-term supply agreement with its construction material supplier. During the Track Record Period, the Target Group has not experienced any shortage or significant delay in delivery of construction material by the suppliers causing disruption to the works of the Target Group.

Payment terms

The suppliers of construction materials of the Target Group usually allow a credit period of approximately 30 to 60 days. During the Track Record Period, the Target Group has not default in any payment in settling any procurement order with its suppliers.

Top five largest suppliers

The suppliers of the Target Group primarily include domestic construction subcontractors and construction material suppliers in Singapore.

During the Track Record Period, the amount of purchases of the Target Group was approximately SGD324.9 million, SGD521.2 million, SGD658.4 million and SGD173.5 million for each of the three years ended 31 December 2012, 2013, 2014 and three months ended 31 March 2015, respectively. The following table sets forth the top five largest suppliers for each of the three financial years ended 31 December 2014 and the first three months ended 31 March 2015 of the Target Group:

For the three months ended 31 March 2015:

No	Supplier	Background	Amount of Purchase *(SGD million)*	% of total amount of purchase of the Target Group	Length of relationship	Payment Term	Payment Method
1	Qingjian Precast Pte Ltd	A company incorporated in Singapore mainly engaged in the provision of pre-cast components and its subsidiary, Elite Concrete Pte Ltd, which is incorporated in Singapore, is engaged in the provision of concrete materials	22.7	13.1%	Since 2010	30 days	Cash or cheque
2	Supplier D	A company incorporated in Singapore engaged in the provision of pilling service	21.9	12.6%	Since 2006	30 days	Cash or cheque
3	Supplier B	A company incorporated in Singapore and mainly acted as a subcontractor	9.8	5.7%	Since 2006	30 days	Cash or cheque
4	Supplier A	A company incorporated in Singapore engaged in the provision of steel products	5.7	3.3%	Since 2006	60 days	Cash or cheque
5	Supplier E	A company incorporated in Singapore and mainly acted as a subcontractor for plumbing	3.5	2.0%	Since 2006	30 days	Cash or cheque
		Subtotal:	63.6	36.7%			
		Total amount of purchase	173.5	100.0%			

For the year ended 31 December 2014:

No	Supplier	Background	Amount of Purchase *(SGD million)*	% of total amount of purchase of the Target Group	Length of relationship	Payment terms	Payment method
1	Qingjian Precast Pte Ltd	A company incorporated in Singapore mainly engaged in the provision of pre-cast components and its subsidiary, Elite Concrete Pte Ltd, which is incorporated in Singapore, is engaged in the provision of concrete materials	73.9	11.2%	Since 2010	30 days	Cash or cheque
2	Supplier A	A company incorporated in Singapore engaged in the provision of steel products	36.8	5.6%	Since 2006	60 days	Cash or cheque
3	Supplier B	A company incorporated in Singapore and mainly acted as a subcontractor	33.0	5.0%	Since 2006	30 days	Cash or cheque
4	Supplier C	A company incorporated in Singapore and mainly acted as a subcontractor	22.7	3.5%	Since 2004	30 days	Cash or cheque
5	Supplier D	A company incorporated in Singapore engaged in the provision of pilling service	21.9	3.3%	Since 2006	30 days	Cash or cheque
		Subtotal:	188.3	28.6%			
		Total amount of purchase	658.4	100.0%			

For the year ended 31 December 2013:

No	Supplier	Background	Amount of Purchase *(SGD million)*	% of total amount of purchase of the Target Group	Length of relationship	Payment terms	Payment method
1	Qingjian Precast Pte Ltd	A company incorporated in Singapore mainly engaged in the provision of pre-cast components and its subsidiary, Elite Concrete Pte Ltd, which is incorporated in Singapore, is engaged in the provision of concrete materials	60.1	11.5%	Since 2010	30 days	Cash or cheque
2	Supplier D	A company incorporated in Singapore engaged in the provision of pilling service	20.4	3.9%	Since 2006	30 days	Cash or cheque
3	Supplier C	A company incorporated in Singapore and mainly acted as a subcontractor	17.9	3.4%	Since 2004	30 days	Cash or cheque
4	Supplier F	A company incorporated in Singapore and mainly acted as a subcontractor for electrical work	12.2	2.3%	Since 2011	30 days	Cash or cheque
5	Supplier A	A Company incorporated in Singapore engaged in the provision of steel products	11.5	2.2%	Since 2006	60 days	Cash or cheque
		Subtotal:	122.1	23.3%			
		Total amount of purchase	521.2	100.0%			

For the year ended 31 December 2012:

No	Supplier	Background	Amount of Purchase *(SGD million)*	% of total amount of purchase of the Target Group	Length of relationship	Payment terms	Payment method
1	Qingjian Precast Pte Ltd	A company incorporated in Singapore mainly engaged in the provision of pre-cast components and its subsidiary, Elite Concrete Pte Ltd which is incorporated in Singapore, is engaged in the provision of concrete materials	62.7	19.3%	Since 2010	30 days	Cash or cheque
2	Supplier D	A company incorporated in Singapore engaged in the provision of pilling service	36.0	11.1%	Since 2006	30 days	Cash or cheque
3	Supplier C	A company incorporated in Singapore and mainly acted as a subcontractor	24.4	7.5%	Since 2004	30 days	Cash or cheque
4	Supplier E	A company incorporated in Singapore and mainly acted as a subcontractor for plumbing	24.2	7.4%	Since 2006	30 days	Cash or cheque
5	Supplier B	A company incorporated in Singapore and mainly acted as a subcontractor	19.6	6.0%	Since 2006	30 days	Cash or cheque
		Subtotal:	166.9	51.3%			
		Total amount of purchase	324.9	100.0%			

The five largest suppliers of the Target Group accounted for 51.3%, 23.3%, 28.6% and 36.7% of the total purchase for each of the three years ended 31 December 2012, 2013, 2014 and three months ended 31 March 2015, respectively. Purchases from the largest supplier accounted for 19.3%, 11.5%, 11.2% and 13.1% of its total purchase amount of the Target Group for each of the three years ended 31 December 2012, 2013, 2014 and three months ended 31 March 2015, respectively. The length of business relationship of the five largest suppliers with the Target Group was between 4 years to 11 years.

During the Track Record Period, the Target Group did not experience any material difficulty in engaging construction subcontractors or any shortage or delay in the supply of equipment, nor did it experience any material fluctuations in the prices of equipment or building materials.

Qingjian Precast Pte. Ltd. was the largest supplier for the Target Group during the Track Record Period. The purchase amount from Qingjian Precast Pte Ltd. (including the purchase from its subsidiary Elite Concrete Pte. Ltd) by the Target Group represented approximately 19.3%, 11.5%, 11.2% and 13.1% of the total purchase amount of the Target Group for each of the three years ended 31 December 2012, 2013, 2014 and the three months ended 31 March 2015. Elite Concrete Pte Ltd is the subsidiary of Qingjian Precast Pte. Ltd. Qingjian Precast Pte. Ltd is owned as to 16% by Lin XiuE, spouse of Dr. Du, 8% by Mr. Zhang Zhihua, a non-executive Director and 8% by Dr. Ding Hongbin, a non-executive Director.

Going forward, the Company considers that it will be beneficial for the Enlarged Group to continue to source precast components from Qingjian Precast Pte. Ltd. and Qingjian International (South Pacific) has entered into a new master service agreement with Qingjian Precast Pte. Ltd. on 25 September 2015. Please refer to the paragraph headed "Continuing Connected Transactions — Summary of continuing connected transactions and listing rules implications — (III) Other Continuing Connected Transactions — B. Subject to Annual Reporting, Announcement and the Independent Shareholders' Approval Requirements" for further details.

Save as disclosed above, none of the Directors and their close associates or any of the Shareholders which, to the knowledge of the Directors, own more than 5% of the Company's share capital as of the Latest Practicable Date, have any interest in any of the Target Group's five largest suppliers.

SALES AND MARKETING AND CUSTOMERS

Property development

The Target Group's sales and marketing activities are carried out by its sales and marketing department which is responsible for strategising and implementing the sales and marketing plans. Such plans relate to, among others, pricing and market positioning of the project, deciding on the project theme, managing the marketing budget and schedule, formulating promotion methods and advertising through the mass media. The main forms of mass media marketing would be through project brochures, newspapers, websites and other print media.

Sales

The Target Group has a sales and marketing department responsible for formulating the overall sales, marketing and pricing strategies and plans for the projects as well as implementing these strategies and plans, and make necessary adjustments to cater for unique market situations and customers' preferences within the local markets.

The Target Group also hires external sales agents to facilitate sales of specific projects. Our selection of external sales agents generally takes into account the client base and network, market share, sales quality, level of agency fee, historical performance and reputation of the agents.

The Target Group normally enters into sales agent agreements with the selected property sales agent on a project-by-project basis. Typical services provided by property sales agent include planning and implementation of sales and marketing strategies and promotion plans, providing advice on product positioning and promotion activities and liaising with purchasers regarding the signing of sale and purchase agreements. The agents are paid commissions of a certain percentage of their total sales, which is in line with market practice.

Marketing

The Target Group focuses on the two main categories of customers in relation to its property projects, namely home-upgrader and first-time home-buyer. In respect of our condominium projects such as NiN Residence, RiverSound Residence and River Isles, the target customers are mainly home-upgrader at middle class households looking for improved living standard. For our executive condominiums such as WaterBay, Bellewoods, the target customers are mainly first-time home-buyers of the mass public within the local region looking for relatively affordable homes with quality.

For the property projects for sale, the Target Group has also set up fully-furnished show flats to display the layout, interior design and furnishing of the properties in order to provide our customers with a more vivid impression of our property projects.

Pre-sale

Consistent with market practice in Singapore, the Target Group commences sales of properties after the relevant approvals from the governmental authorities have been obtained but prior to the completion of their construction. The Target Group will commence construction within six to nine months from the date of successful tender. Pre-sale of such property projects will usually commence within 15 months from the date of successful tender, or the completion of foundation works, whichever is earlier. The property development cycle usually lasts between 40 to 60 months. The Target Group would be responsible for property maintenance for one year subsequent to the delivery.

Upon entering into the sale and purchase agreement between the purchaser and the Target Group in respect of the relevant property, the purchaser is granted an option to purchase and is obliged to pay 20% of the property purchase price within 8 to 9 weeks from the date of the sale and purchase agreement, which the Target Group is entitled to forfeit in case the purchaser fails to meet the payment obligation stipulated therein. Typically the key terms in the sale and purchase agreement include, among others, terms of sale, purchase price, payment schedule, consequence of late payment of instalments, obligations of both purchaser and the Target Group, the expected date of delivery of vacant possession of the subject property, defects liability period together with details specification of the property building(s) and general description of the relevant housing project.

Payment Arrangement

The following table highlights the typical payment arrangement the Target Group adopted for sale of property units:

1.	Within 8 weeks immediately after the date the customers are granted the option to purchase	20% of the purchase price
2.	Within 14 days the purchaser receives notices of completion of different construction works (such as foundation work, concrete framework, partition walls etc.), the payment of which would be due in stages	40% of the purchase price
3.	Within 14 days immediately after the purchaser receives the TOP and all roads and drainage and sewerage works serving the relevant properties have been completed and that water and electricity supplies, and gas supplies (if any) have been connected to the relevant unit	25% of the Purchase Price
4.	Upon issuance of CSC	10% of the purchase price
5	One year subsequent to the issuance of TOP	5% of the purchase price

During the Track Record Period and up to the Latest Practicable Date, the Target Group had not engaged in any unusual price-cutting marketing and selling strategies or efforts in the selling of its properties.

Construction

Most construction contracts undertaken by the Target Group are awarded by way of tender. The Directors believe the Target Group's historical job references, good relationships with customers and the network in the industry are assets valuable to the Target Group in bidding and winning future tenders.

Marketing

The Target Group also maintains close contacts with architects and other consultants in the construction industry to keep us abreast of market developments and potential business opportunities. The Target Group also closely monitors any forecast publications issued by the Singapore government as well as public tender notices. Other marketing activities undertaken by the Target Group for the construction business includes putting up banners and/or signage displaying the names and logo of the Target Group's trademarks at construction sites.

Contract terms with customers

The relevant contracts for construction in the public sector are typically incorporated and governed by the Public Sector Standard Conditions of Contract for Construction Works ("**PSSCOC**"), which is developed by the BCA to enable a common contract form to be used in all construction projects with governmental authorities, supplemented by HDB Particular Condition of Contract ("**HDB-PCOC")** which specifies certain other requirements such as appointment of technical officers, certificate of substantial completion and the variation orders. For construction contracts with private property developers, some of them follow industry standard terms such as the Real Estate Developers' Association of Singapore Conditions of Contract ("**REDAS**"), while others may adopt their own standard forms.

Generally, the salient terms in the construction contract with the Target Group's customers include the following:

(i) General obligation of contractor

It stipulates that the Target Group shall, with due care and diligence, design (to the extent provided for by the contract), execute and complete the relevant works and remedy any defect in the works in accordance with the provision of the contract and to the satisfaction of the employer.

(ii) Performance Bond or security deposit

The Target Group is required to deposit with the employer a security deposit or, if required by the employer, an unconditional on-demand bond from a bank in lieu of cash deposit, within a specified period ranging from 14 days to 28 days from the date of the letter of acceptance of tender for the due performance of and observance by the contractor of his obligation under the contract.

(iii) Quality of construction

It stipulates that the materials, equipments, goods and workmanship shall be of the respective kinds required under the contract and in accordance with the instruction of the employer, and that subject to the request of the employer, the Target Group shall provide everything necessary for examining, measuring and testing any plant, materials, goods or workmanship at the cost of the Target Group.

(iv) Time for completion

The Target Group is required to complete the construction work under the stipulated time, but subject to certain circumstances which is beyond the control of the Target Group, for which the Target Group may make an application and the completion time may be extended by the employer.

(v) Liquidated damages

If the contracted work has not been substantially completed within the time stipulated, the Target Group is required to pay liquidated damages. The amount required to be paid will be calculated in accordance with the rate and formula stated thereto for the period during which the relevant contracted work remains uncompleted.

(vi) Defects and defects liability period

The contract usually stated a defects liability period and the Target Group is required to ensure the works is in the condition and meet all the requirements stated under the contract, as well as to rectify the defects within the defect liability period. The period is normally 12 months from the date of the issuance of certificate of substantial completion. As disclosed in the paragraph headed "Business of the Target Group — Suppliers and subcontractors — Engagement of subcontractors — terms of engagement", the Target Group generally required a similar defect liability period from its subcontractors.

(vii) Insurance

The Target Group is required to maintain insurance for personal injury and death, work injury compensation and property damage, as well as (in the joint name of the employer) insure against all damage, loss or injury from whatever cause arising from the permanent works, temporary works and all unfixed plant, materials and goods delivered for incorporation into the work contracted and any structures or works erected on or adjacent to the relevant working sites, for a value of not less than the contract sum.

(viii) Payment terms, progress payment and adjustment on fluctuation for raw material price

For construction projects with governmental authorities, the contract amount chargable by the Target Group will be stated and is fixed subject only to adjustments or measurements as stated under the PSSCOC. Under the PSSCOC, it is stated that the contract sum shall be adjusted upwards or downwards to take account of any rise or fall in material prices respectively during the currency of the contract. Such price adjustments shall be calculated based on the fluctuations in the material price indices published by BCA. For construction projects with private property developer, where the contracts incorporated REDAS it will provide for such adjustment mechanism to take into account the relevant price fluctuation, subject to consent of the contracting parties on the final adjustment, while for other contracts, usually there is no such adjustment and unless otherwise agreed the contract amount should be inclusive of all costs and expenditures required to fulfill the Target Group's obligations, in which case the Target Group will incorporate the same term with their subcontractors in its engagement. During the Track Record Period and up to the Latest Practicable Date, the Target Group has not experienced any cost overruns of its construction projects that cause material adverse impact on the cashflow position of the Target Group.

The Target Group shall submit to the employer at monthly intervals a claim for payment for the value of the work executed. The payment is usually settled within 60 days after the issuance of a payment certificate by the Target Group's customer.

(ix) Retention monies

Customers are generally entitled to hold up retention money from the progress payment up to 15% of the contract sum. However, they will normally release the retention money upon completion of the project and/or upon the end of the defect liability period, subject to the customer being satisfied with the completed work. As at 31 December 2012, 2013, 2014 and 31 March 2015, the retention monies receivable were approximately SGD15.6 million, SGD11.9 million, SGD21.5 million and SGD22.7 million, respectively.

(x) Termination

The contract with the Target Group's customers generally could be terminated if the Target Group fails to execute its work or fulfil its obligation in accordance with the contract, commits serious offence or becomes bankrupt or insolvent.

Customers

The length of business relationship with the five largest customers with the Target Group during the Track Record Period ranged from 1 year to 11 years. The following table set forth the details of the top five customers of the Target Group during the Track Record Period:

For the three months ended 31 March 2015:

No	Customer	Background	Attributable revenue *(SGD million)*	% of revenue of the Target Group	Length of relationship	Payment Term	Settlement Information
1	HDB	HDB is Singapore public housing authority and a statutory board under the Ministry of National Development	95.8	80.6%	Since 2006	30 days	Monthly progress billings
2	Customer A	A Singapore incorporated and domiciled property development company	14.2	12.0%	Since 2012	55 days	Monthly progress billings
3	Customer E	A Singapore incorporated and domiciled property development company	4.6	3.9%	Since 2014	35 days	Monthly progress billings
4	Customer B	A Myanmar incorporated and domiciled property development company and is a subsidiary of the Hong Kong-based hotels and resorts developer and operator	3.8	3.2%	Since 2014	30 days	Monthly progress billings
5	The Ministry of Culture of the PRC	The Ministry of Culture of the PRC	0.1	0.03%	Since 2012	30 days	Monthly progress billings
		Subtotal:	118.5	99.73%			
		Total Revenue	118.8	100%			

For the year ended 31 December 2014:

No.	Customer	Background	Attributable revenue *SGD million*	% of revenue of the Target Group	Length of relationship	Payment terms	Settlement information
1	HDB	HDB is Singapore public housing authority and a statutory board under the Ministry of National Development	260.2	25.0%	Since 2006	30 days	Monthly progress billings
2	Customer A	A Singapore incorporated and domiciled property development company	62.0	6.0%	Since 2012	55 days	Monthly progress billings
3	The Ministry of Culture of the PRC	The Ministry of Culture of the PRC	28.2	2.7%	Since 2012	30 days	Monthly progress billings
4	Customer E	A Singapore incorporated and domiciled property development company	24.6	2.4%	Since 2014	35 days	Monthly progress billings
5	Customer B	A Myanmar incorporated and domiciled property development company and is a subsidiary of the Hong Kong-based hotels and resorts developer and operator	13.8	1.3%	Since 2014	30 days	Monthly progress billings
		Subtotal:	388.8	37.4%			
		Total Revenue	1,038.5	100%			

For the year ended 31 December 2013:

No.	Customer	Background	Attributable revenue *SGD million*	% of revenue of the Target Group	Length of relationship	Payment terms	Settlement information
1	HDB	HDB is Singapore public housing authority and a statutory board under the Ministry of National Development	157.4	57.3%	Since 2006	30 days	Monthly progress billings
2	Customer C	A Singapore incorporated and domiciled property development company	53.0	19.3%	Since 2010	55 days	Monthly progress billings
3	Customer A	A Singapore incorporated and domiciled property development company	27.6	10.1%	Since 2012	55 days	Monthly progress billings
4	The Ministry of Culture of the PRC	The Ministry of Culture of the PRC	11.8	4.3%	Since 2012	30 days	Monthly progress billings
5	Welltech	Incorporated in Singapore in 1987 and contractor in Singapore	9.8	3.6%	Since 2004	30 days	Monthly progress billings
		Subtotal:	259.6	94.6%			
		Total Revenue	274.9	100%			

For the year ended 31 December 2012:

No.	Customer	Background	Attributable revenue *SGD million*	% of revenue of the Target Group	Length of relationship	Payment terms	Settlement information
1	Customer C	A Singapore incorporated and domiciled property development company	150.5	52.0%	Since 2010	55 days	Monthly progress billings
2	Welltech	Incorporated in Singapore in 1987 and contractor in Singapore	54.3	18.8%	Since 2004	30 days	Monthly progress billings
3	HDB	HDB is Singapore public housing authority and a statutory board under the Ministry of National Development	53.0	18.3%	Since 2006	30 days	Monthly progress billings
4	Customer D	A Singapore incorporated company engaged in property development and building construction	18.9	6.5%	Since 2006	35 days	Monthly progress billings
5	Customer A	A Singapore incorporated and domiciled property development company	4.0	1.4%	Since 2012	55 days	Monthly progress billings
		Subtotal:	280.7	97.0%			
		Total Revenue	289.6	100%			

During the Track Record Period, the five largest customers of the Target Group accounted for approximately 97.0%, 94.6%, 37.4% and 99.7% of the Target Group's revenue for the financial years ended 31 December 2012, 2013, 2014 and three months ended 31 March 2015, respectively. The largest customer of the Target Group accounted for approximately 52.0%, 57.3%, 25.0% and 80.6% of Target Group's revenue for the financial years ended 31 December 2012, 2013, 2014 and three months ended 31 March 2015, respectively.

The revenue attributable to the sales of the Target Group's properties was recognised in the financial year ended 31 December 2014 when the TOP of the relevant properties were issued in 2014. As such, the revenue of the Target Group for the two financial years ended 31 December 2012 and 2013 comprise mainly the revenue attributable to its construction business. Hence, all of the five largest customers of the Target Group for the two financial years ended 31 December 2012 and 2013 were all customers of the construction business. For the financial year ended 31 December 2014, although the revenue generated by the property development business began to contribute, as the customers of the Target Group for property development were mainly individual purchasers and the top five largest customers for the property development of the Target Group amounted to only approximately SGD8.9 million which represented less than 1% of the total revenue for the year ended 31 December 2014, the five largest customers remained to be customers of the construction business during the Track Record Period. The level of the revenue contributed by to the top five customers reduced significantly in the financial year ended 31 December 2014.

In 2014, the Target Group entered into a construction contract with Customer B, a subsidiary of a well-established hotel and resort operator based in Hong Kong, as a main contractor in relation to construction of an office tower in Myanmar. The aggregate contract sum amounts to approximately USD84.8 million (equivalent to approximately SGD105.9 million), and the revenue attributable to this contract amount to SGD13.8 million and 3.8 million, representing 1.3% and 3.2% of the total revenue for the year ended 31 December 2014 and three months ended 31 March 2015. The construction works was subcontracted to Qingjian International (Myanmar) Group Development Company Limited ("**Qingjian Myanmar**"), an indirect-wholly owned subsidiary of Guotsing PRC. Upon Completion, this pre-existing subcontract between the Target Group and Qingjian Myanmar will constitute a connected transaction, further detail of which is stated under the paragraph headed "Continuing Connected Transactions — Summary of continuing connected transactions and listing rules implications — (I) Pre-existing transactions becoming connected" of this circular. To the best knowledge of the Directors Qingjian Myanmar has obtained all the relevant licences for carrying out the construction work on behalf of the Target Group in Myanmar. The above construction contract is an one-off transaction and save for above project, the Target Group has no other operation in Myanmar. Further, the Enlarged Group currently has no intention to expand its business into Myanmar in the future.

Welltech was one of the five largest customers for the two financial years ended 31 December 2012 and 2013, and accounted for approximately 18.8% and 3.6% of the revenue of the Target Group. As at the Latest Practicable Date, Welltech is wholly-owned by Qingdao Bohai. Qingdao Bohai is a shareholder of Guotsing PRC (the controlling shareholder of the Company), and is interested in approximately 13.735% equity interest of Guotsing PRC as at the Latest Practicable Date. Qingdao Bohai is ultimately controlled by Bohai Investment, in which Dr. Du is the largest shareholder, with a 20% beneficial interest as at the Latest Practicable Date. Welltech is a company incorporated in Singapore mainly engaged in provision of construction service as main contractor for governmental authorities in Singapore including HDB and Ministry of Education.

The Company on 22 September 2015 entered into an option deed, pursuant to which the Company is granted a call option exercisable in two years from the date of the deed to acquire the entire equity interest in Welltech. For further details please refer to paragraph headed "Relationship with Controlling Shareholder — Welltech Group".

Save as disclosed above, none of the Directors and their close associates or any of the Shareholders which, to the knowledge of the Directors, own more than 5% of the Company's share capital as of the Latest Practicable Date, have any interest in any of the Target Group's five largest customers.

LICENCES, AWARDS AND ACCREDITATION

Each of the Qingdao Construction, Qingjian International have obtained the Class One General Builder Licence by the BCA which allows it to undertake property construction projects of any value except works that have been designated as specialist works.

The Target Group has obtained all material requisite licenses, permits and approvals for its operation, details of which is as shown below:

Workhead	Description	Grading	Date of grant/ issuance	Expiry date
Qingjian International				
CW01	General Building	A1	30.06.2014	01.07.2017
CW02	Civil Engineering	B1	30.06.2014	01.07.2017
CR07	Cable/Pipe Laying & Road Reinstatement	L5	30.06.2014	01.07.2017
ME01	Air-Conditioning, Refrigeration and Ventilation Works	L5	30.06.2014	01.07.2017
ME05	Electrical Engineering	L5	30.06.2014	01.07.2017
ME06	Fire Prevention and Protection Systems	L5	30.06.2014	01.07.2017
ME11	Mechanical Engineering	L5	30.06.2014	01.07.2017
ME12	Plumbing and Sanitary Works	L5	30.06.2014	01.07.2017

Workhead	Description	Grading	Date of grant/ issuance	Expiry date
Qingdao Construction				
CW01	General Building	A1	16.12.2014	01.07.2016
Chong Lee Heng				
ME11	Mechanical Engineering	L1	28.10.2013	01.09.2016
SY08	Mechanical Equipment, Plant and Machinery	L1	28.10.2013	01.09.2016
SY10	Metal and Timber Structures	L2	28.10.2013	01.09.2016

Each of the subsidiaries, QJ Anchorvale, QJ Edgefield Plains, QJ Punggol Central, QJ Punggol Way, QJ Sengkang, QJ Serangoon, QJ Woodlands, have obtained the sale housing developer's licence from the Controller of Housing under the URA which means they are allowed to commence construction and start selling the units once building plan approval for the development has been obtained.

The Target Group has also received other awards and accreditation. They are as follows:

Date	Name of award or accreditation	Awarding organisation
Qingjian International		
2012	HDB Construction Awards 2012 for Punggol Spring (Housing)	HDB
2012	BCA Green and Gracious Builder Award 2012 (Merit)	BCA
2013	BCA Construction Excellence Award 2013 (Merit) for Natura Loft	BCA
2013	BCA Construction Excellence Award (Merit) for Punggol East Contract 21	BCA
2013	BCA Construction Productivity Award (Gold) for Punggol East Contract 21 (Punggol Spring)	BCA
2013	HDB Awards 2013 for Punggol Breeze (Housing) certificate of merit (construction)	HDB
2013	HDB Awards 2013 for Senja Green(Housing) certificate of merit (construction)	HDB
2013	Luban Prize (Overseas project) for project Natura Loft	CCA
2014	BCA Construction Excellence Award for Punggol East Contract 33 (Punggol Breeze)	BCA

Date	Name of award or accreditation	Awarding organisation
2014	BCA Construction Excellence Award for Bukit Panjang N6C9 (Senja Green)	BCA
2014	BCA Construction Productivity Awards (Platinum) for Punggol East Contract 33	BCA
2014	Green and Gracious Builder Excellent Award	BCA
2014	BCA Green Mark Award (Gold Plus) for The Topiary	BCA
Granted on 30 April 2013, expiring on 29 April 2016	ISO 9001:2008	BCA
Granted on 13 May 2013 and expiring on 10 May 2016	ISO 14001:2004	BCA
Granted on 30 April 2013 and expiring on 29 April 2016	BSOHSAS 18001:2007	BCA
Qingdao Construction		
Granted on 24 May 2012	Green and Gracious Builder Award 2012 (Merit)	BCA
Granted on 16 May 2013	BCA Construction excellence award for project Natura Loft	BCA
Granted on 16 May 2013	BCA Construction excellence award for project Punggol East Contract 21	BCA
Granted on 19 May 2013 and expiring on 18 May 2016	ISO 9001:2008	BCA
Granted on 19 May 2013 and expiring on 18 May 2016	ISO 14001:2004	BCA
Granted on 19 May 2013 and expiring on 18 May 2016	BSOHSAS 18001:2007	BCA
Chong Lee Heng		
Issued on 20 June 2013, and valid until 19 June 2016	ISO 9001:2008	BCA

COMPETITION

In relation to the property development, the executive condominiums and private housing market in the Outside Central Region of Singapore is seen as fragmented and highly competitive at present. According to Knight Frank, during the period from 2010 to 2014, there were 164 companies behind the development of 228 private housing and executive condominiums projects launched in the Outside Central Region of Singapore. The Target Group was ranked fifth in terms of the number of new sale units sold for private housing and executive condominiums projects launched in both the Outside Central Region as well as in the entire Singapore during this period, representing approximately 3.9% and 3.0% of the market share respectively during the abovementioned period. In terms of the major peers of the Target Group, the key competitors of the Target Group for its property development segment include, among others, City Developments Limited, Sim Lian Group Limited and Far East Organization, which are property developers with home-grown brands in Singapore with some of them are listed on the Singapore Exchange. The key entry barriers for potential market entrants are (i) high land prices; (ii) rising construction costs and (iii) rising competition from foreign developers.

According to Knight Frank, although it is expected that there will be a continued decline in prices for the private housing market in the short-term due to the property market cooling measures implemented by the Singapore government, the fundamentals of the Singapore property market remain stable and attractive and prices may potentially bottom out from 2016. 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. Further, the market of executive condominiums is expected to see a gradual recovery from its lacklustre performance last year. Nevertheless, in view of the substantial upcoming supply for executive condominium, there remains an overriding need for developers of executive condominiums to differentiate their projects so as to achieve higher selling prices and profit level. Please refer to Appendix IA of this circular for further information on the market outlook for Singapore residential property market.

In relation to the construction market, according to Rider Levett Bucknall, the construction market in Singapore is also highly competitive. Over a five year period from 2010 to 2014, the Target Group achieved 23 residential contracts amongst its competitors with a total contract value of SGD2.86 billion. This amount can be translated to an average of 4.3% market share compare with total amount of residential construction contract value available in Singapore for the past five years. There are stringent rules and regulations to uphold workmanship quality standards that construction companies are obliged to adhere to. The key entry barriers for potential market entrants include stricter qualifying regulations and the high operating costs attributable to the increasing labour cost and other compliance costs.

According to Rider Levett Bucknall, the tender prices of construction projects are anticipated to remain competitive due to the increased labour restrictions and regulatory costs. Construction price movements are anticipated to increase between 1% to 2% for 2015. The overall construction demand is expected to remain resilient over the next five years with contract values to range between SGD26.0 billion and SGD37.0 billion per year. Residential construction demand is estimated to rake in a dismal total of SGD7.25 billion in 2015. Public infrastructure works shall predominantly give continual support to the construction demand in view of supporting Singapore's competitive economic capacity and long term challenges. Please refer to Appendix IB of this circular for further details.

The Directors believe the key competitive advantage of the Target Group is (i) the integrated business model with the synergy created by the two segments of business, namely the property development and the property construction which allow the Target Group to operate in a cost-efficient manner; (ii) innovative product design such as the concept of "Co-space", and (iii) strong track record in both property development and construction in Singapore. For further details on the competitive strength of the Target Group, please refer to the paragraph headed "Business of the Target Group — Competitive Strength".

INTELLECTUAL PROPERTY

During the Track Record Period, the Target Group has marketed its properties under "青建" which was registered by Qingjian Group Co. Ltd. In the future, the Enlarged Group will continue to be developed and marketed under this brand and on 25 September 2015, Qingjian Group Co. Ltd and the Company entered into the Trademark Licence Agreement pursuant to which Qingjian Group Co. Ltd granted licences to the Enlarged Group to use the trademark bearing the "青建" brand. Please refer to the paragraph headed "Continuing Connected Transactions — (II) Exempted continuing connected transactions — A. Licence of trademarks by the Guotsing Group to the Enlarged Group".

During the Track Record Period, the Target Group also marketed its property projects under the "co/pace" trademark for usage in Singapore which is registered by the Target Group in Singapore. It is expected that such trademark will continue to be used by the Enlarged Group after Completion. For details of the trademark, please refer to "Statutory and General Information — Further information about the Target Company" in this Circular.

As at the Latest Practicable Date, the Target Group was not aware of any material infringement (i) by it of any intellectual property rights owned by third parties or any related infringement claims; or (ii) by any third parties of any intellectual property rights owned by it.

INSURANCE

As at the Latest Practicable Date, the Target Group has taken up the following insurance policies to cover its operational, human resource and fixed asset risks:

(a) contractor's all-risks insurance in respect of its construction and property development projects which covers, among others, material damages to the contract work (both permanent and temporary work), contract price of the project, materials supplied, construction plant and equipment as well as third party liabilities which includes bodily injury and property damage;

(b) work injury compensation insurance under the Work Injury Compensation Act, Chapter 354 of Singapore to cover specified occupational diseases, personal injuries or deaths arising out of and in the course of the employee's employment by the Target Group;

(c) worker's medical insurance and group hospital and surgical insurance to cover the medical needs of the Target Group's employees; and

(d) motor vehicle insurance.

The above insurance policies are reviewed annually to ensure that the Target Group has sufficient insurance coverage.

The Directors are of the view that the existing insurance coverage maintained by the Target Group is in line with market practice and industry norms, and is adequate for the operations of the Target Group.

HEALTH AND SAFETY AND ENVIRONMENTAL MATTERS

The Target Group is committed to providing a safe and healthy environment to its employees, as well as fulfilling its social responsibilities to both the community and environment. The Target Group has established safety and environmental department and project department to establish specific measures to promote occupational health and safety and environmental. The Target Group strictly adhere to the ISO 9001 (quality), ISO 14001 (environmental) and OHSAS 18001 (Safety) regarding occupational health and safety matters which its employees of the Target Group as well as of the subcontractors are required to comply. The Target Group has been awarded with a number of accreditations over the years. The Target Group has been certified with ISO 9001:2008 which requires a company to provide products that meets customers' needs, fulfils the applicable regulatory requirements, and enhances customer satisfaction. The Target Group have also fulfilled the requirements for an environmental management system under ISO 14001:2004 which ensures that the Target Group complies with regulatory compliance, and that the Target Group's operations maximise efficiency and minimise wastage. The ISO 14001:2004 accreditation also demonstrates the Target Group's commitment to environmental control. The Target Group has also fulfilled the requirements for OHSAS 18001:2007 which sets the standards required for international occupational health and safety management systems. The Target Group is subject to the Singapore laws and regulations regarding labour, health and safety and protection of the environment. To ensure compliance with these laws and regulations, the Target Group has internal policies and systems in place, including a safety and environmental management system which sets out steps and mechanisms dealing with safety and environmental issues at specific stages of operations from signing of construction contracts, the carrying out of construction works quality inspection and completion and delivery. Please refer to the section "Regulatory Overview" in this Circular for summaries of the relevant laws and regulations.

Social, occupational health and safety

The Target Group's occupational health and safety management system currently in place has been certified as being complied with OHSAS 18001 requirement. The Target Group endeavour to ensure it complies with all relevant labour, health and safety regulation in Singapore by evaluating hazards and potential risks of each projects. A detail written policy on project safety is maintained and updated regularly.

For every project, the Target Group will assign a WSH officer (or WSH coordinator) for site supervision and assist the project manager in the formulation and control of general occupational health and safety at the site. Risk assessment and safety inspections will be conducted on-site to ensure that the provisions of Workplace Safety and Health Act, Chapter 354A of Singapore, the Workplace Safety and Health (General provision) Regulations and relevant regulations are complied with. In addition, WSH officer will also assist in identifying and assessing any foreseeable risk arising from the workplace or work process therein. Thereafter, the project manager should establish a detailed SHMS (Safety and Health Management System) with measures and precautions covering areas such as the management structure and the personnel involved, operating procedures for the implementation of safety measures, labour resources management, machinery operation precautions, safety measures training, risk assessment system and accidents reporting mechanism. The Target Group also provide training related to safety management and operation on sites for all of its employees to reduce risk of injury or death.

In case of accidents or incidents that happened in the project site, the project manager and the WSH Officer must be informed, who should conduct a detail investigation in the accidents and analyse the cause of the accidents as well as the surrounding measures and precautions in place at the time of accident. After the investigation, a written investigation report should be submitted to the management of the Target Group outlining the analysis above, as well as the recommendation by WSH officer to prevent recurrence of the accident. The project manager and the WSH officer shall ensure that the recommended corrective measures as mentioned in the investigation report are implemented on site, which should be followed by another report listing out how the corrective actions are implemented together with any all relevant documentations for the management review. Project manager or the WSH officer shall communicate the accident or incident to all project site members during the regular meeting. Separately, the project manager and the WSH officer will also hold a safety meeting regularly with the management to update and evaluate any new risk identified and to report on the implementation of the safety measures. If there is any incident leading to death, injury, dangerous occurrences and occupational disease, it shall be the responsibility of the project manager or WSH officer to file the report with MOM in accordance with the relevant regulations, and the Target Group would also maintain records of these accidents happened.

Fatal Accidents

During the Track Record Period, save for two fatal accidents related to one employee of the Target Group and one employee of the subcontractor of the Target Group, the Target Group was not involved in other material accident causing death or serious injury in the course of business.

In August 2013, there was a fatal accident in the construction site of the Target Group's project River Isles relating to an employee of a subcontractor of Qingjian International (the "**2013 Accident**"). The deceased was carrying out rectification work to one of the formwork of a storey column, during which the column corner angle was slanting and the deceased lost his balance and fell from 6th storey of that building causing death. Upon investigation by the Target Group, the 2013 Accident was likely to be caused by the use of timber instead of aluminium for the formwork of the column. The relevant subcontractor of the Target Group was fined by MOM for the failure to take such measures necessary to ensure the safety and health of its employees at work, while Qingjian International was fined by MOM for a total of SGD5,000 in relation to the above accident for the failure to, as an occupier of the worksite, ensure every formwork structure was of sound material. No demerit point or other penalty in relation to the 2013 Accident was imposed on Qingjian International. Save for the fine above, (i) the Target Group has not been notified by the relevant government authority that any other member of the Target Group was held responsible for the 2013 Accident and there is no criminal or civil liability on the Target Group, its director, senior management or other employees of the Target Group; and (ii) the compensation paid by the Target Group for the deceased in the amount of SGD3,000 was covered in full and handled by the relevant insurance subscribed by the Target Group.

Subsequent to the 2013 Accident, in order to minimise the potential occurrence of similar accident, the Target Group has implemented the following specific measures:

(a) enhanced the site inspection procedure to require WSH Officer, the project manager or other designated personnel to conduct detailed examination on the material used and construction for all formworks, in order to ensure that the relevant material used are of sound material, good construction and adequate strength which strictly adhere to the plan or design of the professional architectural engineer;

(b) conducted more site inspections to ensure all safety precaution has been adopted by all workers in the Target Group's construction site in accordance with the Target Group's policy, including strict requirement that safety harness must be used whenever workers are required to work near the edge of a building; and

(c) enhanced workers' safety awareness of using proper personal protection equipment through continuous training and seminars and required the employees of the subcontractors to adhere to the relevant safety policies of the Target Group accordingly.

In January 2014, there was a fatal accident in the construction project Sengkang N4C24 involving a tower crane which swung at an abnormal speed, causing one of the Target Group's employee being pushed off the edge of the building together with the installed mesh barricades causing death while installing a prefabricated bathroom unit (the "**2014 Accident**"). Upon investigation by the Target Group, the 2014 Accident was likely to be caused by the malfunction of the tower crane. The relevant risk assessment and safe work procedure was in place at the time of accident. The deceased was trained on precast components installation and also attended the relevant tool box meeting on the date of accident. Further, the regular maintenance of the relevant tower crane was also conducted a week before the accident. The accident did not invalidate any of its existing licences. A partial stop work order was issued by MOM subsequent to the 2014 Accident in January 2014 and five demerit points was issued by MOM to Qingjian International in January 2014 as a result of the issuance of the partial stop work order. The partial stop work order was subsequently lifted three weeks later in February 2014 and the relevant demerit points issued as a result of the partial stop work order has been removed at the expiration of the 18-month period. In Singapore, MOM may issue demerit points to main contractors and sub-contractors for breaches under the Workplace Safety and

Health Act and relevant subsidiary legislations. Each demerit point is valid for a 18-month period from the date of first issue of a demerit point. A contractor or subcontractor that has received 25 demerit points or more within a 18-month period will be debarred from employing foreign workers. Save for the above, no other fine or penalty in relation to 2014 Accident was imposed on Qingjian International. Save for the above, (i) the Target Group has not been notified by the relevant government authority that any other member of the Target Group was held responsible for the 2014 Accident and there is no criminal or civil liability imposed on the Target Group, its director, senior management or employees and the relevant compensation to the family of the deceased in the amount of SGD170,000 has been covered in full and settled by the insurance subscribed by the Target Group.

Qingjian International was placed into the Business Under Surveillance Programme ("**BUS Programme**") in September 2014 following the assessment/inspection of MOM which found systemic lapses in the WSH management at the workplace of Qingjian International. The BUS Programme is a programme adopted by MOM to assist construction companies to develop or improve its safety and health management system. Although MOM did not specify in details on the systematic lapses found under the relevant notice of entry, Qingjian International has immediately conducted an internal review and submitted to MOM a comprehensive and sustainable action plan to address the potential weaknesses in its WSH management. This action plan contained detailed implementation measures to address a number of potential weaknesses in its WSH management including, among others, risk management implementation of hazardous operations, proposed preventive measures for accidents and non-compliances, operation control and update WSH management system. Qingjian International is accountable for the above action plan and is required to report the implementation progress on a regular basis to Occupational Safety and Health Division ("**OSHD**"). Inspections are carried out regularly by the OSHD Surveillance Branch to verify the progress made and Qingjian International will exit from the BUS Programme upon demonstrating improvement on WSH management and performance to the satisfaction of MOM. As of the Latest Practicable Date, Qingjian International has implemented the action plan devised and has been in close contact with the relevant personnel of the MOM to ensure that any request or enquires by MOM will be timely dealt with. Qingjian International is ineligible from tendering construction projects of governmental authorities in Singapore during the period under the BUS Programme. According to the Workplace Safety and Health Report 2014 issued by Workplace Safety and Health Institute, Singapore, the duration of contractors spent in the BUS Programme ranged from 5 to 18 months, with an average of 10 months. As at 24 July 2015, there were a total of 24 contractors placed under the BUS Programme.

During the Track Record Period, the revenue of the Target Group attributable to construction works of the governmental authorities in Singapore amount to 45.8%, 69.7%, 28.2% and 80.9% of the total revenue of the Target Group for each of the years ended 31 December 2012, 2013, 2014 and three months ended 31 March 2015.

The Directors are of the view that despite that Qingjian International was placed in the BUS Programme, it would not have a material adverse effect on the business of the Target Group for the following reasons:

1. the operating licences of the Target Group and the on-going construction projects currently engaged by Qingjian International will not be invalidated or affected as a result of the entry into the BUS Programme;

2. the BUS Programme is only a temporary measure required by MOM and, as mentioned above, according to Workplace Safety and Health Report 2014 issued by Workplace Safety and Health Institute, Singapore, the contractors spent an average of 10 months in the Bus Programme. Once Qingjian International exits the BUS Programme, it will have no subsequent restriction on the tendering of the construction project of governmental authorities;

3. BUS Programme does not restrict Qingjian International from tendering private construction projects and during the Track Record Period, Qingjian International was awarded a total of 3 private construction projects in an aggregate contract sum of SGD417.9 million;

4. as at 31 March 2015, the unrealised contract sum of the Target Group's construction contracts amount to approximately SGD856.0 million, and that the Target Group also held majority interests in six property development projects as at 30 June 2015 and the TOP of RiverSound Residence was issued in May 2015 with the corresponding sales revenue of approximately SGD565.0 million will be reorganised subsequent to the Track Record Period, the restriction on tendering of construction projects of governmental authorities by Qingjian International brought by BUS Programme shall not have any material adverse impact on the financial position of the Target Group;

5. As confirmed by the legal advisers to the Company as to Singapore laws, as at the Latest Practicable Date, Qingdao Construction holds the Class One General Builder Licence by the BCA and an A1 grading for the CW01 General Building workhead by the BCA, and is not on any list or in any programme of any Singapore public authority such as the BUS Programme which will prohibit it from tendering for construction projects organised by the government departments, statutory bodies and other public organisations of Singapore. Qingdao Construction is therefore eligible from a licensing perspective to tender for public projects issued by the HDB. Nonetheless, as at the Latest Practicable Date the Target Group has already engaged in 15 on-going construction projects engaged by third parties as well as its own property development, given the number of construction contracts on hand, in order to avoid over-utilising the manpower available as well as to ensure the Target Group has sufficient resources to supervise each on-going construction project, the Target Group has been cautious in formulating and submitting tenders for new construction contracts and since September 2014 and up to 30 June 2015, the Target Group through Qingdao Construction, only tendered for three new construction projects of HDB and other than one new engagement of Qingdao Construction in relation to the basement works of the Target Group's property project Sembawang in May 2015, the Target Group has not entered into other new construction contract with either governmental authorities or private property developers in Singapore; and

6. there is no significant impact on the financial position of the Target Group as the audit and BUS Programme related costs are small compared to the revenue of the Target Group.

Subsequent to the 2014 Accident, in order to minimise the potential occurrence of similar accident, the Target Group has implemented the following specific measures:

(a) engaged approved crane contractor to conduct functional tests for all tower cranes to ensure they could function normally;

(b) engaged the authorised examiner to re-certify all tower cranes inclusive the examination of the slewing mechanism and system, functionality and effectiveness of the anti-collision devices. The relevant authorised examiner has subsequently re-endorsed the tower crane layout plan and submitted to the Ministry of Manpower for record;

(c) engaged the authorised examiner to conduct a thorough review of the structural and mechanical integrity of all tower cranes for the project Sengkang N4C24;

(d) engaged the anti-collision specialist to install data loggers for all tower cranes to monitor and record key operational parameters and critical events performed on the cranes which assist the Target Group to monitor closely the crane usage, maintenance management, and analyse the crane operation;

(e) the risk assessment team of the Target Group has reviewed the risk assessments and safe work procedures related to installation of prefabricated bathroom unit and further extended the revisions to other general precast components;

(f) enhanced training to all the lifting teams and precast installers; and

(g) engaged the ISO auditor to conduct a special audit on the occupational safety and health management system on 31 March 2014 to evaluate the implementation and effectiveness of the management system. The ISO auditor reviewed the corrective and preventive measures carried out by the Target Group after the 2014 Accident including the specific measures mentioned above and recommended that Qingjian International is eligible for continued registration under the BS OHSAS 18001:2007 standard for occupational health and safety management.

Please also refer to paragraph headed "Business of the Target Group — Risk Management and Internal control" for further information on the internal controls and measures adopted by the Target Group in relation to the social, occupational health and safety. Both the Directors and the Sole Sponsor are of the view that, and have consulted the views of an independent internal control consultant who also concurred with their view following their review of the above measures that, in light of the above measures specifically adopted to prevent the recurrence of similar accidents, the implementation of the action plan under the BUS Programme, together with other internal controls and measures adopted by the Target Group in relation to social occupation health and safety including compliance with OHSAS 18001, monthly monitor by risk management team, the "Key Performance Indicator" policy and employee's training, the existing measures implemented by the Target Group to prevent recurrence of material accidents are adequate and effective. The Target Group has subscribed work injury compensation insurance in accordance with the relevant law and regulations and typically any claim against the Target Group regarding industrial accidents with injuries would be covered by the insurance subscribed by the Target Group. The following table sets out the accident frequency rate and fatality rate of the industry average in Singapore as well as those of the Target Group:

	In the construction industry of Singapore *(note 1)*			Target Group		
	Number of fatal accidents	Fatality rate (per 100,000 employed persons) *(note 2)*	Accident frequency rate (per 1,000,000 man-hours worked) *(note 3)*	Number of fatal accidents	Fatality rate (per 100,000 employed persons) *(note 2)*	Accident frequency rate (per 1,000,000 man-hours worked) *(note 3)*
2012	26	5.9	1.7	0	0	1.25 *(note 4)*
2013	33	7.0	2.0	1	55 *(note 5)*	1.09 *(note 6)*
2014	27	5.5	2.1	1	26 *(note 7)*	1.29 *(note 8)*
First six months ended 30 June 2015	N/A	N/A	N/A	0	0	0.73 *(note 9)*

Note 1: the statistics are sourced from the Workplace Safety and Health Reports 2012, 2013 and 2014 issued by Workplace Safety and Health Institute, Singapore

Note 2: Fatal injury rate is calculated based on the following formula:

$$\frac{\text{Number of fatal workplace injuries}}{\text{Number of employed person}} \quad \text{X} \quad 100{,}000$$

and in relation to the Target Group, it includes the employees of its subcontractors.

Note 3: the accident frequency rate is calculated based on the following formula:

$$\text{Accident Frequency Rate} = \frac{\text{Number of workplace accidents reported}}{\text{Number of man-hours worked}} \quad \text{X} \quad 1{,}000{,}000$$

and in relation to the Target Group, it includes the accidents of and the man-hours related to the subcontractors of the Target Group

Note 4: the total man-hours in 2012 of the Target Group was 7,211,162 hours and there were 9 accidents reported in the construction site of the Target Group in 2012

Note 5: the calculation of the fatality rate is based on the average number of workers in the construction sites of the Target Group in each work day of 1,823 workers in 2013, and the deceased in the fatal accident of that year was an employee of the subcontractor of the Target Group

Note 6: the total man-hours in 2013 of the Target Group was 5,522,208 hours and there were 6 accidents reported in the construction site of the Target Group in 2013

Note 7: the calculation of the fatality rate is based on the average number of workers in the construction sites of the Target Group in each day of 3,836 workers in 2014, and the deceased in the fatal accident of that year was an employee of the Target Group

Note 8: the total man hours in 2014 of the Target Group was 11,584,485 hours and there were 15 accidents reported in the construction site of the Target Group in 2014

Note 9: As of 30 June 2015, the total man-hours of the Target Group was 5,508,381 for a total of SGD5,000 in relation to the above accident hours and there were 4 accidents reported in the construction site of the Target Group.

Environmental matters

Environmental impact assessments and studies are carried out by the Target Group prior to the launch of a project by the Target Group for the purpose of identifying potential sources of pollution and eliminating any potential adverse environmental impact and risk, and to ensure compliance with relevant environmental laws and regulations at the outset. Further, the Target Group will compile site environmental control reports regularly during the process of each construction projects in formulating the environmental control measures for each project, the following areas are particularly addressed and analysed:

- **Noise level control:** in accordance with the relevant regulations in Singapore, the Target Group would have in place the noise level monitoring system to keep track on the noise level, with guidance to ensure the noise level do not exceed the maximum level stipulated in the relevant regulation;

- **Water pollution control:** before the commencement of construction, the site should be inspected by a qualified earth control person with regards to the sewage treatment, garbage treatment as well as the drainage design, and the Target Group has established procedure on treatment of sewage before it could be discharged to the city drainage system in Singapore;

- **Waste treatment:** all waste should be collected and disposed at the designated spot in the construction site, which should then be handled by externally engaged company that are authorised by NEA in compliance with the relevant regulation in Singapore;

- **Pest control:** the Target Group engaged external pest control service provider approved by NEA to conduct regular pest control on the construction site to prevent the breeding of pests such as mosquito.

During the Track Record Period, the Target Group was involved in general immaterial non-compliance incidents related to noise level, carrying out of construction works outside permitted time and discharge of construction materials, which only result in five imposed to the Target Group but no demerit points, further details of which is disclosed in the paragraph headed "Business of the Target Group — Regulatory Compliance — Historical immaterial non-compliance incidents", during the Track Record Period and until the Latest Practicable Date, the Target Group has complied with the applicable environmental laws and regulations in Singapore in all material respects.

EMPLOYEES

As at 31 March 2015, the Target Group had 1,980 full-time employees. A breakdown of the Target Group's full-time employees by function as at 31 March 2015 is set out below:

Function	**Number of employees**
Enterprise Strategic Development and Operation	17
Accounting and Finance	29
Customer Service Center	8
Research and Development	24
IT	6
Human Resource and General Administration Department	29
Quality Control	107
Project Management	102
Other Project Management（including Water & Electricity Coordinator，Structure Draftsman, etc.）	68
Sales & Marketing	8
Legal & Contract	10
Procurement	9
Material	15
Project environment safety management	20
Construction workers	1,528
Total:	1,980

The employee compensation of the Target Group includes basic salaries, performance bonus, employer's contribution to defined contribution plans including Central Provident Fund, as well as other staff benefits. The Target Group's total expenses on staff cost for each of the three years ended 31 December 2012, 2013, 2014 and three months ended 31 March 2015 amounted to SGD37.2 million, SGD37.9 million, SGD85.9 million and SGD14.0 million, respectively.

The Target Group provides in-house training to its employees, including induction training for new joiners, and other training programmes targeting employees of different seniorities at different stages of their career. These training schemes aim at enhancing the employees' knowledge and understanding of the property development industry especially in relation to the development and construction of residential property development, and ensuring that the Target Group maintains a leading position in a competitive environment.

To enhance and cultivate the staff's professional skills and quality, the Target Group formulates "Employee training management method" in order to standardise the Target Group's internal training system. Every year, the Target Group will review and modify the training base on the actual needs of the development of the Target Group and formulate the annual training plan. The Target Group mainly recruits its employees based on the relevant requirements of the position, the experience and qualifications of the employee and prevailing market conditions at the relevant time. The Target Group also engages employment agents to provide recruiting services. The costs of social insurance and housing funds for the employees recruited are borne by the Target Group.

The Target Group had complied with applicable employment laws and regulations in the Singapore in all material respects and there had been no material labour disputes or labour related legal proceedings against the Target Group during the Track Record Period.

PROPERTIES USED BY THE TARGET GROUP FOR OPERATION

The corporate headquarter of the Target Group is located at 47 Kallang Pudding Road #12-01 Crescent@Kallang, Singapore 349318, which is a property held by the Target Group.

The Target Group also leased six premises in Singapore from independent third parties as the Target Group's office in Singapore:

	Address	**Monthly rental rates**	**Tenure**
		SGD	*Year(s)*
(a)	31 Tannery Lane #07-01 HB Centre II Singapore 347788	11,188.8	3 years commencing from 1 June 2014
(b)	60 Paya Lebar Road, Paya Lebar Square #09-13/14/15/16/17 Singapore 409051	24,474	3 years commencing from 1 May 2015
(c)	Blk 2 Balestier Road #04-699 Balestier Hill Shopping Centre Singapore 320002	1,500	3 years commencing from 1 December 2013

	Address	Monthly rental rates *SGD*	Tenure *Year(s)*
(d)	Blk 2 Balestier Road #04-701 Balestier Hill Shopping Centre Singapore 320002	1,300	3 years commencing from 1 May 2015
(e)	Blk 2 Balestier Road #04-703 Balestier Hill Shopping Centre Singapore 320002	1,800	3 years commencing from 1 May 2015
(f)	8 Burn Road, #12-05, Trivex, Singapore 369977	3,100	1 year commencing from 5 March 2015

As at the Latest Practicable Date, the Group leased one premise in Hong Kong from independent third party as the Group's office and did not held interest in any property. Accordingly, the Group has no property interest to be disclosed in the valuation report sets out in Appendix VI to this circular pursuant to Rules 5.01A and 5.01B of the Listing Rules. Set out below the details of the abovementioned leased premise:

Address	Monthly rental rates *(HKD)*	Tenure *(Years)*
Suite nos. 1, 9B, 10–12 & 15 on the sixth floor of Exchange Tower at No.33 Wang Chiu Road, Kowloon, Hong Kong	311,000.00	3 years commencing from 3 October 2014

LEGAL PROCEEDINGS

In its ordinary course of business, the Target Group has been subject to a number of claims due to personal injuries suffered by its employees in accidents arising out of and in the course of their employment. The Directors are of the view that occurrence of personal injuries is not uncommon in the industry. During the Track Record Period there were accidents which occurred in connection with the Target Group's construction projects which resulted in persons being injured. All of the outstanding claims are being handled by the Target Group's insurance companies. The Directors are of the opinion that such claims are well covered by insurance and would not result in any material impact on the financial position or results and operations of the Target Group.

During the Track Record Period and up to the Latest Practicable Date, these were 15 claims and litigations against the Target Group are related injuries arising from industrial accidents. Six of those claims were settled without trial and the relevant compensations in the aggregate amount of approximately SGD227,000 were fully covered and settled by the insurances subscribed by the Target Group. As at the Latest Practicable Date, the remaining outstanding claims which were related to industrial accidents causing injuries, including foot/ leg laceration, finger cut, shoulder injury, eye injury by foreign particles and face bruises. All of these outstanding claims are being handled by the Target Group's insurance companies and the Directors are of the view these outstanding claims would not result in any material impact on the financial position or result and operation of the Target Group.

Save as disclosed above, there is no other litigation, proceedings, or claims during the Track Record Period and up to the Latest Practicable Date commenced against the Target Group that might have material and adverse effect to its business, operations or financial condition.

REGULATORY COMPLIANCE

Historical immaterial non-compliance incidents

During the Track Record Period and up to the Latest Practicable Date, the Target Group was involved in seven immaterial non-compliance incidents related to noise level exceeding permitted level, carrying out construction works outside the permitted hours or period and improper discharge of certain construction materials. These incidents did not result in any demerit points being accumulated by the Target Group. In terms of fines, the Target Group was fined in aggregate of SGD48,000 for these non-compliance incidents during the Track Record Period and up to the Latest Practicable Date. All these fines imposed by either NEA or PUB have been fully settled, and such amount had no material adverse effect on the financial position of the Target Group during the Track Record Period and up to the Latest Practicable Date. Notwithstanding of the immaterial nature of the above non-compliance incidents, the Target Group is committed to prevent the recurrence of such incidents and has implemented certain internal control measures, details of which is stated in the paragraph headed "Business of the Target Group — Risk Management and Internal Control — Internal control measures".

Save as disclosed in the foregoing, our Directors confirmed that the Target Group had complied with all relevant laws, rules and regulations in all material respects during the Track Record Period and up to the Latest Practicable Date.

RISK MANAGEMENT AND INTERNAL CONTROL

Internal Control Measures

In order to further strengthen our internal control system as well as to minimise the risk of any future potential non-compliance, we have adopted the following specific internal control measures:

1. *Compliance with the international standards regarding environment, health and safety*

   The Target Group placed great emphasis on the compliance with the recognised international standards regarding environment, safety and quality control in construction business. The Target Group has adopted a set of comprehensive internal manuals setting out guidelines and procedures to be followed conforming with ISO 9001 (quality), ISO

14001 (environmental) and OHSAS 18001 (Safety). Further, the Target Group would continue to engage ISO auditors to carry out compliance audit pursuant to the ISO standards.

2. Monthly monitor by risk management team

The Target Group has set up a risk management team designated to review the implementation of the internal policies on the construction sites. The team is chaired by Mr. Song Xiuyi, a senior management of the Company, together with project manager of each on-going construction projects and manager of Project Environment Safety Management Department. The committee will conduct monthly review and meeting to examine the environment, health and safety measures in place as well as to resolve any insufficiencies noted or to address any potential risk aware. The committee will then formulate remedial actions or enhance the existing measures where necessary and appropriate, together with monthly reports or minutes on all the issues noted to facilitate further follow-up actions.

3. The "Key Performance Indicator" policy

To incentivise the employees of the Target Group, in particular the project manager for each construction project, to strictly adhere to the Target Group's internal control policies as well as to proactively eliminate any potential risks on non-compliance related to environment, health and safety matters that the Target Group may be exposed to, the Target Group has adopted a "Key Performance Indicator" policy whereby each project manager will be assessed by the Target Group on a yearly basis, and for project that is not subject to any fine or complaint, the project manager would be rewarded an extra year-end bonus.

4. Trainings of employee

The Target Group is also committed to ensure its employees are kept abreast with the latest development in the industry. In this respect the Target Group requires and funds its employees to attend training organised by institution such as BCA Academy. These trainings cover a wide range of topics and include meeting certain quality standards in the industry and implementation of relevant management system in this regard. These trainings assist to enhance the employees' technical knowledge, as well as maintaining its employees with high awareness of the quality standards the Target Group strictly adheres to.

Risk management policies and procedures

The Target Group has established a set of risk management policies and measures to identify evaluate and manage risks arising from its operation. The major features of its risk management include:

- the legal department will keep abreast of any changes in governmental policies, regulations, licensing requirement and permits and safety requirements to ensure that all changes in government policies, regulations, licensing requirement and permits and safety requirements are closely monitored and communicated to the Directors, senior management or project manager where appropriate for proper implementation and compliance;

- the Target Group has in place a set of financing management policy and bank account management policy for effective control of certain essential financial indications such as including but not limited to cash flow, debt-to-equity ratio and account receivables and payables, and requires the Accounting and Finance Department to closely monitor and assess the interest rate risks associated with the bank borrowings and bank balances and take appropriate actions to mitigate such interest rate risks and reduce costs of capital, and where necessary, considering alternative financing means should the need arise;

- the Target Group has adopted a set of funds planning management policy and cash management policy which set out internal requirements for monitoring and maintaining a level of cash and cash equivalents deemed appropriate by the management for purpose of financing operations and maintaining sufficiency of cash flow. The various departments prepare and submit their monthly cash requirement plans to the Accounting and Finance Department for review and assessment and the Accounting and Finance Department prepares a consolidated monthly cash requirement plan to the Target Group for review and approval by the executive Directors or senior management where appropriate;

- the Target Group has in place stringent quality control and supervision measures and procedures to prevent risk in relation to our property development and construction business, for further details please refer to the paragraph headed "Business of the Target Group — Quality Control".

Implementation measures of internal control policies

In addition to internal control policies designed to prevent future recurrence of non-compliance incidents mentioned above, the Target Group also has established a series of internal manual, policies and procedures that are designated to reasonably assure effective and efficient operations, reliable financial reporting and compliance with applicable laws and regulations. In order to ensure the effective implementation of the Target Group's internal control policies, the Target Group has adopted the following on-going measures:

- the Target Group has established Project Environment Safety Management Department mainly responsible for internal audit regarding the internal control policy and procedures as well as the environmental, health and safety matters;
- requires regular reporting on the financial conditions of the Target Group by the Finance and Accounting Department to the Directors and/or senior management;
- provides on-going training to Directors, senior management and project manager with respect to its internal control policies and expect to provide continuous training while necessary;
- the legal department will assess and monitor the implementation of the internal control policies through inspections from time to time and will report any deviations observed to the management team;
- established a reporting procedure for non-compliance incidents and accidents; and
- retained external counsels and compliance adviser to review and advise on regulatory compliance with the relevant laws and regulations that are material to the business of the Target Group.

CONTROLLING SHAREHOLDERS

As at the Latest Practicable Date, the Company was owned as to approximately 74.7% by CNQC Development, which was in turn ultimately owned by Guotsing PRC whereas Guotsing PRC was controlled by the Guotsing PRC Controlling Shareholders Group led by Dr. Du. Therefore, as at the Latest Practicable Date, CNQC Development, Guotsing SG, Guotsing PRC, the Guotsing PRC Controlling Shareholders Group and Dr. Du (i.e. the Controlling Shareholders Group) were the controlling shareholders of the Company. As discussed in the sub-section headed "Reorganisation" in the section headed "Letter from the Board" of this circular, CNQC (South Pacific) was wholly-owned by Guotsing SG as at the date of the Share Purchase Agreement, which in turn was wholly-owned by Guotsing PRC. Pursuant to the Reorganisation, the shareholding structure of CNQC (South Pacific) was reorganised prior to Completion which involved (i) the establishment of New Guotsing Holdco by the ultimate beneficial owners of Guotsing PRC (namely, Dr. Du, Qingdao Qingjian, Beijing Uni-land and the other beneficial owners of Shanghai Heliyuan and Qingdao Bohai) and the establishment of New Guotsing BVI by New Guotsing Holdco; and (ii) the transfer of CNQC (South Pacific) from Guotsing SG to New Guotsing BVI, forming the Target Company. Despite the Reorganisation, CNQC (South Pacific) and its subsidiaries have been and continue to be ultimately controlled by the Guotsing PRC Controlling Shareholders Group and Dr. Du before and after the Reorganisation because: (i) the members of the Guotsing PRC Controlling Shareholders Group and Dr. Du have close and long term relationship amongst themselves; (ii) there involved no exit by any member of the Guotsing PRC Controlling Shareholders Group after the Reorganisation as the Guotsing PRC Controlling Shareholders Group (or their respective ultimate beneficial owners) remains to control 85% interests in CNQC (South Pacific) after the Reorganisation; and (iii) as stated in the concert party agreement dated 22 September 2015 entered into amongst the Guotsing PRC Controlling Shareholders Group regarding their respective interests in Guotsing PRC, it was confirmed that since the establishment of Guotsing PRC in 2012, the directors representing each of the Guotsing PRC Controlling Shareholders Group had always discussed with one another and reached consensus on the relevant matters before exercising their voting rights in the board and shareholders' meetings in Guotsing PRC and going forward, will continue to vote in such a coordinated manner until the termination of such agreement.

Assuming that there is no change to the shareholding structure of the Company (other than the issuance of the CPS by the Company as Consideration Shares pursuant to the Share Purchase Agreement) at Completion, CNQC Development will continue to control 74.7% of the voting rights of the Company immediately upon Completion and New Guotsing Holdco will hold non-voting 647,273,454 CPS (as there will not be sufficient public float to enable the conversion of its CPS into Shares). If the Company places 215 million new Shares to independent third parties subsequent to the Completion and assuming no other change to the shareholding structure, New Guotsing Holdco will be able to convert all of its 647,273,454 CPS into Shares, and will be interested in approximately 55.7% of the enlarged issued share capital of the Company upon conversion while CNQC Development's interests in the Company will then be reduced to 19.3%. New Guotsing Holdco, BVI Company 1, BVI Company 2, BVI Company 4, BVI Company 5, Qingjian BVI, Qingdao Qingjian and Dr. Du will become the controlling shareholders of the Company after conversion of the CPS.

GUOTSING GROUP

Guotsing PRC, which, together with its subsidiaries, 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.

Independence from the Guotsing Group

(a) Business delineation between the Enlarged Group and the Guotsing Group

Although both the Enlarged Group and the Guotsing Group will be engaged in property development and provision of construction services ("**Restricted Businesses**"), their businesses will be clearly delineated based on their geographical locations upon Completion. During the Track Record Period, the Target Company and its subsidiaries were the only companies interested by Guotsing PRC that were engaged in Restricted Businesses in Singapore. Upon Completion, the Enlarged Group will conduct the Restricted Business in Hong Kong, Macau and Singapore ("**Restricted Territories**") and the Guotsing Group (other than through the Enlarged Group) will conduct its Restricted Business mainly in the PRC and in other countries outside of the Restricted Territories. Hence, other than through the Enlarged Group, the Guotsing Group will not have any subsidiaries engaging in the Restricted Business in the Restricted Territories after Completion. Owing to the specific requirements of the property and construction market in Singapore, Guotsing PRC will not be able to easily re-enter into the construction market in Singapore because it does not possess the requisite licences to bid for HDB's construction projects nor does it have any relationship with the local property developers to bid for their projects. Such geographical delineation will ring-fence the operations of the Enlarged Group from any potential competition from the Guotsing Group after Completion.

In addition, the Guotsing PRC, New Guotsing Holdco and Dr. Du (collectively, the "**Covenantors**") have entered into the Non-Competition Deed in favour of the Company which shall become effective at Completion pursuant to which each of the Controlling Shareholders has undertaken not to engage in Restricted Businesses in the Restricted Territories. Details of the Non-Competition Deed are set out in the paragraph headed "Non-Competition Deed" below in this circular.

(b) Management independence

The day-to-day management of the business of the Target Group rests primarily with the Board and the senior management of the Target Group. Immediate following Completion, there will not be any change to the composition of the Board and the management team of the Target Group.

The Board is and will continue to be consisted of nine Directors immediately after Completion, comprising four executive Directors, two non-executive Directors and three independent non-executive Directors. Among the nine Directors on the Board, one executive

Director and two non-executive Directors are also directors of Guotsing PRC. Details of the roles and responsibilities of the Directors and senior management who also have roles in Guotsing Group are disclosed in the following table:

Director or senior management	Roles and responsibilities in the Company	Roles and responsibilities in the Guotsing Group
Director		
1 Du Bo	Chairman of the Board and executive Director	Chairman of the board of directors of Guotsing PRC and a director of Guotsing SG
	Overseeing overall management and operations of the Enlarged Group and the chairman of the Nomination Committee	Responsible for strategic planning and business development for Guotsing Group
2 Zhang Zhihua	Non-executive Director	Director and chief executive officer of Guotsing PRC and a director of Guotsing SG
	Overseeing the overall performance of the Enlarged Group and a member of the Audit Committee	Responsible for the financial and investment business for Guotsing Group
3 Ding Hongbin	Non-executive Director	Director and president of Guotsing PRC and a director of Guotsing SG
	Overseeing the overall performance of the Enlarged Group	Responsible for the property development, construction and logistics business of Guotsing Group
Senior Management		
4 Song Xiuyi	Senior Management	Director of Guotsing SG
	Overseeing the business development especially in respect of the Target Group's property development and construction projects in Singapore	Overseeing the Target Group's business

The Directors consider that the Enlarged Group can function independently from the Guotsing Group upon Completion notwithstanding that some of the Directors also hold positions in Guotsing Group for the following reasons:

(i) the Company has in place measures to manage any actual or potential Directors' conflicts of interests. Pursuant to the Articles, a Director shall not vote (nor be counted in the quorum) on a resolution of the Board approving any contract or arrangement or any other proposal in which he or any of his associates is materially interested. Independent non-executive Directors who, and whose associates, have no material interest in the transaction should be present at the Board meeting(s) at which such transaction is discussed. In the event that any such proposed contract or arrangement or any other proposal also constitutes a major transaction or above or a connected transaction pursuant to Chapters 14 or 14A of the Listing Rules, respectively, the Board is also required to comply with all the requirements under the Listing Rules, including (where applicable) obtaining Independent Shareholders' approval;

(ii) each of the Directors is aware of his fiduciary duties as a director which require, among others, that he must act for the benefit and in the best interests of the Company and the Shareholders as a whole and must not allow any conflict to arise between his duties as a Director and his personal interest or his roles in other corporation, including Guotsing PRC. If there is any potential conflict of interest arising out of any transactions to be entered into between the Enlarged Group and any Directors or his respective associates, such interested Director is required to abstain from voting at the relevant board meetings of the Company in respect of such transactions and will not be counted in the quorum;

(iii) six out of nine members of the Board do not hold any board seat or involve in any operation in Guotsing PRC upon Completion. Accordingly, a majority of the members of the Board are independent from Guotsing PRC and the Directors who also hold positions in Guotsing PRC do not have and will not, whether acting alone or collectively, have an absolute majority to pass any resolution of the Board;

(iv) amongst the four executive Directors, only Dr. Du is a director in the Guotsing Group and the other three executive Directors are not involved in the management of any of the businesses of the Guotsing Group. Although Dr. Du is the chairman of both the Company and Guotsing PRC, he will only be involved in the overall strategic planning and management of the Enlarged Group. The other two overlapping Directors are non-executive Directors who do not participate in the daily management and operations of the Enlarged Group;

(v) three out of nine Directors, i.e. one-third of the Board, are independent non-executive Directors and there is no overlapping of the independent non-executive directors of the Company and of Guotsing PRC, which is in line with corporate governance best practice in Hong Kong. All three independent non-executive Directors were appointed to the Board well before the acquisition of the controlling stake by Guotsing PRC in 2014 and do not have obligations to Guotsing PRC. None of the independent non-executive Directors have any position or role previously in Guotsing Group and none of the criteria of affecting independence under Rule 3.13 of the Listing Rules apply to them. The independent non-executive Directors either have appropriate academic qualifications or extensive experience in their respectable specialty areas, and have been appointed for the diversity in skills and background they may add to the Board. The independent non-executive Directors are expected to bring impartial and independent judgment to the Board and to take the lead in matters to be discussed by the Board where potential conflicts of interests (between

Guotsing PRC and the Company) may arise. In addition, the majority of the members of the Audit Committee, the Nomination Committee and Remuneration Committee of the Company are independent non-executive Directors; and

(vi) the Company has in place arrangements and corporate governance measures to manage actual or potential conflicts of interest, ensure independent decision-making, safeguard the protective measures under the Non-Competition Deed, and ultimately, protect the interests of the Shareholders. For example, the common directors of Guotsing PRC and the Company are required to, in case of any conflict of interest arising, abstain from voting on the relevant resolution(s) in the relevant meeting of the Board and/or the board of directors of Guotsing PRC, as the case may be, in accordance with and subject to the article of association of the Company and Guotsing PRC, as well as the applicable rules and regulations of the Cayman Islands laws and the PRC laws. Furthermore, the independent non-executive Directors will be reviewing the compliance of each Covenantor with the Non-Competition Deed. For further details of the corporate governance measures, please refer to "Corporate governance measures adopted by the Company" in this section.

The Directors believe that the presence of Directors from different backgrounds provides a balance of views and opinions. Having considered the above factors, the Directors are satisfied that they are able to perform their roles in the Enlarged Group independently, and the Directors are of the view that the Enlarged Group is capable of managing its business independently from Guotsing Group after Completion.

(c) Financial independence

As at 31 July 2015, being the latest practicable date (for the purpose of determining the indebtedness of the Target Group), the aggregate book value of loans provided by Guotsing SG to the Target Group was SGD99,321,968, while the aggregate book value of the security provided by Guotsing PRC and certain of its subsidiaries to support certain banking borrowings of the Target Group was SGD153,513,514. All such loans and security will be repaid or released and discharged (as the case may be) on or prior to Completion. Upon Completion, the Enlarged Group is not expected to rely on any new guarantee, loan or other financial assistance from the Guotsing Group. Based on the above reasons, the Directors consider that the Enlarged Group will be able to maintain financial independence from the Guotsing Group.

(d) Operational independence

The Directors consider that the Enlarged Group will operate independently of the Guotsing Group upon Completion, taking into account the following reasons:

(i) the operations of the Enlarged Group and the Guotsing Group will be physically separated by geographical locations. The Enlarged Group will operate in Hong Kong, Macau and Singapore and the Guotsing Group will operate primarily in the PRC and will not operate in Hong Kong, Macau and Singapore;

(ii) sales and procurement activities have been independently carried out by the Target Group before the Acquisition and hence, there will not be any centralised sales or procurement arrangements between the Enlarged Group and the Guotsing Group going forward;

(iii) the Target Group has an independent work force to carry out the development of property projects and to provide construction services in Singapore and has been operating independently from the Guotsing Group which operates mainly in the PRC. Therefore, upon Completion, the Enlarged Group will continue to have its own employees equipped with the relevant skills to run the ordinary course of its business and a management team which possesses the requisite expertise in property development and construction businesses;

(iv) the management team of the Target Group has been managing the business process, from tendering to sales and marketing and from procurement to construction independently without any reliance on the Guotsing Group; the Target Group has its own customer base and suppliers in Singapore that are different from that of the Guotsing Group which are largely based in the PRC; and

(v) the Enlarged Group also possesses all material licences, approvals and permits to carry on and operate its business in Singapore independently of the Guotsing Group.

Any future continuing connected transactions with the Guotsing Group will be entered into on normal commercial terms in the ordinary course of business, and to the extent where they constitute non-exempt continuing connected transaction will be reviewed by external auditors of Guotsing PRC and of the Company and the independent non-executive directors of the Company and reported on in the annual report of the Company in accordance with the Listing Rules.

Measures to minimise future potential competition between the Enlarged Group and the Guotsing group

Non-competition undertaking

In order to achieve the geographical segregation between the property development and construction businesses of the Guotsing Group and the Enlarged Group and minimise any potential competition arising therefrom, on 22 September 2015, Guotsing PRC, New Guotsing Holdco and Dr. Du (collectively, the "**Covenantors**") and the Company entered into the Non-Competition Deed.

Under the Non-Competition Deed, each Covenantor has undertaken in favour of the Company (for itself and on behalf of its subsidiaries) that conditional upon Completion and 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 Enlarged 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 non-competition undertaking by each Covenantor under the Non-Competition Deed does not apply to:

(i) the holding of securities by it/him (or any of its/his associates) in any company engaged in the Restricted Businesses in the Restricted Territories, whose securities are listed on a recognised stock exchange provided that such Covenantor (or its/his associates) is not in control of the board of such company and it is not interested in more than 5% of the issued share capital of such company; and

(ii) the acquisition, holding or construction of any property by it/him (or its/his associates) for self-use.

For the avoidance of doubt, the non-competition undertaking by Dr. Du under the Non-Competition Deed does not apply to his 20% indirect effective interest in the Welltech Group. Nonetheless, to eliminate any potential competition between the Welltech Group and the Enlarged Group, the Company has been granted with a call option to acquire the entire issued share capital of Welltech. Details of the Welltech Group and the call option are set out in the paragraph headed "Welltech Group" below in this circular.

Review of geographical delineation between the Enlarged Group and the Covenantors

During the term of the Non-Competition Deed, it is expected that the Company and each of the Covenantors will review annually or from time to time as considered to be required, the Company's and such Covenantor's respective business portfolio and consult with each other to determine if adjustments are required to be made to the geographical delineation between the Enlarged Group and such Covenantor (the "**Review**"). The Review is expected to be carried out by the Company and the Covenantor jointly during the term of the Non-Competition Undertaking. Any adjustment or amendment to the material terms of the Non-Competition Undertaking will be subject to the approvals of the independent non-executive Directors and applicable rules and requirements under the Listing Rules.

Rights of first refusal

Each Covenantor shall also provide the following rights in favour of the Company:

(a) if the Covenantor is aware of any new business opportunity to participate in the Restricted Businesses (the "**New Business Opportunity**") in the Restricted Territories, such Covenantor shall, subject to any confidentiality obligations of such Covenantor, provide a right of first refusal to the Company to pursue that New Business Opportunity by giving the Board a notice in writing, setting out all relevant information, including the particulars of companies, businesses or properties to be acquired, consideration involved and other proposed terms of the New Business Opportunity, for the Company to consider whether or not to pursue the New Business Opportunity. The Company shall notify the Covenantor in writing in accordance with the reasonable time set out in such notice, its decision as to whether the New Business Opportunity is accepted or declined. The independent non-executive Directors will be responsible for making the decision as to whether or not to pursue the New Business Opportunity based on the following factors and such other related factors and in compliance with the requirements and principles of the Listing Rules: (i) the prospects and strategic positioning of the business or properties to be acquired, (ii) the consideration payable, (iii) the prevailing property market positions and (iv) government policies and development plans. Please also refer to "Corporate governance measures adopted by the Company" in this section for details of the role of the independent non-executive Directors in the Review. The taking up of the New Business Opportunity by the Enlarged Group, if any, will be subject to compliance with the relevant requirements under the Listing Rules; and

(b) in respect of any Restricted Businesses of the Covenantor which the Covenantor has intentions to sell, the Covenantor shall provide the Board with a notice in writing, granting the Company with a right of first refusal to acquire such Restricted Businesses upon the same terms and conditions as a third-party purchaser would have offered to such Covenantor. The Covenantor shall set out all relevant terms and information, including the financial position or properties to be acquired and consideration involved for the Company to consider. The Company shall notify the Covenantor in writing in accordance with the reasonable time set out in such notice, whether or not it wishes to acquire the Restricted Businesses from the Covenantor. The independent non-executive Directors will be responsible in making the decision as to whether or not to acquire the Restricted Businesses from the Covenantor based on the following factors and such other related factors and in compliance with the requirements and principles of the Listing Rules: (i) the development prospects of the business or properties to be acquired, (ii) other comparable opportunities in the property market and (iii) the consideration payable. Any such acquisitions of Restricted Businesses by the Enlarged Group will be subject to compliance with the relevant requirements under the Listing Rules. If the Covenantor has received a notice from the Enlarged Group declining the right of first refusal or it has not received any notice from the Enlarged Group within the specified dates under the above-mentioned notice, it shall be entitled to sell the Restricted Businesses to any third party.

CORPORATE GOVERNANCE MEASURES ADOPTED BY THE COMPANY

The Directors believe that there are adequate corporate governance measures in place to manage any potential conflicts of interest and ensure compliance with the Non-Competition Deed. In addition, the Company has adopted the following corporate governance measures to further strengthen protection of the interests of the Shareholders:

(i) the Group is committed to ensuring that the Board has a balanced composition of executive and non-executive Directors (including independent non-executive Directors) so that there is a strong independent element on the Board, which can effectively exercise independent judgment. The independent non-executive Directors, details of whom are set out in the section headed "Directors and Senior Management of the Enlarged Group" in this circular, together possess the requisite industry knowledge and experience for their views to carry weight. The majority of the independent non-executive Directors have experience as directors of listed companies and will be able to provide impartial and professional advice to protect the interests of the minority shareholders;

(ii) any Director with material interest in any matter in respect of which a conflict or potential conflict of interest with the Enlarged Group may arise must make full disclosure in respect of such matter to the Board, and any conflicted Director (including any Director who holds a position in Guotsing Group and its subsidiaries), will abstain from participation in any board meeting when matters relating to any rights granted in favour of the Company under the Non-Competition Deed or any other connected transactions pursuant to contractual arrangements with Guotsing Group or its subsidiaries are discussed, unless his attendance is requested by a majority of the independent non-executive Directors. Notwithstanding his attendance, he shall not vote or be counted towards the quorum in respect of such matters;

(iii) the independent non-executive Directors will review the compliance and enforcement of the Non-Competition Deed on an annual basis. Each Covenantor will provide all information requested by the Enlarged Group which is necessary for such review by the independent non-executive Directors and the Enlarged Group will disclose such matters received by the independent non-executive Directors in its annual reports or by way of announcements;

(iv) the independent non-executive Directors will take lead in the Review and in particular, to consider and decide whether or not the Enlarged Group would exercise the right of first refusal to pursue any New Business Opportunities and/or to acquire the Restricted Businesses from the relevant Covenantor, and to consider and approve any amendment to the material terms of the Non-Competition Deed and make recommendations to Independent Shareholders;

(v) each Covenantor will make an annual declaration on its/his compliance with the Non-Competition Deed in the annual report of the Company and ensure that the disclosure of details of the compliance with and the enforcement of the Non-Competition Deed is consistent with the principles of disclosure under the Corporate Governance Code contained in Appendix 14 to the Listing Rules;

(vi) as required by the Listing Rules, the independent non-executive Directors will review any non-exempt continuing connected transaction annually and confirm in the Company's annual report that such transactions have been entered into in the Enlarged Group's ordinary and usual course of business, are either on normal commercial terms or on terms no less favourable to the Enlarged Group than those available to or from independent third parties and are on terms that are fair and reasonable and in the interests of the Company and its Shareholders as a whole; and

(vii) the Company has appointed Ample Capital Limited as its compliance adviser who will provide it with professional advice and guidance, in respect of compliance with the Listing Rules and applicable laws including various requirements relating to directors' duties and corporate governance.

WELLTECH GROUP

Welltech is a company incorporated in Singapore which, together with its subsidiary, is primarily engaged in the provision of construction service as main contractor for governmental authorities in Singapore including HDB. Welltech first established its market presence in Singapore in February 1987 and has more than 20 years of experience in the construction industry in Singapore. The Welltech Group was accredited with Class One General Builder Licence by BCA which allows it to undertake property projects of any value except works that have been designated as specialist works. The Welltech Group has also invested in selected residential property projects as a minority financial investor (including its 5% interests in QJ Sengkang, 10% interests in QJ Punggol Central, 10% interests in QJ Edgefield Plains and 10% interests in QJ Woodlands). Set out below are certain key audited financial information of Welltech for the last three financial years (prepared in accordance with Singapore Financial Reporting Standards):

Selected combined statements of profit or loss and other comprehensive income data of Welltech Group

	Year Ended 31 December		
	2012	**2013**	**2014**
	SGD	*SGD*	*SGD*
Revenue	152,410,555	66,674,930	120,246,250
Cost and Expenses	(145,326,231)	(68,605,996)	(117,649,878)
Profit before income tax	8,384,810	1,751,163	12,762,934
Net profit for the year	7,141,853	1,564,648	10,951,481

Selected consolidated statements of financial position data of Welltech Group

	As at 31 December		
	2012	**2013**	**2014**
	SGD	*SGD*	*SGD*
Total non-current assets	1,551,464	5,068,573	2,604,171
Total current assets	77,942,561	72,850,256	113,506,495
Total current liabilities	35,745,728	33,512,205	67,055,123
Total non-current liabilities	119,050	197,021	219,277
Net current assets	42,196,833	39,338,051	46,451,372
Net asset	43,629,247	44,209,603	48,836,266

As at the Latest Practicable Date, Welltech is wholly-owned by Qingdao Bohai. Qingdao Bohai is a shareholder of Guotsing PRC (the controlling shareholder of the Company), and is interested in approximately 13.735% equity interest of Guotsing PRC as at the Latest Practicable Date. Qingdao Bohai is ultimately controlled by Bohai Investment, in which Dr. Du is the largest shareholder, with a 20% beneficial interest as at the Latest Practicable Date. Qingdao Bohai is not a connected person of the Company.

As of the Latest Practicable Date, the board of Welltech consists of four directors and none of them have any relationship with the Company or any of its connected person. Welltech has over 15 years of history in the construction industry in Singapore and has been managed by a group of senior management who are independent from the Guotsing Group as well CNQC (South Pacific) and its subsidiaries.

During the Track Record Period, Welltech Group had engaged the Target Group as subcontractor for the provision of construction service. Welltech was one of the five largest customers of the Target Group's construction business for the two years ended 31 December 2012 and 2013 and the revenue of the Target Group attributable to Welltech was approximately SGD54.3 million, SGD9.8 million and SGD2.7 million for the year ended 31 December 2012, 2013 and 2014, respectively, accounted for approximately 18.8%, 3.6% and 0.26% of the revenue of the construction business of the Target Group, respectively. The directors of the Target Group confirmed that all the transactions between Welltech Group and the Target Group during the Track Record Period were entered into on an arm's length basis and were on normal commercial terms. As Welltech Group has been recruiting its own labour force as well as diversifying its suppliers' base, it is expected that the transactions between the Welltech Group and the Target Group will not be continued after Completion.

Notwithstanding that both the Target Group and Welltech Group are engaged in construction projects in Singapore with similar target customers, the Directors consider that the Enlarged Group will operate independently of the Welltech Group for the reasons below:

(i) Dr. Du is a passive investor in Welltech through his 20% beneficial interest in Bohai Investment, which does not entitle Dr. Du to exercise any control in respect of the Welltech Group at its shareholders level;

(ii) Dr. Du is not a director of Welltech and does not participate in the daily management of Welltech. Further, Dr. Du has undertaken to the Company that he will not involve or participate in the management and operation of the construction business of the Welltech Group from Completion and up to the exercise of the Call Option (as defined below);

(iii) there is no overlapping directors or senior management between the Enlarged Group and the Welltech Group. Each of the Target Group and the Welltech Group has a separate and independent management team to oversee and manage their respective construction business, and have direct and independent access to suppliers, sales agents and design firms; and

(iv) the Enlarged Group and the Welltech Group possesses all material licences, approvals and permits to carry on and operate its business independently of one another.

Call option deed

In order to eliminate any potential competition between Welltech Group and the Enlarged Group and in view of the synergy that may be created from combining the two teams, the Company has intention to acquire the entire issued share capital of Welltech. Based on the preliminary negotiation between the Company and Qingdao Bohai (the shareholder of Welltech), Qingdao Bohai has indicated its desire to receive cash consideration. In light of the current financial position of the Company and the structure of the Acquisition, the Company has decided not to acquire Welltech at the same time as the Acquisition and may consider to acquire it following Completion when the Company has conducted further capital raising activities.

In connection with this, the Company on 22 September 2015 entered into an option deed (“**Call Option Deed**”) with Qingdao Bohai, pursuant to which Qingdao Bohai has granted to the Company a non-transferable option (“**Call Option**”) exercisable within two years from the date of the Call Option Deed to acquire the entire issued share capital of Welltech. Subject to the compliance with all applicable laws and regulations and the requirements under the Listing Rules, the consideration will be determined by reference to, among others, the latest audited net profit of Welltech Group at the time of exercise of the Call Option and the consideration shall be settled by cash, issue of new shares or other methods as agreed between the parties.

The Company shall make further announcement as and when it has decided to exercise the Call Option and comply with other relevant requirements under the Listing Rules including those under Chapter 14 of the Listing Rules.

OVERVIEW

CNQC Development was directly interested in 74.7% of the issued share capital of the Company as at the Latest Practicable Date. Upon completion of the Acquisition, New Guotsing Holdco will hold 647,273,454 non-voting CPS and hence, CNQC Development will continue to be interested so as to exercise or control the exercise of 74.7% of the voting power at general meetings of the Company. Hence, CNQC Development will continue to be the controlling shareholder of the Company. Guotsing PRC, being the parent company of CNQC Development, will, together with other members of the Guotsing Group and their respective associates, continue to be the Company's connected persons under Chapter 14A of the Listing Rules.

Upon the Company acquiring the Target Group at Completion, any transactions between the Enlarged Group and the Guotsing Group will constitute connected transactions or continuing connected transactions of the Company.

SUMMARY OF CONTINUING CONNECTED TRANSACTIONS AND LISTING RULES IMPLICATIONS

(I) Pre-existing transactions becoming connected

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

During the Track Record Period, 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 Target 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.

According to the current timetable, the Target Group estimated that the Myanmar Construction Contract would be completed by March 2016. As at 31 March 2015, SGD14,025,567.16 (equivalent to US$10,571,950.22) of the contracted sum had been incurred by Qingjian Myanmar under the Qingjian Myanmar Service Agreement. It is estimated that, subject to the progress of the Myanmar Construction Contract, the balance of SGD34,587,319.97 and SGD6,710,657.34 of the contracted sum would be incurred during the years ending 31 December 2015 and 31 December 2016, respectively.

The Company considered that the Qingjian Myanmar Service Agreement was entered into in the ordinary and usual course of business of Qingjian International and is on normal commercial terms.

As the Qingjian Myanmar Service Agreement has been entered into between Qingjian Myanmar and Qingjian International for a fixed period with fixed terms before the Acquisition, the transactions contemplated thereunder will become continuing connected transactions of the Company upon Completion because Qingjian International will become an indirect wholly-owned subsidiary of the Company and, pursuant to Rule 14A.60 of the Listing Rules, the Company must, upon Completion, comply with the annual review and disclosure requirements including publishing an announcement and annual reporting and when the Qingjian Myanmar Service Agreement is renewed or its terms are varied, the Company will comply with all continuing connected transaction requirements under Chapter 14A of the Listing Rules.

Loans received from non-controlling shareholders

Certain non wholly-owned subsidiaries of the Target Company have historically entered into term loan agreements with their respective non-controlling shareholders and the amounts of such loans were made in proportion to the percentages of shareholding of the respective non-controlling shareholders in the relevant subsidiary. The term loans would be repaid (unless otherwise agreed by all parties under the respective loan agreements) at or around completion of the relevant property development projects. As at 31 March 2015, the Target Group had outstanding borrowings of SGD91,077,632 which were shareholder's loans from the non-controlling shareholders who would become connected persons of the Company after Completion ("**Connected Shareholders**"). The details of the shareholder's loans from the Connected shareholders are shown as follows:

Name of Connected Shareholder	**Target Group Company to which the Connected Shareholder has provided loans (the "Relevant Subsidiary Borrower") (percentage of shareholding in the Relevant Subsidiary Borrower as at 31 March 2015)**	**Loan amount (percentage of the total shareholders' loan amount)** *(in SGD)*	**Date of loan agreement**
Outstanding borrowings as at 31 March 2015			
Yongli He Development Pte. Ltd.	QJ Serangoon (4%)	364,000 (4%)	20 December 2010
	QJ Sengkang (3.8%)	376,600 (3.8%)	20 December 2011
ZACD (Sengkang) Pte. Ltd.	QJ Sengkang (12%)	1,188,000 (12%)	20 December 2011
ZACD (Anchorvale) Pte. Ltd.	QJ Anchorvale (10%)	9,100,000 (10%)	7 August 2013
ZACD (Sennett) Pte. Ltd.	QJ Serangoon (15%)	1,365,000 (15%)	20 December 2010

Name of Connected Shareholder	Target Group Company to which the Connected Shareholder has provided loans (the "Relevant Subsidiary Borrower") (percentage of shareholding in the Relevant Subsidiary Borrower as at 31 March 2015)	Loan amount (percentage of the total shareholders' loan amount) *(in SGD)*	Date of loan agreement
ZACD (Woodlands3) Pte. Ltd.	QJ Woodlands (10%)	7,900,000 (10%)	18 July 2013
ZACD (Canberra) Pte. Ltd.	QJ Sembawang (10%)	3,211,008 (10%)	1 December 2014
Bohai Investments (Sengkang) Pte. Ltd.	QJ Woodlands (10%)	7,900,000 (10%)	18 July 2013
	QJ Sengkang (5%)	495,000 (5%)	20 December 2011
Bohai Investments (Punggol Central) Pte. Ltd.	QJ Edgefield Plains (10%)	2,200,000 (10%)	1 June 2012
Shun Kang Development & Investment Pte. Ltd.	QJ Punggol Way (10%)	6,400,000 (10%)	1 October 2012
HLY Investments (Anchorvale)	QJ Anchorvale (12%)	10,650,000 (12%)	7 August 2013
Suntec Property Ventures Pte. Ltd.	QJ Woodlands (15%)	11,850,000 (15%)	18 July 2013
	QJ Sembawang (15%)	9,633,024 (15%)	1 December 2014
	QJ Anchorvale (15%)	13,650,000 (15%)	7 August 2013
Mr. Zuo Haibin	QJ Punggol Way (5%)	3,200,000 (5%)	1 October 2012
	QJ Edgefield Plains (5%)	1,100,000 (5%)	1 June 2012
	QJ Sengkang (5%)	495,000 (5%)	20 December 2011
Outstanding borrowings incurred after 31 March 2015			
HLY Investments (Sembawang)	QJ Sembawang (3%)	2,730,000 (3%)	1 December 2014

Immediately following the Completion, it is expected that these Connected Shareholders will continue to provide loans in proportion to their shareholding interest to the Relevant Subsidiary Borrowers.

Since the Connected Shareholders are connected persons of the Company, the provision of loans by these Connected Shareholders to the Relevant Subsidiary Borrowers will constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules upon Completion.

As (i) the loans were provided to the Target Group prior to Completion, (ii) they were and will continue to be conducted on normal commercial terms or better and will not be secured by any assets of the Enlarged Group, such transactions will, pursuant to Rule 14A.90 of the Listing Rules, be fully exempted from the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Loans to associated company and related parties

During the Track Record Period, certain subsidiaries of the Target Company has extended term loans to certain property development companies in which the Target Company holds a non-controlling interest and the amounts of loans were made in proportion to the percentages of shareholding in those companies. The term loans would be repaid (unless otherwise agreed by all parties under the respective loan agreements) at or around the completion of the relevant property development projects. As at 31 March 2015, the Target Group had provided loans of a principle amount of SGD8,533,716 to the non-controlling project development companies which would become connected persons of the Company upon Completion ("**Connected Entities**"), the details of which are shown as follows:

Name of Connected Entities	Target Group Company to which the Connected Entities has received loans from (the "Relevant Subsidiary Lender") (Percentage of Shareholding in the Relevant Subsidiary Lender)	Loan amount (percentage of the total shareholders' loan amount) *(in SGD)*	Date of loan agreement
BH-ZACD (Tuas Bay) Development Pte. Ltd.	QJ Tuas Bay (30%)	4,800,000 (30%)	22 May 2013
Publique Realty (Pasir Ris) Pte. Ltd.	QJ Pasir Ris (5%)	3,753,716 (5%)	1 June 2012

Immediately following the Completion, it is expected that the Target Group will continue to provide loans in proportion to their shareholding interest to the Connected Entities.

Since the Connected Entities are connected persons of the Company, the provision of the loans by the Relevant Subsidiary Lenders to the Connected Entities will constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules upon Completion.

As (i) the loans were provided by the Target Group prior to Completion, (ii) they were and will continue to be conducted on normal commercial terms or better and in proportion to the equity interest directly held by the Enlarged Group in the Connected Entities, such transactions will, pursuant to Rule 14A.89 of the Listing Rules, be fully exempted from the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

(II) Exempt continuing connected transactions

Upon Completion, the following transactions will constitute continuing connected transactions of the Company but will be exempt from the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules:

A. Licence of trademarks by the Guotsing Group

Qingjian Group Co. Ltd., a 79.985% owned subsidiary of Guotsing PRC, is the registered owner of the trademark bearing the "青建" brand. The property and construction projects developed by the Target Group are currently and will continue to be developed and marketed under the "青建" brand.

On 25 September 2015, Qingjian Group Co. Ltd. and the Company entered into a trademark licence agreement (the "**Trademark Licence Agreement**") pursuant to which Qingjian Group Co. Ltd. granted licences to the Enlarged Group to use the trademark bearing the "**青建**" brand in Singapore on an exclusive basis from the Completion Date until 31 December 2025 at nil consideration. The Target Group has been Guotsing PRC's sole platform in the property development and construction businesses in Singapore and has been using the trademark of Guotsing PRC for a number of years. As such, in order to continue to leverage on the brand awareness in Singapore, the Enlarged Group will continue to use the trademark bearing the "**青建**" brand after Completion. Since this trademark is fundamental to the corporate brand of the Enlarged Group, and the trademark licence is granted to the Enlarged Group for nil consideration, the initial term of the Trademark Licence Agreement is set at 10 years, i.e. on better terms to the Enlarged Group.

The Company has an option to renew the Trademark Licence Agreement on one month's notice before the initial (or renewed) expiring date of the Trademark Licence Agreement for a period of ten years. Upon each exercise of a renewal option by the Company, Qingjian Group Co., Ltd. will be deemed to have granted a new option to the Company for a further extension of ten years subject to compliance with the applicable Listing Rules. The Directors, including the independent non-executive Directors considered that the Trademark Licence Agreement is in the interest of the Enlarged Group and the Shareholders as a whole.

The Trademark Licence Agreement may be terminated by Qingjian Group Co. Ltd. if neither Guotsing Group or New Guotsing Holdco is the controlling shareholder of the Company. Please refer to the section headed "Statutory and General Information — B. Further information about the Target Group — 2. Intellectual property rights of the Enlarged Group — Trademarks licensed by the Qingjian Group Co., Ltd." set out in Appendix VII to this circular for further details of the trademarks licensed by the Guotsing Group to the Enlarged Group pursuant to the Trademark Licence Agreement.

Since no consideration will be payable by the Company under the Trademark Licence Agreement, the above transaction constitutes *de minimis* continuing connected transaction under Rule 14A.76(1)(c) of the Listing Rules, which is fully exempted from reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

B. Financial assistance received from connected persons

Consistent with the market practice in Singapore, certain financial facilities granted by commercial banks in Singapore to certain non wholly-owned subsidiaries of the Target Company are guaranteed by their respective shareholders in proportion to the interest held by such shareholder in the relevant subsidiary.

As at the Latest Practicable Date, certain outstanding bank loans that were guaranteed by the minority shareholders of the non-wholly-owned subsidiaries or their respective associates, some of whom are also directors of these subsidiaries ("**Connected Guarantors**"), the details of which are shown as follows:

Name of Connected Guarantor	Relationship with the Enlarged Group	Target Group Company to which the Connected Guarantor has provided guarantee (the "Relevant Guaranteed Subsidiary")	Guarantee amount (percentage of the facility amount) (in SGD)
Mr. Song Xiuyi	a director of certain Relevant Guaranteed Subsidiaries, with his spouse, an ultimate minority shareholder of certain Relevant Guaranteed Subsidiaries	QJ Sembawang	7,491,900 (3% proportionate and several guarantee amongst Song Xiuyi, Zhang Zhihua and Lin XiuE)
		QJ Anchorvale	26,788,700 (10% proportionate and several guarantee amongst Song Xiuyi, Zhang Zhihua, Zuo Haibin and Lin XiuE)

Name of Connected Guarantor	Relationship with the Enlarged Group	Target Group Company to which the Connected Guarantor has provided guarantee (the "Relevant Guaranteed Subsidiary")	Guarantee amount (percentage of the facility amount) (in SGD)
Ms. Lin XiuE	a director and an ultimate minority shareholder of certain Relevant Guaranteed Subsidiaries and spouse of Dr. Du (an executive Director)	QJ Sembawang	7,491,900 (3% proportionate and several guarantee amongst Song Xiuyi, Zhang Zhihua and Lin XiuE)
		QJ Anchorvale	26,788,700 (10% proportionate and several guarantee amongst Song Xiuyi, Zhang Zhihua, Zuo Haibin and Lin XiuE)
Mr. Zhang Zhihua	a non-executive Director, a director and an ultimate minority shareholder of certain Relevant Guaranteed Subsidiaries	QJ Sembawang	7,491,900 (3% proportionate and several guarantee amongst Song Xiuyi, Zhang Zhihua and Lin XiuE)
		QJ Anchorvale	26,788,700 (10% proportionate and several guarantee amongst Song Xiuyi, Zhang Zhihua, Zuo Haibin and Lin XiuE)

Name of Connected Guarantor	Relationship with the Enlarged Group	Target Group Company to which the Connected Guarantor has provided guarantee (the "Relevant Guaranteed Subsidiary")	Guarantee amount (percentage of the facility amount) (in SGD)
Mr. Zuo Haibin	a director and a minority shareholder of certain Relevant Guaranteed Subsidiaries, and his spouse, an ultimate shareholder of certain Relevant Guarantee Subsidiary	QJ Edgefield Plains	6.7 million (5%)
		QJ Sengkang	26.2 million (10%)
		QJ Punggol	4.3 million (10%)
		QJ Punggol Way	16,860,300 (15%)
		QJ Anchorvale	26,788,700 (10% proportionate and several guarantee amongst Song Xiuyi, Zhang Zhihua, Zuo Haibin and Lin XiuE)

Immediately following the Completion, it is expected that these Connected Guarantors will continue to provide guarantees in proportion to their shareholding interest to the Relevant Guaranteed Subsidiaries in support of the financing facilities.

Since the Connected Guarantors are connected persons of the Company, the provision of the guarantees by these Connected Guarantors to the Relevant Guaranteed Subsidiaries will constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules upon Completion.

As the financial assistance received by the Enlarged Group from the Connected Guarantors will be (i) conducted on normal commercial terms or better; and (ii) will not be secured by any assets of the Enlarged Group, such transactions will, pursuant to Rule 14A.90 of the Listing Rules, be fully exempted from the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

(III) Other Continuing Connected Transactions

A. Subject to Annual Reporting and Announcement Requirements

Provision of marketing and consultancy services by SLP International

Background

During the Track Record Period, SLP International Property Consultants Pte. Ltd. ("**SLP International**") provided sales and marketing services to certain property development projects developed by the Target Group, which include but are not limited to the following:

Relevant member of the Target Group	Name of the property development project	Sales and marketing consultancy services provided to the Target Group
QJ Serangoon	NIN Residence	Provision of marketing services for QJ Serangoon
QJ Punggol	RiverParc	Provision of marketing and consultancy services for QJ Punggol
QJ Sengkang	RiverSound	Provision of marketing and consultancy services for QJ Sengkang
QJ Edgefield Plains	WaterBay	Provision of marketing services for QJ Edgefield Plains
QJ Punggol Way	Ecopolitan	Provision of marketing and consultancy services for QJ Punggol Way
QJ Woodlands	BelleWoods	Provision of marketing services for QJ Woodlands
QJ Anchorvale	BelleWaters	Provision of marketing services for QJ Anchorvale

The marketing and consultancy services provided by SLP International to the Target 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. The Company considers the Marketing and Consultancy Services have been entered into by the Target Group in its ordinary and usual course of business based on the commercial needs of the Target Group.

Connected Person

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.. As QJ Serangoon, QJ Punggol, QJ Sengkang, QJ Edgefield Plains, QJ Punggol Way, QJ Woodlands and QJ Anchorvale are Target Group Companies which will following Completion become subsidiaries of the Enlarged Group, Ms. Sim and Mr. Yeo will become connected persons of the Company and SLP International, being an associate of Ms. Sim and Mr. Yeo, will also become a connected person of the Company.

SLP International Master Service Agreement

The Company considers that it will be beneficial for the Enlarged Group to continue to engage SLP International to provide Marketing and Consultancy Services after Completion. To ensure that the transactions comply with Rules 14A.34, 14A.51 and 14A.52 of the Listing Rules, 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 as set out in the paragraph headed "Common Terms of Connected Transaction Agreements" below. Detailed terms of the Marketing and Consultancy Services shall be set out in the specific agreements to be entered into between the Enlarged Group and SLP International from time to time which are ancillary to and subject to the terms and conditions of the SLP International Master Service Agreement.

Historical amounts

For the financial year ended 31 December 2012, 2013 and 2014 and the three months ended 31 March 2015, the amounts paid by the Target Group to SLP International for the Marketing and Consultancy Services was SGD7,940,307, SGD4,932,049, SGD2,526,414 and SGD655,389, respectively.

Proposed Annual Caps and basis

The amount to be paid by the Enlarged Group to SLP International for the Marketing and Consultancy Services under the SLP International Master Service Agreement for the financial year ending 31 December 2015, 2016 and 2017 will not exceed the following annual caps:

Annual Caps	*SGD('000)*
31 December 2015	3,451
31 December 2016	4,679
31 December 2017	4,234

The annual caps for the Marketing and Consultancy Services payable by the Enlarged Group as set out above have been determined based on (a) the historical transaction amounts for the Marketing and Consultancy Services during the Track Record Period; (b) the nature of services required under specific contracts signed or agreed between the relevant members of the Enlarged Group and SLP International; (c) the projected increase in demand for the relevant services in anticipation of the new project developments of both the Enlarged Group and SLP International; and the projected increase in the average market prices for the similar services due to increased management and labour costs and other factors.

Pricing basis

The service fees payable under the SLP International Master Service Agreement by the Enlarged Group are to be agreed and determined on an arm's length basis between parties therein from time to time, which shall be comparable to, or no less favourable to the Enlarged Group than, the fair market prices for similar services offered by independent third parties to the Enlarged Group.

The relevant member of the Enlarged Group shall, before it enters into specific agreements in respect of the services pursuant to the SLP International Master Service Agreement:

(i) obtain at least two price quotations from suppliers who are independent third parties for the supply of the same or similar services required by the Enlarged Group; and

(ii) request SLP International to provide it with at least two sales records of the same or similar services offered by it to its customers, as the reference market price of such services.

If the relevant member of the Enlarged Group proceeds to place a purchase order or enters into a transaction with SLP International for the services contemplated under the SLP International Master Service Agreement, the price and other conditions at which such services are to be offered shall be no less favourable to the Enlarged Group than any of the price quotations and sales records.

Listing Rules implication

As the highest applicable percentage ratios calculated based on the annual caps for the SLP International Master Service Agreement is expected to be more than 1% but less than 5%, the transactions under the SLP International Master Service Agreement will constitute continuing connected transactions of the Company upon Completion under Chapter 14A of the Listing Rules, which will be 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.

B. Subject to Annual Reporting, Announcement and the Independent Shareholders' Approval Requirements

Supply of precast components and clay and concrete products by Qingjian Precast

Background

During the Track Record Period, Qingjian Precast and its subsidiaries (collectively, "**Qingjian Precast Group**") had been one of the key suppliers of the Target Group of precast components and clay and concrete products in Singapore (the "**Supply of Precast Components and Concrete**"). The Company considers the Supply of Precast Components and Concrete have been entered into by the Target Group in its ordinary and usual course of business based on the commercial needs of the Target Group.

Connected Person

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. As at the Latest Practicable Date, Qingjian Precast is owned as to 16% by Ms. Lin XiuE, spouse of Dr. Du, 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 Target Group Companies and the balance is held by certain other individuals. Dr. Du, Mr. Zhang Zhihua and Dr. Ding Hongbin, all being connected persons at the Company's level, and Mr. Song Xiuyi, a connected person at the subsidiary's level, collectively control more than 30% of the shareholding interest of Qingjian Precast. To enhance the corporate governance of the Company, the Company will, on Completion, comply with the Listing Rules on a voluntary basis as if Qingjian Precast is a connected person of the Company.

Qingjian Precast Master Service Agreement

The Company considers that it will be beneficial for the Enlarged Group to continue to source precast components and clay and concrete products from Qingjian Precast Group after Completion. To ensure that the transactions comply with Rules 14A.34, 14A.51 and 14A.52 of the Listing Rules, the Company entered into a new 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 as set out in the paragraph headed "Key Terms of Connected Transaction Agreement" below. Detailed terms of the Supply of Precast Components and Concrete shall be set out in the specific agreements to be entered into between the Enlarged Group and Qingjian Precast Group from time to time which are ancillary to and subject to the terms and conditions of the Qingjian Precast Master Service Agreement.

Historical amounts

For the financial year ended 31 December 2012, 2013 and 2014 and the three months ended 31 March 2015, the amount paid by the Target Group to Qingjian Precast Group for the Supply of Precast Components and Concrete was SGD62,665,638, SGD60,111,328, SGD73,887,076 and SGD22,745,167, respectively.

Proposed Annual Caps and basis

The amount to be paid by the Enlarged Group to Qingjian Precast Group for the Supply of Precast Components and Concrete under the Qingjian Precast Master Service Agreement for the financial year ending 31 December 2015, 2016 and 2017 will not exceed the following annual caps:

Annual Caps	*SGD('000)*
31 December 2015	78,400
31 December 2016	68,000
31 December 2017	68,000

The annual caps for the Supply of Precast Components and Concrete payable by the Enlarged Group as set out above is determined based on (a) the historical transaction amounts for the Supply of Precast Components and Concrete during the Track Record Period; (b) the projected additional Supply of Precast Components and Concrete required for the performance of the construction contracts by the Enlarged Group; and (c) the projected increase in the average market prices for similar products and services due to increased labour costs and other factors.

Pricing basis

The amount payable under the Qingjian Precast Master Service Agreement by the Enlarged Group are to be agreed and determined on an arm's length basis between parties therein from time to time, which shall be comparable to, or no less favourable to the Enlarged Group than, the fair market prices for similar products offered by independent third parties to the Enlarged Group.

The relevant member of the Enlarged Group shall, before it enters into specific agreements in respect of the products pursuant to the Qingjian Precast Master Service Agreement:

(i) obtain at least two price quotations from suppliers who are independent third parties for the supply of the same or similar products required by the Enlarged Group; and

(ii) request members of the Qingjian Precast Group to provide it with at least two sales records of the same or similar products offered by it to its customers, as the reference market price of such products.

If the relevant member of the Enlarged Group proceeds to place a purchase order or enters into a transaction with the relevant members of the Qingjian Precast Group for the products contemplated under the Qingjian Precast Master Service Agreement, the price and other conditions at which such products are to be offered shall be no less favourable to the Enlarged Group than any of the price quotations and sales records.

Listing Rules implication

As one or more of the applicable percentage ratios calculated based on the annual caps for the Qingjian Precast Master Service Agreement exceed 5%, the transactions under the Qingjian Precast Master Service Agreement will constitute continuing connected transactions of the Company upon Completion under Chapter 14A of the Listing Rules, which will be subject to the annual reporting requirements under Rules 14A.49 and 14A.71 of the Listing Rules, the announcement requirements under Rule 14A.35 of the Listing Rules and the independent shareholders' approval requirements under Rule 14A.36 of the Listing Rules.

COMMON TERMS OF THE CONNECTED TRANSACTION AGREEMENTS

Each of the Connected Transaction Agreements is a framework agreement comprising the general terms and conditions upon which the Enlarged Group, Qingjian Precast Group and SLP International (as the case may be) are to carry out the particular type of non-exempt continuing connected transaction contemplated thereunder.

The key terms of the Connected Transaction Agreements are set out below:

Term:	The Connected Transaction Agreements are conditional on the Completion and the Qingjian Precast Master Service Agreement is further conditional upon the approval by the Independent Shareholders at the EGM, and will be effective from the Completion Date to 31 December 2017, which can be renewed on terms to be agreed upon between parties stated therein subject to compliance with the applicable Listing Rules.
Framework agreement:	Each of the Connected Transaction Agreements is a framework agreement which contains general terms and conditions upon which the parties stated therein are to carry out the transaction contemplated thereunder. Members of the Enlarged Group and members of the Qingjian Precast Group or SLP International (as the case may be) may from time to time enter into specific agreements in respect of the services received by the Enlarged Group, provided that the terms of such detailed agreements are not inconsistent with the terms of the Connected Transaction Agreements. The actual services and/or products to be received by the Enlarged Group are subject to such detailed agreement entered into between the relevant members of the Enlarged Group and the relevant members of the Qingjian Precast Group or the relevant members of the Enlarged Group and SLP International from time to time during the terms of the Connected Transaction Agreements.
Termination:	The Connected Transaction Agreements may be terminated by either party giving the other party a written notice not less than 30 days before the intended date of termination.

INTERNAL CONTROL MEASURES

The Target Group has established measures and policies to ensure that the transactions contemplated under the Connected Transaction Agreements will be conducted in accordance with the terms of the respective Connected Transaction Agreements. In particular, the Contract Department of the Target Group, headed by Mr. Wang Jing Biao, will be responsible for reviewing the transactions contemplated under the Connected Transaction Agreements, which the Contract Department (i) will monitor the respective Annual Caps so that such Annual Caps will not be exceeded; and (ii) will obtain the abovementioned price quotations and sales records to ensure the pricing monitoring procedures are duly carried out so that the respective transactions contemplated under each of the Connected Transaction Agreements will be conducted in accordance to its pricing terms. The Enlarged Group also has the reporting and record-keeping procedures in place to allow independent non-executive Directors and auditors of the Company to properly review the Connected Transaction Agreements and the transactions contemplated therein annually.

CONFIRMATION FROM THE DIRECTORS

The Directors, including the independent non-executive Directors, are of the view that (i) the Connected Transaction Agreements, the Trademark Licence Agreement and the Existing Guarantees have been entered into in the ordinary and usual course of business of the Target Group; (ii) the Connected Transaction Agreements, the Trademark Licence Agreement and the Existing Guarantees and the transactions contemplated therein have been negotiated on an arm's length basis, on normal commercial terms and are fair and reasonable and in the interests of the Company and the Shareholders as a whole; and (iii) the respective Annual Caps for the transactions to be carried out pursuant to the Connected Transaction Agreements are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

CONFIRMATION FROM THE SOLE SPONSOR

The Sole Sponsor is of the view that (i) the Connected Transaction Agreements, the Trademark Licence Agreement and the Existing Guarantees have been entered into in the ordinary and usual course of business of the Target Group; (ii) the Connected Transaction Agreements, the Trademark Licence Agreement and the Existing Guarantees and the transactions contemplated therein have been negotiated on an arm's length basis, on normal commercial terms and are fair and reasonable and in the interests of the Company and the Shareholders as a whole; and (iii) the respective Annual Caps for the transactions to be carried out pursuant to the Connected Transaction Agreements are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

With respect to the terms of the Trademark Licence Agreement which is of a duration longer than three years, the Sole Sponsor is of the view that it is justifiable and normal business practice for the agreement to have a duration longer than three years to ensure that the Company can continue to use the trademark on a longer term basis.

DIRECTORS

The Board will consist of nine Directors upon Completion, comprising four executive Directors, two non-executive Directors and three independent non-executive Directors.

The following table sets out certain information of the Directors and their roles and responsibilities in the Company upon Completion:

Name	Age	Position	Roles and responsibilities	Date of appointment as Director	Date of joining the Company
Dr. Du Bo (杜波)	56	Chairman of the Board and executive Director	• overseeing overall management and operations of the Enlarged Group • chairman of the Nomination Committee	11 April 2014	11 April 2014
Mr. Cheng Wing On, Michael (鄭永安)	59	executive Director and Chief Executive Officer	• overseeing the overall administration, strategic planning, tendering, finance and site supervision of the Enlarged Group • a member of the Remuneration Committee	15 April 2011	15 April 2011
Mr. Zhang Yuqiang (張玉強)	53	executive Director	• assisting the Chief Executive Officer in the overall operations and management of the Enlarged Group	11 April 2014	11 April 2014
Mr. Ho Chi Ling (何智淩)	51	executive Director	• execution of the foundation projects of the Enlarged Group	11 September 2012	11 September 2012

Name	Age	Position	Roles and responsibilities	Date of appointment as Director	Date of joining the Company
Mr. Zhang Zhihua (張志華)	59	non-executive Director	• overseeing the overall performance of the Enlarged Group • a member of the Audit Committee	11 April 2014	11 April 2014
Dr. Ding Hongbin (丁洪斌)	48	non-executive Director	• overseeing the overall performance of the Enlarged Group	11 April 2014	11 April 2014
Mr. Chuck Winston Calptor (卓育賢)	59	independent non-executive Director	• chairman of the Remuneration Committee and a member of the Audit Committee	11 September 2012	11 September 2012
Mr. Ching Kwok Hoo, Pedro (程國灝)	72	independent non-executive Director	• a member of each of the Nomination Committee, the Audit Committee and the Remuneration Committee	11 September 2012	11 September 2012
Mr. Tam Tak Kei, Raymond (譚德機)	52	independent non-executive Director	• chairman of the Audit Committee and a member of the Nomination Committee	11 September 2012	11 September 2012

EXECUTIVE DIRECTORS

Dr. Du Bo (杜波), aged 56, was appointed as an executive Director and the Chairman of the Board on 11 April 2014 and was appointed as the chairman of the Nomination Committee on 25 June 2014. Dr. Du joined the Company on 11 April 2014 and is responsible for overseeing overall management and operations of the Enlarged Group. Dr. Du is also a director of certain subsidiaries of the Company and the Target Company.

Prior to joining the Company, he served as the chairman of the board of directors of Qingjian Group Co. Ltd. from September 2007 to January 2013 and served as the chief executive officer of Qingjian Group Co. Ltd. from September 2007 to December 2011. Dr. Du has served as the chairman of the board of directors of Guotsing PRC, which principally engaged in the construction business, since November 2012, during which he has also acted as the chief executive officer of Guotsing PRC from November 2012 to December 2013. He is also the director of CNQC Development Limited since January 2014.

Since December 2007, Dr. Du also acted as the deputy director of the Chinese Construction Industry Association, Architect Branch* (中國建築業協會建造師分會), the deputy director of the fourth session of Shandong Construction Industry Association* (山東省建築業協會), the deputy director of Shandong Business Association* (山東省企業聯合會), the deputy director of Shandong Entrepreneur Association* (山東省企業家協會), the deputy director of Shandong Industrial Economic Association* (山東省工業經濟聯合會), the deputy director of Shandong Quality Association* (山東省質量協會) and the deputy director of Qingdao Business Association* (青島市工商業聯合會).

Dr. Du qualified as a research associate in engineering application in December 2000, and was awarded a special subsidy by the State Council of the PRC for his contribution in engineering technology in October 2001. Dr. Du obtained his bachelor's degree in Engineering in Construction Machinery from Shandong Institute of Architecture & Engineering* (山東建築工程學院), currently known as Shandong Jianzhu University (山東建築大學) in Shandong, PRC in July 1982, and a doctorate degree in Management Science, specialized in Management Science and Engineering, from Tongji University (同濟大學), in Shanghai, PRC, in May 2004. Dr. Du is also a tutor and part-time professor of various tertiary educational institutions, among others, a doctoral tutor of Tongji University (同濟大學), a postgraduate tutor of Qingdao Technological University (青島理工大學), Shandong Jianzhu University (山東建築大學) and Qingdao University (青島大學), and a part time professor of Shandong Jianzhu University (山東建築大學) and Qingdao University (青島大學).

Mr. Cheng Wing On Michael (鄭永安), aged 59, was appointed as a Director on 15 April 2011, the chief executive officer of the Company on 11 September 2012 and a member of the Remuneration Committee on 25 June 2014. He joined the Company on 15 April 2011 and is responsible for the overall administration, strategic planning, tendering, finance and site supervision of the Enlarged Group. Mr. Cheng is also a director of certain subsidiaries of the Company.

* *For identification purposes only*

He has over 30 years' experience in the engineering and construction industry. Prior to establishing Sunnic Engineering Limited in May 1993, he served as a structural engineer II 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.

Mr. Zhang Yuqiang (張玉強), aged 53, was appointed as an executive Director on 11 April 2014 and a general manager of the Company on 22 April 2014. Mr. Zhang joined the Company on 11 April 2014 and is responsible for assisting the Chief Executive Officer in the overall operations and management of the Enlarged Group. Mr. Zhang is also a director of certain subsidiaries of the Company.

Prior to joining the Company, Mr. Zhang acted as the deputy general manager of the international business division of Qingjian Group Co., Ltd. from September 2001 to December 2007. During December 2007 to December 2012, he consecutively served as the assistant to president and vice-president of Qingjian Group Co., Ltd., general manager of Algeria Branch Company of Qingjian Group Co., Ltd.* (青建集團股份公司阿爾及利亞分公司) and vice president of the international business division and of Qingjian Group Co., Ltd. From January 2013 to March 2014, Mr. Zhang was the general manager of investment division of Guotsing PRC and since January 2013, Mr. Zhang has served as the vice president at Guotsing PRC. Mr. Zhang has over 30 years' experience in the property construction industry.

Mr. Zhang obtained his bachelor's degree of Engineering from Shandong Institute of Architecture & Engineering* (山東建築工程學院) specialising in Industrial and Civil Construction, in Shandong, PRC in July 1984 and a master's degree in Senior Management Business Administration from Nankai University (南開大學) in Tianjin, PRC in June 2010. Mr. Zhang qualified as a certified constructor of the Ministry of Construction of the PRC in November 2007.

Mr. Ho Chi Ling (何智凌), aged 51, was appointed as an executive Director on 11 September 2012. He joined the Company on 11 September 2012 and is responsible for execution of the foundation projects of the Group. Mr. Ho is also the director of certain subsidiaries of the Company.

Mr. Ho has over 28 years' 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. Prior to joining the Group, Mr. Ho consecutively served as a graduate engineer and assistant resident engineer of Acer Consultants (Far East) Limited, a company principally engaged in the engineering consultancy business, from September 1992 to December 1995.

* *For identification only*

He obtained his bachelor's degree of Engineering in Civil and Environmental Engineering from the University of Newcastle upon Tyne, now known as Newcastle University, in Newcastle, the United Kingdom in July 1992, a master's degree of Science in Project Management from the Hong Kong Polytechnic University in Hong Kong, which largely comprised of online course modules, in December 2005 and a master's degree of Arts in Arbitration and Dispute Resolution from The City University of Hong Kong in Hong Kong, which largely comprised of online course modules, in February 2009. He is a member of the Hong Kong Institution of Engineers since July 1997 and the Institution of Civil Engineers since December 1996.

NON-EXECUTIVE DIRECTORS

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 on 25 June 2014. Mr. Zhang joined the Company 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 Target Company.

Prior to joining the Company, Mr. Zhang served as an accountant in Qingdao Passenger Transport Company, a company principally engaged in passenger transport business, from May 1981 to May 1986. He later joined Qingdao Road Transport Company (Head Office), a company principally engaged in road transport business, where he was promoted from an auditor to deputy director of the finance department in November 1988, and then to deputy general manager of Qingdao Qiyun Yi Company in February 1993 and subsequently to director of the finance department in September 1993. Mr. Zhang then served as the director of the finance department of Qingdao Jiaoyun Group, a company principally engaged in transportation business, from December 1994 to July 1998. Mr. Zhang served as the financial controller accredited to enterprise by Qingdao Administrative Bureau of State-owned Property from December 1999 to May 2005.

Mr. Zhang served as the deputy general manager of Guotsing PRC from May 2005 to September 2007, where he also served as the vice president Qingdao Group Co., Ltd from September 2007 to March 2009, the executive vice-president from March 2009 to September 2010, the executive president and general accountants from December 2010 to July 2013, the president from December 2011 to July 2013, and has served as the chairman of the board of directors since January 2013. Mr. Zhang served as the president of Guotsing PRC from November 2012 to December 2013. Mr. Zhang has served as the chief executive officer of Guotsing PRC since December 2013. He is also the director of CNQC Development Limited since January 2014 and Guotsing PRC since November 2012, respectively.

Mr. Zhang obtained a diploma in Accounting from Shandong Economics University, now known as Shandong University of Finance and Economics in Jinan, PRC in June 1987. Mr. Zhang obtained a bachelor's degree in Financial Management (Online Education) and a master's degree in Senior Management Business Administration from Nankai University (南開大學), Tianjin, PRC in July 2007 and June 2009 respectively.

Dr. Ding Hongbin (丁洪斌), aged 48, was appointed as a non-executive Director by the Company on 11 April 2014. Dr. Ding joined the Company 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 Target Company.

Prior to joining the Company, Dr. Ding served as the assistant to the general manager, and deputy general manager of the enterprise development department of Guotsing PRC from January 2002 to September 2007. He acted consecutively as the president of Guotsing PRC and the president of information technology of Guotsing PRC from September 2007 to July 2013. He is the vice-chairman of the board of directors of Guotsing PRC since May 2013. Dr. Ding is currently the chairman of the supervisory committee (since November 2012), the president (since December 2013) and the chief information officer (since March 2014) of Guotsing PRC. He is the director of CNQC Development Limited and Guotsing PRC, respectively.

Dr. Ding qualified as a certified constructor of the Ministry of Construction of the PRC in November 2007. Dr. Ding qualified as a research associate in engineering application in March 2008 and was awarded with special subsidy by the State Council of the PRC for his contribution in engineering technology in March 2011. Dr. Ding graduated as a doctor graduate specialising in Management Theory and Industrial Engineering from Tongji University (同濟大學) in Shanghai, PRC in May 2011.

He has been 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), Beijing, PRC since September 2004. He was appointed as 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) in January 2006 and a director of the Eighth board of directors of China Association for Quality* (中國質量協會) in April 2006.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chuck Winston Calptor (卓育賢), aged 59, was appointed as an independent non-executive Director, a chairman of the Remuneration Committee and a member of the Audit Committee on 11 September 2012. Mr. Chuck joined the Company on 11 September 2012. Mr. Chuck graduated from University of Western Ontario in Canada with a Bachelor of Arts degree in June 1978. He was admitted as a solicitor of the Supreme Court of Hong Kong in February 1982. Mr. Chuck acted as a consultant of James P.Y. Lam & Co. since July 2000.

Mr. Chuck 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 Starlight International Holdings Limited (Stock Code: 485) from September 2004 to July 2014, which both companies are listed on the Main Board of the Stock Exchange.

Mr. Ching Kwok Hoo, Pedro (程國灝), aged 72, was appointed as an independent non-executive Director, a member of each of Audit Committee and Remuneration Committee on 11 September 2012 and a member of the Nomination Committee. Mr. Ching joined the Company on 11 September 2012. Mr. Ching was appointed as a member of the Most Excellent Order of the British Empire on the 1997 Birthday Honours List in June 1997.

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

Mr. Ching was the director of Grandstar Management Limited ("**Grandstar**"), a company incorporated in Hong Kong on 5 May 1999. Grandstar was placed into creditors' voluntary liquidation on 30 May 2000 and was dissolved on 17 December 2003. As advised by Mr. Ching, Grandstar was principally engaged in property holding and according to the liquidator's statements of account filed to the Companies Registry of Hong Kong, Grandstar was solvent before its dissolution. Grandstar is not related to the Group, the Target Group and their respective operations.

Mr. Ching completed the Senior Command Course, a qualification equivalent to a Bachelor of Science Degree in Criminology, at the British National Police Staff College in Bramshill, United Kingdom, in January 1985. Mr. Ching has been a fellow of the British Institute of Management since April 1984, a fellow of the Chartered Institute of Transport since May 1991, a fellow of the International Institute of Management since November 1996 and a fellow of the Hong Kong Institute of Directors since August 2000.

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 has approximately 25 years of professional accounting experience. He acted as the financial controller at various international law firms for nine years and is currently the finance director of a Hong Kong-based auction company since 12 December 2011 and the company secretary of Branding China Group Limited (Stock Code: 8219), a company listed on the Growth Enterprise Market of the Stock Exchange since April 2014. Mr. Tam also acts as an independent non-executive director of Ngai Shun Holdings Limited (Stock Code: 1246) since September 2013, Jin Cai Holdings Company Limited (Stock Code: 1250) since June 2013, Vision Fame International Holding Limited (Stock Code: 1315) since December 2011 and Tianjin Jinran Public Utilities Company Limited (Stock Code: 1265, formerly with Stock Code: 8290) since February 2011. Mr. Tam has been an independent non-executive director of Digital Domain Holdings Limited (formerly known as Sun Innovation Holdings Limited) (Stock Code: 547) since September 2009 and Zebra Strategic Holdings Limited (Stock Code: 8260) since June 2012, until his resignation with effect from 9 August 2013 and 10 September 2014, respectively. Apart from Zebra Strategic Holdings Limited, which is listed on the Growth Enterprise Market of the Stock Exchange, all the above companies are listed on the Main Board of the Stock Exchange.

Save as disclosed in this circular, none of the Directors had any other directorships in any listed companies during the last three years immediately prior to the Latest Practicable Date and none of the Directors are aware of any other matters in relation to his or her appointment that need to be brought to the attention of the Shareholders nor is there any other information to be disclosed pursuant to Rule 13.51(2) of the Listing Rules.

SENIOR MANAGEMENT

The following person will be the senior management of the Enlarged Group upon Completion:

Name	Age	Position	Roles and responsibilities	Effective date of position	Date of joining the Enlarged Group
Mr. Song Xiuyi (宋修義)	51	Director of CNQC (South Pacific)	• overseeing the business development including of the Enlarged Group's property development and construction projects in Singapore	10 August 2012	Completion Date

Mr. Song Xiuyi (宋修義), aged 51, is a director of CNQC (South Pacific) and the appointment at the Enlarged Group will take effect from the Completion Date. Mr. Song is responsible for overseeing overall business development including of the Enlarged Group's property development projects and construction projects in Singapore. Mr. Song is also a director of certain subsidiaries of the Target Company.

From April 1986 to August 1998, Mr. Song was a deputy director at Qingdao Construction Machinery Factory (青島建築機械廠). He was a manager at Qingdao Construction Concrete Centre (青島市建設混凝土中心) since August 1998 and subsequently the deputy general manager of Qingdao Construction Group Co. Zhiye Pte Ltd (青島建設集團置業有限公司) till August 2005. In 2005, he joined Qingdao Construction Group Co. (青島建設集團公司) where he was manager of the real estate department, and later the assistant to the general manager of the company. Between October 2007 to June 2010, Mr. Song was appointed general manager of Qingdao Qingjian Real Estate Development Pte Ltd (青島青建房地產開發有限公司) and subsequently president of the company till June 2012. From October 2007 to September 2010, Mr. Song was the assistant to the president of Qingjian Group Co., Ltd. and subsequently deputy president of the company from March 2008 to March 2011. Since June 2010, Mr. Song was the general manager of the real estate department of Qingjian Group Co. Ltd. Mr. Song has been the CEO of the real estate department of Guotsing PRC since December 2012 and the Chairman, president and general manager of Qingdao Qingjian Real Estate Group Pte. Ltd (青島青建地產集團有限公司) since June 2010.

Mr. Song graduated with a bachelor's degree in light industry machinery from the Beijing Institute of Light Industry (北京輕工業學院) (the predecessor of Beijing Technology and Business University), the PRC, in July 1984, and a master's degree in senior management of business administration from Tsinghua University, the PRC, in July 2009. Mr. Song has not served in any listed companies during the last three years immediately prior to the Latest Practicable Date.

COMPANY SECRETARY

Mr. Ng Yiu Fai (吳耀輝), aged 40, joined the Company and was appointed as the company secretary and chief financial officer of the Company on 12 May 2014. Mr. Ng obtained a Bachelor's degree of Business Administration with a major in Accounting from the Hong Kong University of Science and Technology in Hong Kong in November 1997. Mr. Ng has more than 16 years of experience in financial management and corporate finance. Prior to joining the Group, he worked in KPMG and several Hong Kong-listed companies serving in various positions during September 1997 to August 2013, culminating in the position of chief financial officer. Mr. Ng has been an associate of the Hong Kong Society of Accountants since January 2001 and a fellow member of the Hong Kong Institute of Certified Public Accountants since July 2014.

NON-COMPETITION

The Directors have confirmed that save as disclosed in the this section and the section headed "Relationship with Controlling Shareholders" in this circular, they and their respective associate(s) are not engaged in, or interested in any business which, directly or indirectly, competes or may compete with the business of the Enlarged Group.

AUDIT COMMITTEE

The Company has established the Audit Committee in compliance with the Corporate Governance Code as set out in Appendix 14 of the Listing Rules (the "**Corporate Governance Code**"). The primary duties of the Audit Committee include reviewing and supervising the financial reporting process and internal control system of the Group as well as the external auditor of the Group, reviewing the policies in relation to financial controls, internal controls, risk management systems of the Group and making recommendations to the Board on the re-appointment of the external auditor.

The audit committee currently consists of one non-executive Director and three independent non-executive Directors. The members of the audit committee are Mr. Tam Tak Kei, Raymond, Mr. Chuck Winston Calptor, Mr. Ching Kwok Hoo, Pedro and Mr. Zhang Zhihua. It is currently chaired by Mr. Tam Tak Kei, Raymond, an independent non-executive Director.

NOMINATION COMMITTEE

The Company has established the Nomination Committee as recommended by the Corporate Governance Code. The primary duties of the nomination committee include reviewing the structure, size and composition of the Board at least annually, making recommendations to the Board on appointment or re-appointment of executive and non-executive Directors and succession planning for the Directors, and assessing he independence of independent non-executive Directors.

The nomination committee currently consists of one executive Director and two independent non-executive Directors. The members of the nomination committee are Dr. Du Bo, Mr. Tam Tak Kei, Raymond and Mr. Ching Kwok Hoo, Pedro. It is currently chaired by Dr. Du Bo, an executive Director and the chairman of the Board.

REMUNERATION COMMITTEE

The Company has established the Remuneration Committee in compliance with the Corporate Governance Code. The primary duties of the Remuneration Committee include making recommendations to the Board on the overall remuneration policy and structure relating to all Directors and senior management, reviewing remuneration proposals of the management with reference to the Board's corporate goals and objectives and ensuring none of the Directors or any of their associates determine their own remuneration.

The remuneration committee currently consists of one executive Director and two independent non-executive Directors. The members of the remuneration committee are Mr. Chuck Winston Calptor, Mr. Ching Kwok Hoo, Pedro, and Mr. Cheng Wing On, Michael. It is chaired by Mr. Chuck Winston Calptor, an independent non-executive Director.

COMPENSATION OF DIRECTORS AND SENIOR MANAGEMENT

The Directors and the senior management of the Company are or will be paid compensation in the form of fees, salaries, contribution to pension schemes and other allowances and benefits in kind. The emolument for each of the Directors is determined by the Board according to the recommendation of the Remuneration Committee with reference to his qualifications, experience, responsibilities with the Company and the remuneration policy of the Company from time to time. As at the Latest Practicable Date, Dr. Du Bo was entitled to an emolument of HK$1,000,000 annually, Mr. Cheng Wing On, Michael was entitled to an emolument of HK$2,300,000 annually, Mr. Ho Chi Ling was entitled to an emolument of HK$2,000,000 annually, Mr. Zhang Yuqiang was entitled to an emolument of HK$1,300,000 annually, each of the non-executive Directors and the independent non-executive Directors was entitled to an emolument of HK$240,000 for his directorship in the Company. The remuneration of the senior management of the Company will be determined in due course with reference to their respective experience, roles and duties within the Enlarged Group.

It is expected that after Completion, the Board will review and determine the remuneration of the Directors and senior management of the Enlarged Group according to the above remuneration policy.

The remunerations (including fees, salaries, bonuses, allowances and benefits in kind and pension scheme contribution) paid to the Directors by the Group in aggregate for the two years ended 31 March 2013 and 2014 and nine months ended 31 December 2014 were HK$3.7 million, HK$4.5 million and HK$11.7 million, respectively.

The remunerations (including fees, salaries, bonuses, allowances and benefits in kind and pension scheme contribution) paid to the Group's five highest paid individuals by the Group in aggregate for the two years ended 31 March 2013 and 2014 and nine months ended 31 December 2014 were HK$5.1 million, HK$5.8 million and HK$10.9 million, respectively.

Save as disclosed above, no other payments or remuneration to the Directors or the five highest paid individuals as an inducement to join or upon joining the Company or as a compensation for loss of office have been paid or are payable, or any benefits in kind granted, in respect of the two years ended 31 March 2013 and 2014, and the nine months ended 31 December 2014, by the Group.

Based on the existing remuneration package, the Company estimates the aggregate remuneration payable to, and benefits in kind receivable by, the Directors in respect of the year ending 31 December 2015 to be HK$12.8 million.

The Company has adopted a share option scheme on 11 September 2012. Save as disclosed in the section headed "Appendix VIII — Statutory and General Information — J. Share Option Schemes — Share Option Scheme", no options have been granted under the scheme. If considered appropriate and approved by the Board, the Enlarged Group may offer share options under the existing share option scheme of the Company to the Directors, senior management and employees of the Enlarged Group.

TRAINING FOR DIRECTORS

Pursuant to the Corporate Governance Code, the Directors have participated in continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the board remains informed and relevant and ensure they keep updated on the changes in the applicable laws and regulations and the overall development of the operations of the Company.

COMPLIANCE ADVISER

The Company has appointed Ample Capital Limited as its compliance adviser pursuant to Rule 3A.19 of the Listing Rules to advise in the following circumstances in accordance with Rule 3A.23 of the Listing Rules:

(a) before the publication of any regulatory announcement, circular or financial report;

(b) where a transaction, which might be a notifiable or connected transaction, is contemplated including share issues and share repurchases;

(c) where the business activities, developments or results of the Enlarged Group deviate from any forecast, estimate or other information in this Circular; and

(d) where the Stock Exchange makes an inquiry of the Company of unusual movements in the price or trading volume of its listed securities or any other matters in accordance with Rule 13.10 of the Listing Rules.

The term of the appointment will commence upon Completion and end on the date on which the Company sends its financial results as required under Rule 13.46 of the Listing Rules for the first full financial year commencing after Completion or until the compliance adviser resigns or its agreement is terminated, whichever is earlier. Where the compliance adviser resigns or its agreement is terminated, the Company shall appoint a replacement compliance adviser within three months of the resignation or termination.

The following discussion should be read in conjunction with the Target Group's combined financial information and the accompanying notes set out in the Accountant's Report on the Target Group in Appendix III to this circular, which contains the Target Group's audited combined financial information as at and for the years ended 31 December 2012, 2013 and 2014 and as at and for the three months ended 31 March 2015. The combined financial information of the Target Group has been prepared in accordance with HKFRS, which may differ in certain material respects from generally accepted accounting principles in other jurisdictions. This discussion contains forward-looking statements that reflect the current views of the Target Group's management and involve risks and uncertainties. The Target Group's actual results may differ materially from those anticipated in these forward-looking statements as a result of many factors, including but not limited to those described in the section headed "Risk Factors" and elsewhere in this circular.

OVERVIEW

The Target Group is an established property developer and contractor primarily engaged in (i) the development and sale of executive condominiums and condominiums in the Outside Central Region of Singapore; and (ii) the provision of construction services as main contractor for both governmental authorities and private property developers in Singapore.

The Target Group's businesses are organised under two business segments as follows:

- ***Property development.*** The Target Group is engaged in the development and sale of executive condominiums and condominiums in Singapore. During the Track Record Period, the Target Group had completed two majority-held property projects, namely RiverParc Residence and NiN Residence. These two property projects had a total saleable floor area of 75,203 sq.m. and all of these properties were delivered in 2014. In May 2015, the TOP of another Target Group's property project RiverSound was issued and the total contract value of the properties sold in this project amounted to SGD565.0 million, of which SGD348.4 million has been received by the Target Group as at 30 June 2015. As at 30 June 2015, the Target Group held majority interests in six other property projects under development in Singapore. These property projects had a total saleable floor area of 357,952 sq.m. and a total market value attributable to the Target Group of approximately SGD1,673.8 million (as valued by DTZ as at 30 June 2015).

- ***Construction.*** The Target Group is engaged in the provision of construction services serving as main contractor for housing projects, as well as other construction projects, in the public and private sectors mainly in Singapore. The Target Group undertakes projects for third party customers, from which revenue is recognised for the contract work delivered. The Target Group also provides construction services for its own property development projects, but all of such services are recorded as inter-segment sales, which are eliminated upon consolidation of results by the Target Group. During the Track Record Period, the Target Group generated revenue from a total of 10 key completed projects for third party customers, including nine public projects and one private project, for housing construction or other construction works. It had also completed two construction projects for its own property development projects. In addition, as at 31 March 2015, the Target Group was engaged in a total of 11 projects in progress for third party customers, including eight public projects and three private projects. These projects in progress had an aggregate unrealised contract sum of approximately SGD856.0 million as at 31 March 2015. As at 31 March 2015, the Target Group was also engaged in the provision of construction services for all six property projects under development by the Target Group.

The Target Group's revenue for the years ended 31 December 2012, 2013 and 2014 and the three months ended 31 March 2015 was SGD289.6 million, SGD274.9 million, SGD1,038.5 million and SGD118.8 million, respectively. It had a profit and total comprehensive income attributable to equity holders of the Target Company in the amounts of SGD25.4 million in 2012 and SGD38.9 million in 2014 and a loss and total comprehensive loss attributable to equity holders of the Target Company in the amounts of SGD14.4 million and SGD9.3 million in 2013 and for the three months ended 31 March 2015.

BASIS OF PRESENTATION

The Target Company was incorporated in the BVI on 28 April 2015 as a wholly-owned subsidiary of New Guotsing Holdco and has been controlled by the ultimate beneficial owners of Guotsing PRC. Pursuant to the Reorganisation and other transactions described in Note 1.2 to the Accountant's Report on the Target Group in Appendix III to this circular, the Target Company became the holding company of the other companies now comprising the Target Group.

The combined statements of financial position as at 31 December 2012, 2013 and 2014 and 31 March 2015 and the combined statements of comprehensive income, the combined statements of changes in equity and the combined statements of cash flows of the Target Group for the years ended 31 December 2012, 2013 and 2014 and the three months ended 31 March 2015 as set out in the Accountant's Report included in Appendix III to this circular include the results of operations of the companies comprising the Target Group following the consummation of the Reorganisation, as if the Target Group in its current form had been in existence throughout the Track Record Period, or where a subsidiary of the Target Group was incorporated during the Track Record Period, since the date of establishment or incorporation of that subsidiary.

Immediately prior to and after the Reorganisation, the ultimate owners of the construction and property development businesses operated by CNQC (South Pacific) and its subsidiaries in Singapore remain the same. The Target Group conducts its operations through CNQC (South Pacific) and its subsidiaries which are directly or indirectly held by the Target Company. The Target Company has not been involved in any other business prior to the Reorganisation and does not meet the definition of a business. The Reorganisation is merely a reorganisation of the Target Group's business with no change in management of such business. Accordingly, the combined financial information of the companies now comprising the Target Group is presented using the carrying values of the Target Group's business for all periods presented. In preparing the Target Group's combined financial information, all material intra-group transactions and balances have been eliminated on combination.

FACTORS AFFECTING THE RESULTS OF OPERATIONS OF THE TARGET GROUP

General economic and real estate market conditions

The Target Group's property development and property construction businesses are significantly affected by the general economic conditions, as well as changes in the real estate market conditions, in Singapore. These factors will likely have a direct impact on the selling prices and total GFA of properties developed and delivered by the Target Group in a given period. Demand for the Target Group's construction services may also be affected as government bodies and private property developers, including the Target Group, increase or decrease their property development and other construction activities.

Development schedule of property development projects

Property development projects typically require substantial capital expenditures and a substantial amount of time to complete before revenue is recognised from the delivery of completed properties. The development schedule of a property development project can be affected by many factors, including but not limited to progress of construction works, construction accidents, relocation of existing residents, availability of construction and building materials, and adverse weather conditions. As the pre-sale and delivery of properties depend to a large extent on the timing of the development schedule, the Target Group's revenue, results of operations and cash flows for a particular period are significantly affected by the development schedule of the Target's Group's property development projects.

Pricing of construction projects

The Target Group sources for and obtains construction projects by means of tender. The tender price of a construction project is based on the Target Group's estimates for the costs of the project by taking into consideration internal costing, construction materials, labour, subcontracting and equipment, as well as other factors such as competition from other construction companies tendering for the same project. As such, the Target Group's revenue and segment results from construction services are largely determined by the tender pricing for its construction projects.

Subcontractors cost

The Target Group's cost of construction services mainly comprises subcontractors cost as the Target Group customarily engages third party subcontractors to perform a portion of the works under the contracts entrusted to the Target Group or Target Group's own property development. Subcontractors cost depends in part on the amount of external and internal construction works the Target Group engages in at the time and the number of construction workers the Target Group has employed. For the years ended 31 December 2012, 2013 and 2014 and the three months ended 31 March 2015, the subcontractors cost incurred by the Target Group amounted to SGD139.0 million, SGD184.7 million, SGD273.6 million and

SGD83.0 million, respectively, which accounted for 60.3%, 71.8%, 31.2% and 73.3% of the Target Group's cost of sales, respectively. The general increase in the amount of subcontractors cost incurred from 2012 to 2014 was primarily due to the increased use of subcontractors by the Target Group, driven by an increase in total segment sales for the construction segment (before elimination of inter-segment sales). As a result, the Target Group's profitability depends heavily on its ability to control and manage its subcontractors cost.

The following sensitivity analysis illustrates the impact of hypothetical changes in subcontractors cost on the Target Group's profit after tax during the Track Record Period. The changes in subcontractors cost are assumed to be increases or decreases by 5% and 8%, which are commensurate with historical fluctuation during the Track Record Period.

	Change in subcontractors cost			
	-8%	**-5%**	**+5%**	**+8%**
	SGD	**SGD**	**SGD**	**SGD**
(Decrease)/increase in subcontractors cost				
Year ended 31 December 2012	(11,122,680)	(6,951,675)	6,951,675	11,122,680
Year ended 31 December 2013	(14,772,161)	(9,232,601)	9,232,601	14,772,161
Year ended 31 December 2014	(21,888,931)	(13,680,582)	13,680,582	21,888,931
Three months ended 31 March 2015	(6,637,869)	(4,148,668)	4,148,668	6,637,869
Increase/(decrease) in profit after income tax				
Year ended 31 December 2012	9,231,824	5,769,890	(5,769,890)	(9,231,824)
Year ended 31 December 2013	12,260,894	7,663,059	(7,663,059)	(12,260,894)
Year ended 31 December 2014	18,167,813	11,354,883	(11,354,883)	(18,167,813)
Three months ended 31 March 2015	5,509,431	3,443,395	(3,443,395)	(5,509,431)

Fluctuation in material costs

Construction materials procured by the Target Group for its construction business, such as concrete, cement brick, mild steel casing and aluminium formwork, account for a significant part of the Target Group's cost of sales. In 2012, 2013 and 2014, material costs incurred by the Target Group amounted to SGD28.4 million, SGD23.4 million and SGD39.2 million, respectively, which accounted for 12.3%, 9.1% and 4.5% of the Target Group's cost of sales, respectively. As the prices of construction materials are relatively dependent on the prices of the underlying commodities, the Target Group is exposed to fluctuation in material costs with respect to its own property development projects and such construction contracts that are not subject to any contract price adjustments to take account of any rise or fall in material prices.

The following sensitivity analysis illustrates the impact of hypothetical changes in material costs on the Target Group's profit before tax during the Track Record Period. The changes in material costs are assumed to be increases or decreases by 5%, 8% and 10%, which are commensurate with historical fluctuation in the prices of the Target Group's major construction materials during the Track Record Period.

	Change in material costs					
	-10%	**-8%**	**-5%**	**+5%**	**+8%**	**+10%**
	SGD	*SGD*	*SGD*	*SGD*	*SGD*	*SGD*
(Decrease)/increase in material costs						
Year ended 31 December 2012	(2,844,311)	(2,275,449)	(1,422,156)	1,422,156	2,275,449	2,844,311
Year ended 31 December 2013	(2,340,377)	(1,872,302)	(1,170,189)	1,170,189	1,872,302	2,340,377
Year ended 31 December 2014	(3,916,844)	(3,133,475)	(1,958,422)	1,958,422	3,133,475	3,916,844
Three months ended 31 March 2015	(1,534,475)	(1,227,580)	(767,238)	767,238	1,227,580	1,534,475
Increase/(decrease) in profit before income tax						
Year ended 31 December 2012	2,844,311	2,275,449	1,422,156	(1,422,156)	(2,275,449)	(2,844,311)
Year ended 31 December 2013	2,340,377	1,872,302	1,170,189	(1,170,189)	(1,872,302)	(2,340,377)
Year ended 31 December 2014	3,916,844	3,133,475	1,958,422	(1,958,422)	(3,133,475)	(3,916,844)
Three months ended 31 March 2015	1,534,475	1,227,580	767,238	(767,238)	(1,227,580)	(1,534,475)

CRITICAL ACCOUNTING POLICIES

The preparation of the Target Group's consolidated financial information in accordance with HKFRS requires selecting accounting policies and making estimates and judgements that affect reported items in the combined financial information. The determination of accounting policies is fundamental to the Target Group's results of operations and financial condition and requires the management of the Target Group to make judgements, estimates and assumptions about matters that are inherently uncertain based on information and data that may change in future periods. As a result, determinations regarding these items necessarily involve the use of subjective judgements and estimates as to future events and are subject to change, and the use of different assumptions or data could produce materially different results. In addition, actual results could differ from estimates. For more information regarding the Target Group's significant accounting policies and critical accounting estimates and assumptions and judgements, see Notes 2 and 4 to the Accountant's Report on the Target Group in Appendix III to this circular.

Revenue recognition

The Target Group recognises revenue when the amount of revenue and related cost can be reliably measured, it is probable that the collectability of the related receivables is reasonably assured, and when the specific criteria for the following activities of the Target Group are met as follows:

- ***Sales of development properties.*** The Target Group generally transfers the risks and rewards of a development property, which is a property developed for sale, to its purchaser when such property is completed and delivered to the purchaser. Accordingly, revenue from the pre-sale of properties under construction or the sale of completed properties is recognised upon the delivery of completed properties to the purchasers, hence the issuance of the TOP by the BCA.

- ***Construction revenue.*** Revenue from construction is recognised based on the percentage-of-completion method. Under this method, when the outcome of a construction contract can be estimated reliably and it is probable that the contract will be profitable, construction revenue is recognised over the period of the contract by reference to the stage of completion of the contract. 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. 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.

- ***Sale of goods to fellow subsidiaries.*** Revenue from the sale of construction materials to fellow subsidiaries is recognised when the Target Group has delivered the products to customers.

- ***Loaning of labour to other contractors.*** Revenue from loaning labour to other contractors is recognised when the labour services are rendered.

- ***Rental of equipment.*** Rental income from operating lease is recognised on a straight-line basis over the term of the contract.

Construction contracts

Revenue recognition on a construction project is dependent on the estimation by the Target Group's management of the outcome of the construction contract, with reference to the construction works certified by independent surveyors. The Target 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 Target Group's 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. 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.

Significant judgement 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. The Target Group's management base their judgements of contract costs and revenues on the latest available information, which includes detailed contract valuations. In many cases the results reflect the expected outcome of long-term contractual obligations which span more than one reporting period. Contract costs and revenues are affected by a variety of uncertainties that depend on the outcome of future events and often need to be revised as events unfold and uncertainties are resolved. The estimates of contract costs and revenues 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.

Depreciation of property, plant and equipment

Property, plant and equipment are recognised at cost less accumulated depreciation and impairment losses. Depreciation is calculated using the straight-line method to allocate depreciable amounts over their estimated useful lives. The estimated useful lives are as follows:

	Useful lives
Office equipment	3 to 5 years
Motor vehicles	4 to 5 years
Plant and machinery	3 to 10 years
Leasehold improvements	3 years
Leasehold land and buildings	Less of 60 years and lease terms

The Target 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 Target Group's strategies. The Target 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 Target Group extends or shortens the useful lives and makes any impairment provisions according to the results of the review.

Currency translation

Items included in the financial statements of each member of the Target Group are measured using its functional currency, which is the currency of the primary economic environment in which the member operates. The Target Group's combined financial information are presented in Singapore dollars, which is the functional currency of the Target Company and the presentation currency of the Target Group.

Transactions in a foreign currency, which means any currency other than the functional currency, are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated statement of comprehensive income.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented within "finance income/(costs) — net". All other foreign exchange gains and losses impacting profit or loss are presented within "other (losses)/gains — net".

Deferred income tax assets

The Target Group recognises deferred income tax assets on carried forward tax losses to the extent there are sufficient estimated future taxable profits or taxable temporary differences against which the tax losses can be utilised and that the Target Group is able to satisfy the continuing ownership test.

During 2012, the Target Group reorganised shareholdings of certain group members, for which deferred tax assets in the amounts of SGD4.2 million in 2012, SGD4.6 million in 2013 and SGD8.6 million in 2014 were recognised based on the anticipated future use of tax losses carried forward by those group members. If the tax authority regards those group members as not satisfying the continuing ownership test, the deferred tax income asset will have to be written off as income tax expense.

DESCRIPTION OF SELECTED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME ITEMS

Revenue

Revenue represents the fair value of the consideration received or receivable for the sale of services and goods in the ordinary course of the Target Group's activities, after elimination of inter-segment sales. The Target Group derives revenue from various sources in its two business segments. For the property development segment, the Target Group derives revenue from sales of development properties. For the construction segment, the Target Group derives revenue from (i) construction services, (ii) sale of goods, (iii) loaning of labour to other contractors, and (iv) rental of equipment.

The following table sets out the breakdown of the Target Group's revenue by segment and by revenue source for the periods indicated:

	Year ended 31 December						Three months ended 31 March			
	2012		2013		2014		2014		2015	
	SGD	*% of total*	*SGD*	*% of total*	*SGD*	*% of total*	*SGD* (unaudited)	*% of total*	*SGD*	*% of total*
Property development:										
Sales of development properties	—	—	—	—	641,656,498	61.8	—	—	—	—
Construction:										
Construction revenue	287,353,425	99.2	272,136,825	99.0	395,107,428	38.1	64,948,382	99.6	118,510,455	99.7
Sale of goods to fellow subsidiaries	1,042,486	0.4	50,680	0.0	1,418,968	0.1	—	—	61,152	0.1
Income from loaning labour to other contractors	1,188,691	0.4	2,235,087	0.8	362,934	0.0	278,607	0.4	261,012	0.2
Rental of equipment	17,599	—	479,685	0.2	—	—	—	—	—	—
Subtotal	289,602,201	100.0	274,902,277	100.0	396,889,330	38.2	65,226,989	100.0	118,832,619	100.0
Total revenue	289,602,201	100.0	274,902,277	100.0	1,038,545,828	100.0	65,226,989	100.0	118,832,619	100.0

Property development. Segment revenue from property development represents revenue recognised from sales of development properties. During the Track Record Period, the Target Group had completed two majority-held property projects, namely RiverParc Residence and NiN Residence. These two property projects had a total saleable floor area of 75,203 sq.m. and all of the properties for these projects were delivered in 2014, the first year in which the Target Group recognised revenue from properties delivered. The amount of revenue from property development depends significantly on the development schedule of the Target Group's property projects and is expected to continue to fluctuate from period to period. See the section headed "Business of the Target Group — I. Property Development Business" in this circular for more information on the development schedule of each of the projects under development and held for future development of the Target Group.

The following table sets out certain details of the properties delivered by the Target Group for the periods indicated:

	Year ended 31 December					Three months ended 31 March	
	2012	2013	2014			2014	2015
Project	**Revenue from sales of development properties** *SGD*	**Revenue from sales of development properties** *SGD*	**Revenue from sales of development properties** *SGD*	**Saleable floor area delivered** *sq.m.*	**Average selling price** *SGD/sq.m.*	**Revenue from sales of development properties** *SGD*	**Revenue from sales of development properties** *SGD*
RiverParc Residence	—	—	406,354,300	56,280	7,220	—	—
NiN Residence	—	—	235,302,198	18,923	12,435	—	—
	—	—	641,656,498	75,203		—	—

Construction. Segment revenue from construction comprises predominantly construction revenue in connection with the Target Group's construction contracts and, to a lesser extent, (i) revenue from sale of goods, comprising construction materials, to fellow subsidiaries (ii) income from loaning labour to other contractors, and (iii) rental of construction equipment to third parties. During the Track Record Period, the Target Group had completed a total of 10 key projects for third party customers and was engaged in another 11 projects in progress for third party customers.

The following table sets out certain details of the construction contracts undertaken by the Target Group for third party customers for the periods indicated:

Project	Nature of construction works[1]	Actual/ expected completion date	Percentage of works completion as at 31 March 2015	Contract sum	Unrealised contract sum as at 31 March 2015	Revenue: Year ended 31 December 2012	Revenue: Year ended 31 December 2013	Revenue: Year ended 31 December 2014	Revenue: Three months ended 31 March 2015	Revenue: Over Track Record Period
			%	SGD million	SGD million	SGD million	SGD million	SGD million	SGD million	SGD million
Projects completed										
HDB Bukit Panjang N6C9	Governmental Authorities construction works *(Note 1)*	13 July 2012	100	104.6	—	6.0	—	2.4	—	8.4
LTA CS238	Governmental Authorities construction works *(Note 1)*	8 September 2011	100	24.1	—	4.0	0.6	0.7	—	5.3
HDB Punggol East C33	Governmental Authorities construction works *(Note 1)*	19 April 2012	100	154.7	—	8.8	0.2	1.6	—	10.6
HDB Sengkang N4C8	Governmental Authorities construction works *(Note 1)*	19 December 2011	100	92.8	—	1.7	0.1	1.3	—	3.1
HDB Punggol C27	Governmental Authorities construction works *(Note 1)*	4 November 2011	100	122.7	—	18.9	8.7	1.3	—	28.9
HDB Earthworks at Sembawang & Woodlands	Governmental Authorities construction works *(Note 1)*	22 August 2014	100	7.6	—	—	4.6	2.9	—	7.5
HDB Punggol C21	Governmental Authorities construction works *(Note 1)*	29 July 2011	100	99.2	—	0.6	0.9	—	—	1.5
HDB Punggol West C3	Governmental Authorities construction works *(Note 1)*	4 October 2011	100	97.8	—	0.2	—	—	—	0.2
HDB Sengkang N1C27	Governmental Authorities construction works *(Note 1)*	15 August 2013	100	81.2	—	54.3	8.9	2.5	—	65.7
The Minton	Private property development	29 November 2013	100	290.2	—	150.5	53.0	1.7	—	205.2
Others	N/A	N/A	100	N/A	—	1.4	4.1	0.1	—	5.6
				1,074.9	—	246.4	81.1	14.5	—	342.0

Project	Nature of construction works[1]	Actual/ expected completion date	Percentage of works completion as at 31 March 2015 %	Contract sum SGD million	Unrealised contract sum as at 31 March 2015 SGD million	Revenue: Year ended 31 December 2012 SGD million	2013 SGD million	2014 SGD million	Three months ended 31 March 2015 SGD million	Over Track Record Period SGD million
Projects in progress										
HDB Sengkang N4C24	Governmental Authorities construction works	August 2015	96.2	150.5	5.7	20.9	70.4	47.1	6.3	144.7
HDB Hougang N4C18	Governmental Authorities construction works	June 2015 *(Note 4)*	97.4	114.5	2.7	14.9	59.8	36.0	0.8	111.5
HDB Woodlands N6C22	Governmental Authorities construction works	April 2017	9.4	179.7	162.8	—	—	6.5	10.4	16.9
China Cultural Centre	Governmental Authorities construction works	April 2015 *(Note 4)*	94.7	43.6	2.3	1.2	11.8	28.2	0.1	41.3
HDB TP N4C28	Governmental Authorities construction works	December 2016	45.8	128.1	69.4	—	6.4	34.4	17.9	58.7
HDB YS N5C6	Governmental Authorities construction works	February 2016	69.1	142.6	44.1	—	8.0	71.4	19.1	98.5
HDB SK N2C43A	Governmental Authorities construction works	May 2016	43.1	207.9	118.3	—	7.0	51.5	31.1	89.6
Punggol West C33&C34	Governmental Authorities construction works	June 2018	7.6	201.7	186.4	—	—	5.1	10.2	15.3
The Topiary	Private property development	December 2015	60.0	179.8	72.0	4.0	27.6	62.0	14.2	107.80
The Sule Square	Private property development	May 2016	16.6	105.9	88.3	—	—	13.8	3.8	17.60
Riverbank	Private property development	October 2016	22.0	133.2	104.0	—	—	24.6	4.6	29.2
				1,587.5	856.0	41.0	191.0	380.6	118.5	731.1
All construction projects				2,662.4	856.0	287.4	272.1	395.1	118.5	1,073.1

Note:

(1) Governmental Authorities construction works included construction works of HDB, LTA and Embassy of China in Singapore.

(2) As at the Latest Practicable Date, the construction projects have been completed.

Cost of sales

Cost of sales represents the direct costs incurred by the Target Group in relation to its sale of services and goods. Cost of sales mainly includes (i) development costs for the properties delivered, which consist principally of the cost of land use rights, construction costs, depreciation of machinery and equipment, borrowing costs capitalised for qualifying assets and professional fees incurred during the development period, and (ii) costs of construction services, which consist principally of subcontractors and material costs.

The following table sets out the breakdown of the Target Group's cost of sales by nature of expense for the periods indicated:

	Year ended 31 December						Three months ended 31 March			
	2012		2013		2014		2014		2015	
	SGD	*% of total*	*SGD*	*% of total*	*SGD*	*% of total*	*SGD*	*% of total*	*SGD*	*% of total*
Subcontractors cost	139,033,496	60.3	184,652,017	71.8	273,611,637	31.2	43,171,915	69.9	82,973,364	73.3
Land cost	—	—	—	—	257,796,082	29.4	—	—	—	—
Construction costs for development properties delivered	—	—	—	—	249,044,720	28.3	—	—	—	—
Material costs	28,443,114	12.3	23,403,770	9.1	39,168,435	4.5	7,506,413	12.2	15,344,753	13.6
Labour costs	27,280,363	11.8	20,625,407	8.0	38,679,482	4.4	8,811,684	14.3	8,831,177	7.8
Equipment costs	5,504,061	2.4	3,431,725	1.3	8,987,848	1.0	829,321	1.3	1,520,365	1.3
Others	30,393,234	13.2	25,031,943	9.8	10,494,030	1.2	1,428,149	2.3	4,463,687	4.0
Total	230,654,268	100.0	257,144,862	100.0	877,782,234	100.0	61,747,482	100	113,133,346	100

Gross profit

As the Target Group recognised revenue from property development in 2014, the gross profit of the Target Group in 2014 comprised gross profit attributable to the property development segment and gross profit attributable to the construction segment. In each of 2012 and 2013 and the three months ended 31 March 2014 and 2015, the gross profit of the Target Group was entirely attributable to the construction segment.

The following table sets out the Target Group's gross profit and gross profit margin by segment and on a consolidated basis for the periods indicated:

	Year ended 31 December						Three months ended 31 March			
	2012		2013		2014		2014		2015	
	Gross profit	**Gross profit margin**	**Gross profit**	**Gross profit margin**	**Gross profit**	**Gross profit margin**	**Gross profit**	**Gross profit margin**	**Gross profit**	**Gross profit margin**
	SGD	*%*	*SGD*	*%*	*SGD*	*%*	*SGD* (unaudited)	*%*	*SGD*	*%*
Property development	—	—	—	—	134,815,696	21.0	—	—	—	—
Construction	58,947,933	20.4	17,757,415	6.5	25,947,898	6.5	3,479,507	5.3	5,699,273	4.8
Target Group	58,947,933	20.4	17,757,415	6.5	160,763,594	15.5	3,479,507	5.3	5,699,273	4.8

Other income

Other income comprises (i) income from default payments in connection with termination of sale and purchase agreements by defaulting purchasers and (ii) sundry income such as from the sale of scrapped construction materials.

The following table sets out the breakdown of other income of the Target Group for the periods indicated:

	Year ended 31 December			Three months ended 31 March	
	2012	**2013**	**2014**	**2014**	**2015**
	SGD	*SGD*	*SGD*	*SGD*	*SGD*
				(unaudited)	
Income from default payments of development properties	460,303	219,719	475,672	166,348	81,530
Sundry income	284,599	67,402	140,145	104,034	302,759
Total	744,902	287,121	615,817	270,382	384,289

Other gains or losses — net

Other gains or losses (net) comprise gain on disposal of property, plant and equipment and other miscellaneous gains or losses.

The following table sets out the breakdown of other gains or losses (net) of the Target Group for the periods indicated:

	Year ended 31 December			Three months ended 31 March	
	2012	**2013**	**2014**	**2014**	**2015**
	SGD	*SGD*	*SGD*	*SGD*	*SGD*
				(unaudited)	
Gain from disposal of property, plant and equipment	11,755	109	98,740	10,253	—
Others	(39,349)	(2,336)	(22,568)	(1,333)	—
Total	(27,594)	(2,227)	76,172	8,920	—

Selling and marketing expenses

Selling and marketing expenses comprise (i) sales commissions to third party and related party agents for securing pre-sales of development properties, which are generally charged as an expense upon the recognition of the sales of such properties, (ii) show flat costs in relation to pre-sales of development properties, and (iii) marketing expenses incurred mainly for advertising and other marketing activities.

The following table sets out the breakdown of selling and marketing expenses of the Target Group for the periods indicated:

	Year ended 31 December			Three months ended 31 March	
	2012	**2013**	**2014**	**2014**	**2015**
	SGD	*SGD*	*SGD*	*SGD*	*SGD*
				(unaudited)	
Sales commissions	—	—	8,554,765	—	—
Show flat costs	3,379,367	3,092,516	6,481,951	13,842	80,316
Marketing expenses	11,844,988	3,056,287	5,158,878	717,489	1,224,221
Total	15,224,355	6,148,803	20,195,594	731,331	1,304,537

Administrative expenses

Administrative expenses comprise (i) staff costs, including directors' emoluments, in the form of directors' fees, employees' wages and salaries, performance bonus, employer's contributions to defined contribution plans, as well as other staff benefits, (ii) travel and entertainment expenses, (iii) professional fees, (iv) depreciation of certain property, plant and equipment for administrative and general uses, (v) rental expense on operating leases of office space, and (vi) other miscellaneous expenses.

The following table sets out the breakdown of administrative expenses of the Target Group for the periods indicated:

	Year ended 31 December			Three months ended 31 March	
	2012	**2013**	**2014**	**2014**	**2015**
	SGD	*SGD*	*SGD*	*SGD*	*SGD*
				(unaudited)	
Staff costs, including directors' emoluments	9,920,399	17,237,643	47,242,869	5,049,632	5,121,936
Travel and entertainment expenses	2,338,213	2,842,436	2,018,513	713,088	532,736
Professional fees	601,060	1,999,122	1,832,616	602,687	584,126
Depreciation of property, plant and equipment	1,194,760	1,493,127	1,512,948	251,436	534,527
Rental expense on operating leases	391,858	1,127,202	961,469	204,124	236,694
Others	2,472,757	4,505,943	2,838,335	212,025	1,571,068
Total	16,919,047	29,205,473	56,406,750	7,032,992	8,581,087

Finance costs — net

Finance income comprises mainly interest income (i) from any loans provided by the Target Group to Guotsing SG, an associated company and other related parties (which are property development companies in which the Target Company has a non-controlling interest) and (ii) from bank deposits. Finance income also includes, to a lesser extent, net foreign exchange gains arising from Renminbi or US dollar-denominated loans to or from Guotsing SG.

Finance costs comprise mainly interest expenses on (i) bank borrowings, (ii) loans from Guotsing SG, Guotsing Group and non-controlling shareholders, and (iii) finance leases, which are incurred by the Target Group and recognised in profit or loss and do not include the portion of interest expenses that are capitalised in relation to development properties. Finance costs also include, to a lesser extent, net foreign exchange losses arising from Renminbi or US dollar-denominated loans to or from Guotsing SG.

The following table sets out the breakdown of net finance costs of the Target Group for the periods indicated:

	Year ended 31 December			Three months ended 31 March	
	2012	2013	2014	2014	2015
	SGD	*SGD*	*SGD*	*SGD*	*SGD*
				(unaudited)	
Finance income:					
Interest income from:					
Guotsing SG, associated company and related parties	328,287	4,449,451	2,624,869	1,182,326	129,127
Bank deposits	286,213	525,245	722,400	188,396	4,406
Net foreign exchange gains	—	1,975,413	—	1,594,347	—
	614,500	6,950,109	3,347,269	2,965,069	133,533
Finance costs:					
Interest expenses on bank borrowings	(16,007,176)	(41,143,051)	(27,717,585)	(7,269,574)	(8,256,932)
Interest expenses on loans from Guotsing SG, Guotsing Group and non-controlling shareholders	(17,215,859)	(25,475,970)	(20,425,052)	(5,604,914)	(3,477,652)
Interest expenses on finance leases	(27,546)	(55,281)	(89,135)	(8,668)	(18,332)
	(33,250,581)	(66,674,302)	(48,231,772)	(12,883,156)	(11,752,916)
Less: Interest expenses capitalised	31,611,907	56,664,116	37,252,110	10,152,268	9,511,486
	(1,638,674)	(10,010,186)	(10,979,662)	(2,730,888)	(2,241,430)
Net foreign exchange losses	(310,076)	—	(4,629,904)	—	(4,801,134)
	(1,948,750)	(10,010,186)	(15,609,566)	(2,730,888)	(7,042,564)
Finance costs — net	(1,334,250)	(3,060,077)	(12,262,297)	234,181	(6,909,031)

As described above, during the Track Record Period, certain members of the Target Group obtained loans from Guotsing SG, Guotsing Group and certain non-controlling shareholders while certain members of the Target Group provided loans to Guotsing SG, certain associated companies and other related parties. All of the relevant balances due to and due from these related parties, except for loans from non-controlling shareholders and loans to certain associated company and related parties in which the Target Company has a non-controlling interest, will be repaid prior to the Completion. For more information, see the section headed "— Related Party Transactions" below.

Share of profits or losses of associated companies

Share of profits or losses of associated companies represents the Target Group's share of profits or losses of two associated companies, namely Orion-Four Development Pte Ltd ("**Orion-Four**") and BH-ZACD (Tuas Bay) Development Pte Ltd ("**BH-ZACD**"), both of which are principally engaged in the property development business in Singapore. The Target Group held a 20% equity interest in Orion-Four as at each of 31 December 2012, 2013 and 2014 and 31 March 2015 and an equity interest of nil, 30%, 30% and 30% in BH-ZACD as at 31 December 2012, 2013 and 2014 and 31 March 2015, respectively.

Income tax expense or credit

Income tax expense or credit comprises current income tax charge and deferred income tax credit. During the Track Record Period, each member of the Target Group was subject to Singapore income tax at a standard rate of 17%, subject to certain applicable tax exemptions, credits and rebates. The effective tax rate for the Target Group in 2012 and 2014 was 15.2% and 16.2%, respectively. In 2013 and for the three months ended 31 March 2015, income tax credit as a percentage of loss before income tax of the Target Group was 17.5% and 2.2%.

The following table sets out the breakdown of income tax expense or credit of the Target Group for the periods indicated:

	Year ended 31 December			**Three months ended 31 March**	
	2012	**2013**	**2014**	**2014**	**2015**
	SGD	*SGD*	*SGD*	*SGD*	*SGD*
				(unaudited)	
Current income tax	(9,638,022)	(5,131,568)	(17,116,287)	(59,890)	(1,406,659)
Deferred income tax	5,662,244	8,705,065	5,389,980	467,720	1,639,918
Income tax (expense)/credit	(3,975,778)	3,573,497	(11,726,307)	407,830	233,259

SELECTED COMBINED STATEMENTS OF COMPREHENSIVE INCOME DATA

The following table sets out selected combined statements of comprehensive income data of the Target Group for the periods indicated:

	Year ended 31 December			Three months ended 31 March	
	2012	2013	2014	2014	2015
	SGD	*SGD*	*SGD*	*SGD*	*SGD*
Revenue	289,602,201	274,902,277	1,038,545,828	65,226,989	118,832,619
Cost of sales	(230,654,268)	(257,144,862)	(877,782,234)	(61,747,482)	(113,133,346)
Gross profit	58,947,933	17,757,415	160,763,594	3,479,507	5,699,273
Other income	744,902	287,121	615,817	270,382	384,289
Other (losses)/gains — net	(27,594)	(2,227)	76,172	8,920	—
Selling and marketing expenses	(15,224,355)	(6,148,803)	(20,195,594)	(731,331)	(1,304,537)
Administrative expenses	(16,919,047)	(29,205,473)	(56,406,750)	(7,032,992)	(8,581,087)
Operating profit/(loss)	27,521,839	(17,311,967)	84,853,239	(4,005,514)	(3,802,062)
Finance costs — net	(1,334,250)	(3,060,077)	(12,262,297)	234,181	(6,909,031)
Share of (losses)/profits of associated companies	(25,553)	(2,065)	5,702	(66,364)	(52,019)
Profit/(loss) before income tax	26,162,036	(20,374,109)	72,596,644	(3,837,697)	(10,763,112)
Income tax (expense)/credit	(3,975,778)	3,573,497	(11,726,307)	407,830	233,259
Total profit/(loss) and total comprehensive income/(loss) for the year	22,186,258	(16,800,612)	60,870,337	(3,429,867)	(10,529,853)
Profit/(loss) and total comprehensive income/(loss) for the year attributable to:					
Equity holders of the Target Company	25,418,298	(14,353,203)	38,871,878	(3,344,961)	(9,261,882)
Non-controlling interests	(3,232,040)	(2,447,409)	21,998,459	(84,906)	(1,267,971)
	22,186,258	(16,800,612)	60,870,337	(3,429,867)	(10,529,853)

THREE MONTHS ENDED 31 MARCH 2015 COMPARED TO THREE MONTHS ENDED 31 MARCH 2014

Revenue

Revenue increased by 82.2% to SGD118.8 million for the three months ended 31 March 2015 from SGD65.2 million for the three months ended 31 March 2014. This increase was attributable to an increase of SGD53.6 million in segment revenue from construction, which constituted all of the Target Group's total revenue for each of these periods.

Property development. The Target Group did not recognise any segment revenue from property development for each of the three months ended 31 March 2014 and 2015 because no development properties were completed or delivered pursuant to the Target Group's property development schedule during these periods.

Construction. Segment revenue from construction, after elimination of inter-segment sales, increased by 82.2% to SGD118.8 million for the three months ended 31 March 2015 from SGD65.2 million for the three months ended 31 March 2014. This increase was primarily attributable to a 82.5% increase in construction revenue to SGD118.5 million for the three months ended 31 March 2015 from SGD64.9 million for the three months ended 31 March 2014, which was due to an increase in construction revenue from projects in progress, including mainly the (i) HDB TP N4C28 and (ii) HDB SK N2C43A public projects, partially offset by a decrease in construction revenue from the (i) HDB Hougang N4C18 and (ii) China Cultural Centre projects which were nearing Completion as at 31 March 2015. Inter-segment sales representing construction services rendered to the property development segment decreased by 14.2% to SGD65.6 million for the three months ended 31 March 2015 from SGD76.5 million for the three months ended 31 March 2014, which was primarily due to the completion of RiverParc Residence in June 2014 and NiN Residence in October 2014.

Cost of sales

Cost of sales increased by 83.2% to SGD113.1 million for the three months ended 31 March 2015 from SGD61.7 million for the three months ended 31 March 2014. This increase was generally in line with the increase in segment revenue from construction and was mainly attributable to a 92.2% increase in subcontractors cost to SGD83.0 million for the three months ended 31 March 2015 from SGD43.2 million for the three months ended 31 March 2014, which was primarily due to the increase in construction services for the three months ended 31 March 2015.

Gross profit

As a result of the foregoing, gross profit increased by 63.8% to SGD5.7 million for the three months ended 31 March 2015 from SGD3.5 million for the three months ended 31 March 2014. The gross profit margin was 4.8% for the three months ended 31 March 2015 compared to 5.3% for the three months ended 31 March 2014. This decrease in gross profit margin was primarily due to the on-going construction projects during the three months ended 31 March 2015 which had lower margins because of more competitive pricing and increased unit cost driven by higher subcontractors cost and labour cost.

Other income

Other income increased by 42.1% to SGD0.4 million for the three months ended 31 March 2015 from SGD0.3 million for the three months ended 31 March 2014. This increase was primarily attributable to an increase in sundry income.

Other gains or losses — net

The Target Group did not have any other gains or losses (net) for the three months ended 31 March 2015. This was compared to the recognition of other gains (net) of SGD8,920 for the three months ended 31 March 2014, which was mainly attributable to a gain from disposal of property, plant and equipment.

Selling and marketing expenses

Selling and marketing expenses increased by 78.4% to SGD1.3 million for the three months ended 31 March 2015 from SGD0.7 million for the three months ended 31 March 2014. This increase was mainly attributable to an increase of SGD0.5 million in marketing expenses primarily associated with the pre-sales of properties for Bellewoods and Bellewaters, which commenced in September and October 2014, respectively.

Administrative expenses

Administrative expenses increased by 22.0% to SGD8.6 million for the three months ended 31 March 2015 from SGD7.0 million for the three months ended 31 March 2014. This increase was primarily attributable to an increase of SGD1.4 million in other administrative expenses, primarily related to a late payment penalty for land cost for Sembawang, property taxes and the handover costs for the NiN Residence and RiverParc Residence.

Operating profit or loss

As a result of the foregoing, the Target Group recorded an operating loss of SGD3.8 million for the three months ended 31 March 2015 compared to SGD4.0 million for the three months ended 31 March 2014. Operating loss as a percentage of revenue was 3.2% for the three months ended 31 March 2015 compared to 6.1% for the three months ended 31 March 2014.

Finance income or costs — net

Finance costs (net) were SGD6.9 million for the three months ended 31 March 2015 compared to finance income (net) of SGD0.2 million for the three months ended 31 March 2014. This change was mainly attributable to an increase of SGD4.3 million in finance costs, which was primarily due to the net foreign exchange losses of SGD4.8 million for the three months ended 31 March 2015 as a result of the impact of appreciation of Renminbi against Singapore dollars on certain Renminbi-denominated loans from Guotsing SG to the Target Group. In addition, this change was also attributable to a decrease of SGD2.8 million in finance income, which was primarily due to (i) the fact that no net foreign exchange gains were recognised for the three months ended 31 March 2015 and (ii) no interest income was received from Guotsing SG.

Share of losses of associated companies

Share of losses of associated companies decreased by 21.6% to SGD52,019 for the three months ended 31 March 2015 from SGD66,364 for the three months ended 31 March 2014.

Profit or loss before income tax

As a result of the foregoing, the Target Group recorded a loss before income tax of SGD10.8 million for the three months ended 31 March 2015 compared to SGD3.8 million for the three months ended 31 March 2014.

Income tax expense or credit

The Target Group recorded an income tax credit of SGD0.2 million for the three months ended 31 March 2015 compared to SGD0.4 million for the three months ended 31 March 2014. These income tax credits were attributable to the losses before income tax for the respective periods, which were adjusted mainly for expenses not deductible for tax purposes such as depreciation on non-qualifying property, plant and equipment, car expenses, foreign exchange loss of capital nature and losses of investment companies which cannot be carried forward for the three months ended 31 March 2015. The income tax credit as a percentage of loss before income tax was 2.2% for the three months ended 31 March 2015 compared to 10.6% for the three months ended 31 March 2014. This decrease in income tax credit as a percentage of loss before income tax was primarily due to the increases in expenses not deductible for tax purposes between the two periods.

Total profit or loss and total comprehensive income or loss

As a result of the foregoing, the Target Group recorded a total loss and total comprehensive loss of SGD10.5 million for the three months ended 31 March 2015 compared to SGD3.4 million for the three months ended 31 March 2014. The total loss and total comprehensive loss as a percentage of revenue for the three months ended 31 March 2015 was 8.9% compared to 5.3% for the three months ended 31 March 2014. The higher total loss and total comprehensive loss as a percentage of revenue for the three months ended 31 March 2015 was primarily due to the finance costs (net) incurred for the three months ended 31 March 2015.

The loss and total comprehensive loss attributable to equity holders of the Target Company was SGD9.3 million for the three months ended 31 March 2015 compared SGD3.3 million for the three months ended 31 March 2014. Non-controlling interests in the Target Company's subsidiaries, including mainly its property development companies which were still engaged in the development stage of six projects, accounted for SGD1.3 million of the total loss and total comprehensive loss for the three months ended 31 March 2015. This was compared to the total loss and total comprehensive loss attributable to non-controlling interests of SGD84,906 for the three months ended 31 March 2014.

YEAR ENDED 31 DECEMBER 2014 COMPARED TO YEAR ENDED 31 DECEMBER 2013

Revenue

Revenue increased significantly by SGD763.6 million to SGD1,038.5 million in 2014 from SGD274.9 million in 2013. This increase was attributable to an increase of SGD641.7 million in segment revenue from property development and an increase of SGD121.9 million in segment revenue from construction.

Property development. Segment revenue from property development was SGD641.7 million in 2014, compared to nil in 2013. The Target Group recognised revenue from the delivery of properties for RiverParc Residence and NiN Residence in 2014, the first year in which the Target Group recognised revenue from properties delivered. The Target Group delivered a saleable floor area of 56,280 sq.m. for RiverParc Residence at an average selling price of SGD7,220 per sq.m. and a saleable floor area of 18,923 sq.m. for NiN Residence at an average selling price of SGD12,435 per sq.m.

Construction. Segment revenue from construction, after elimination of inter-segment sales, increased by 44.4% to SGD396.9 million in 2014 from SGD274.9 million in 2013. This increase was primarily attributable to a 45.2% increase in construction revenue to SGD395.1 million in 2014 from SGD272.1 million in 2013, which was due to an increase in construction revenue from projects in progress, including mainly the (i) HDB YS N5C6 and (ii) HDB SK N2C43A public housing construction projects, partially offset by a decrease in construction revenue from completed projects, including mainly The Minton which was completed in November 2013. Inter-segment sales representing construction services rendered to the property development segment increased by 34.5% to SGD300.7 million in 2014 from SGD223.5 million in 2013, which was primarily due to the commencement of construction of Bellewoods in December 2013 and Bellewaters in January 2014.

Cost of sales

Cost of sales increased significantly to SGD877.8 million in 2014 from SGD257.1 million in 2013. This increase was mainly attributable to the property development costs of SGD506.8 million recorded in 2014 in relation to the delivery of properties for RiverParc Residence and NiN Residence. The increase in cost of sales was also attributable to a 48.2% increase in subcontractors cost to SGD273.6 million in 2014 from SGD184.7 million in 2013, which was primarily due to the increase in construction services in 2014.

Gross profit

As a result of the foregoing, in particular the impact of the property development segment in 2014, the gross profit of the Target Group increased significantly by SGD143.0 million to SGD160.8 million in 2014 from SGD17.8 million in 2013. The gross profit margin of the Target Group was 15.5% in 2014 compared to 6.5% in 2013. The overall gross profit margin in 2014 was primarily attributable to the property development segment, which had a gross profit margin attributable to such segment of 21.0%. On the other hand, the gross profit margin attributable to the construction segment remained at 6.5% in 2014 and 2013.

Other income

Other income increased by SGD0.3 million to SGD0.6 million in 2014 from SGD0.3 million in 2013. This increase was primarily attributable to an increase of SGD0.3 million in income from default payments of development properties.

Other gains or losses — net

The Target Group recorded other gains (net) of SGD0.1 million in 2014 compared to other losses (net) of SGD2,227 in 2013. This change was primarily due to a gain from disposal of property, plant and equipment in 2014.

Selling and marketing expenses

Selling and marketing expenses increased significantly by SGD14.1 million to SGD20.2 million in 2014 from SGD6.1 million in 2013. This increase was attributable to (i) the sales commissions of SGD8.6 million in 2014 relating to properties sold and delivered for RiverParc Residence and NiN Residence, (ii) an increase of SGD3.4 million in show flat costs associated with the pre-sales of properties for Bellewoods and Bellewaters in 2014, and (iii) an increase of SGD2.1 million in marketing expenses primarily due to the launch of pre-sales for more property development projects in 2014 compared to 2013.

Administrative expenses

Administrative expenses increased by 93.1% to SGD56.4 million in 2014 from SGD29.2 million in 2013. This increase was primarily attributable to an increase of SGD30.0 million in staff costs, primarily due to a performance bonus of SGD25.0 million in 2014 granted to certain directors of the project companies in relation to RiverParc Residence and NiN Residence upon their completion.

Operating profit or loss

As a result of the foregoing, the Target Group recorded an operating profit of SGD84.9 million in 2014 compared to an operating loss of SGD17.3 million in 2013. Operating profit as a percentage of revenue in 2014 was 8.2% and operating loss as a percentage of revenue in 2013 was 6.3%.

Finance costs — net

Finance costs (net) increased by SGD9.2 million to SGD12.3 million in 2014 from SGD3.1 million in 2013. This increase was attributable to (i) an increase of SGD5.6 million in finance costs, which was primarily due to the net foreign exchange losses in 2014 primarily as a result of the impact of appreciation of Renminbi against Singapore dollars on certain Renminbi-denominated loans from Guotsing SG to the Target Group, and (ii) a decrease of SGD3.6 million in finance income, which was primarily due to a decrease in interest income from Guotsing SG, certain associated companies and other related parties primarily as a result of the reduced interest rate charged on loans to Guotsing SG in light of the lower cost of funds in 2014 compared to 2013.

Share of profits or losses of associated companies

The Target Group had a share of profits of associated companies amounting to SGD5,702 in 2014 compared to a share of losses of associated companies amounting to SGD2,065 in 2013.

Profit or loss before income tax

As a result of the foregoing, the Target Group recorded a profit before income tax of SGD72.6 million in 2014 compared to a loss before income tax of SGD20.4 million in 2013.

Income tax expense or credit

The Target Group recorded an income tax expense of SGD11.7 million in 2014 compared to an income tax credit of SGD3.6 million in 2013. These income tax expense and credit were primarily attributable to the profit before income tax in 2014 and loss before income tax in 2013, respectively. The effective tax rate in 2014 was 16.2% while the income tax credit as a percentage of loss before income tax in 2013 was 17.5%.

Total profit or loss and total comprehensive income or loss

As a result of the foregoing, the Target Group recorded a total profit and total comprehensive income of SGD60.9 million in 2014 compared to a total loss and total comprehensive loss of SGD16.8 million in 2013. The total profit and total comprehensive income as a percentage of revenue in 2014 was 5.9% while the total loss and total comprehensive loss as a percentage of revenue in 2013 were each 6.1%.

The profit and total comprehensive income attributable to equity holders of the Target Company was SGD38.9 million in 2014, while non-controlling interests in the Target Company's subsidiaries, including mainly those project companies in charge of RiverParc Residence and NiN Residence, accounted for SGD22.0 million of the total profit and total comprehensive income. This was compared to the loss and total comprehensive loss attributable to equity holders of the Target Company of SGD14.4 million in 2013, while non-controlling interests in the Target Company's subsidiaries, including mainly its property development companies which were still engaged in the development stage, accounted for SGD2.4 million of the total loss and total comprehensive loss in 2013.

YEAR ENDED 31 DECEMBER 2013 COMPARED TO YEAR ENDED 31 DECEMBER 2012

Revenue

Revenue decreased by 5.1% to SGD274.9 million in 2013 from SGD289.6 million in 2012. This decrease was attributable to a decrease of SGD14.7 million in segment revenue from construction, which constituted all of the Target Group's total revenue for each of 2012 and 2013.

Property development. The Target Group did not recognise any segment revenue from property development in each of 2012 and 2013 because none of its development properties had been completed prior to 2014.

Construction. Total segment sales for the construction segment increased by 29.0% to SGD498.4 million in 2013 from SGD386.4 million in 2012 as the Target Group was engaged in an increased level of construction activities, in particular for its own property development projects, in 2013. Inter-segment sales representing construction services rendered to the property development segment increased significantly by SGD126.7 million to SGD223.5 million in 2013 from SGD96.8 million in 2012, which was primarily due to the increased construction activities of (i) various projects in progress, including mainly River Isles, RiverSound Residence and WaterBay which commenced construction in July, May and December 2012, respectively, and (ii) the two projects RiverParc Residence and NiN Residence, which were completed in 2014. Nonetheless, after eliminating the impact of inter-segment sales, segment revenue from construction decreased by 5.1% to SGD274.9 million in 2013 from SGD289.6 million in 2012. This decrease was primarily attributable to a 5.3% decrease in construction revenue to SGD272.1 million in 2013 from SGD287.4 million in 2012, which was due to a decrease in construction revenue from completed projects, including mainly (i) The Minton which was completed in November 2013 and (ii) the HDB Sengkang N1C27 project which was completed in August 2013, partially offset by an increase in construction revenue from projects in progress, including mainly the (i) HDB Sengkang N4C24 and (ii) HDB Hougang N4C18 public housing construction projects.

Cost of sales

Cost of sales increased by 11.5% to SGD257.1 million in 2013 from SGD230.7 million in 2012. This increase was mainly attributable to a 32.8% increase in subcontractors cost to SGD184.7 million in 2013 from SGD139.0 million in 2012. The Target Group incurred more subcontracting services in delivering construction services to third party customers in 2013, primarily as a result of its high utilisation of own labour due to the increased construction activities, in particular for its own property development projects.

Gross profit

As a result of the foregoing, gross profit decreased by 69.9% to SGD17.8 million in 2013 from SGD58.9 million in 2012. The gross profit margin was 6.5% in 2013 compared to 20.4% in 2012. This decrease in gross profit margin was primarily due to the increased subcontractors cost incurred in 2013.

Other income

Other income decreased by 61.5% to SGD0.3 million in 2013 from SGD0.7 million in 2012. This decrease was attributable to (i) a 52.3% decrease in income from default payments of development properties and (ii) a 76.3% decrease in sundry income.

Other losses — net

Other losses (net) decreased by 91.9% to SGD2,227 in 2013 from SGD27,594 in 2012. This decrease was mainly attributable to a decrease in miscellaneous losses in 2013.

Selling and marketing expenses

Selling and marketing expenses decreased by 59.6% to SGD6.1 million in 2013 from SGD15.2 million in 2012. This decrease was primarily attributable to a decrease of SGD8.8 million in marketing expenses as the Target Group commenced pre-sales for fewer property development projects in 2013 compared to 2012.

Administrative expenses

Administrative expenses increased by 72.6% to SGD29.2 million in 2013 from SGD16.9 million in 2012. This increase was primarily due to an increase of SGD7.3 million in staff costs, including directors' emoluments, resulting primarily from increases in the number of staff and their salaries level.

Operating profit or loss

As a result of the foregoing, the Target Group recorded an operating loss of SGD17.3 million in 2013 compared to an operating profit of SGD27.5 million in 2012. Operating loss as a percentage of revenue in 2013 was 6.3% and operating profit as a percentage of revenue in 2012 was 9.5%.

Finance costs — net

Finance costs (net) increased by SGD1.8 million to SGD3.1 million in 2013 from SGD1.3 million in 2012. This increase was attributable to an increase of SGD8.1 million in finance costs, which was primarily due to an increase in uncapitalised interest expenses on bank borrowings as a result of the drawdown of a higher amount of revolving loans as the business scale expanded in 2013. The increase in finance costs was partially offset by an increase of SGD6.3 million in finance income, which was primarily attributable to an increase in interest income from Guotsing SG in 2013. Certain members of the Target Group provided interest-bearing loans to Guotsing SG in 2013 as Guotsing SG intended to centralise cash flow management at its group level.

Share of losses of associated companies

Share of losses of associated companies decreased by 91.9% to SGD2,065 in 2013 from SGD25,553 in 2012.

Profit or loss before income tax

As a result of the foregoing, the Target Group recorded a loss before income tax of SGD20.4 million in 2013 compared to a profit before income tax of SGD26.2 million in 2012.

Income tax expense or credit

The Target Group recorded an income tax credit of SGD3.6 million in 2013 compared to an income tax expense of SGD4.0 million in 2012. These income tax credit and expense were primarily due to the loss before income tax in 2013 and profit before income tax in 2012, respectively. The income tax credit as a percentage of loss before income tax in 2013 was 17.5% while the effective tax rate in 2012 was 15.2%.

Total profit or loss and total comprehensive income or loss

As a result of the foregoing, the Target Group recorded a total loss and total comprehensive loss of SGD16.8 million in 2013 compared to a total profit and total comprehensive income of SGD22.2 million in 2012. The total loss and total comprehensive loss as a percentage of revenue in 2013 was 6.1% while the total profit and total comprehensive income as a percentage of revenue in 2012 was 7.7%.

The loss and total comprehensive loss attributable to equity holders of the Target Company in 2013 was SGD14.4 million, as non-controlling interests in the Target Company's subsidiaries, including mainly its property development companies, accounted for SGD2.4 million of the total loss and total comprehensive loss. This was compared to the profit and total comprehensive income attributable to equity holders of the Target Company of SGD25.4 million in 2012, as non-controlling interests in the Target Company's subsidiaries, including mainly its property development companies, accounted for SGD3.2 million in loss and total comprehensive loss in 2012.

LIQUIDITY AND CAPITAL RESOURCES

The Target Group's principal cash requirements are to pay for development expenditures and working capital needs in connection with the development of condominiums and executive condominiums and its construction services. Its cash requirements have historically been financed primarily through borrowings and cash generated from operations.

In the next 12 months from the date of this circular, the Directors expect the Target Group to receive cash proceeds mainly from (i) its construction services, (ii) instalment payments by customers of completed or pre-sold properties for RiverParc Residence, NiN Residence, RiverSound Residence, River Isles, WaterBay, Ecopolitan and Sembawang, and (iii) the drawdown of loans under existing banking facilities. The Directors expect to use these cash proceeds, among other financial resources such as shareholder's loans from non-controlling shareholders of property development projects, to fund the Target Group's cash requirements, which principally include the repayment of bank borrowings and payment of development and construction costs, in the next 12 months.

Taking into account (i) the Target Group's cash proceeds from construction services and the unrealised contract sum of construction projects in progress, (ii) the schedule of pre-sale and completion of the property development projects and the amount of properties sold and pre-sold, (iii) the available banking facilities of the Target Group, and (iv) other financial resources available to the Enlarged Group, in the absence of unforeseen circumstances, the

Directors are of the view, and the Sole Sponsor concurs, that the Enlarged Group has sufficient working capital to meet its capital requirements for its operations for at least the next 12 months from the date of this circular.

The following table sets out selected combined statements of cash flows data of the Target Group for the periods indicated:

	Year ended 31 December			Three months ended 31 March
	2012	**2013**	**2014**	**2015**
	SGD	*SGD*	*SGD*	*SGD*
Net cash (used in)/generated from operating activities	(375,783,271)	(337,930,023)	141,408,512	(126,332,268)
Net cash (used in)/generated from investing activities	(25,865,149)	(118,962,351)	107,086,939	395,744
Net cash generated from/(used in) financing activities	556,767,824	458,929,635	(377,708,643)	211,889,222
Net increase/(decrease) in cash and cash equivalents	155,119,404	2,037,261	(129,213,192)	85,952,697
Cash and cash equivalents at the end of period	262,405,875	264,443,136	135,229,944	221,182,641

Cash flows from operating activities

Net cash used in operating activities for the three months ended 31 March 2015 was SGD126.3 million. This was mainly attributable to the total loss for the period of SGD10.5 million, as positively adjusted for net foreign exchange losses of SGD4.8 million and interest expenses of SGD2.2 million, among other adjustments, and a decrease in cash of SGD111.7 million related to changes in working capital. These changes in working capital included mainly a decrease in cash of SGD247.9 million due to an increase in development properties for sale as the Target Group continued to engage in property development activities during the three months ended 31 March 2014. This was partially offset by an increase in cash of SGD119.0 million due to an increase in trade and other payables primarily as a result of an increase in advanced proceeds received from customers in respect of pre-sold properties mainly for Bellewoods and Bellewaters. In addition, interest of SGD11.8 million was paid during the three months ended 31 March 2015.

Net cash generated from operating activities in 2014 was SGD141.4 million. This was mainly attributable to the total profit for the year of SGD60.9 million, as positively adjusted for income tax expense of SGD11.7 million and interest expenses of SGD11.0 million, among other adjustments, and an increase in cash of SGD110.5 million related to changes in working capital. These changes in working capital included mainly (i) an increase in cash of SGD120.3 million due to a decrease in development properties for sale primarily because of the delivery of properties for RiverParc Residence and NiN Residence in 2014 and (ii) an increase in cash of SGD118.1 million due to an increase in trade and other payables primarily as a result of the Target Group's increased project development and construction activities, partially offset by a decrease in cash of SGD129.9 million due to an increase in trade and other receivables primarily related to the amounts due from customers for the remaining instalments of completed and delivered development properties for RiverParc Residence and NiN Residence. In addition, interest and income tax in the amounts of SGD48.2 million and SGD7.1 million were paid in 2014.

Net cash used in operating activities in 2013 was SGD337.9 million. This was mainly attributable to the total loss for the year of SGD16.8 million, as positively adjusted for interest expenses of SGD10.0 million and negatively adjusted for interest income of SGD5.0 million and income tax credit of SGD3.6 million, among other adjustments, and a decrease in cash of SGD248.9 million related to changes in working capital. These changes in working capital included mainly a decrease in cash of SGD753.0 million due to an increase in development properties for sale as the Target Group was engaged in more projects under development in 2013. This was partially offset by (i) an increase in cash of SGD391.4 million due to an increase in trade and other payables primarily as a result of the Target Group's increased project development and construction activities and (ii) an increase in cash of SGD110.9 million due to a decrease in trade and other receivables primarily related to payments of other receivables by fellow subsidiaries to partially settle their outstanding balances. In addition, interest and income tax in the amounts of SGD66.7 million and SGD8.1 million were paid in 2013.

Net cash used in operating activities in 2012 was SGD375.8 million. While the Target Group had a total profit of SGD22.2 million, as positively adjusted for income tax expense of SGD4.0 million, depreciation of SGD2.0 million and interest expenses of SGD1.6 million, among other adjustments, its net cash used in operating activities was mainly attributable to a decrease in cash of SGD364.6 million related to changes in working capital. These changes in working capital included mainly (i) a decrease in cash of SGD651.9 million due to an increase in development properties for sale as the Target Group was engaged in a number of existing and new projects under development in 2012, and (ii) a decrease in cash of SGD184.6 million due to an increase in trade and other receivables primarily related to certain fellow subsidiaries. These were partially offset by an increase in cash of SGD472.6 million due to an increase in trade and other payables primarily as a result of the Target Group's increased project development and construction activities. In addition, interest and income tax in the amounts of SGD33.3 million and SGD7.5 million were paid in 2012.

Cash flows from investing activities

Net cash generated from investing activities for the three months ended 31 March 2015 was SGD0.4 million. This was mainly attributable to the receipt of (i) SGD0.4 million from repayment of loans by related parties and (ii) SGD0.1 million from interest income. The cash inflow was partially offset by the payment of SGD0.1 million for additions to property, plant and equipment.

Net cash generated from investing activities in 2014 was SGD107.1 million. This was mainly attributable to the receipt of SGD120.8 million from repayment of loans by Guotsing SG. These proceeds were, in turn, used to partially repay the loans from Guotsing SG in 2014 to lower the Target Group's total borrowings. The cash inflow was partially offset by the payment of SGD17.8 million for additions to property, plant and equipment, including mainly new production facilities and construction equipment, to support business growth.

Net cash used in investing activities in 2013 was SGD119.0 million. This was mainly attributable to the net loans made to Guotsing SG, an associated company and other related parties in the amount of SGD117.8 million. Certain members of the Target Group provided interest-bearing loans amounting to SGD120.8 million to Guotsing SG in 2013 as Guotsing SG intended to centralise cash flow management at its group level.

Net cash used in investing activities in 2012 was SGD25.9 million. This was mainly attributable to the shareholder's loans made to related parties in the amount of SGD22.3 million in connection with certain projects in which the Target Company holds a non-controlling interest.

Cash flows from financing activities

Net cash generated from financing activities was SGD211.9 million for the three months ended 31 March 2015. This was mainly attributable to the proceeds of SGD212.4 million from net borrowings, including mainly the proceeds from land and development loans relating to Sembawang as part of the land payment for this project was due in 2015.

Net cash used in financing activities was SGD377.7 million in 2014. This was mainly attributable to the repayment of net borrowings in the amount of SGD366.1 million, including mainly (i) the repayment of land and development loans as well as revolving loans relating to RiverParc Residence and NiN Residence as these projects reached completion in 2014, and (ii) the partial repayment of loans from Guotsing SG.

Net cash generated from financing activities was SGD458.9 million in 2013. This was mainly attributable to the proceeds of SGD508.7 million from net borrowings, including mainly the proceeds from land and development loans relating to Bellewoods and Bellewaters as these sites were acquired in 2013 as well as revolving loans relating to other ongoing development projects, partially offset by the payment of SGD50.1 million as dividends to Guotsing SG.

Net cash generated from financing activities was SGD556.8 million in 2012. This was mainly attributable to the proceeds of SGD557.4 million from net borrowings, including mainly the proceeds from land and development loans as well as revolving loans relating to Ecopolitan and WaterBay as these sites were acquired in 2012.

Project accounts and maintenance fund accounts

For pre-sales of development properties prior to obtaining the TOP, the Target Group is required by the relevant Singapore laws and regulations to deposit into a project account for the relevant property development project all instalments of purchase money payable by a purchaser towards the purchase of a property in the project. These funds can only be withdrawn for payment of certain permissible expenditures for the relevant project. In addition, the Target Group holds funds in certain maintenance fund accounts, which can only be used for the upkeep of completed development properties.

The following table sets out the amounts of funds in the projects accounts and maintenance fund accounts of the Target Group as at the dates indicated:

	As at 31 December			**As at 31 March**
	2012	**2013**	**2014**	**2015**
	SGD	*SGD*	*SGD*	*SGD*
Project accounts	222,455,003	170,993,846	93,564,338	138,637,849
Maintenance fund accounts	—	—	897,206	792,759

The general decrease in the balance of funds held under the project accounts during the Track Record Period was primarily due to the progress of development of RiverParc Residence and NiN Residence during such period as funds were used to pay for various expenditures relating to these projects.

NET CURRENT ASSETS

The following table sets out the Target Group's current assets and current liabilities as at the dates indicated:

	As at 31 December			As at 31 March	As at 31 July
	2012	2013	2014	2015	2015
	SGD	*SGD*	*SGD*	*SGD*	*SGD* (unaudited)
Current assets					
Cash at bank and on hand	262,492,454	264,443,136	135,229,944	221,182,641	170,332,241
Trade and other receivables	302,878,107	289,670,264	301,993,805	287,538,174	364,693,655
Amount due from customers for contract work	9,590,695	7,723,892	5,727,946	3,367,076	15,061,012
Development properties for sale	1,331,009,210	2,140,716,335	2,057,688,197	2,315,075,433	1,976,655,328
Tax recoverable	60,281	—	90,189	15,325	—
	1,906,030,747	2,702,553,627	2,500,730,081	2,827,178,649	2,526,742,236
Current liabilities					
Trade and other payables	724,014,512	1,115,454,049	1,233,587,788	1,352,566,678	1,037,559,527
Current income tax liabilities	8,518,578	5,487,814	15,570,822	16,942,393	25,821,498
Borrowings	42,760,257	316,335,034	243,263,723	405,358,944	415,105,149
Provisions	1,404,000	1,404,000	—	—	—
	776,697,347	1,438,680,897	1,492,422,333	1,774,868,015	1,478,486,174
Net current assets	1,129,333,400	1,263,872,730	1,008,307,748	1,052,310,634	1,048,256,062

The Target Group recorded net current assets as at each of 31 December 2012, 2013 and 2014, 31 March 2015 and 31 July 2015. The Target Group's net current assets position as at each of these dates was primarily attributable to its holding of development properties for sale, trade and other receivables, and cash at bank and on hand, as was partially offset by its trade and other payables and current borrowings. Net current assets remained relatively steady, amounting to SGD1,048.3 million as at 31 July 2015 compared with SGD1,052.3 million as at 31 March 2015.

CERTAIN STATEMENT OF FINANCIAL POSITION ITEMS

Development properties for sale

Development properties for sale represent the lower of (i) cost, including mainly leasehold land at cost and development costs, as well as other capitalised overheads and interest expenditures, and (ii) net realisable value of unsold development properties. As at each of 31 December 2012, 2013 and 2014 and 31 March 2015, all of the development properties for sale held by the Target Group were in the course of development.

The following table sets out the breakdown of the Target Group's development properties for sale as at the dates indicated:

	As at 31 December			As at 31 March
	2012	2013	2014	2015
	SGD	*SGD*	*SGD*	*SGD*
Properties in the course of development:				
Leasehold land at cost	1,072,051,640	1,548,885,668	1,355,309,746	1,527,342,496
Development costs	180,141,360	441,899,187	578,321,633	650,700,270
Overheads expenditure capitalised	31,007,411	45,458,565	15,522,027	18,986,390
Interest expenses capitalised	47,808,799	104,472,915	108,534,791	118,046,277
Total	1,331,009,210	2,140,716,335	2,057,688,197	2,315,075,433

The significant increase in development properties for sale from SGD1,331.0 million as at 31 December 2012 to SGD2,140.7 million as at 31 December 2013 was mainly attributable to (i) an increase of SGD476.8 million in leasehold land at cost due to the land acquisition for Bellewoods and Bellewaters in 2013 and (ii) increases in development costs and other capitalised overheads and interest expenditures associated with the continued development of various property development projects.

The decrease in development properties for sale from SGD2,140.7 million as at 31 December 2013 to SGD2,057.7 million as at 31 December 2014 was due to the delivery of completed properties for RiverParc Residence and NiN Residence in 2014, partially offset by the continued development of other projects under development and the partial payment of land cost for Sembawang.

The increase in development properties for sale from SGD2,057.7 million as at 31 December 2014 to SGD2,315.1 million as at 31 March 2015 was mainly attributable to (i) an increase of SGD172.0 million in leasehold land at cost due to the partial payment of land cost for Sembawang and (ii) an increase of SGD72.4 million in development costs associated with the continued development of various property development projects.

Trade and other receivables

During the Track Record Period, trade and other receivables (current) comprised (i) trade receivables of the Target Group from construction services rendered, (ii) retentions by customers under their construction contracts, (iii) amounts due from customers for their purchases of development properties, (iv) other receivables due from various parties in the form of unsecured, interest-free advances repayable on demand, prepayments, deposits and staff advances, and (v) amounts due to the Target Group under loans to Guotsing SG and certain related parties. In addition, the Target Group has non-current other receivables comprising amounts due to the Target Group under shareholder's loans to an associated company and other related parties (which are property development companies in which the Target Company holds a non-controlling interest, as well as non-current prepayments for project insurance.

The following table sets out the breakdown of the Target Group's trade and other receivables as at the dates indicated:

	As at 31 December			As at 31 March
	2012	**2013**	**2014**	**2015**
	SGD	*SGD*	*SGD*	*SGD*
Current				
Trade receivables:				
Third parties	74,553,208	63,247,790	92,086,434	93,253,541
Related parties	1,330,336	22,065,704	4,324,006	2,995,464
Fellow subsidiaries	309,753	245,041	1,066,169	1,132,346
	76,193,297	85,558,535	97,476,609	97,381,351
Amount due from customers for contract work:				
Retention receivables	15,602,308	11,923,721	21,500,490	22,659,342
Development properties — due from customers	—	—	98,033,255	65,100,615
Other receivables:				
Guotsing SG	54,502,236	18,945,802	52,181,127	61,397,962
Fellow subsidiaries	119,951,704	11,823,587	4,200,882	8,199,038
Related parties	568,090	1,630,959	2,210,629	2,820,645
Third parties	5,641,051	9,030,959	29,156	957,369
Prepayments	2,867,468	23,960,333	16,761,910	20,394,933
Deposits	4,844,671	5,868,986	5,281,625	4,411,919
Staff advances	451,834	78,233	118,122	15,000
	188,827,054	71,338,859	80,783,451	98,196,866
Loans to:				
Related parties	22,255,448	—	4,200,000	4,200,000
Guotsing SG	—	120,849,149	—	—
	22,255,448	120,849,149	4,200,000	4,200,000
Trade and other receivables	302,878,107	289,670,264	301,993,805	287,538,174

	As at 31 December			As at 31 March
	2012	2013	2014	2015
	SGD	*SGD*	*SGD*	*SGD*
Non-current				
Other receivables:				
Loans to related parties	—	14,453,176	10,153,176	9,803,176
Loans to associated company	—	4,800,000	4,800,000	4,800,000
	—	19,253,176	14,953,176	14,603,176
Prepayments:				
Project insurance	1,379,703	2,325,917	3,235,269	2,893,238

Trade and other receivables (current) decreased by 4.4% from SGD302.9 million as at 31 December 2012 to SGD289.7 million as at 31 December 2013. This decrease was mainly attributable to a decrease of SGD117.5 million in other receivables (current), which was primarily due to a decrease in other receivables from fellow subsidiaries from SGD120.0 million as at 31 December 2012 to SGD11.8 million as at 31 December 2013 as payments were made by the fellow subsidiaries to partially settle their outstanding balances.

Trade and other receivables (current) increased by 4.3% from SGD289.7 million as at 31 December 2013 to SGD302.0 million as at 31 December 2014. This increase was mainly attributable to the amounts due from customers for development properties of SGD98.0 million, which represented the aggregate amount receivable from customers in the property development business in respect of the completed and delivered properties for RiverParc Residence and NiN Residence as at 31 December 2014. This increase was partially offset by a decrease of SGD120.8 million in loans to Guotsing SG as such loans were repaid in 2014.

Trade and other receivables (current) decreased by 4.8% from SGD302.0 million as at 31 December 2014 to SGD287.5 million as at 31 March 2015. This decrease was mainly attributable to a decrease of SGD32.9 million in development properties due from customers as more payments were received for the completed and delivered properties for RiverParc Residence and NiN Residence.

Trade receivables represent predominantly the amounts receivable from construction services rendered by the Target Group. Trade receivables amounted to SGD76.2 million, SGD85.6 million, SGD97.5 million and SGD97.4 million as at 31 December 2012, 2013 and 2014 and 31 March 2015, respectively. The general increase in trade receivables during the Track Record Period was primarily due to the general increase in construction activities of the Target Group. As at 31 July 2015, of the SGD97.4 million in trade receivables outstanding as at 31 March 2015, a total of SGD64.6 million, or 66.3%, had been settled.

Except for the shareholder's loans to an associated company and other related parties (which are property development companies in which the Target Company holds a non-controlling interest), the Target Group will procure the settlement of all other receivables from Guotsing SG, fellow subsidiaries and other related parties prior to the Completion.

The credit period on trade receivables is typically 30 days. The following tables set out an ageing analysis of trade receivables based on the invoice date as at the dates indicated and the average trade receivables turnover days for the periods indicated:

	As at 31 December			**As at 31 March**
	2012	**2013**	**2014**	**2015**
	SGD	*SGD*	*SGD*	*SGD*
Up to 3 months	72,347,230	85,558,535	95,340,908	93,164,317
3 to 12 months	2,897,010	—	2,135,701	4,217,034
Over 12 months	949,057	—	—	—
Total	76,193,297	85,558,535	97,476,609	97,381,351

	Year ended 31 December			**Three months ended 31 March**
	2012	**2013**	**2014**	**2015**
Average trade receivables turnover days for construction segment(1)	81.5	108.5	83.9	73.1

Note:

(1) Average trade receivables turnover days for the construction segment for a certain period is derived by dividing the arithmetic mean of the opening and closing balances of trade receivables from the construction segment by segment revenue from construction, after elimination of inter-segment sales, for the relevant period and then multiplied by the number of days in the relevant period.

Average trade receivables turnover days for the construction segment indicates the average time required for the Target Group to collect cash payments from third party customers for the construction segment. The higher average trade receivables turnover days in 2013 compared to 2012 and 2014 and the three months ended 31 March 2015 was primarily due to the relatively lower construction revenue from external construction projects in 2013. The average trade receivables turnover days for each of 2012, 2013 and 2014 and the three months ended 31 March 2015 was higher than the typical credit period of 30 days because (i) certain trade receivables were recognised as accrued but unbilled construction works, for which the Target Group would issue an invoice to customers after the year end, and consequently the credit period as calculated would begin before the actual invoice date and become longer than the actual credit period granted, and (ii) certain trade receivables arose from a customer to which the Target Group had outstanding trade payables to offset each other, but these trade receivables and payables were not yet offset in the Target Group's combined balance sheet as at each of 31 December 2012, 2013 and 2014, and consequently the credit period as calculated would take into account these trade receivables which remained on the combined balance sheet but had effectively been offset by the corresponding trade payables.

Trade and other payables

Trade and other payables comprise (i) trade payables primarily due to subcontractors and suppliers for their services and materials provided to the Target Group, (ii) non-trade payables such as unsecured, interest-free amounts due to various parties repayable on demand and GST payable, (iii) advanced proceeds received from customers in relation to the pre-sales of development properties, (iv) accruals for operating expenses, and (v) deposits received.

The following table sets out the breakdown of the Target Group's trade and other payables as at the dates indicated:

	As at 31 December			As at 31 March
	2012	**2013**	**2014**	**2015**
	SGD	*SGD*	*SGD*	*SGD*
Current				
Trade payables to:				
Related parties	3,480,330	7,336,808	11,415,440	8,860,552
Fellow subsidiary	—	—	1,008,584	4,582,039
Third parties	145,132,305	167,869,335	230,620,818	222,544,673
	148,612,635	175,206,143	243,044,842	235,987,264
Non-trade payables to:				
Guotsing Group	4,597,902	—	—	—
Guotsing SG	—	12,716,018	20,908,584	26,956,913
Fellow subsidiaries	62,543,896	13,580,802	10,831,472	15,706,047
Related parties	53,885,177	11,571,540	13,702,873	14,633,327
Third parties	7,521,437	9,235,347	3,025,540	2,944,972
Good Service Tax payable	1,826,553	2,729,836	2,113,064	528,875
	130,374,965	49,833,543	50,581,533	60,770,134

	As at 31 December			As at 31 March
	2012	2013	2014	2015
	SGD	*SGD*	*SGD*	*SGD*
Advanced proceeds received from customers	430,551,860	871,496,399	914,690,241	1,022,753,317
Accruals for operating expenses	14,371,258	18,824,582	25,271,172	33,055,963
Deposit received	103,794	93,382	—	—
	445,026,912	890,414,363	939,961,413	1,055,809,280
Total trade and other payables	724,014,512	1,115,454,049	1,233,587,788	1,352,566,678

Trade and other payables increased by 54.1% from SGD724.0 million as at 31 December 2012 to SGD1,115.5 million as at 31 December 2013. This increase was mainly attributable to an increase of SGD440.9 million in advanced proceeds received from customers in relation to the pre-sales of development properties in 2013, partially offset by (i) a decrease of SGD49.0 million in non-trade payables to fellow subsidiaries and (ii) a decrease of SGD42.3 million in non-trade payables to related parties, as payments were made to partially settle these outstanding balances in 2013.

Trade and other payables increased by 10.6% from SGD1,115.5 million as at 31 December 2013 to SGD1,233.6 million as at 31 December 2014. This increase was mainly attributable to (i) an increase of SGD62.8 million in trade payables to non-related parties due to increased property development and construction activities of the Target Group and (ii) an increase of SGD43.2 million in advanced proceeds received from customers in relation to the pre-sales of development properties in 2014.

Trade and other payables increased by 9.6% from SGD1,233.6 million as at 31 December 2014 to SGD1,352.6 million as at 31 March 2015. This increase was mainly attributable to an increase of SGD108.1 million in advanced proceeds received from customers in relation to the pre-sales of development properties during the three months ended 31 March 2015.

As at 31 July 2015, of the SGD236.0 million in trade payables outstanding as at 31 March 2015, a total of SGD151.0 million, or 64.0%, had been settled.

The Target Group will settle all non-trade payables to Guotsing SG, fellow subsidiaries and other related parties prior to the Completion.

The credit terms granted by the Target Group's suppliers were usually within 30 to 60 days. The following table sets out an ageing analysis of trade payables (including amounts due to related parties of trading in nature) based on the invoice date as at the dates indicated and the average trade payables turnover days for the periods indicated:

	As at 31 December			As at 31 March
	2012	**2013**	**2014**	**2015**
	SGD	*SGD*	*SGD*	*SGD*
0 to 30 days	143,199,412	158,375,640	232,283,156	232,028,312
31 to 90 days	2,453,938	9,686,317	8,670,266	2,628,908
91 to 365 days	2,950,592	4,620,712	1,630,244	793,522
Over 365 days	8,693	2,523,474	461,176	536,522
	148,612,635	175,206,143	243,044,842	235,987,264

	Year ended 31 December			Three months ended 31 March
	2012	**2013**	**2014**	**2015**
Average trade payables turnover days(1)	203.5	229.8	87.0	190.5

Note:

(1) Average trade payables turnover days for a certain period is derived by dividing the arithmetic mean of the opening and closing balances of trade payables by cost of sales for the relevant period and then multiplied by the number of days in the relevant period.

Average trade payables turnover days indicates the average time required for the Target Group to make cash payments to subcontractors and suppliers. The increase in average trade payables turnover days in 2013 compared to 2012 was primarily due to the higher inter-segment sales from the construction segment in 2013 in respect of construction services rendered to the Target Group's property development segment, for which the cost of sales would not be recognised until the development properties are completed and delivered. Average trade payables turnover days was significantly lower in 2014 compared to 2013 and the three months ended 31 March 2015 primarily because of the significantly higher cost of sales related to the development properties delivered in 2014.

INDEBTEDNESS AND CONTINGENT LIABILITIES

The Target Group obtains borrowings as one of its principal sources of funding. During the Track Record Period, the Target Group's borrowings comprised mainly non-current bank borrowings and, to a lesser extent, current bank borrowings, bank overdrafts, loans from Guotsing SG, Guotsing Group and non-controlling shareholders, and finance lease liabilities mainly related to construction equipment. As at 31 July 2015, being the latest practicable date for the purpose of determining indebtedness, the Target Group had total borrowings in the amount of SGD1,451.3 million, including mainly (i) SGD1,259.1 million in total bank borrowings, (ii) SGD99.3 million in loans from Guotsing SG, and (iii) SGD92.9 million in loans from non-controlling shareholders.

The following table sets out the Target Group's outstanding borrowings as at the dates indicated:

	As at 31 December			As at 31 March	As at 31 July
	2012	2013	2014	2015	2015
	SGD	*SGD*	*SGD*	*SGD*	*SGD*
					(unaudited)
Current					
Bank overdraft — unsecured	86,579	—	—	—	—
Bank borrowings — secured	42,280,000	315,900,469	236,775,183	392,616,253	407,041,014
Bank borrowings — mortgage	132,116	142,322	160,420	200,175	198,984
Loans from non-controlling shareholders of subsidiaries — unsecured	49,000	—	4,501,000	4,501,000	6,072,000
Loan from Guotsing SG — unsecured	—	—	—	6,230,000	—
Finance lease liabilities	212,562	292,243	1,827,120	1,811,516	1,793,151
	42,760,257	316,335,034	243,263,723	405,358,944	415,105,149
Non-current					
Bank borrowings — secured	833,243,032	1,006,889,309	857,643,948	927,049,974	842,594,899
Bank borrowings — mortgage	3,237,890	3,095,847	3,677,840	3,586,424	3,518,742
Loans from Guotsing SG — unsecured	6,230,000	265,819,537	109,406,380	95,151,918	99,321,968
Loans from non-controlling shareholders of subsidiaries — unsecured	53,350,000	74,381,000	86,794,032	86,794,032	86,846,032
Loans from Guotsing Group — unsecured	221,408,655	—	—	—	—
Finance lease liabilities	1,058,846	1,020,794	4,901,385	4,436,372	3,878,936
	1,118,528,423	1,351,206,487	1,062,423,585	1,117,018,720	1,036,160,577
Total borrowings	1,161,288,680	1,667,541,521	1,305,687,308	1,522,377,664	1,451,265,726

Total borrowings of the Target Group increased by 43.6% from SGD1,161.3 million as at 31 December 2012 to SGD1,667.5 million as at 31 December 2013. This increase was mainly attributable to (i) an increase of SGD447.1 million in total bank borrowings, including mainly land and development loans as well as revolving loans relating to Bellewoods and Bellewaters, and (ii) an increase of SGD259.6 million in loans from Guotsing SG to finance mainly property development expenditures. These increases were partially offset by the repayment of SGD221.4 million for loans from Guotsing Group. Loans were borrowed from Guotsing SG instead of Guotsing PRC as Guotsing SG intended to centralise cash flow management at its group level.

Total borrowings of the Target Group decreased by 21.7% from SGD1,667.5 million as at 31 December 2013 to SGD1,305.7 million as at 31 December 2014. This decrease was mainly attributable to (i) a decrease of SGD222.4 million in total bank borrowings primarily as a result of the repayment of land and development loans as well as revolving loans relating to RiverParc Residence and NiN Residence, and (ii) a decrease of SGD156.4 million in loans from Guotsing SG as partial repayment of the loans was paid.

Total borrowings of the Target Group increased by 16.6% from SGD1,305.7 million as at 31 December 2014 to SGD1,522.4 million as at 31 March 2015 and remained relatively stable at SGD1,451.3 million as at 31 July 2015. The increase in total borrowings during the three months ended 31 March 2015 was mainly attributable to an increase in bank borrowings related to Sembawang.

The following table sets out the repayment schedule, without considering the repayable on demand clause, of the Target Group's outstanding borrowings as at 31 March 2015:

	As at 31 March 2015 *SGD*
Less than one year	405,358,944
Later than one year:	
Between one and five years	1,113,632,471
Later than five years	3,386,249
	1,117,018,720
Total	1,522,377,664

Bank borrowings

The Target Group's bank borrowings comprised various types of bank loans denominated mainly in Singapore dollars as well as in U.S. dollars. These bank borrowings bore interest at rates ranging from 1.47% to 5.25% per annum as at 31 December 2012, 1.57% to 5.25% per annum as at 31 December 2013, 1.57% to 5.25% per annum as at 31 December 2014 and 2.30% to 5.25% per annum as at 31 March 2015.

Certain of the Target Group's bank borrowings were guaranteed by Guotsing SG, secured by corporate guarantee, assets and shares of fellow subsidiaries, or secured by a standby letter of credit backed by the guarantee of Guotsing PRC. These guarantees will be discharged or the relevant loans will be repaid prior to the Completion. In addition, certain of the Target Group's bank borrowings were guaranteed by the directors of the relevant subsidiaries, including certain connected persons, in proportion to shareholding percentages. Immediately following the Completion, it is expected that these guarantors will continue to provide guarantees in support of the relevant financing facilities. For more information on these guarantees, see the section headed "Continuing Connected Transactions" in this circular.

In addition, certain of the Target Group's bank borrowings were secured by a combination of (i) mortgages over the Target Group's development properties with net carrying amounts of SGD1,331.0 million, SGD2,140.7 million, SGD2,057.7 million and SGD2,315.1 million as at 31 December 2012, 2013 and 2014 and 31 March 2015, respectively, (ii) legal assignment of all rights 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, and (iii) a mortgage over part of the Target Group's leasehold land and buildings and leasehold buildings under construction with total carrying amounts of SGD4.8 million, SGD4.7 million, SGD6.5 million and SGD6.5 million as at 31 December 2012, 2013 and 2014 and 31 March 2015, respectively.

The Target Group is subject to certain standard covenants and restrictions and customary events of default under the terms of its outstanding bank borrowings. For example, these covenants require the relevant borrower subsidiary of the Target Group to, among other things, seek the approval of the bank if it intends to make material investments, transfer a material amount of assets, or incur further debt or provide guarantees or pledges in aggregate amounts exceeding certain assets ratio thresholds.

Of the banking facilities obtained by the Target Group as at 31 July 2015, an amount equal to SGD102.9 million remained unutilised and available for use in connection with the Bellewoods, Bellewaters and Sembawang projects.

Except for the available banking facilities described above, and other than the plans to refinance the loans from Guotsing SG and settlement of non-trade balances with related parties prior to the Completion with the proceeds from the issuance of a medium term note or other bank borrowings, the Target Group has no material financing plan.

Loans from Guotsing SG, Guotsing Group and non-controlling shareholders

The Target Group historically obtained loans from Guotsing SG, Guotsing Group and certain non-controlling shareholders of the Target Company's subsidiaries. These balances were unsecured and not expected to be repaid within one year, except for any current portion of loans expected to be repaid within one year. These loans were subject to variable interest rates which contractually re-priced within 12 months from the financial reporting date, except for an interest-free loan from Guotsing SG in the amount of SGD6.2 million as at 31 December 2012, 2013 and 2014 and 31 March 2015. The effective interest rate was between 2.08% and 7.68% per annum as at 31 December 2012, 2013 and 2014 and 31 March 2015, respectively.

For more information on loans from Guotsing SG, Guotsing Group and non-controlling shareholders, see the section headed "— Related Party Transactions" below.

Contingent Liabilities

As at 31 July 2015, the Target Group provided guarantees in an aggregate amount of SGD57.3 million in respect of borrowings of an associated company and certain other companies in which the Target Company has a non-controlling interest. Except for these guarantees, the Target Group has no material contingent liabilities. The Target Group is not involved in any current material legal proceedings, nor are the directors aware of an pending or potential material legal proceedings involving the Target Group.

Indebtedness as at 31 July 2015

Except as disclosed above or for any intra-group liabilities, as at 31 July 2015, the Target Group did not have any outstanding or authorised but unissued debt securities, term loans, other borrowings or indebtedness in the nature of borrowing, acceptance credits, hire purchase commitments, mortgages and charges, contingent liabilities or guarantees outstanding.

Directors' confirmation

The Directors have confirmed that, during the Track Record Period and up to the Latest Practicable Date, the Target Group had no material default in the payment of bank borrowings or loans from Guotsing SG, Guotsing Group or non-controlling shareholders, nor did it have any material breach of finance covenants in respect of its borrowings and other finance facilities.

The Directors have confirmed that there have been no material changes in the Target Group's indebtedness since 31 July 2015.

CONTRACTUAL OBLIGATIONS AND CAPITAL EXPENDITURES

The Target Group enters into contracts with third party service providers for making various property development expenditures. It also leases land, offices, warehouses, construction equipment and a factory under non-cancellable operating lease agreements. The following table sets out the amounts and payment schedule of certain contractual obligations of the Target Group as at 31 March 2015:

	Not later than one year	Between one and five years	Later than five years	Total
	SGD	*SGD*	*SGD*	*SGD*
Contracted but not provided for:				
Development expenditures	1,635,186	2,631,718	—	4,266,904
Minimum lease payments under non-cancellable operating leases	2,784,948	2,471,827	6,181,422	11,438,197
Total	4,420,134	5,103,545	6,181,422	15,705,101

In 2014, the Target Group made capital expenditures of SGD17.8 million for making additions to property, plant and equipment, including mainly new production facilities and construction equipment. The Target Group expects to make capital expenditures of approximately SGD1 million on property, plant and equipment for the year ending 31 December 2015.

OFF-BALANCE SHEET ARRANGEMENTS

During the Track Record Period and as at the Latest Practicable Date, the Target Group did not enter into any off-balance sheet arrangements or commitments to guarantee the payment obligations of any third parties, nor did the Target Group have any variable interest in any unconsolidated entity that provides financing, liquidity, market risk or credit support to the Target Group or engages in leasing or hedging or research and development services with the Target Group.

KEY FINANCIAL RATIOS

The following table sets out certain key financial ratios of the Target Group as at the dates indicated or for the periods indicated:

	As at/Year ended 31 December			As at/Three months ended 31 March
	2012	**2013**	**2014**	**2015**
Current ratio[(1)]	2.45	1.88	1.68	1.59
Gearing ratio[(2)]	33.81	N/A	73.32	209.19
Net debt to total capital ratio[(3)]	0.96	1.02	0.99	0.99
Return on assets[(4)]	1.6%	–0.7%	2.3%	N/A

Notes:

(1) Current ratio as at a certain date is derived by dividing current assets by current liabilities as at the relevant date.

(2) Gearing ratio as at a certain date is derived by dividing total debt (comprising current and non-current borrowings) by total equity as at the relevant date.

(3) Net debt to total capital ratio as at a certain date is derived by dividing net debt (comprising current and non-current borrowings less cash and cash equivalents) by total capital (comprising equity plus net debt) as at the relevant date.

(4) Return on assets for a certain period is derived by dividing total profit/(loss) and total comprehensive income/(loss) for the relevant period by the arithmetic mean of the opening and closing balances of total assets for such period.

Current ratio

The Target Group's current ratio was 2.45, 1.88, 1.68 and 1.59 as at 31 December 2012, 2013 and 2014 and 31 March 2015, respectively. The general decrease in current ratio during the Track Record Period was primarily due to the general increase in current assets, in particular development properties for sale, as the Target Group grew its property development business.

Gearing ratio

The Target Group's gearing ratio was 33.81, 73.32 and 209.19 as at 31 December 2012 and 2014 and 31 March 2015, respectively. The fluctuations in gearing ratio during the Track Record Period were primarily due to (i) the changes to the Target Group's total equity or deficit position resulting primarily from the changes in retained profits or accumulated losses and dividend payment during the period and (ii) the changes in outstanding borrowings. The gearing ratio increased significantly from 73.32 as at 31 December 2014 to 209.19 as at 31 March 2015, which was primarily due to a decrease in total equity from SGD17.8 million to SGD7.3 million between those two dates as a result of the total loss for the three months ended 31 March 2015.

Net debt to total capital ratio

The Target Group's net debt to total capital ratio was 0.96, 1.02, 0.99 and 0.99 as at 31 December 2012, 2013 and 2014 and 31 March 2015, respectively. During the Track Record Period, the changes in net debt were generally in line with the changes in total capital.

Return on assets

The Target Group's return on assets was 1.6%, -0.7% and 2.3% in 2012, 2013 and 2014, respectively. The decrease in return on assets in 2013 compared to 2012 was primarily due to the total loss and total comprehensive loss in 2013. The increase in return on assets in 2014 compared to 2013 was primarily due to the total profit and total comprehensive income in 2014.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Target Group's overall risk management strategy seeks to minimise any adverse effects from the unpredictability of financial markets on the Target Group's financial performance. In addition to credit risk and liquidity risk as further described in Note 3 to the Accountant's Report on the Target Group in Appendix III to this circular, the Target Group is exposed to various types of market risks as follows:

Currency risk

The Target Group operates in Asia with dominant operation in Singapore. Currency risk arises within the Target Group when transactions are denominated in currencies other than the functional currencies of the respective members of the Target Group.

As at 31 March 2015, the Target Group had certain financial assets, including trade and other receivables and cash and cash equivalents, and certain financial liabilities, including borrowings and trade and other payables, denominated in Renminbi and US dollars. The Target Group's currency exposure of financial assets net of those denominated in its functional currency as at 31 March 2015 amounted to SGD104.7 million.

If the exchange rate of Renminbi against Singapore dollars increased or decreased by 5% with all other variables including tax rate being held constant, the Target Group's profit after tax in 2014 would have decreased or increased, as the case may be, by SGD6.9 million. If the exchange rate of US dollars against Singapore dollars increased or decreased by 5% with all other variables including tax rate being held constant, the Target Group's profit after tax in 2014 would have decreased or increased, as the case may be, by SGD1.0 million.

Interest rate risk

The Target Group is exposed to significant interest rate risk on its borrowings. The following sensitivity analysis illustrates the impact of hypothetical changes in the applicable interest rate for Singapore dollar denominated borrowings on the Target Group's profit after tax during the Track Record Period. The changes in interest rate are assumed to be increases or decreases by 30 basis points, 50 basis points and 80 basis points, which are commensurate with historical fluctuation during the Track Record Period.

	Change in interest rate					
	-80 b.p.	-50 b.p.	-30 b.p.	+30 b.p.	+50 b.p.	+80 b.p.
	SGD	SGD	SGD	SGD	SGD	SGD
(Decrease)/increase in net interest						
Year ended 31 December 2012	(348,183)	(217,614)	(130,568)	130,568	217,614	348,183
Year ended 31 December 2013	(1,698,832)	(1,061,770)	(637,062)	637,062	1,061,770	1,698,832
Year ended 31 December 2014	(2,707,348)	(1,692,092)	(1,015,255)	1,015,255	1,692,092	2,707,348
Three months ended 31 March 2015	(2,157,391)	(1,348,370)	(809,022)	809,022	1,348,370	2,157,391
Increase/(decrease) in profit after income tax						
Year ended 31 December 2012	288,992	180,620	108,372	(108,372)	(180,620)	(288,992)
Year ended 31 December 2013	1,410,031	881,269	528,762	(528,762)	(881,269)	(1,410,031)
Year ended 31 December 2014	2,247,099	1,404,437	842,662	(842,662)	(1,404,437)	(2,247,099)
Three months ended 31 March 2015	1,790,635	1,119,147	671,488	(671,488)	(1,119,147)	(1,790,635)

RELATED PARTY TRANSACTIONS

During the Track Record Period, the Target Group entered into certain transactions with related parties as described below and in Note 31 to the Accountant's Report on the Target Group in Appendix III to this circular. All of these related party transactions were conducted in accordance with the terms and conditions that were mutually agreed by the parties involved. The Directors are of the view that all of these transactions were conducted on an arm's length basis and none of these transactions would distort the Target Group's financial results or make the historical financial results not reflective of its future performance.

Provision of construction services

During the Track Record Period, the Target Group entered into construction contracts with, and provided construction service to, certain related parties, namely (i) Welltech, a related company controlled by a shareholder of Guotsing PRC, mainly in connection with the HDB Sengkang N1C27 project, and (ii) Peak Living Pte Ltd, a related company in which the Target Company is a non-controlling shareholder, in connection with The Topiary project. The construction revenue generated from these related parties was SGD58.3 million, SGD37.5 million, SGD64.6 million and SGD 14.2 million in 2012, 2013 and 2014, respectively, which accounted for 20.1%, 13.6%, 6.2% and 12.0% of the Target Group's total revenue for the respective periods.

The provision of construction service to the Welltech Group has ceased and is not expected to continue after the Completion. Peak Living Pte Ltd is not a connected person to the Target Group.

Sale of construction materials

During the Track Record Period, the Target Group sold construction materials to certain fellow subsidiaries including Qingjian Myanmar. The revenue generated from sales of goods to these fellow subsidiaries was SGD1.0 million, SGD0.1 million, SGD1.4 million and SGD0.1 million in 2012, 2013 and 2014 and for the three months ended 31 March 2015, respectively, which accounted for 0.4%, 0.02%, 0.1% and 0.1% of the Target Group's total revenue for the respective periods.

The sale of construction materials to these fellow subsidiaries has ceased and is not expected to continue after the Completion.

Purchase of construction service

Since 2014, Qingjian Myanmar has provided construction service to the Target Group in connection with the Myanmar Construction Contract. The service provided in 2014 and for the three months ended 31 March 2015 amounted to SGD9.9 million and SGD3.6 million, respectively, which accounted for 1.1% and 3.2%, respectively, of the Target Group's cost of sales in 2014.

The Myanmar Construction Contract is expected to be completed by March 2016 and the provision of construction service by Qingjian Myanmar will constitute exempt continuing connected transactions of the Company after the Completion. For more information, see the section headed "Continuing Connected Transactions" in this circular.

Purchase of construction materials

During the Track Record Period, the Target Group purchased precast components and clay and concrete products from Qingjian Precast and its certain subsidiary, which are related companies to the Target Group. For more information on their shareholding relationship with the Target Group, see the section headed "Continuing Connected Transactions" in this circular. The purchases of construction materials from these related companies amounted to SGD62.7 million, SGD60.1 million, SGD73.9 million and SGD21.2 million in 2012, 2013 and 2014 and for the three months ended 31 March 2015, respectively, which accounted for 27.2%, 23.3%, 8.4% and 18.7% of the Target Group's cost of sales for the respective periods.

The purchase of construction materials from these related companies are expected to continue after the Completion and will constitute non-exempt continuing connected transaction of the Company. For more information, see the section headed "Continuing Connected Transactions" in this circular.

Compensation to directors

The Target Group incurred directors' emoluments in the amounts of SGD6.8 million, SGD3.9 million, SGD18.0 million and SGD0.2 million in 2012, 2013 and 2014 and for the three months ended 31 March 2015, respectively.

Sales commissions

During the Track Record Period, SLP International, a related company controlled by shareholders of certain subsidiaries of the Target Company, provided sales and marketing services to certain property development projects developed by the Target Group. The amounts of sales commissions paid to this related party were SGD7.9 million, SGD4.9 million, SGD2.5 million and SGD0.7 million in 2012, 2013 and 2014 and for the three months ended 31 March 2015, respectively.

The Target Group expects to continue to obtain sales and marketing services from SLP International after the Completion, which will constitute non-exempt continuing connected transaction of the Company. For more information, see the section headed "Continuing Connected Transactions" in this circular.

Loans from and interest charged by Guotsing SG, Guotsing Group and non-controlling shareholders

The Target Group historically obtained loans from Guotsing SG, Guotsing Group and certain non-controlling shareholders of the Target Company's subsidiaries. The effective interest rate for these loans, except for an interest-free loan from Guotsing SG in the amount of SGD6.2 million as at 31 December 2012, 2013 and 2014 and 31 March 2015, was between 2.08% and 7.68% as at 31 December 2012, 2013 and 2014 and 31 March 2015, respectively. The following tables set out the outstanding balances of these loans as at the dates indicated and the interest charged for the periods indicated:

	As at 31 December			As at 31 March
	2012	**2013**	**2014**	**2015**
	SGD	*SGD*	*SGD*	*SGD*
Current				
Loans from non-controlling shareholders of subsidiaries — unsecured	49,000	—	4,501,000	4,501,000
Loan from Guotsing SG — unsecured	—	—	—	6,230,000
Non-current				
Loans from Guotsing SG — unsecured	6,230,000	265,819,537	109,406,380	95,151,918
Loans from non-controlling shareholders of subsidiaries — unsecured	53,350,000	74,381,000	86,794,032	86,794,032
Loans from Guotsing Group — unsecured	221,408,655	—	—	—

	Year ended 31 December			As at 31 March
	2012	**2013**	**2014**	**2015**
	SGD	*SGD*	*SGD*	*SGD*
Interest charged by Guotsing SG	—	20,993,078	15,041,352	1,748,467
Interest charged by non-controlling shareholders	3,521,493	4,482,892	5,383,700	1,729,185
Interest charged by Guotsing Group	13,694,366	—	—	—

As at 31 July 2015, the Target Group had outstanding borrowings of SGD99.3 million under loans from Guotsing SG and outstanding borrowings of SGD92.9 million under shareholder's loans from non-controlling shareholders. The balance due to Guotsing SG will be repaid prior to the Completion. For more information on the outstanding borrowings under shareholder's loans from non-controlling shareholders, see the section headed "Continuing Connected Transactions" in this circular.

Loans to and interest income from Guotsing SG, associated company and related parties

During the Track Record Period, the Target Group made loans to an associated company and other related parties. As at 31 March 2015, except for the current loan in the amount of SGD4.2 million (which will be repaid prior to the Completion), these loans were lent to certain property development companies in which the Target Company holds a non-controlling interest and the amounts of loans were made in proportion to the percentages of shareholding in those companies. These loans were unsecured and repayable on demand and bore interest at a fixed rate of 7%, 5%, 5% and 5% per annum as at 31 December 2012, 2013 and 2014 and 31 March 2015, respectively. For more information on these loans, see the section headed "Continuing Connected Transactions" in this circular.

In addition, in 2013, certain members of the Target Group provided interesting-bearing loans to Guotsing SG as Guotsing SG intended to centralise cash flow management at its group level. These loans to Guotsing SG were unsecured and repayable on demand and bore interest at 1.8% to 5.36% per annum as at 31 December 2013. All outstanding balances due from Guotsing SG were repaid in 2014.

The following tables set out the outstanding balances of these loans as at the dates indicated and the interest charged for the periods indicated:

	As at 31 December			As at 31 March
	2012	**2013**	**2014**	**2015**
	SGD	*SGD*	*SGD*	*SGD*
Current				
Loans to related parties	22,255,448	—	4,200,000	4,200,000
Loans to Guotsing SG	—	120,849,149	—	—
Non-current				
Loans to related parties	—	14,453,176	10,153,176	9,803,176
Loans to associated company	—	4,800,000	4,800,000	4,800,000

	Year ended 31 December			Three Months ended 31 March
	2012	**2013**	**2014**	**2015**
	SGD	*SGD*	*SGD*	*SGD*
Interest income from related parties	328,287	309,042	187,686	46,278
Interest income from Guotsing SG	—	3,954,948	2,101,183	—
Interest income from associated company	—	185,461	336,000	82,849

DISTRIBUTABLE RESERVES

As the Target Company was not incorporated in the BVI until 28 April 2015, as at 31 March 2015, the Target Company had no reserve available for distribution.

DIVIDENDS AND DIVIDEND POLICY

The Target Group declared dividends in the amounts of nil, SGD50.0 million, nil and nil in 2012, 2013 and 2014 and for the three months ended 31 March 2015, respectively. The Directors may recommend a payment of a dividend in the future after taking into account various relevant factors, including the financial condition, capital requirements and earnings of the Enlarged Group, and subject to the Articles. There is no guarantee that dividends will be paid in the future. Any cash dividend or other distributions will be paid to the Shareholders by any means as the Directors deem legal, fair and practical.

ACQUISITION AND LISTING EXPENSES

The aggregate fees for the Acquisition, together with the Stock Exchange listing fee, legal and other professional fees, printing and other expenses relating to the Acquisition, are estimated to be approximately HK$43 million payable by the Company, all of which is expected to be charged to the profit and loss account of the Company upon the Completion. The Directors do not expect the payment of the total expenses to have a material impact on the Enlarged Group's results of operations in 2015.

UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS OF THE ENLARGED GROUP

The unaudited pro forma adjusted net tangible assets of the Enlarged Group attributable to the equity holders of the Company would be approximately HK$354 million. The unaudited pro form adjusted net tangible assets per ordinary share and CPS of the Enlarged Group attributable to the equity holders of the Company would be approximately HK$0.2824 and HK$0.2824, respectively, which are calculated as follows as extracted from the unaudited Pro Forma Financial Information of the Enlarged Group set out in Appendix V to this circular as at 31 December 2014 as if the Acquisition has taken place on that date.

This pro forma adjusted net tangible assets and adjusted net tangible assets per share of the Enlarged Group has been prepared for illustrative purposes only and because of its hypothetical nature, it does not purport to represent what the net tangible assets or net tangible assets per share of the Enlarged Group would have been upon the Completion of the Acquisition as at 31 December 2014 or any future date.

	HK$'000
Pro forma net tangible assets	
Pro forma total assets of the Enlarged Group	17,437,365
Less: Pro forma total liabilities of the Enlarged Group	(16,769,683)
Pro forma goodwill of the Enlarged Group	(282,933)
Pro forma intangible assets of the Enlarged Group	(11,628)
Pro forma net tangible assets of the Enlarged Group	373,121
Less: Non-controlling interests of the Enlarged Group	(19,533)
Pro forma net tangible assets attributable to equity holders of the Company	353,588
Divided by:	
Number of Shares outstanding on 31 December 2014	300,000,000
Number of CPSs to be issued upon the Completion	951,872,727
	1,251,872,727
	HK$
Pro forma net tangible assets attributable to equity holders of the Company per Share	0.2824
Pro forma net tangible assets attributable to equity holders of the Company per CPS	0.2824

PROPERTY VALUATION

For details of the Target Group's properties as at 30 June 2015 and the text of the valuation certificates of these property interests prepared by DTZ Debenham Tie Leung Limited, see the section headed "Property Valuation of the Target Group" in Appendix VI to this circular.

The following table sets out a reconciliation of the Target Group's properties from the combined financial information of the Target Group as at 31 March 2015 to the property valuation as at 30 June 2015:

	SGD
Property valuation as at 30 June 2015	2,235,170,000
Less: Market value of West Star	(50,440,000)
	2,184,730,000
Net book value of the Target Group's development properties for sale as at 31 March 2015	2,315,075,433
Additions during the period from 1 April 2015 to 30 June 2015 (unaudited)	81,887,756
Project TOP during the period from 1 April 2015 to 30 June 2015 (unaudited)	(450,231,571)
Net book value of the Target Group's development properties for sale as at 30 June 2015 (unaudited)	1,946,731,618
Valuation surplus as at 30 June 2015	237,998,382
Potential tax liability	40,459,725

NO MATERIAL ADVERSE CHANGE

The Directors confirm that there has been no material adverse change in the Target Group's financial or trading position or prospects since 31 March 2015 and up to the date of this circular.

CHANGE IN PERIOD OF FINANCIAL YEAR DURING THE LATEST COMPLETE FINANCIAL YEAR

Rule 8.21(1)(a) of the Listing Rules states that subject to certain exceptions in relation to a listing applicant's subsidiaries, the Stock Exchange will not normally consider an application for listing from a new applicant which has changed the period of its financial year during the latest complete financial year (being 12 months) immediately preceding the proposed date of issue of the listing document.

The Company has announced its change of financial year end date from 31 March to 31 December on 24 November 2014, after it became an indirect non wholly-owned subsidiary of Guotsing PRC in March 2014. The Company has applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict application of Rule 8.21 of the Listing Rules in relation to the Company's change of financial year end date in the financial year of 2014 from 31 March to 31 December, on the grounds that:

(a) the primary reason for the change in the Company's financial year end date is to enable it to align its financial year end date with that of its controlling shareholder, thereby reducing extra work arising from differences in the financial year end dates and enhancing the efficiency of the Company's financial reporting work; and

(b) the change of financial year end was not for the purpose of circumventing the profit requirements of the Listing Rules.

DEALING IN THE SHARES OF THE COMPANY PRIOR TO LISTING

According to Rule 9.09(b) of the Listing Rules, there must be no dealing in the securities for which listing is sought by any connected person of the issuer from four clear business days before the expected hearing date until listing is granted.

As at the Latest Practicable Date, CNQC Development was the controlling shareholder of the Company within the meaning of the Listing Rules. Given that the Shares are already publicly traded on the Stock Exchange, the Company is not in a position to control dealings in the Shares by any person (other than CNQC Development and the Directors, whether or not they are existing holders of the Shares) who may, as a result of such dealing, become a connected person of the Company within the meaning of the Listing Rules.

The Company has applied for, and the Stock Exchange has granted, a waiver from strict compliance with Rule 9.09(b) of the Listing Rules in respect of any dealing by any holder of the Shares (other than CNQC Development and the Directors and any of their respective associates) from four clear business days before the expected hearing date until Listing is granted, on condition that:

(a) the Company promptly releases any inside information to the public in accordance with the Listing Rules;

(b) the Company procures that none of CNQC Development and the Directors and any of their respective associates deals in the Shares (other than the allotment of the CPS at Completion) from four clear business days before the expected hearing date until Listing is granted;

(c) the Company notifies the Stock Exchange if it has come to its knowledge that there is any dealing or suspected dealing in the Shares by any of its connected persons from four clear business days before the expected hearing date until Listing is granted; and

(d) for any person (other than CNQC Development) who, as a result of dealing in the securities of the Company from four clear business days before the expected hearing date until Listing is granted, becomes a substantial shareholder of the Company (a "**Potential New Substantial Shareholder**"), the Company confirms that:

   (i) such Potential New Substantial Shareholder is currently not a Director or a member of the senior management of the Company or any of its subsidiaries and, to the knowledge of the Company as at the Latest Practicable Date, would not become Director or a member of the senior management of the Enlarged Group after Listing; and

   (ii) the Company and its management have not had control over the investment decisions of such Potential New Substantial Shareholder or its associates.

FURTHER ISSUE OF SECURITIES

Rule 10.08 of the Listing Rules provides that no further shares or securities convertible into equity securities of a listed issuer may be issued or form the subject of any agreement to such an issue within six months from the date on which securities of the listed issuer first commence dealing on the Stock Exchange.

The restriction in Rule 10.08 of the Listing Rules applies to the Company solely because it is deemed to be a new listing applicant pursuant to Rule 14.54 of the Listing Rules as a result of the Acquisition which constitutes a reverse takeover under the Listing Rules. The Acquisition will not involve any share offering to the public and hence, there is no concern of new public investors being subject to the risk of dilution within a relatively short time after the Completion.

The Company considers that it would be unduly onerous to restrict its ability to raise funds through the issue of Shares or other securities convertible into equity securities of the Company pursuant to the restrictions set out in Rule 10.08 of the Listing Rules, which could have an adverse effect on its business development and might not, therefore, be in the interests of its Shareholders. The Company has applied for, and the Stock Exchange has granted, a waiver from strict compliance with Rule 10.08 of the Listing Rules in relation to the restrictions on further issue of Shares or other securities of the Company within six months of Completion, and a consequential waiver from strict compliance with Rule 10.07(1)(a) of the Listing Rules in respect of the deemed disposal of the Shares or CPS by the members of the

Controlling Shareholders Group and the New Controlling Shareholders Group upon the issue of Shares or other securities by the Company within the first six months of Completion, on condition that:

(i) any issue of Shares or other securities by the Company within the first six months from the Completion Date must be (a) for cash to fund a specific acquisition of land, assets, securities or business that will contribute to the growth of the Enlarged Group's operation, including the acquisition of Welltech by the Company pursuant to the Call Option Deed as set out in the section headed "Relationship with Controlling Shareholders" in this circular; (b) for full or partial settlement of the consideration for such acquisition; or (c) as a result of the conversion of the Consideration Shares in accordance with the terms thereof; and

(ii) the Controlling Shareholders Group and/or the New Controlling Shareholders Group will remain as a group of controlling shareholders of the Company during the first twelve months from Completion.

SHARE CAPITAL

As at the Latest Practicable Date, the Company had only one class of shares in issue, namely Shares of HK$0.01 each. The authorised share capital of the Company is HK$20,000,000 divided into 2,000,000,000 ordinary shares of HK$0.01 each.

The following table sets out the share capital of the Company as adjusted for the issue of the CPS and the Conversion Shares:

Authorised share capital

		HK$
2,000,000,000	Shares as at the Latest Practicable Date	20,000,000
4,000,000,000	Shares increased pursuant to resolutions proposed at the EGM	40,000,000
6,000,000,000		60,000,000
1,000,000,000	CPS created pursuant to resolution proposed at the EGM	10,000,000

Issued share capital

		HK$
300,000,000	Shares in issue as at the Latest Practicable Date	3,000,000
951,872,727	CPS to be issued	9,518,727
1,251,872,727	Shares and CPS immediately after Completion	12,518,727

The above table takes no account of the conversion right attached to the CPS.

Since 31 March 2015 (being the date to which the latest published audited accounts of the Target Group were prepared) and up to the Latest Practicable Date, no new Shares have been issued by the Company.

Share options and convertible securities

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**") under its 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 the vesting period. The closing price of the Shares as at the date of grant was HK$2.70 per Share.

The exercise price of the Share Options granted is HK$2.70, which represents the highest of (i) the closing price of HK$2.70 per Share as stated in the daily quotation sheets issued by the Stock Exchange on the date of grant; (ii) the average of the closing price of HK$2.696 per Share as stated in the daily quotation sheets issued by the Stock Exchange for the five business days on which Shares were traded on the Stock Exchange immediately preceding the date of grant; and (iii) the nominal value of the Shares. Subject to the terms of the Share Option Scheme, the Share Options granted to each Grantee are valid for a period of six years (i.e. valid until 26 June 2020) commencing from the date of grant 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 the 1st anniversary date of the date of grant (i.e. 27 June 2015); (ii) an additional 20% (i.e. up to 40% in total) shall be vested and exercisable from the 2nd anniversary date of the date of grant (i.e. 27 June 2016); (iii) an additional 20% of the Share Options (i.e. up to 60% in total) shall be vested and exercisable from the 3rd anniversary date of the date of grant (i.e. 27 June 2017); (iv) an additional 20% of the Share Options (i.e. up to 80% in total) shall be vested and exercisable from the 4th anniversary date of the date of grant (i.e. 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 the 5th anniversary date of the date of grant (i.e. 27 June 2019).

Save as disclosed, as at the Latest Practicable Date, the Company had no outstanding options, warrants, derivatives or securities convertible into Shares.

RANKING

The Conversion Shares will rank equally among themselves and pari passu in all respects with the Shares in issue on the date of their allotment and issuance. The Conversion Shares and the CPS will not be entitled to any final dividends declared for the year ended 31 December 2014, any interim dividends declared for the six months ended 30 June 2015, or which may be declared from the Latest Practicable Date up to and including the date before the issue of the Conversion Shares.

Please refer to the section headed "Letter from the Board — Information on the CPS and the Conversion Shares" for further details on the major terms of the CPS.

PUBLIC FLOAT

Pursuant to Rule 8.08(1)(a) of the Listing Rules, upon Completion and at all times thereafter, the Company must maintain the "minimum prescribed percentage" of 25% of the issued share capital of the Company in the hands of the public (within the meaning as defined under Rule 8.24 of the Listing Rules). The issue of the CPS (and the Conversion Shares upon conversion of the CPS which will be subject to the Company meeting the minimum public float requirements under the Listing Rules) will not cause the Company to be not in compliance with the minimum public float requirement under the Listing Rules.

UNDERTAKINGS BY THE CONTROLLING SHAREHOLDERS GROUP AND THE NEW CONTROLLING SHAREHOLDERS GROUP

Pursuant to Rule 10.07 of the Listing Rules, each of the members of the Controlling Shareholders Group and the New Controlling Shareholders Group have undertaken to the Stock Exchange and to the Company that, it/he:

(a) except for the deemed disposal of the Shares or CPS upon any issue of share or securities by the Company or the conversion of CPS into Shares within the first six months of Listing (as exempted by the Stock Exchange in the waiver from strict compliance with Rule 10.08 and Rule 10.07(1)(a) of the Listing Rules), in the period commencing on the date of this circular and ending on the date (the "**End Date**") which is six months from the date of Completion, shall not without the prior written consent of the Stock Exchange dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares (including the Conversion Shares) or any CPS in respect of which it/he is shown by this Circular to be the beneficial owner (as defined in Rule 10.07(2) of the Listing Rules) (the "**Relevant Securities**");

(b) except for the deemed disposal of Shares or CPS upon any issue of new shares or securities by the Company or the conversion of CPS into Shares in the period of six months commencing from the End Date, shall not without the prior written consent of the Stock Exchange dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Relevant Securities (the "**Disposal**") if, immediately following such Disposal, (i) the Controlling Shareholders Group would maintain less than 30% of the voting power at general meetings of the Company; or (ii) the New Controlling Shareholders Group would maintain less than 30% of the voting power of the Company in the event that the New Controlling Shareholders Group holds more than 30% of the voting power of the Company before the Disposal through conversion of CPS or otherwise; and

(c) within the period commencing on the date of this circular and ending on the date which is 12 months from the date of Completion, it/he will:

    (i) save for any encumbrance over securities of the Company held by them which are in existence as at the date of the undertaking, when it/he pledges or charges any securities or interests in any securities of the Company beneficially owned by it/him in favour of an authorised institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) pursuant to Note (2) to Rule 10.07(2) of the Listing Rules, immediately inform the Company of such pledge or charge together with the number of securities of the Company so pledged or charged; and

    (ii) when it/he receives indications, either verbal or written, from the pledgee or chargee that any of the pledged or charged securities of the Company will be disposed of, immediately inform, or procure them to immediately inform the Company in writing of such indications.

The foregoing lock-up undertaking shall not prevent, in the period of six months commencing from the End Date, (i) any members of the Controlling Shareholders Group (except CNQC Development) from disposing any interest in any of the chain of companies through which the Relevant Shares are held provided that the Guotsing PRC Controlling Shareholders Group and Dr. Du shall together control the exercise of more than 50% of the voting power at general meetings of CNQC Development; and (ii) any member of the New Controlling Shareholders Group (except New Guotsing Holdco) from disposing any interest in any of the chain of companies through which the Relevant Securities will be held as at Completion provided that they shall together control the exercise of more than 50% of the voting power at general meetings of New Guotsing Holdco.

GENERAL MANDATES

By the resolutions of the Shareholders passed at the annual general meeting of the Company held on 28 April 2015, the Directors have been granted general and unconditional mandates to exercise the powers of the Company to:

(i) allot, issue and deal with unissued Shares with an aggregate nominal value not exceeding 20% of the aggregate nominal value of the share capital of the Company then in issue (the "**Issue Mandate**");

(ii) repurchase, on the Stock Exchange, or on any other stock exchange on which the Shares may be listed, the Shares with an aggregate nominal value not exceeding 10% of the aggregate nominal value of the share capital of the Company then in issue (the "**Repurchase Mandate**"); and

(iii) extend the Issue Mandate by an addition of an amount representing the aggregate nominal value of Shares repurchased under the Repurchase Mandate.

The Repurchase Mandate and the Issue Mandate will expire at the earliest of: (a) the conclusion of the next annual general meeting of the Company; or (b) the expiration of the period within which the next annual general meeting of the Company is required by the Articles or the applicable laws of the Cayman Islands to be held; or (c) revocation or variation by an ordinary resolution of the Shareholders in a general meeting.

For further information in relation to the provisions of the Memorandum and Articles of Association of the Company, please refer to "Appendix VII — Summary of the Constitution of the Company and the Cayman Islands Company Law".

1 TERMS OF ENGAGEMENT

1.1 Introduction

Knight Frank Pte Ltd ("**Knight Frank**"), an independent market consultant in Singapore, was commissioned by CNQC (South Pacific) Holdings Pte Ltd, the (the "**Target Group**") on 21 January 2015 to prepare an independent market report (the "**Report**") on the residential property and construction markets in Singapore for the purpose of incorporation in the Circular for the Target Group's listing on the Hong Kong Stock Exchange. Knight Frank has engaged Rider Levett Bucknall LLP to prepare the market report in relation to the Singapore construction sector. The Report comprises of two parts, namely Part (I): Singapore Residential Property Market and Part (II): Singapore Construction Market which is submitted by Rider Levett Bucknall LLP to Knight Frank and forming part of the Report.

The inclusion of this Report in the Circular will aim at providing overall industry information of the residential property and construction markets in Singapore where the Target Group's business operations and properties are currently located. The Target Group will make a total payment of SGD120,000 for the services provided by Knight Frank.

1.2 Date of Report

Unless otherwise stated, this Report contains information, estimates and assumptions that reflect market conditions based on the data available as at the date of this Circular.

1.3 About Knight Frank

Knight Frank LLP is the leading independent global property consultancy. Headquartered in London, Knight Frank, together with its US alliance partner, Newmark Grubb Knight Frank, operate from 370 offices, in 55 countries, across six continents and has over 12,000 employees. The Group advises clients ranging from individual owners and buyers to major developers, investors and corporate tenants.

1.4 Assumptions

Assumptions are considered a crucial part of this Report. Knight Frank adopts assumptions because some information is not available, or falls outside the scope of our expertise. While these assumptions are made with careful consideration of factors known to Knight Frank at the date of this document, the risk of inaccurate assumptions or changed conditions beyond the current time of this report should be taken into account. Knight Frank does not warrant or represent that the assumptions on which this Report is based are accurate or correct. The major findings and conclusions are based, in part, on the following critical assumptions as at the submission date of this Report:

- Existing government policies and regulations on the real estate market (e.g. property cooling measures) will remain status quo and not adjusted in any way;
- Existing government development plans (e.g. Master Plan 2014) and land use policies will be maintained and not be subjected to major changes; and
- Key drivers influencing Singapore's property and construction markets, such as but not limited to global and Singapore economic growth, commodity prices, strength of Singapore Dollar, employment and interest rates, remain at current levels based on publicly known projections and barring any unforeseen circumstances.

1.5 Limiting Conditions

This Report is subject to the following limiting conditions:

(a) Knight Frank's responsibility in connection with this Report is limited to the Target Group to whom the Report is addressed.

(b) It disclaims all responsibility and will accept no liability to any other party.

(c) The Report was prepared strictly in accordance with the terms and for the purpose expressed therein and is to be utilized for such purpose only.

(d) Reproduction of this Report in any manner whatsoever in whole or in part or any reference to it in any published document, circular or statement without the Knight Frank's prior written approval of the form and context in which it may appear is prohibited.

(e) Knight Frank has prepared this Report based on its in-house database, independent third-party reports and publicly available data from what it considers to be reputable industry organizations. Knight Frank has assumed that the information and data which it relied on are complete and accurate. The information contained herein has been obtained from sources expected by Knight Frank to be reliable, but there can be no assurance as to the accuracy or completeness of any such information.

(f) All currencies expressed in this Report are denominated in Singapore Dollars, unless otherwise stated.

(g) References to any authority requirements and incentive schemes are made according to publicly available sources as at the submission date of this Report. Technical and legal advice ought to be sought to obtain a fuller understanding of the requirements involved.

(h) To the extent that this document includes any statement relating to future matters, that statement is provided as an estimate or an opinion based on the information known to Knight Frank at the date of this Report. The process of making forecasts involves assumptions about a considerable number of variables, which are very sensitive to changing conditions. Variations of any one may significantly affect outcomes. Knight Frank therefore can give no assurance that the forecasts outlined in this report will be achieved or that such forecasts and forward looking statements will prove to have been correct and you are cautioned not to place undue reliance on them. Knight Frank undertakes no obligation to publicly update or revise any forward looking statements contained in this Report, whether as a result of new information, future events or otherwise, except as required by law and all forward looking statements contained in this report are qualified by reference to this cautionary statement.

(i) Projections or forecasts in the course of the study are made to the best of the Knight Frank's judgment. However, Knight Frank disclaims any liability for these projections or forecasts as they pertain to future market conditions, which may change due to unforeseen circumstances.

(j) All charts and images are for illustration only. No representations or warranties of any nature whatsoever are given, intended or implied. Knight Frank will not be liable for negligence, or for any direct or indirect consequential losses or damages arising from the use of this information.

(k) Whilst every care has been taken in preparing these particulars, Knight Frank gives no warranty, express or implied, as to the completeness or accuracy of the information contained herein. These particulars are subject to errors, omissions, change of price and rental or other conditions, withdrawal without notice, and any special listing conditions imposed by our principals, and therefore does not constitute, nor constitute part of, an offer or contract. Interested parties should not rely on the statements or representations of fact but must satisfy themselves by inspection or otherwise as to the accuracy. No representation, warranty or covenant, expressed or implied, is given and no undertaking as to accuracy, reasonableness or completeness of the information is contained in this Report. Knight Frank will not be liable for negligence, or for any direct or indirect consequential losses or damages arising from the use of this information.

(l) Knight Frank is not obliged to give testimony or to appear in Court with regard to this Report, unless specific arrangement has been made there for.

(m) The statements, information and opinions expressed or provided are intended only as a guide to some of the important considerations that relate to the property prices. Neither Knight Frank nor any person involved in the preparation of this Report give any warranties as to the contents nor accept any contractual, tortuous or other form of liability for any consequences, loss or damage which may arise as a result of any person acting upon or using the statements, information or opinions in the Report.

Yours faithfully

Alice Tan
Director and Head
Consultancy & Research
Knight Frank Pte Ltd, Singapore

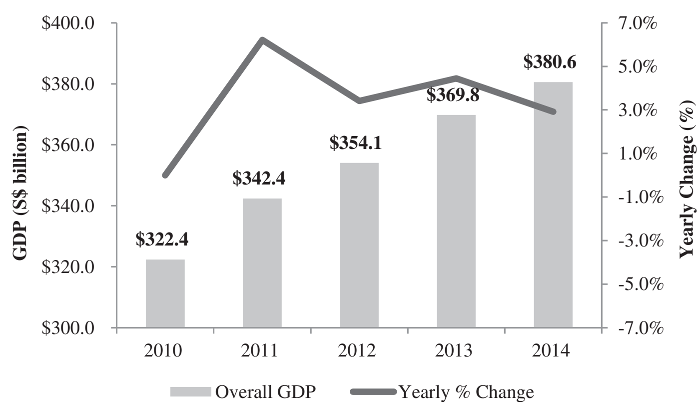
2 SINGAPORE MACRO-ECONOMIC OVERVIEW AND OUTLOOK

2.1 Macro-Economic Analysis of Singapore's Economy

2.1.1 Gross Domestic Product (GDP)

According to the Ministry of Trade and Industry (as at 17 February 2015), Singapore's real GDP grew by 2.9 per cent on a yearly basis to $380.6 billion in 2014. This was slower than the 4.4 per cent increase in 2013. As the Singapore economy enters a new phase of maturity, growth rates of 2.0 to 4.0 per cent are the new normal, and a continuing reflection of a healthy state of economy.

Exhibit 2-1: Gross Domestic Product and Year-on-Year % Change, 2010–2014



Source: Ministry of Trade and Industry (MTI), Knight Frank Consultancy & Research

The resilient performance of the Singapore economy is driven by expansions in both the goods-producing and the services-producing sectors[1], which grew by 2.7 per cent and 3.2 per cent in 2014, respectively. Within the goods-producing industry, the construction sector grew by 3.0 per cent in 2014, while the manufacturing industry grew at 2.6 per cent over the same period. On the other hand, expansionary activity in the services-producing industries was supported primarily by the finance & insurance and business services sectors.

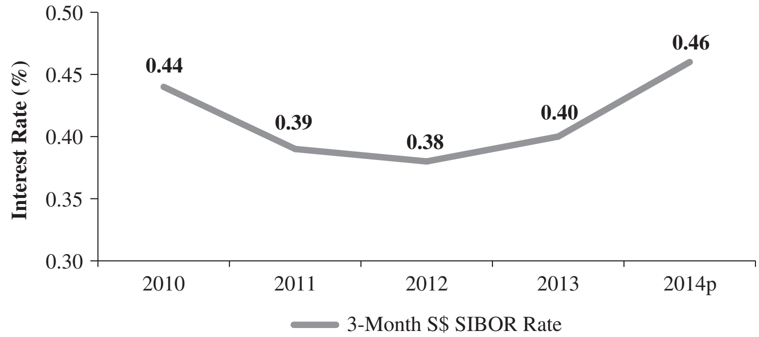
2.1.2 Mortgage Lending in Singapore

Based on January 2015 preliminary estimates by the Monetary Authority of Singapore, the total outstanding housing loans (owner-occupied property loans and investment property loans) stood at $180.9 billion as at 4Q 2014, a 6.6 per cent y-o-y increase. Total new housing loan limits granted in 4Q 2014 also increased by 5.9 per cent y-o-y to $6.8 billion.

The Singapore Interbank Offered Rate (SIBOR) is a key interest rate that housing loans in Singapore are pegged to. Based on statistics released by MTI as at 17 February 2015, the 3-Month Singapore Dollar SIBOR rate increased to 0.46 per cent per annum (preliminary) in 2014, reflecting a 0.06 percentage point yearly increase. Such an increase implies that home buyers may have to service higher monthly mortgages.

[1] The goods producing industries include the manufacturing and construction sector. The services producing industries comprise of the following sectors: wholesale & retail trade, transportation & storage, accommodation & food services, information & communications, finance & insurance, business services, other services industries.

Exhibit 2-2: 3-Month Singapore Dollar SIBOR Rate, 2010–2014



Source: MTI, Knight Frank Consultancy & Research

* *In the publication of the 3-Month S$ SIBOR Rate in the Economic Survey of Singapore 2014, survey returns on certain interest rates from the sources (compiled by MAS) may not be comprehensive at the point of compilation. Therefore, the 2014 annual data is a preliminary figure, as indicated by "p" in "2014p".*

2.2 Future Land Use and Population Growth Plans

Singapore's population was 5.47 million in 2014. Based on projections in the January 2013 Population White Paper unveiled by the Government, Singapore's population is forecast to grow to between 6.5 and 6.9 million by the year 2030.

2.2.1 Land Use Plan

According to the Land Use Plan released in January 2013, it is expected that up to 700,000 new homes will be built by year 2030. These new homes would be developed through opening up of new towns at Bidadari, Tampines North and Tengah, development of more housing on vacant land within existing estates and rejuvenation of mature towns through various government-funded development schemes such as Lift Upgrading Programme. It is also intended to provide more homes in Central Region to allow Singaporeans to live nearer to their workplace.

2.2.2 Master Plan 2014

The Master Plan 2014 constitutes the statutory land use plan that guides Singapore's development over the next 10 to 15 years. Under its focus for housing, the government seeks to provide good quality living environments and a variety of housing options with supporting amenities to serve residents of all ages. In the next 15 years, more housing will be built in city locations such as the CBD, Marina Bay, Marina South, River Valley, Pearl's Hill, and the Ophir-Rochor area. In particular, Marina South will be a mixed-use, high-density residential district that provides more options for city living with 9,000 new homes, meaning that more people can live near their work place. Every development will be within a 5 to 10 minutes' walk to transport nodes, shops, restaurants, cultural attractions, and recreational spaces.

[2] A glossary of terms relating to the Singapore residential market, including terms mentioned in this Report, is provided in paragraph 7.

3 REVIEW OF SINGAPORE PRIVATE RESIDENTIAL PROPERTY MARKET[2]: DEMAND AND SUPPLY ANALYSIS

3.1 Overview of the Singapore Residential Property Market — Public housing, Private housing and EC

The Singapore residential property market can be classified into public housing and private housing. Public housing developments are built and sold by the Housing Development Board (HDB), and buyers need to meet eligibility requirements, and must satisfy a minimum occupation period; Unlike public housing, private housing is developed by private property developers and are not subjected to eligibility requirements or minimum occupation period; executive condominiums (**EC**s) is a property type of hybrid nature. ECs have public housing status within the first ten years of its development, where they are subject to restrictions of buyer eligibility and minimum occupation period (similar to other HDB public housing). After the tenth year, they are considered private properties and all restrictions are lifted. The table below shows the types of housing developed by private property developer:

Exhibit 3-1: Types of housing developed by private property developer

Categories of Classification	Sub-Categories of Classification	Definition/Explanation of Categories
Private Housing	Landed	Refers to detached houses, semi-detached houses, terrace houses, townhouses.
	Non-Landed	Refers to multi-storied residential developments comprising apartments and condominium housing. Condominium developments are typically more generous in the provision of communal and recreational facilities than those developments classified as apartments. A development must meet the list of criteria set by the Urban Redevelopment Authority (URA) in order to be accorded condominium status.
Private-Public Housing	EC	It is built by the private sector and has facilities comparable to a private condominium. However, there are some restrictions attached to it in the initial years such as eligibility conditions (similar to those for HDB flats) and a minimum occupation period before the EC unit can be sold.

3.2 The distinct market segments where the Target Group operates

Market Segments

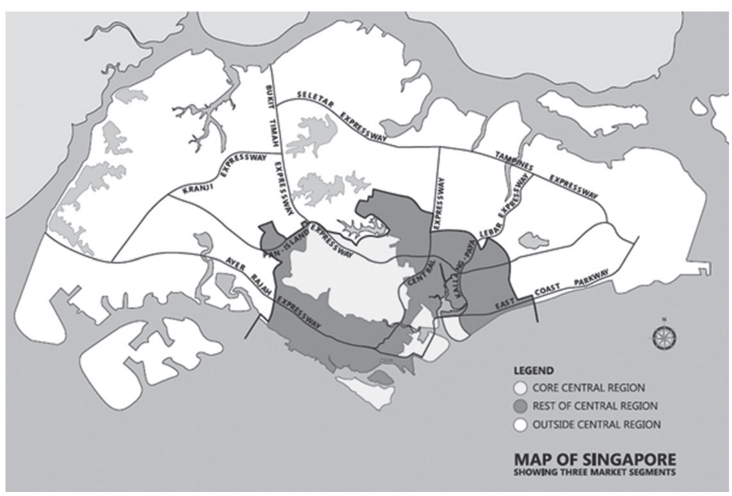
Geographically, the most common way of viewing the market is based on the Urban Redevelopment Authority **(URA)**'s classification into 3 segments: the Core Central Region **(CCR)**, Rest of Central Region **(RCR)** and Outside Central Region **(OCR)**, also commonly termed as the high-end, mid-tier and mass market segments, respectively. Details of these three segments are shown in the table in Exhibit 3-2 and a map showing the three sub-categories is provided in Exhibit 3-3.

Exhibit 3-2: Categories of Classification and Definition of Segments relating to the Private Residential Market

Core Central Region (**CCR**)	Comprises postal districts 9, 10, 11, Downtown Core and Sentosa. Landed and non-landed properties located in the CCR are usually referred to as high-end residential properties.
Rest of Central Region (**RCR**)	Refers to the rest of Central Region which are outside postal districts 9, 10, 11, Downtown Core and Sentosa. Landed and non-landed properties in the RCR are usually referred to as mid-tier residential properties.
Outside Central Region (**OCR**)	Comprises the planning areas which are outside the Central Region. Non-landed properties in the OCR are usually referred to as mass-market residential properties. ECs are generally located in the OCR.

Source: REALIS, URA, Knight Frank Consultancy and Research

Exhibit 3-3: Map Showing CCR, RCR and OCR Market Segments for the Singapore Private Residential Market



Knight Frank Consultancy & Research graphic. Source: URA

Private property developers operating in CCR, RCR and OCR segments target different categories of customers and, as a result, the development of private housing (including EC) in these segments could also vary in terms of price affordability and product positioning from segment to segment. Some key examples of homebuyers' demographics include: (i) household income level; (ii) household size; (iii) preferences towards quality and type of fittings and finishing in a development unit; and (iv) location of development. Therefore, the CCR, RCR and OCR are each a distinct segment in terms of the target customers.

The OCR

All of the Target Group's residential projects over the last five years (i.e. 2010–2014) comprise of condominium (a type of non-landed private housing) and ECs. Apart from Nin Residence which is a condominium located in RCR, all properties developed by the Target Group (including both condominium and EC) are located in the OCR.

The total number of private housing and EC units launched in the OCR represented 66.0 per cent of the total number of private housing and EC units launched island-wide over the last five years (i.e. 2010–2014). The total number of new sale private housing and EC units sold in the OCR made up 66.3 per cent of the total number of new sale private housing and EC units sold island-wide over the last five years (i.e. 2010–2014).

Comparable market players

As the target customer market (and consequently the house affordability, product positioning and the nature of market competition) is largely driven by the choice of market segment focused by the relevant property developers for their business strategy, the demographics and home-buying preferences of the target market would be similar and comparable to those focused by the Target Group. This report seeks to compare the Target Group with other players within the same market segment (i.e. the OCR segment).

As such, in this section, the OCR forms the main basis of comparison. The Report also seeks to provide a detailed understanding of the various performance indicators and competitive landscape of the OCR segment in view of the Target Group's market segment focus.

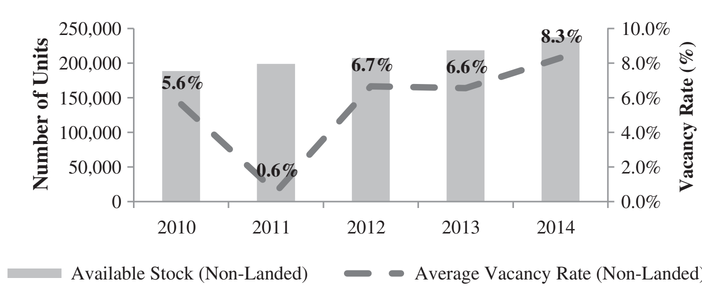
3.3 Available Stock and Vacancy Rate of Non-landed private housing and ECs

During 2010 to 2014, the Target Group developed both (i) non-landed private housing (i.e. condominiums) and (ii) ECs.

3.3.1 Non-landed private housing

The total available stock of non-landed private housing stood at 237,274 units as at 4Q 2014, rising significantly by 8.7 per cent on a year-on-year (y-o-y) basis (Exhibit 3-4). With the 1.7 percentage point rise in vacancy rates over the preceding year, the absorption rate of non-landed private housing has fallen in 2014. However, the overall occupancy rate of non-landed private housing in 2014 remains above 90 per cent at 91.7 per cent (i.e. vacancy rate of 8.3 per cent).

Exhibit 3-4: Available Stock and Vacancy Rate of Non-landed private housing (Island-wide), 2010–2014



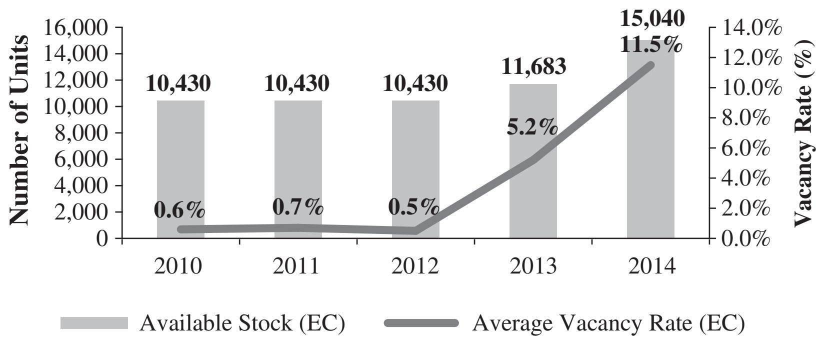
Source: REALIS (as at 28 January 2015), Knight Frank Consultancy & Research

* *Related data for OCR is unavailable*

3.3.2 EC

In the EC segment, the total available stock stood at 15,040 units in 2014 (Exhibit 3-5). The number of available EC units remained fairly stable at about 10,430 units until in 2013, during which 1,253 units were completed and total EC stock rose by 12.0 per cent to 11,683 units. This was then followed by another 28.7 per cent increase to 15,040 units in 2014. With the notable increase in available stock of ECs, average vacancy rates rose further to 11.5 per cent in 2014.

Exhibit 3-5: Available Stock and Vacancy Rate of ECs (Island-wide), 2010–2014



Source: REALIS (as at 28 January 2015), Knight Frank Consultancy & Research

3.4 Demand Analysis of Singapore Private Residential Property Market

Exhibit 3-6 illustrates the types of property sales in Singapore:

Exhibit 3-6: Types of Property Sales

New Sale	Sale of a unit direct by a developer before the issuance of the Certificate of Statutory Completion and the Subsidiary Strata Certificates of Title or the Certificates of Title for all the units in the development.
Resale	Sale of a unit by a developer or subsequent purchaser after the issuance of the Certificate of Statutory Completion and the Subsidiary Strata Certificates of Title or the Certificates of Title for all the units in the development.
Subsale	Sale of a unit by one who has signed an agreement to purchase the unit from a developer or a subsequent purchaser before the issuance of the Certificate of Statutory Completion and the Subsidiary Strata Certificates of Title or the Certificates of Title for all the units in the development. Subsale of public housing flats and ECs is uncommon, since buyers must satisfy the minimum occupation period.

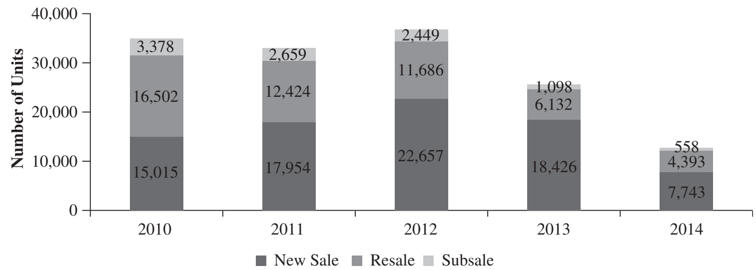
Source: REALIS, Knight Frank Consultancy & Research

3.4.1 Transaction Volume of Non-landed private housing (New Sale, Subsale and Resale)

With buying sentiment for private homes largely dampened by the property cooling measures and the Total Debt Servicing Ratio Framework (TDSR) that was imposed over the last two years since June 2013, total island-wide transaction volume of non-landed private housing fell by 50.5 per cent annually to 12,694 units in 2014 (Exhibit 3-7).

Being a property developer, the Target Group is involved solely in the new sale market. For new sales performance in 2014, the number of new units sold fell by 58.0 per cent on a whole-year basis to 7,743 units in 2014.

Exhibit 3-7: Total Transaction Volume of Non-landed private housing by type of property sales (Island-wide), 2010–2014



Source: REALIS (based on caveats lodged data as at 16 April 2015), Knight Frank Consultancy & Research

3.4.2 Transaction Volume of ECs (New Sale and Resale)

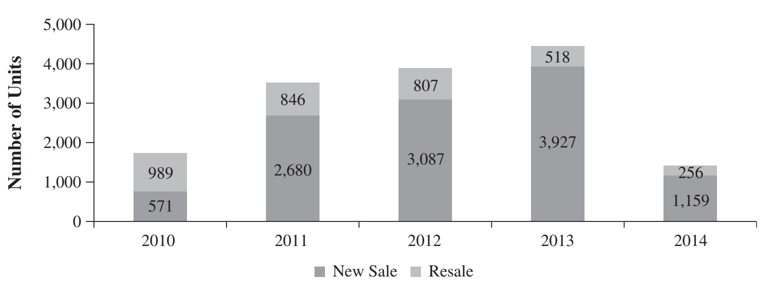
The total new sale volume of ECs fell by approximately 70.5 per cent on an annual basis to 1,159 units in 2014 (Exhibit 3-8). In the secondary (resale) market, the total transaction volume for ECs also declined on a whole-year basis, falling at a sharper pace of 50.6 per cent on an annual basis to 256 units in 2014. All in all, the total transaction volume for ECs in 2014 declined compared to 2013, falling by 68.2 per cent to 1,415 units in 2014. Subsale of ECs is uncommon in Singapore, as buyers must satisfy the minimum occupation period.

The weaker sales performance of the EC segment is due to two main factors:

Firstly, the onslaught of property cooling measures and the Mortgage Servicing Ratio (MSR) framework[3] imposed on EC homebuyers have dampened home-buying demand for the EC sector. These policies served to inculcate financial prudence of home borrowers and limit excessive leverage, which potentially increases the risks especially for middle-income households and lenders if left unchecked.

Secondly, the declining private home prices and ample supply of private apartment and condominium units presented more choices for prospective home owners. These factors impacted sales of ECs in 2014.

Exhibit 3-8: Total Transaction Volume of ECs by type of property sales (Island-wide), 2010–2014



Source: REALIS (based on caveats lodged data as at 17 April 2015), Knight Frank Consultancy & Research

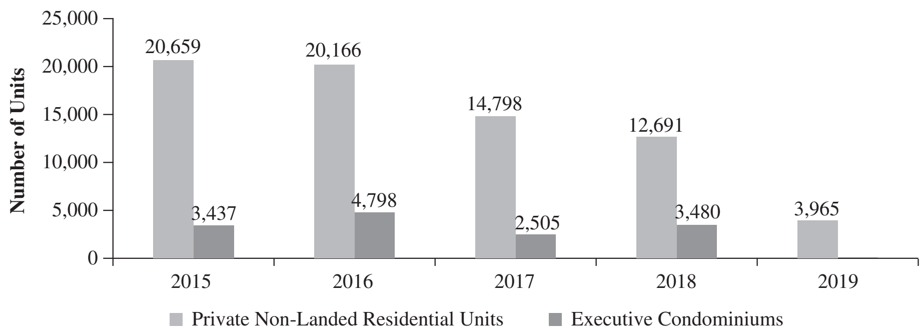
[3] The MAS will cap the MSR for housing loans granted by financial institutions for EC units bought directly from property developers at 30% of a borrower's gross monthly income. The 30% MSR cap will apply to EC purchases where the Option to Purchase is granted on or after 10 December 2013.

3.5 Pipeline Supply of non-landed private housing and ECs

Based on data released by URA as at 4Q 2014, close to 72,300[4] non-landed private housing are projected to be completed between 2015 and 2019, with the largest proportion (about 28.6 per cent) of units expected to be built in 2015 (Exhibit 3-9). This is about 26.2 per cent higher than the approximate 57,300 non-landed private housing units that were completed over the last five years (i.e. 2010–2014).

For ECs, an approximate 14,200[5] units are expected to be completed by the end of 2019. This represents an approximate three-fold increase from the approximate 4,600 units that were built over the last five years (i.e. 2010–2014). The bulk of the upcoming supply of EC units (i.e. about 33.7 per cent) is slated for completion in 2016, during which close to 4,800 units will be completed. Based on publicly available information as at 4Q 2014, there is no supply of new EC units to be completed in 2019. With HDB upgraders' aspirations to own a home with 'condominium facilities', demand for ECs is likely to continue and the overall occupancy to remain stable.

Exhibit 3-9: Pipeline Supply of Non-landed private housing and ECs by Expected Year of Completion (Island-wide), 2015–2019



Source: URA, REALIS, Knight Frank Consultancy & Research

4 PRICE TREND ANALYSIS

4.1 Island-Wide Residential Property Market

4.1.1 Average Transaction Prices of non-landed private housing and ECs, last 5 years

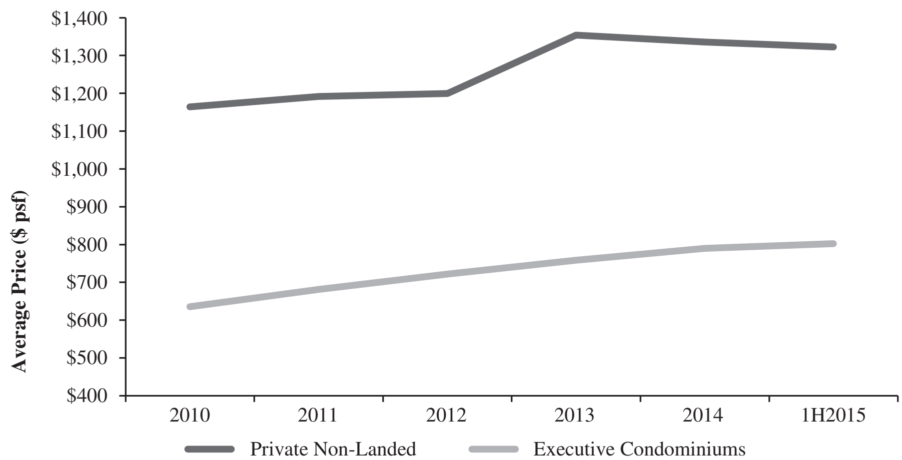
Based on caveats lodged with URA, the average island-wide transaction price of non-landed private housing decreased by 1.0 per cent to $1,323 psf in the first six months of 2015 compared to $1,336 psf for the whole-year of 2014 (see Exhibit 4-1).

[4] This pipeline supply figure includes the supply from new development and redevelopment projects with provisional and written permission, as well as from other categories of supply such as those from: (i) projects with Outline Provisional Permission, (ii) developments submitted for planning approval and which are under consideration, (iii) projects on awarded Government Land Sales (GLS) sites for which plans have not been submitted for planning approval, (iv) planned projects in the GLS programme (which refer to sites on the GLS confirmed list and sites on the GLS reserve list that have been triggered), and (v) planned public developments for which plans have not been submitted to URA for planning approval.

[5] This pipeline supply figure refers to new development and redevelopment projects with planning approvals (i.e. Provisional Permission, Written Permission).

On the contrary, based on caveats lodged with URA, the average island-wide transaction price of ECs rose by approximately 1.5 per cent to $802 psf in 1H2015 compared to $790 psf in 2014. This also marks a fifth consecutive year of increase for the EC segment since 2010, albeit at a slower pace.

Exhibit 4-1: Average Transaction Prices of Non-landed private housing and ECs (Island-wide), 2010–1H2015



Source: REALIS (based on caveats lodged as at 18 September 2015), Knight Frank Consultancy & Research

4.1.2 Key Drivers Influencing Prices

The prices of non-landed private housing and ECs are affected by a host of demand and supply factors as indicated below. Compared to private housing units, it is important to note that market conditions for ECs are impacted by government regulations and policies to a relatively larger extent.

Demand Factors

- Performance of the Singapore economy — In the event of prosperous economic growth, the increased consumption levels are likely to translate into an overall higher housing demand.

- Interest Rates — The cost of financing influences homebuyers' ability to purchase a residential property.

- Resale Demand and Prices of HDB flats — Non-landed private housing and ECs are often regarded as upgrade alternatives for HDB flat owners. As resale demand and prices of HDB flats rise, it is likely to boost the demand from upgraders for the private housing and EC segments.

- Government Policies and Regulations — Property market cooling measures (e.g. 30% Mortgage Servicing Ratio and the Total Debt Servicing Ratio (TDSR) framework), some of which are targeted specifically at the EC market, can artificially suppress affordability and overall demand for the housing market.

Supply Factors

- Upcoming supply — The upcoming supply of residential units is likely to affect potential buyers' outlook for the market to a certain extent. This in turn impacts on the price expectations of buyers towards existing as well as near-term upcoming project launches. A lower potential supply is likely to help drive up current demand, thus raising prices.

- Construction and Land Costs — Higher construction costs and land bid prices committed are likely to translate into higher selling prices, as developers seek to maintain their targeted level of profit margins.

- Location of Development — Developments generally fetch comparatively higher average prices in highly sought-after locations or in areas that are earmarked for future development by the Government. For instance, as part of the Master Plan 2014, the upcoming development of the Jurong Lake District helped contribute to the comparatively good sales performance of developments (e.g. Lake Life, Lakeville and J Gateway) situated within the area.

5 COMPETITIVE LANDSCAPE OF THE EC AND PRIVATE HOUSING SEGMENTS

5.1 Competitive Analysis of Developers

Knight Frank's analysis found that there are approximately 164 companies[6] behind the development of the 228 EC and private housing developments in OCR[7] launched between 2010 and 2014. The key entry barriers for potential market entrants are:

High land prices — High land prices in Singapore put smaller developers at a disadvantage. Competition for sites on the Government Land Sales (GLS) programme is stiff and the plots are often relatively large, demanding significant price quantum, particularly for those sites in prime locations. In the current private residential property market, sellers' price expectations are relatively high, whether executed through en-bloc exercises, private tenders, or private treaty. Nevertheless, there are still opportunities to buy some smaller plots at lower total price quantum in the private market, though such transactions are relatively limited.

Rising construction costs — As part of Government's efforts to restructure the economy and achieve greater productivity, the temporary labor shortage has led to rising manpower cost. The implementation of various construction regulations, such as the use of pre-fabricated bathroom units for non-landed residential GLS sites and the Constructability Score to promote construction productivity, are further factors contributing to rising cost. Hence, developers with a construction arm or who have close partnerships with construction companies and are better able to manage their construction costs are at an advantage.

Rising competition from foreign developers — With their cross-border advantage and regional network, foreign developers are better positioned to manage their construction costs. The import of relatively lower cost construction materials as well as the use of innovative building methods can help to provide a cost competitive advantage for these developers.

[6] Companies refer to the parent companies or entities that constitute each project development company.

[7] OCR is also commonly referred as mass market segment.

5.2 Key market players

The Target Group is mainly involved in the development of EC and private housing (i.e. condominiums) in OCR. The analysis on market share performance of the Target Group set out below would be based on the units sold in EC and private housing (including both landed and non-landed private housing) projects launched in (i) the entire Singapore (Exhibit 5-1) and (ii) the OCR segment, for the past five years from 2010 to 2014.

The Target Group is highly ranked in market share based on the total new sale units sold in EC and private housing projects launched in both (i) island-wide and (ii) the OCR between the years 2010 and 2014. The Target Group ranks as the fifth largest company by the total number of new sale units sold in EC and private housing projects launched in both (i) island-wide and (ii) the OCR between the years 2010 and 2014. This sales volume also represents approximately 3.0% and 3.9% of the total new sale units sold in EC and private housing projects launched both (i) island-wide and (ii) in the OCR between the years 2010 and 2014, respectively. With the market leader (i.e. Frasers Centrepoint Limited) holding only slightly more than 7% of the total market share (based on the number of units sold), the ECs and private housing market in OCR segment is seen as fragmented and highly competitive at present.

Out of the top 10 property development companies with residential projects island-wide, half are listed on the Singapore Exchange (SGX), with an average market capitalization of $7.48 billion (as at 11 August 2015). In terms of country of origin, a majority of the top 10 property development companies are home-grown brands (i.e. originated from Singapore) such as City Developments Limited, Sim Lian Group Limited, UOL Group Limited and Far East Organization.

For Exhibits 5-1 and 5-2, companies refer to the parent companies or entities that constitute each project development company. This table is arrived at by tabulating and totaling the number of units in which it or its holding companies have sold. Where a project is jointly developed by more than one company, the total number of units stipulated to be owned or sold by that parent company is apportioned based on the company's shareholding in the development. For instance, a company with a 50 per cent shareholding in a 100-unit development is stipulated to own 50 units in the development (not 100). The percentage of units launched is applied similarly. For instance, a company with a 50 per cent shareholding in a 100-unit development which is 50% launched would be said to own 50 units, of which 25 units have been launched.

Exhibit 5-1: Top 10 Property Development Companies with Projects Island-wide, by Market Share, 2010–2014

No.	Property Development Company	Total Number of Units Sold	Total Market Share
1	City Developments Limited	4,321	5.41%
2	Frasers Centrepoint Limited	4,288	5.36%
3	Hongkong Land Limited	3,171	3.97%
4	Sim Lian Group Limited	2,830	3.54%
5	**CNQC (South Pacific) Holding Pte Ltd**	**2,376**	**2.97%**
6	UOL Group Limited	2,228	2.79%
7	Far East Organization	2,194	2.74%
8	Kheng Leong Pte Ltd	1,903	2.38%
9	Hoi Hup Realty Pte Ltd	1,805	2.26%
10	Allgreen Properties Limited	1,764	2.21%

Source: REALIS (as at 4Q 2014), Knight Frank Consultancy & Research

^ Total market share of each property development company is derived based on the total number of units sold for private housing and EC projects launched island-wide by each company over the last five years from 2010 to 2014

Exhibit 5-2: Top 10 Property Development Companies with Projects in the OCR, by Market Share, 2010–2014

No.	Property Development Company	^Total Market Share	*Market Capitalization (in SGD)
1	Frasers Centrepoint Limited	7.6%	$5.12 billion
2	City Developments Limited	5.6%	$9.37 billion
3	Hongkong Land Limited	5.4%	$18.00 billion
4	Sim Lian Group Limited	5.0%	$0.86 billion
5	**CNQC (South Pacific) Holding Pte Ltd**	**3.9%**	**N/A**
6	Far East Organization	3.8%	N/A
7	Kheng Leong Pte Ltd	3.4%	N/A
8	Metallurgy Corporation of China Ltd	2.8%	—
9	Hoi Hup Realty Pte Ltd	2.7%	N/A
10	Keppel Land Limited	2.5%	$6.88 billion

Note: Nin Residence was not taken into account for the purpose of the table above as it is located in RCR.

Source: REALIS (as at 4Q 2014), Bloomberg (as at 7 April 2015), Knight Frank Consultancy & Research

^ *Total market share of each property development company is derived based on the total number of units sold for private housing and EC projects launched in the OCR by each company over the last five years from 2010 to 2014*

* *N/A is indicated where the companies are not public-listed companies as at the date of extraction*

* *Figures for Market Capitalization are rounded off to 2 decimal places*

5.3 Key Competitive Advantages

As at the end of 2014, the Target Group has achieved an overall project take-up rate of exceeding 75 per cent for the projects launched between 2010 and 2014. With more than half of the projects launched by the Target Group each being fully sold, this overall take-up rate has been moderated by two EC projects which were launched near the end of 2014 (see Exhibit 5-3).

Most of its developments have performed notably well, and fully-sold out projects launched over the last three years including RiverSound Residence and WaterBay. On the other hand, recently-launched projects such as Bellewaters are likely to see a gradual improvement in their overall take-up rates when demand picks up in the medium-term. These projects have nevertheless achieved a commendable take-up rate given their recent launch and under the current market conditions.

Exhibit 5-3: List of projects launched by the Target Group, 2010–2014

S/n.	Development Name	Type of Development	Month of Launch	Total No. of Units in Project	Cumulative No. of Units Launched (as at end-2014)	Cumulative No. of Units Sold (as at end-2014)	Overall Take-Up Rate (as at end-2014)
Projects with *Majority Equity Stake							
1	Bellewaters	EC	Nov-14	651	651	186	28.6%
2	Bellewoods	EC	Nov-14	561	561	78	13.9%
3	Ecopolitan	EC	Aug-13	512	512	458	89.5%
4	River Isles	Private Non-Landed	Jun-12	610	610	610	100.0%
5	RiverParc Residence	EC	Jul-11	504	504	504	100.0%
6	RiverSound Residence	Private Non-Landed	Jan-12	590	590	590	100.0%
7	WaterBay	EC	Oct-12	383	383	383	100.0%
8	^Nin Residence	Private Non-Landed	Dec-10	219	219	219	100.0%
Projects with Minority Equity Stake							
1	The Topiary	EC	Dec-12	700	700	700	100.0%

Source: REALIS (based on data as at end-4Q 2014), Knight Frank Consultancy & Research, Information provided by Target Group

* *A majority equity stake is defined as holding at least 50% of the total number of shares of the project development company*

^ *Nin Residence is a private non-landed development situated in the Rest of Central Region (RCR)*

The Target Group has proven to be able to attract homebuyers' interest by offering a strong value proposition in their projects, particularly in the following three key areas:

(1) **Price** — In light of the existing tepid property market demand, the Target Group ensures that its developments are launched at market competitive prices in order to achieve a healthy level of sales performance while ensuring overall profitability. Analyzing the average prices of EC developments launched in 4Q 2014, it is observed that newly launched units in the Target Group's developments were sold at prices relatively lower than its competitors (see Exhibit 5-4). Purchasing land at a reasonable cost and effective management of construction costs allows the Target Group to price its developments more competitively.

Exhibit 5-4: Average Selling Price and Land Bid Price of EC Developments launched in 4Q 2014

Development Name	Month of Launch	Average Selling Price ($ psf)	Average Land Bid Price ($ psf ppr)
Lake Life	Nov-14	$870	$419
The Terrace	Dec-14	$823	$355
***Bellewaters**	**Nov-14**	**$814**	**$331**
***Bellewoods**	**Nov-14**	**$794**	**$341**

Source: REALIS (based on caveats lodged data as at 13 March 2015), URA, Knight Frank Consultancy & Research

* *Projects developed by the Target Group*

(2) **Location** — As part of its overall strategy, the Target Group focuses on the development of projects within the suburban regions, particularly areas which are earmarked for future growth (e.g. Punggol). To further enhance value proposition to homebuyers, most of the projects launched are situated within walking distance (i.e. ≤400m) of public transport amenities such as Mass Rapid Transit **(MRT)** and Light Rapid Transit (LRT) stations (see Exhibit 5-5).

Exhibit 5-5: Projects launched by the Target Group and their Proximity to MRT/LRT Stations

S/n.	Development Name	Type of Development	Approximate Distance from nearest LRT/MRT station
1	**Bellewaters**	**EC**	**300m to Farmway LRT station**
2	Bellewoods	EC	950m to Woodlands South MRT station (upcoming)
3	**Ecopolitan**	**EC**	**400m from Soo Teck LRT station**
4	**RiverParc Residence**	**EC**	**200m from Kadaloor LRT station**
5	*The Topiary	EC	500m from Fernvale LRT station
6	**WaterBay**	**EC**	**220m from Cove LRT station**
7	**River Isles**	**Private Non-Landed**	**280m from Coral Edge LRT station**
8	**RiverSound Residence**	**Private Non-Landed**	**300m from Kangkar LRT station**

* *Project with minority equity stake held by the Target Group*

Source: OneMap, Knight Frank Consultancy & Research

Projects which are situated within walking distance of public transport amenities are highlighted in bold

(3) **Product offering** — Quality forms a key aspect throughout the project development cycle of the Target Group. In particular, with EC unit buyers being subjected to a 5-year Minimum Occupation Period (MOP), the Target Group ensures that the quality of its units is not compromised. This is achieved through the thorough adherence of construction standards as well as the adoption of refreshing interior design and good quality furnishing for the units within each development.

In addition, the following areas are identified as key competitive advantages which will enable the Target Group to maintain its market share going forward:

- **Potential cost-savings arising from intra-company synergy** — With the presence of the dual capabilities in both construction and property development, the Target Group is able to benefit from such collaboration, which in turn leads to a consistent quality output and streamlining of operating costs**.** The potential cost savings arising from the synergies allow the Target Group to price its projects more competitively to attract homebuyers

- **Innovative Marketing Strategies** — The Target Group seeks to differentiate its projects from competitors through the implementation of the following strategies:

  o ***Co-Space Flexi Units*** — Homebuyers are given the flexibility to reconfigure their living space, so as to suit different lifestyle needs.

  o ***Bare Units*** — Units are delivered with designs that are highly practical and maximize usable space. With finishes and furnishings being kept to a minimum, such units are launched with discounts which generally hovers around $45,000.

- o "***Smart Homes***" — Homeowners will be able to operate their electronic appliances remotely, at the touch of a smart device. These "Smart Homes" units are expected to be rolled out in its next upcoming EC development situated near Canberra Link.

- **Strong track record and niche knowledge in EC development** — The Target Group is involved in the development of six EC projects launched (about one-fifth of total EC launches) over the last five years. With such a strong track record in recent years, the Target Group is able to identify best practices in the development process, ranging from effective marketing strategies to the efficient management of construction costs. Furthermore, with more than half of the abovementioned six EC projects situated in new town growth areas such as Punggol and Sengkang, the Target Group stands ready to benefit from the decentralization strategy outlined under the Land Use Plan.

5.4 Opportunities and Threats Moving Forward

The potential opportunities and threats facing the EC and private housing market segments in the OCR are summarized in Exhibit 5-6 below.

Exhibit 5-6: Future Opportunities and Threats

Future Opportunities

- With the expected growth in the population to 6.5–6.9 million by 2030, there will also be an increase in the number of middle income families earners. As prices of private property in Singapore are expected to remain high, they remain out of reach of a significant proportion of this group. ECs could continue to meet the demand from this group who wish to upgrade from a public housing flats.

- If the Government introduces new EC developments in future growth areas in the suburbs with good transport and park connectivity this could lead to renewed interest in ECs.

- A reduction in the number of land sites earmarked for EC developments under future GLS programmes is likely to limit market-entry opportunities for companies keen to gain a share of the EC market. With the possible limited supply over the longer term, this would consolidate and strengthen the market share of existing players, providing more room in pricing adjustments for their projects.

Future Threats

- A continued weakening in the public housing resale market could limit the opportunity for HDB flat-owners to sell their flats at a favorable price and purchase an EC.

- A continued weakening in the overall private residential market could see prices in the mid-tier segments fall at a sharper pace than those in the OCR and EC segments. This narrows the price differential between the city-fringe and suburban homes, pushing budget-conscious homebuyers to choose city-fringe homes which offer additional convenience.

- The existing property cooling measures put a cap on the property demand in general, including ECs. Some of the measures targeted at the EC market include revisions in mortgage loan terms and reduction in EC cancellation fees.

6 MARKET OUTLOOK FOR SINGAPORE RESIDENTIAL PROPERTY MARKET

6.1 General Outlook for Private Housing Market in Singapore

Continued Decline in Prices in the Short-Term: With the Singapore government recently reiterating their stance to maintain the property market cooling measures and the TDSR until a meaningful correction is achieved, prices of private residential properties are expected to continue on a path of moderation in 2015. With a looming supply glut in the backdrop as well as concerns over potential hikes in interest rates, homebuyers are likely to remain cautious, with many adopting a highly-selective, "wait-and-see" approach. With such significant downside headwinds facing the residential market, overall private home prices is envisaged to decline by 4 to 6 per cent in 2015 on a whole-year basis.

Strong Fundamentals to Anchor Residential Market in the Medium-Term: Although the residential market is expected to cool further over 2015, the fundamentals of Singapore property remain stable and attractive. Singapore continues to remain an attractive location to live in and do business. Based on the Cities of Opportunity 6 survey report by global accounting firm PricewaterhouseCoopers, Singapore is ranked number one in the areas of transportation and infrastructure and ease of doing business. With 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 prices, prices within the private residential market are projected to follow an upward trajectory going forward in 2016 and 2017.

6.2 General Outlook on EC Market in Singapore

The EC market is expected to make a gradual recovery from its lacklustre performance last year, with overall transaction volume expected to rebound in 2015 after two consecutive years of decline. Although close to 14,000 EC units are slated to be built over the next five years, the relatively even timeline for completion of these upcoming units is expected to be met with a healthy demand from HDB upgraders aspiring to make their first private property purchase. This is in turn likely to result in a relatively consistent absorption rate for the EC market, with overall occupancy rates remaining fairly stable over the next three years.

The EC market is also set to benefit from upcoming future growth plans as outlined by the government. With ECs launched over the last five years all situated in the OCR, the government's decentralization strategy to develop urban areas outside of the CBD is expected to help prop up demand for ECs as homebuyers look to live nearer to their workplace. In particular, ECs that are launched in areas earmarked for future growth plans (e.g. Woodlands Regional Centre) can expect to benefit from a relatively high level of homebuyers' interest. Similarly, in planning areas where there are few or no ECs being launched, the upcoming development of such a hybrid public-private housing development will likely lead to an overwhelming buyers' response, as evidenced from the exceptional sales performance of Lake Life EC in the Jurong Lake District area.

Nevertheless, in view of the substantial upcoming EC supply, there remains an overriding need for developers of ECs to differentiate their projects so as to achieve higher selling prices and profit levels. Although the sales performance of a development hinges largely on launch price which is usually a function of land cost, project location is also a key consideration for many buyers. For instance, one of the Target Group's upcoming EC project situated near Canberra Link is expected to garner significant buying interest, primarily due to its walking-distance proximity to the upcoming Canberra MRT station. Such public transport accessibility is likely to command a higher price premium which in turn helps increase the overall level of development margins.

6.3 Singapore Budget 2015 and Its Impact on the Singapore Residential Market

Under the Singapore Budget 2015 that was announced on 23 February 2015, the government will make vast improvements in public transport, and develop our heartlands into vibrant homes and rejuvenated neighborhoods. In terms of making improvements to the public transport system, the Budget outlined that another $14 billion has been deployed for enhancement initiatives over the past five years, and another $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 OCR are likely to receive greater home-buying attention. In view of the improved 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 market.

7 GLOSSARY OF TERMS RELATING TO THE RESIDENTIAL MARKET IN SINGAPORE *(SOURCE: URA, HDB)*

Available Unit: Completed housing units that are available for *physical* occupation, including both occupied and unoccupied units. Also known as stock.

Government Land Sales (GLS) Programme: A programme under which State land is sold by or on behalf of the Government for development and through a public selection process.

Housing and Development Board (HDB): Singapore's public housing authority

Project Completion Period (PCP): The PCP is a specified period where the development must be completed. This term can be found in the sale conditions of government sale sites.

Residential Unit: A building or a contiguous space in part of a building used for housing. It can be a detached house, semi-detached house, terrace house, townhouse, apartment, condominium, strata detached, strata semi-detached or cluster housing unit.

Supply in the Pipeline: The supply of space in approved or planned projects which are under construction as well as those on which construction has not started yet.

Urban Redevelopment Authority (URA): Singapore's land use planning and conservation authority

Vacancy Rate: The percentage of the existing stock that is vacant. Vacancy rates are used for private residential properties, office space, shop space, factory space and warehouse space.

1 BACKGROUND

Knight Frank Pte Ltd has been invited by HSBC Corporate Finance (Hong Kong) Limited ("herein referred to as the "**Sponsor**") to prepare a market research report on Singapore real estate and construction sectors which will assist the Sponsor to meet its obligations and responsibilities under the Listing Rules and Code of Conduct for Persons Licensed by or Registered with the Securities and Futures Commission.

This report is to be an independent research commentary on the residential property market and construction market for the purpose of incorporation in the Circular to be submitted to the Hong Kong Stock Exchange (HKEx) in relation to the proposed acquisition of certain Singapore incorporated companies by CNQC International Holdings Limited (herein referred to as the "**Company**" or the "**Client**") which will amount to a "reverse takeover" for the purposes of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "**Listing Rules**") (herein referred to as the "**Proposed Transaction**").

The independent research report comprises two parts, namely Part (I): Singapore Residential Property Market and Part (II): Singapore Construction Market. This report submitted by Rider Levett Bucknall LLP (herein referred to as "**RLB**") is solely on the construction sector and shall form part of Knight Frank's overall research report.

RLB is an independent, global property and construction practice with over 3,500 people in more than 120 offices across Asia, Oceania, Europe, Middle East, Africa and the Americas. The RLB Singapore practice was established in 1972 and it is today an independent major multidisciplinary consultancy firm serving both local and international clientele in the country and regionally in South-East Asia. The Singapore office serves as the headquarters in the region. As a multi-disciplinary practice, RLB offers a full spectrum of professional services ranging from Cost Consultancy and Quantity Surveying to Project Management and Cost Advisory.

RLB Research provides the Singapore property and construction industry, and private and public sectors, with leading indicators on building tender price indices and construction cost yardsticks for funding and budgeting purposes. The company contributes towards construction cost benchmarking for projects which require rigorous analysis and research based on availability of extensive database.

2 TERMS OF REFERENCE

As per Knight Frank's brief to RLB on 27 October 2014, Knight Frank is desirous of engaging the services of an independent quantity surveyor to assist in the following:

(i) To advise on the construction trends and regulatory framework of the Singapore construction market.

(ii) To provide a broad-based outlook of the Singapore construction market for the next three years.

In accordance with Knight Frank's acceptance of RLB's fee proposal on 28 January 2015, RLB has been appointed by Knight Frank as the Consultant to provide an insight on the Singapore construction market.

3 DURATION FOR REPORT

This Report shall be based on assumptions and information available up to the date of this circular, unless otherwise stated.

4 ASSESSMENT METHODOLOGY AND AVAILABLE INFORMATION

Appropriate research methods for this Singapore Construction Market Report have been adopted based on Knight Frank's objectives for the study, agreed scope of research services, available information and time frame allowed.

The main sources of information are obtained from Building & Construction Authority (BCA), Urban Redevelopment Authority (URA), Housing Development Board (HDB) websites, as well as RLB's expertise and significant project experience.

5 SCOPE OF MARKET COMMENTARY

Based on the agreed scope of the Singapore Construction Market Report, relevant information available to RLB and the queries from Knight Frank and the Client, the Singapore Construction Market commentary services provided by RLB and the scope of reporting herein this Report comprises the following:

i. Provide an overview on the Singapore construction market and tender price trends;

ii. Analyze the supply-side and demand-side of the construction market;

iii. Provide an insight on the barriers to entry for the construction market;

iv. Provide information on new developments in the construction market;

v. Analyze key basic construction material price trends;

vi. Provide an insight of the Client's competitive edge through its strengths, opportunities and threats;

vii. Analyze the residential market share of the Client and its key subsidiary companies, namely Qingdao Construction (Singapore) Pte Ltd and Qingjian International (South Pacific) Group Development Co Pte Ltd (herein referred to as the "Target Group") over the past five years; and

viii. Provide a three year outlook of the Singapore construction market.

6 ASSUMPTIONS

This Report serves to provide an independent review of the Singapore's construction market to assess the competitive landscape of the construction industry with highlights on historical performances and forecasts from reputable organisations. The information contained within this Report also includes materials obtained from information provided by the Client and discussions with the Client's project team as part of a market sounding exercise. RLB has assumed that the compiled data and information which it relied on are complete and accurate. This Report also contains confidential information proprietary to RLB.

The findings and conclusion of this report are based on the following key assumptions:

- Existing government policies and regulations on the construction market will remain status quo.

- Key factors that influence the local construction environment, including global and Singapore's economic growth, key construction commodities, strength of the Singapore currency and employment remain status quo and notwithstanding any unforeseen circumstances.

7 TERMINOLOGY

The terms "Sector", "Industry", and "Market" are used across this report. There is a lack of strict definition; however, measures do exist for what constitutes a sector, industry and market. The terms are explained as follows to provide a better clarity into the Singapore Construction Market report.

"Sector" A sector is one of a few general segments in the economy within which a large group of companies can be categorized. An economy can be broken down into sectors, which can describe nearly all of the business activity in that economy.

"Industry" An industry is one or more business firms that produce similar products. It also means a collection of companies that compete with one another. The terms "Industry" and "Sector" are often used interchangeably to describe a group of companies that operate in the same segment of the economy or share a similar business type. There are also some times when the terms "Sector" and "Industry" are reversed. It shall not be used interchangeably with the word "Market".

"Market" A market is a mechanism to facilitate the organised exchange of commodities (good, services or resources) between buyers and sellers within a specific geographic area and during a given period of time. A market is made up of industries (supply) and customers (demand). It is related to the word "Industry" but it shall not be used interchangeably with the word "Industry" unless these terms are discussed as distinct and separate things.

8 STATEMENT OF LIMITING CONDITIONS

i. This report has been prepared for the Client in good faith and with due care having regard for the scope of the service and the time frame for reporting. It is provided for the information of the parties only to whom it is addressed.

ii. RLB shall not be liable for any omission arising from the absence of any issue or item that has been reported, advised verbally or written prior to this report or any reports marked "Draft". Any inaccuracy in or change to any of the facts, findings or assumptions made in this market report of which the Client is aware should be advised to RLB, such that RLB can assess its significance and provide the Client with a revised commentary and recommendations, if necessary.

iii. RLB has generally used and relied upon information supplied by the Client, Sponsor and the relevant authorities, namely the Building & Construction Authority (BCA), Urban Redevelopment Authority (URA) and Housing Development Board (HDB) as being regarded as authoritative and reliable. RLB shall not be liable for any omission arising from the erroneous or absence of such information by these government agencies.

iv. This market report contains information based on current market conditions and also certain forward-looking statements. These forward-looking statements specifically apply to information pertaining to future developments, general economic and regulatory conditions and other factors for the construction market. Such forward-looking statements are subject to uncertainties and other factors that could cause actual situations and developments to differ materially from and be better or worse than those expressly or implicitly assumed or described. RLB does not assume any obligation to update any forward-looking statements or conform to these forward-looking statements to actual events or developments. Accordingly, RLB shall not be expected to be give assurance of the completeness and/or accuracy of any such information.

v. This report is made to RLB team's best knowledge and high standards. All statements, information and opinions expressed or provided are intended to serve only as a guide to some of the important considerations that relate to the Singapore construction market. The tables and charts in this report are for illustration only. The material in this report does not necessarily represent the views of RLB nor any person involved in the preparation of this report.

vi. This report is not a certification, a warranty or guarantee. This final construction market report neither constitute financial or professional advice nor constitute a recommendation to invest in, participate, and exit or otherwise use, in the construction market.

vii. RLB accepts no responsibility, or liability, to any other party who might use or rely upon the reports submitted to the Client without RLB's prior knowledge and written consent. Furthermore, no portion of this Report (including without limitation any conclusions which may affect the value, the identity of RLB, or any individuals signing or associated with this report, or the professional associations or organisations with which they are affiliated) shall be copied or disseminated to third parties, by any means, without the prior written consent and approval of RLB. To the fullest extent possible, RLB disclaim any liability arising out of the use (or non-use) of the final construction market report and its contents, including any action or decision taken as a result of such use (or non-use).

9 THE SINGAPORE CONSTRUCTION MARKET

9.1 Singapore Construction Market Overview

The Singapore economy grew by 2.9% in 2014 year-on-year as compared to the 4.1% growth in 2013. Construction activities slowed down in 2014 after being weighed down by weaker private sector construction activities. Real gross domestic product (GDP) for the construction sector moderated to a growth rate of 3.0% in 2014 from the 6.3% growth in 2013 (see Table 1).

Table 1 — Annual GDP of Main Industry Categories in Singapore

	Annual GDP — 5 year period (% change year-on-year)				
Industry	**2010**	**2011**	**2012**	**2013**	**2014**
Overall GDP (At 2010 Market Prices)	15.2%	6.1 %	2.5%	3.9%	2.9%
Goods Producing Industries					
● Manufacturing	29.7%	7.8%	0.3%	1.7%	2.6%
● Construction	7.5%	4.9%	8.6%	6.3%	3.0%
Service Producing Industries	11.7%	6.7%	2.8%	5.3%	3.2%

Data Source: MTI

Both Singapore's construction industry and market are constantly evolving. There is greater focus on sustainable development, improving accessibility in buildings as well as boosting labour productivity in the construction industry particularly in the past 15 years. The construction industry has played a key role in creating the physical infrastructure and shaping the built environment in Singapore, as well as undergoing various advancements over the past few decades to meet the needs of urban development.

Singapore's construction sector can be considered to be entering a mature stage as most of the buildings and physical infrastructure are already in place. Conversely, the construction sector is no longer regarded as a single entity but considered as a much larger industry. The Singapore construction industry is of a fragmented nature, with numerous big and small firms. The Singapore government's overall vision is for the local construction industry to adopt an integrated approach to construction which will encompass all aspects of the construction value chain, from design to construction to maintenance.

As Singapore is an open economy, the growth of its construction market is in part driven by how well its overall economy performs. The construction market faces constant competition, where there are growing needs amidst scarce resources, particularly in private sector projects. In 2001, the Ministry of Trade and Industry (MTI) had set a clear vision for Singapore's economy including its construction industry over the next 15 years where it stated that the economic reality demands that Singapore has "world-class winners, with the size, range and expertise" to compete against established international construction firms and that the overall vision will include both big and small market participants. More importantly, the increasing global economic volatility warrants both developer and construction firms to be flexible in sharp turns of economic changes, e.g. outsourcing where possible in particular specialisation or disciplines. The key factors influencing the development progress of the construction market are highlighted in Sections 10 and 11.

The size of a contractor would have a significant bearing on the factors that would influence its bid decisions. There are deep concerns that industry players may not be able to cope with more projects amid the labour shortage and rising cost in adopting newer technologies. The imposition of stricter regulations and regulatory charges in the bid to push for higher labour productivity has become a greater challenge for construction firms. Large contractors may tend to be more anxious with the nature of the construction work while small to medium sized contractors may be concerned about their financial standing. In addition, rising prices for other raw materials such as aluminium will further impact overall construction costs and could even put smaller contractors out of business. The economies of scale for industry upgrading do not seem to encourage the smaller players in the industry as many contractors are constrained by costs and time to initiate or adopt better techniques or invest in research and development.

9.2 Singapore Budget 2015 and Three Year Outlook for Singapore's Construction Industry

Singapore faces two key constraints: land and people. The S$68.2 billion Singapore Budget announced on 23 February 2015 is likely to address the issues stemming from these two challenges. The Singapore government had further heightened their attention on the citizens' anxieties about employment struggles on the back of popular public discontent over its immigration policies. Domestically, there are ongoing governmental efforts to keep foreign worker dependence in check and raise the quality of the foreign workforce. Coupled with the country's strong economy growth, it has created low unemployment rates among its citizens.

MTI data showed Singapore's labour productivity fell by 0.8% in 2014, marking the third consecutive year of decline for productivity. The Ministry of Manpower (MOM) is incentivising construction firms to invest in more skilled workers and better equipment through training programmes and grants to achieve quality growth driven by productivity improvements. The overall domestic labour market is expected to remain tight with low unemployment and rising job vacancy rates and the labour-intensive construction markets growth is expected to expand marginally.

The softer private sector demand will continue to slow down the pace of employment growth within the overall construction sector. The labour market for the construction market is expected to remain tight in 2015, which will create an upward pressure on wages.

Budget 2015's key initiatives for the construction industry apply to all market players. The key point is to overcome the lag in productivity in the overall economy and achieve international standards of productivity in the construction sector by hiring and retaining better skilled foreign workers through:

(i) **Market-Based Skills Recognition Framework (MBF):** Construction workers who have obtained the CoreTrade or Multi-skilling certification are classified as "Higher Skilled" (i.e. R1). Alternatively, "Basic Skilled" workers (i.e. R2) who worked in Singapore for at least six years and earn a minimum salary of S$1,600 will be upgraded to a R1 status from 1 August 2014 onwards.

(ii) **Longer Period of Employment:** From 1 May 2014, the period of employment for R1 and R2 workers from non-traditional sources (NTS) and the People's Republic of China (PRC) will be extended from 18 to 22 years. (NTS include Bangladesh, India, Sri Lanka, Philippines, Thailand and Republic of the Union of Myanmar).

(iii) **Higher Foreign Worker Levy (FWL):** Basic tier levy for R2 workers will be raised from S$550 in 1 July 2015 to S$650 in 1 July 2016 and S$700 in 1 July 2017.

(iv) **Man-Year Entitlement (MYE) Waiver:** From 1 July 2015, the MYE waiver levy rate for R1 workers will be reduced from S$750 to S$600.

The ageing population has now also created a healthcare paradigm shift towards more mixed-use and specialty care public projects. Second/third tier construction firms may also face serious workload shortfall as substantial public sector works are mainly tendered in large packages due to high land prices, particularly for those in prime locations. In general, tenders appear to remain competitive in the competitive business environment that is driven by a lowest cost mentality. Tender prices seem to be consolidating and profit margins are shrinking as construction demand and output continue to decline.

The current trend in the Singapore construction tendering market reflects a significant 24.5% decline in new construction demand for private sector work in 2015 (see Table 2). For 2015, the Singapore government has anticipated an oncoming healthy pipeline of construction projects and construction orders (mostly civil engineering works) estimated between S$16.0 billion and S$19.5 billion. The total construction demand for years 2016 to 2019 is forecasted to be an average of S$31.5 billion, where S$16.0 billion to S$20.0 billion (S$18.0 billion average) is expected to come from public sector works (see Chart 1). Overall construction demand is expected to decline marginally but remains buoyant in the near future.

Table 2 — Singapore Construction Demand Trend

	Total Construction Demand Forecast (2014 – 2015^{f,1})				
Sector	2014 (S$)	2015^{f,1} Avg^ (S$)	2016–2019^{f} Avg$^{\#,*}$ (S$)	% change (2015^{f,1}/2014)	% change (2016^{f}/2015^{f,1})
Total	38.76b	32.5b	31.5b	–16.2%	–3.1%
Private	19.54b	14.75	13.5b	–24.5%	–8.5%
Public	19.22b	17.75	18.0b	–7.6%	1.4%

^{p}: *preliminary*

^{f}: *forecast*

^{1}: *Based on BCA's construction demand forecast released in August 2015 (data as at 29 July 2015)*

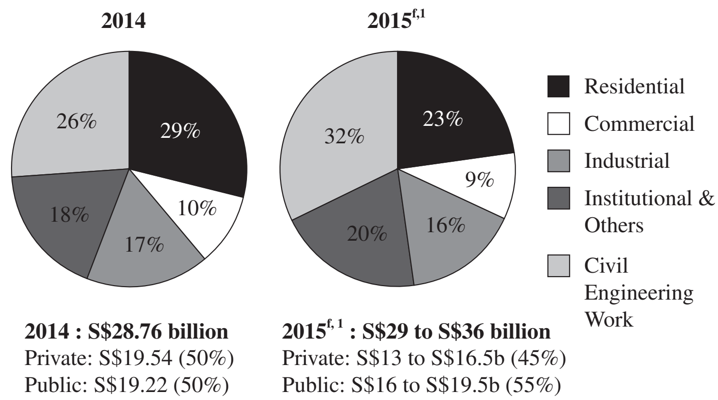
^: *For 2015^{f,1} — total construction demand of S$29–S$36 billion; total private demand (S$13–S$16.5 billion); total public demand (S$16–S$19.5 billion)*

$^{\#}$: *For 2016–2017^{f} — total construction demand of S$27–S$36 billion; total private demand (S$11–S$16 billion); total public demand (S$16–S$20 billion)*

*: *For 2016–2017^{f} — total construction demand of S$26–S$37 billion; total private demand (S$10–S$17 billion); total public demand (S$16–S$20 billion)*

Data Source: BCA

Chart 1 — Construction Demand Forecast (2014–2015[f,1])



Data Source: BCA

Looking ahead, Singapore's overall economy for 2015 is forecasted to grow at a modest pace of 2.0% to 2.5% according to updated MTI reports released in August 2015. It is observed that any policies and incentives pertaining to the sustainability of the overall economy and construction market will be advantageous and give priority to Singaporeans and Singapore companies.

In view of the current market sentiments globally and locally, tender price escalations is anticipated to grow modestly and steadily, unless affected by sudden external factors which could add pressure and result in the softening of tender prices. The actual magnitude of building price escalations would have to be affected by the various market factors in the future. Beyond 2015, construction cost trends are expected to be primarily affected by macroeconomic developments and the local construction demand volume as well as governmental policies. The anticipated annual tender price escalations are presented as follows and they are purely indicative:

- Years 2014 to 2015 : **0.5%–1.5%** per annum
- Years 2015 to 2017 : **1.0%–2.0%** per annum

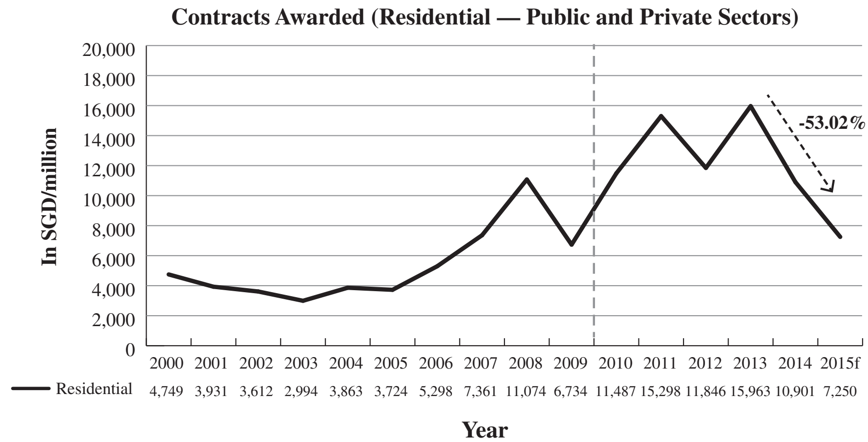
The following sections briefly discuss the important factors that impact the Target Group's development in the residential construction market.

10 DEMAND ANALYSIS OF THE SINGAPORE RESIDENTIAL CONSTRUCTION MARKET

10.1 Contracts Awarded in the Public and Private Residential Sector

In BCA's published data, total residential construction demand in the public and private sectors last peaked in 2013. Public and private residential construction had commanded close to S$16 billion worth of contracts that year. BCA forecasts the residential construction demand will rake in a total of S$7.5 billion in 2015, which is a 53.02% decline from 2013's peak (see Chart 2). The slowing demand for residential projects is due to local cooling measures in a tepid housing market situation and an unstable global economy.

Chart 2 — Total Residential Construction Demand in Singapore



f: forecast
Data Source: BCA

10.2 Construction Material Price Trends

Singapore has seen significant construction material price reductions over the past year. The global economic slowdown has diminished demand for energy, minerals and subsequently construction development. Currency fluctuations against the US dollar also explain why commodity prices can be down in terms of US dollars and up in terms of other currencies. In lieu of the weak global economy, contractors usually factor in such inherent uncertainty within their tender returns.

Singapore is a city-state lacking both arable land and natural resources such as fuel, metals and minerals. Therefore construction projects inside Singapore are reliant on the imports of basic building materials from resource-rich neighbouring countries. In January 2014, Indonesia banned the exports of granite aggregates, a crucial component of ready mixed concrete. This disruption in granite aggregate supply from Indonesia led to a temporary increase in prices at the start of 2014. The recent volatility of crude oil prices arising from the political unrest in the Europe and the Middle East has slightly spiked the inflation of steel prices again in 4Q 2014.

Based on BCA information released in 4Q 2014, quarterly demands for ready mixed concrete, granite and steel reinforcement bar increased in 3Q 2014 compared to the preceding quarter. This is in tandem with the higher construction output in the year. On the other hand, the average market prices, including that of cement, softened compared to the preceding quarter. Construction material prices have in general experienced a downward slide owing to the weak global economy since 4Q 2013 (see Table 3). Charts 3A to 3E also illustrate the individual construction material price trends over the past three years.

Table 3 — Key Construction Market Prices

Key Construction Material Types				
Material	**Unit**	**2014** *(S\$)*	**2015^** *(S\$)*	**Price Change** %
Steel Bars	tonne	653.90	603.00	–7.8%
Granite (20mm aggregate)	tonne	22.45	21.60	–3.8%
Ready-Mixed Concrete (Grade 35/40)	m^3	111.15	101.40	–8.8%
Ordinary Portland Cement	tonne	97.93	95.10	–2.9%
Concreting Sand	tonne	23.25	22.90	–1.5%

^ – *2015 preliminary prices*
Data Source: BCA (As at 13 March 2015)

Chart 3A — Cement Price Trend

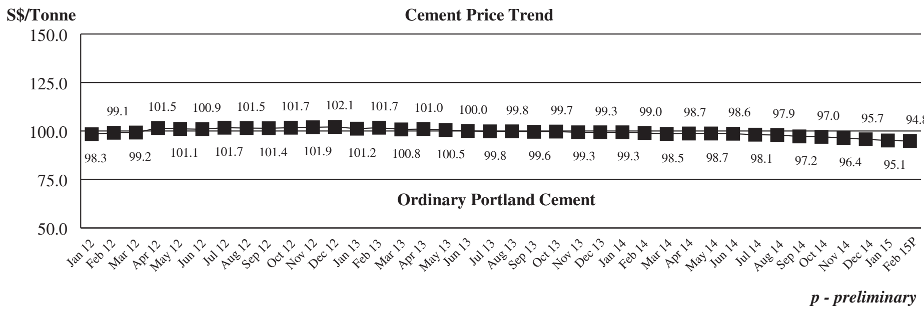


Chart 3B — Steel Rebar Price Trend

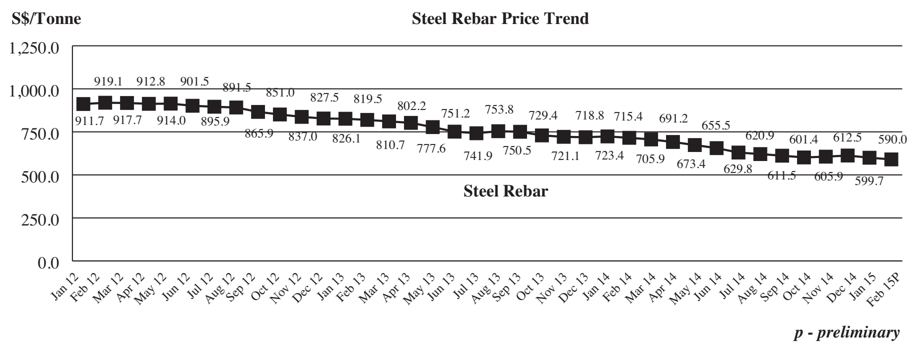


Chart 3C — Granite (20mm) Price Trend

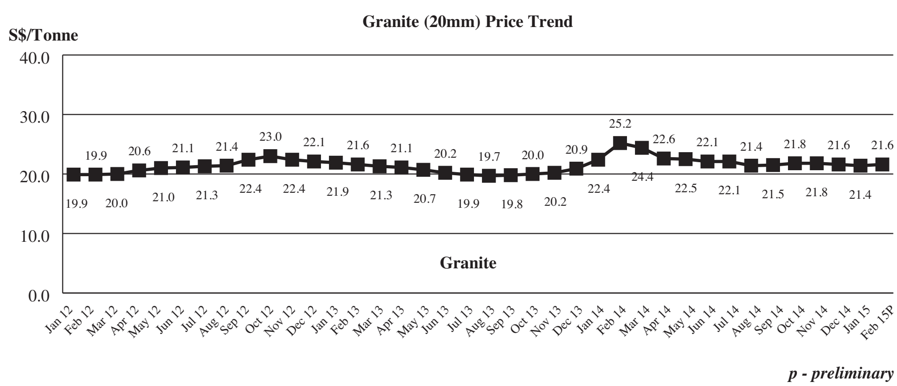


Chart 3D — Ready-mixed Concrete Price Trend

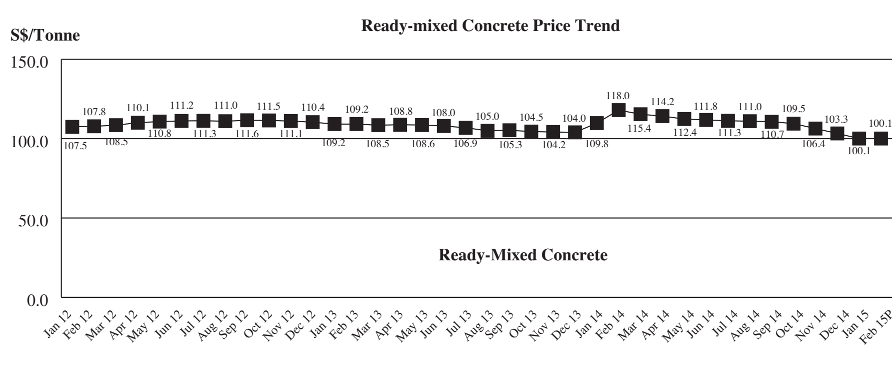
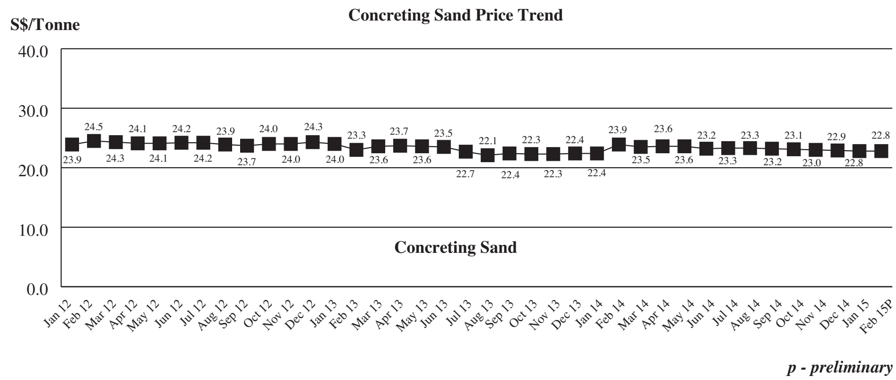


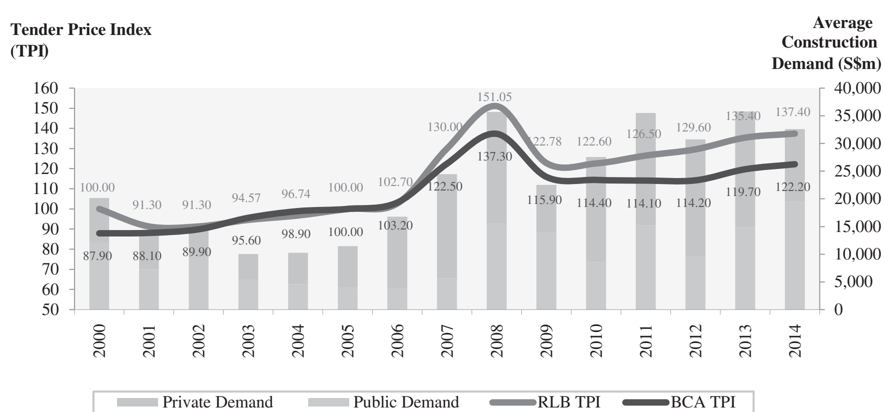
Chart 3E — Concreting Sand Price Trend



10.3 Tender Price Inflation

In 2014, tendering competitiveness has been largely dictated by the inflow of new major public infrastructure and institutional tenders. Lower basic construction prices aided in the high infrastructure spending. RLB's Tender Price Index (TPI) registered a 1.48% annual increase for 2014 from 2013 while the BCA All Buildings TPI reflected a marginal 2.01% increase for the same period, due to an increase of 1.72% for Public Residential TPI. Chart 4 presents the tender price trends against construction demand in Singapore over the last 14 years. Tender price inflation was 3.0% to 5.0% in 2014. Tender price inflation is expected to grow at a slower a rate of 0.5% to 1.5% for 2015.

Chart 4 — BCA and RLB Tender Price Index (Annual)



Base Year: 2005 (TPI: 100)
Data Source: BCA and RLB

Construction material price decreases, however, do not necessarily produce an equal corresponding effect on the total construction cost. Construction costs of building projects are affected by the procurement method, output of crew, labour costs, government fees and regulatory requirements and building material costs inclusive of appropriate waste allowances. Additions of overheads and profits are also taken into consideration.

Implementation of innovation and technologies for construction development also comes with a high initial cost. Enhanced buildability and constructability requirements such as the compulsory use of productive technologies and practices (i.e. Prefabricated Prefinished Volumetric Construction (PPVC) and Cross Laminated Timber (CLT) and Prefabricated Bathroom Units (PBU) further impacted construction costs. Stiff competition and unsustainable tender prices are not helping profit margins in a high labour, material and subcontracting cost environment.

Tighter employment standards amidst the foreign labour crunch increase the already stiff competition among more local and foreign construction companies in the small domestic market. Moreover, construction companies frequently face risks of financial difficulties from subcontractor supply agreements due to unforeseen shortages and fluctuating prices of main construction materials, such as Ordinary Portland Cement (OPC), steel reinforcement bars and concreting sand aggregates. Singapore's construction market has seen a trend towards using Lump Sum contracts in recent years, in part, due to tight tendering timeframes. In a Lump Sum contract, the contractor can be expected to ask for a higher price mark-ups in order to take care of unforeseen contingencies.

The total construction volume is likely to remain at a sustainable level and tender prices of construction projects are anticipated to remain generally competitive as contractors' tendering margins and preliminaries costs might be reduced to offset increased labour and regulatory costs. Therefore cheaper construction material prices do not necessarily translate into lower construction costs. And where the supply of contractors or subcontractors is limited, increases in workload could result in higher levels of inflation.

11 COMPETITION AND KEY ENTRY BARRIERS TO THE SINGAPORE CONSTRUCTION MARKET

The construction market in Singapore is highly competitive. There are stringent rules and regulations to uphold workmanship quality standards that construction companies are obliged to adhere to. Construction companies who do not adhere to these regulations face hefty fines and de-registration. The workforces of the construction companies are required to receive training and re-training of the relevant knowledge and skills set before the companies can be registered with BCA or have their registration renewed by BCA respectively.

BCA has enforced certain requirements in the Building Control (Buildability and Productivity) Regulations on the use of labour-efficient construction methods and building design. Construction firms which undertake building works where plans are also required to be approved by the Commissioner of Building Control (CBC) and contractors who work in specialist areas which have a high impact on public safety will require a Builder's Licence from 16 June 2009 onwards. The requirement applies to both public and private construction projects.

As part of the Singapore government's series of initiatives to improve the construction industry and the construction market, the following sub-sections summarises and highlights some key challenges that would impact on construction costs, quality and efficiency of construction for the Target Group.

11.1 Contractors Registration System (CRS)

BCA administers the Contractors Registration System (CRS) for the contractors and first level subcontractors involved in government projects to serve the procurement needs of government departments, statutory bodies and other public sector organisations. There are two types of licence, namely General Builder Licence and Specialist Builder Licence. The General Builder Licence is made up of two classes, namely Class 1 General Builder (GB1) and the Class 2 General Builder (GB2). With a GB1, contractors are allowed to undertake projects of any value while with a GB2; companies are restricted to undertake projects of S$6.0 million or less. As such, contractors who do not obtain the GB1 licence will be subject to a limitation on the projects they can undertake, thereby potentially limiting their revenue. As at 24 February 2015, there were 3,819 contractors who held a General Builder licence and 736 contractors who held Specialist Builder Licence.

11.2 Foreign Worker Levy (FWL) and Man-Year Entitlement (MYE)

Singapore's construction industry relies significantly on foreign labour. It accounts for approximately 35% to 40% of the nation's work permit holders. The Foreign Worker Levy (FWL) is a pricing mechanism that regulates the number of foreign workers and is recalibrated regularly to adjust the pace of the tightening measures. Construction companies are required to pay the monthly FWL when they employ a foreign worker in Singapore. As construction business operations have to engage foreign workers to carry out site works, the FWL influences the market players' operating costs. Regulatory changes in FWL may affect their profitability.

The Man-Year Entitlement (MYE) is a work permit allocation system introduced to regulate the number of foreign workers on a specific construction project. The recent 15% cutback on MYE quota further limits the conventional resourcing method of builders. And a reduced MYE will increase the FWL payable, thus contributing to construction costs.

11.3 Achievements in Innovation and Technology and Consistency in Quality Control

With effect from 1 November 2014, contractors are mandated to adopt high-impact productive technologies for projects under the Government Land Sales (GLS) programme. Virtual Design & Construction (VDC), Pre-fabricated Bathroom Unit (PBU), Pre-fabricated and Prefinished Volumetric Construction (PPVC), and Cross Laminated Timber (CLT) are some examples to enhance work productivity levels in the construction industry.

While the Productivity Innovation Project (PIP) fund is available to assist the market players to defray start-up costs in adopting such productivity technologies, the operating costs and maintenance costs would increase contractors' business costs and affect their profitability.

Furthermore, contractors need to meet the minimum Buildable Design Scores (B-Score) requirement for all public and private projects with gross floor area (GFA) of 2,000m^2 or more and the minimum Constructability Scores (C-Score) for new building works with GFA of 5,000m^2 or more from September 2015 onwards. Contractors failing to keep up with the quality standards will face challenges in winning future tenders, in particular government construction work.

11.4 On-Site Regulations

The construction sector is also governed by the Ministry of Manpower (MOM)'s Demerit Points System under the Workplace Safety and Health (WSH) Act and relevant subsidiary legislation. A contractor that has received more than 18 demerit points within a 12-month period will receive a formal warning from MOM. All main and subcontractors in the construction sector will be issued with demerit points for breaches of site safety. If any contractor or subcontractor continues to commit workplace safety and health offences, applications from the company for new and renewal of all types of work passes for all foreign employees will be rejected by MOM.

11.5 Green Mark Scheme

There is a premium of 1.0% to 2.0% for higher tier Green Mark (i.e. Green Mark Platinum or Green Mark Gold^{PLUS}) ratings payable by the Contractor, thus influencing construction costs. To encourage the private sector to develop buildings that attain the higher tier Green Mark ratings, BCA and the Urban Redevelopment Authority (URA) introduced a set of gross floor area (GFA) incentives on 29 Apr 2009. The Quality Green Mark Scheme will ensure that construction developments meet BCA's quality standards. This also will have an impact on construction costs.

12 TARGET GROUP'S COMPETITIVE EDGE

The Client is also a founding member of the Singapore Green Building Council (SGBC) and had received the Green & Gracious Builder Award through its subsidiary company Qingjian International (South Pacific) Group Development Co., Pte Ltd and Qingdao Construction (Singapore) Pte Ltd between the years 2012 and 2014. Other awards include the HDB Certificate of Merit Construction and BCA Construction Productivity Award (Spring) in 2013. The Client is currently accredited under the *bizSAFE* Partner, the bizSAFE STAR and the OHSAS 18001:2007 (Safety) through another subsidiary company (i.e. Qingjian International (South Pacific) Group Development Co., Pte Ltd).

According to Client's supplied sources, the Client currently has more than 200 workers who have achieved the CoreTrade certification. In addition, as a foreign localised market player, the Client is also able to establish alternate conduits of purchasing big volume material and equipment supply from China directly to maximize the profit margin in today's softening construction market.

In line with the drive to improve the skills qualification for labour productivity, the Client had also set up their Overseas Testing Centre in Jinan City, China for trade skill test and evaluation. This centre is registered with BCA. Potential workers are trained in Electrical Wiring Installation, Plastering (multi-skill only), Plumbing & Pipefitting, Steel Reinforcement, Tiling and Timber Formwork at this centre. The Client has the advantage of recruiting sufficient amount of skilled workers to meet BCA's requirements of improving productivity.

12.1 Market Share

In order to illustrate the market share of the Target Group in this broad-based Report over the last five years, the residential construction market shall not be limited to any financial categories (i.e. the Target Group's competitors are also inclusive of all construction workheads and its corresponding financial grades). The residential construction market also includes the various segments — public housing, executive condominium (EC) and private (non-landed).

Under the BCA Contractors Registration System (CRS), there were 68 other contractors with similar A1 and A2 financial grading who were also involved in public and private non-landed residential projects during the year 2014. In that year, there were a total of 14 private non-landed residential projects and a total of 8 EC projects awarded amongst the A1 and A2 tier contractors in Singapore, and the Client was awarded two of the EC developments.

Over a five year period from 2010 to 2014, there were a total of about 17,100 construction projects awarded, of which 7,531 were residential developments. Within this time frame, the Target Group achieved 23 residential contracts amongst its competitors with a total contract value of S$2.85 billion. This amount can be translated to an average of 4.33% market share in terms of contract value across the residential construction market for the past five years (see Table 4).

Table 4: Target Group's Market Share of Residential Projects (Public and Private) in Singapore, Years 2010 to 2014

Period	Total Contract Value Achieved by Target Group (Residential) *(S$ billion/ annum)[#]*	Total Contracts Awarded in the Market (Residential) *(S$ billion/ annum)[^,1,2]*	Total Market Share for Target Group (Residential) *(%/annum)*
2010–2014	2.854	65.884	4.33%

Data Source: CNQC's supplied information, BCA and MTI

Note[#]: The Total Contract Value achieved by the Target Group is based on awarded contract sums (i.e. Letter of Award).

Note[^]: BCA and MTI annual published information. Total Contracts Awarded in the Market is based on awarded contract sums (i.e. Letter of Award).

Note[1]: The Target Group's competitors in the residential construction market are in inclusive of contractors of all Construction Workheads (CW) and all financial grades.

Note[2]: The residential construction market segment is inclusive of public residential (i.e. HDB), executive condominium (EC) and private (non-landed) categories.

BCA neither reveals the exact construction costs for awarded contracts because of the nature of the Singapore construction market and confidentiality ethics nor rank its registered contractors according to their market share. As such, it is not feasible to identify the key market players and their respective market shares. However, the BCA Construction Project Database publishes a summary of the awarded construction projects over the years. The projects are classified according to their development type, award date, range of contract costs and project team information.

13 FUTURE OPPORTUNITIES AND THREATS

The numbers and types of construction regulations pertaining to foreign manpower and labour workforce have increased, particularly in the construction industry. Singapore is experiencing increased life expectancy and low birth rates; there is the prospect of a shrinking and ageing citizen population and workforce. Based on the latest Population White paper, the population is expected to be at 6.5 to 6.9 million by year 2030. The residential construction market moves in tandem with the real estate demand. The recent trend of demographic changes has led to the introduction of Executive Condominiums (ECs) and smaller apartment units in the residential market to meet the aspirations of the younger generation. Expatriates and migrants are expected to be maintained at healthy levels; therefore the construction health of the market is projected to be stable in the foreseeable future.

The potential opportunities and threats facing the residential construction market are summarized as follows:

Table 5 — Future Opportunities and Threats

Opportunities	Threats
• Broader social and economic factors affect marriage and parenthood decisions, leading to rising singlehood, later marriages and a smaller family nucleus. The idea of higher cost of living in Singapore tends to create greater anxiety upon younger generations on the affordability of buying private homes. There might be growing demand for ECs and small-unit residential housing construction.	• Stringent regulations add pressure on contractors. The additional requirements potentially push up compliance costs and impede on construction progress and outcome. Contractors may not be able to keep pace with the tight labour supply to increase construction productivity, leading to construction inefficiency, quality and overall delivery.
• With a widening income disparity, the middle class population may seem unlikely to afford private (landed and non-landed) properties in Singapore. These create construction opportunities in the residential sector as there will be a proportion of these middle-income earners looking at ECs as an alternative to private (landed and non-landed) properties or to upgrade from public housing flats.	• The total volume of construction tenders from the private sector could taper off within the next five years as the release of land sites under the Government Land Sales (GLS) Programme has been reduced. Therefore competition will be strong.
• As the majority of the population live in HDB flats, estate renewals for HDB precincts are done under the Estate Renewal Strategy to modernise town centres, adding or upgrading community facilities, etc. There will also be regular upgrading works required at government institutions, educational institutions, public recreational places etc.	

14 GENERAL OUTLOOK ON THE CONSTRUCTION MARKET IN SINGAPORE

The political environment is expected to remain stable. The Singapore government expects the overall economy to expand at a more conservative pace of 2.0% to 2.5% in 2015.

The singular drive of the Singapore government is on productivity and steering the construction industry towards the adoption of high technology in construction methods and processes. Some of the key initiatives and policy directions found in Budget 2015 will benefit the construction industry. Inclusive growth and deepening economic restructuring are key thrusts in the budget. Key areas of focus include skills upgrading and investments in public infrastructure, strengthening the social safety net and providing more support for companies in the restructuring process.

Tender prices of construction projects are anticipated to remain competitive due to the increased labour restrictions and regulatory costs. Construction price movements are anticipated to increase between 0.5% and 1.5% for 2015.

The overall construction demand is expected to remain resilient over the next five years with contract values to range between S$26.0 billion and S$37.0 billion per year. Residential construction demand is estimated to rake in a dismal total of S$7.5 billion in 2015. Public infrastructure works shall predominantly give continual support to the construction demand in view of supporting Singapore's competitive economic capacity and long term challenges.

REGULATORY OVERVIEW

Set out below is a summary of certain material aspects of the Singapore legal and regulatory provisions relating to the operations and business of the Target Group. These include laws and regulations relating to real estate, property, construction, and employment of foreign labour.

REGULATORY OVERVIEW ON OPERATING A CONSTRUCTION BUSINESS IN SINGAPORE

BCA General Builder Licence

The Building Control Act, Chapter 29 of Singapore (the "**BC Act**"), the Building Control (Amendment) Act 2007 and the Building Control (Licensing of Builders) Regulations 2008 set out the requirements for licensing of builders in Singapore. Any builder advertising or holding himself out or conducting himself in any way as authorised to carry on the business of a general builder or a specialist builder in Singapore shall only do so if he is in possession of respectively, a general builder licence or a specialist builder licence, being the 2 types of builder's licences in Singapore.

Any builder undertaking general building works, excluding works that have been designated as specialist works to be carried out by specialist builders, is required to obtain a general builder licence (the "**General Builder Licence**"). There are 2 classes of General Builder Licences: a Class 1 licence ("**GB1**") which permits the licenced builder to undertake projects of any value and a Class 2 licence ("**GB2**") which permits the licenced builder to undertake projects of up to S$6,000,000.

To maintain the General Builder Licence, there are certain requirements to be complied with, including but not limited to the following:

(a) the requirement to maintain a minimum paid-up capital during the validity period of the General Builder Licence of S$300,000 for GB1, and of S$25,000 for GB2; and

(b) the requirement to maintain the continued employment of an approved person (the "**Approved Person**") and a technical controller (the "**Technical Controller**"), both of whom must have the relevant education background and practical experience as specified in the BC Act during the validity period of the General Builder Licence.

Approved Person

The Approved Person is the appointed key personnel of the licenced builder under whose charge and direction the management of the business of the licenced builder's general building works and/or specialist building works in Singapore are undertaken at all times.

GB1

The Approved Person of a licenced GB1 builder must:

(a) have completed a course leading to a bachelor's degree or post-graduate degree in any field and at least 3 years (in aggregate) of practical experience in the execution of construction projects (whether in Singapore or elsewhere) after attaining the corresponding qualification;

(b) have completed a course leading to a diploma in a construction-related field and have at least 5 years (in aggregate) of practical experience in the execution of construction projects (whether in Singapore or elsewhere) after attaining the corresponding qualification; or

(c) have completed a course conducted by the BCA known as "Essential Knowledge in Construction Regulations and Management for Licensed Builders" and possess at least 10 years (in aggregate) of practical experience in the execution of construction projects in Singapore.

GB2

The Approved Person of a licenced GB2 builder must:

(a) have completed a course leading to a diploma in a construction-related field, or a bachelor's degree or post-graduate degree in any field and have at least 3 years (in aggregate) of practical experience in the execution of construction projects (whether in Singapore or elsewhere) after attaining the corresponding qualification; or

(b) have completed a course conducted by the BCA known as "Essential Knowledge in Construction Regulations and Management for Licensed Builders" and possess at least 8 years (in aggregate) of practical experience in the execution of construction projects in Singapore.

Technical Controller

The Technical Controller is the appointed key personnel of the licenced builder who personally supervises the execution and performance of any general building works or specialist building works in Singapore which the licenced builder undertakes to carry out.

GB1

The Technical Controller of a licenced GB1 builder must have completed a course leading to a bachelor's degree or post-graduate degree in a construction related field and possess at least 5 years (in aggregate) of practical experience in the execution of construction projects (whether in Singapore or elsewhere) after attaining the corresponding qualification.

GB2

The Technical Controller of a licenced GB2 builder must have completed a course leading to a diploma in a construction-related field, or a bachelor's degree or post-graduate degree in a construction-related field and have at least 5 years (in aggregate) of practical experience in the execution of construction projects (whether in Singapore or elsewhere) after attaining the corresponding qualification.

Contractors Registration System

The Contractors Registration System ("**CRS**") is administered by the Building and Construction Authority (the "**BCA**") to serve the procurement needs of the government departments, statutory bodies and other public sector organisations, including first level subcontractors involved in governmental projects. Although not being registered with the BCA does not preclude a contractor from conducting business as contractors or suppliers outside the Singapore public sector, registration with the Contractors Registry maintained by the BCA is a pre-requisite to tender for projects in the public sector.

Presently, there are 7 major registration categories, namely:

(a) Construction Workhead;

(b) Construction-Related Workhead;

(c) Mechanical & Electrical Workhead;

(d) Maintenance Workhead;

(e) Supply Head;

(f) Trade Head; and

(g) Regulatory Workhead.

These categories are further sub-classified into 6 to 7 grades depending on the category of registration. The differences between the grades awarded under each category of registration relates to the tendering limits for Singapore public sector projects.

There are additional requirements to be complied with under each Workhead, including but not limited to the following:

Workhead	Description	Grading	Requirements
CW01	General Building	A1	***Financials*** • To have a minimum paid-up share capital of S$15,000,000. • To have a minimum net worth of S$15,000,000. ***Track Record*** • To secure, over a 3-year period, projects with an aggregate contract value of at least S$150,000,000 of which S$75,000,000 have to be projects executed in Singapore, S$112,500,000 have to be main contracts and a S$37,500,000 minimum size single main contract or nominated subcontract (50% of the subcontract value will be taken into consideration). ***Personnel*** • To employ 24 professionals with qualifications including professional engineers and registered architects (the "**RPs**"), professional personnel or technical personnel including a minimum of 8 RPs, and at least 1 RP with a Specialist Diploma in Construction Productivity conducted by BCA Academy. • Maintain an annual declaration with Continuing Education and Training (the "**CET**") that the CET requirement is complied with. ***Management & Development*** • Possess accreditation such as ISO9001:2008 which must be SAC accredited, ISO14000 and OHSAS18000, and GGBS (Green & Gracious Builders Scheme).

Workhead	Description	Grading	Requirements
CW02	General Building	B1	***Financials*** ● To have a minimum paid-up share capital of S$3,000,000. ● To have a minimum net worth of S$3,000,000. ***Track Record*** ● To secure, over a 3-year period, projects with an aggregate contract value of at least S$30,000,000 of which S$15,000,000 have to be main contracts and a S$7,500,000 minimum size single main contract or nominated subcontract (75% of the subcontract value will be taken into consideration). ***Personnel*** ● To employ 6 RPs, professional personnel or technical personnel including a minimum of 2 RPs, and at least 1 RP with a Specialist Diploma in Construction Productivity conducted by BCA Academy. ***Management & Development*** ● Possess accreditation such as ISO9001:2008 which must be SAC accredited, ISO14000 and OHSAS18000, and GGBS (Green & Gracious Builders Scheme).

Workhead	Description	Grading	Requirements
ME11	Mechanical Engineering	L5	***Financials*** • To have a minimum paid-up share capital of S$500,000. • To have a minimum net worth of S$500,000. ***Track Record*** • To secure, over a 3-year period, projects with an aggregate contract value of at least S$10,000,000 of which S$1,000,000 have to be projects executed in Singapore. ***Personnel*** • To employ 1 RP or professional personnel, or 2 technical personnel, where at least 1 with at least 8 years of relevant experience and 1 RP, professional personnel, technical personnel with a Basic Concept in Construction Productivity Enhancement (Certificate of Attendance) conducted by BCA Academy. ***Management & Development*** • Possess accreditation such as SMC (Safety Management Certificate issued by BCA) or OHSAS18000.

Registration of a contractor with the BCA is dependent on the contractor fulfilling certain requirements such as personnel qualifications and value of previously completed projects. The grade assigned to each contractor is dependent on, *inter alia*, its minimum net worth and paid-up capital. The validity for a first time registration is for a period of 3 years, and renewable (for a further period of 3 years) by way of application with the BCA.

Environmental laws and regulations

The Environmental Public Health Act, Chapter 95 of Singapore (the "**EPH Act**") requires, among others, a contractor to take reasonable precautions to prevent danger to the life, health or well-being of persons using any public places from flying dust or falling fragments or from any other material, thing or substance during the erection, alteration, construction or demolition of any building or at any other time. The EPH Act also regulates, among others, the disposal and treatment of industrial waste and public nuisances.

Under the EPH Act, the Ministry of Environment has empowered the Director-General of Public Health to serve a nuisance order on the owner or occupier of the premises on which the nuisance arises. Some of the nuisances which are liable to be dealt with by the Ministry of Environment and/or its statutory board, the National Environmental Agency, summarily under the EPH Act include any factory or workplace which is not kept in a clean state and any place where there exists or is likely to exist any condition giving rise, or capable of giving rise to the breeding of flies or mosquitoes, any place where there occurs, or from which there emanates noise or vibration as to amount to a nuisance and any machinery, plant or any method or process used in any premises which causes a nuisance or is dangerous to public health and safety. The EPH Act also requires the occupier of any construction site to employ a competent person to act as an Environmental Control Officer in the construction site for the purpose of exercising general supervision within the construction site of the observance of the provisions of, among others, the EPH Act.

The Environmental Protection and Management Act, Chapter 94A of Singapore, seeks to control the levels of pollution in Singapore by regulating the activities of various industries and regulates, among others, air pollution, water pollution, land pollution and noise control. Under the Environmental Pollution Control (Control of Noise at Construction Sites) Regulations, the owner or occupier of any construction site shall ensure that the level of noise emitted from his construction site shall not exceed the maximum permissible noise levels prescribed in such Regulations.

Public Sector Standard Conditions of Contract for Construction Works

The Public Sector Standard Conditions of Contract for Construction Works (the "**Standard Conditions**") was developed by the BCA to enable a common contract form to be used in all public sector construction projects. Standardisation increases familiarity among users, reduces tendering efforts and promotes greater efficiency in contract administration. The Standard Conditions is useful to industry practitioners who are interested to tender for public sector construction projects.

The Standard Conditions contains terms relating to *inter alia*, the following:

(a) general obligations of the contractor, which provides *inter alia*, the general responsibilities of the contractor, and the contractor's responsibility for subcontractors;

(b) quality in construction, which provides *inter alia*, the responsibility of the contractor in respect of defects discovered during the progress of the construction;

(c) commencement of works, which provides *inter alia*, the rules relating to taking of possession of the site of construction and the right of access required by the contractor;

(d) suspension of works;

(e) time for completion and the extension of time for completion, if required;

(f) liquidated damages;

(g) defects and *inter alia*, the costs of remedying such defects;

(h) procedures for claims;

(i) indemnity provisions relating to injury to person, damage to property and the obligation of the contractor to rectify damage;

(j) insurance for personal injury, work injury compensation and property damage;

(k) progress payments and final account; and

(l) settlement of disputes.

Building and Construction Industry Security of Payments

The Building and Construction Industry Security of Payment Act, Chapter 30B of Singapore (the "**BCISP Act**") aims to improve cash-flow by helping to speed up payment in the building and construction industry. Any party who has carried out construction work or supplied related goods or services in the building and construction industry under a contract made in writing will have a statutory right to receive progress payments.

Pursuant to the BCISP Act, "pay when paid" provisions in construction or supply contracts are unenforceable and have no effect in relation to any payment for construction work carried out or undertaken to be carried out, or for goods or services supplied or undertaken to be supplied, under the contract.

In addition, the BCISP Act endorses, *inter alia*, the following rights:

(a) the right of a claimant (being the person who is or claims to be entitled to a progress payment) who, in relation to a construction contract, fails to receive payment by the due date of an amount that is proposed to be paid by the respondent (being the person who is or may be liable to make a progress payment under a contract to a claimant) and accepted by the claimant, to make an adjudication application in relation to the payment claim. The BCISP Act establishes an adjudication process by which a person may claim payments due under a contract and enforce payment of the adjudication amount;

(b) the right of a claimant to suspend the carrying out of construction work or supply of goods or services, and to exercise a lien over goods supplied by the claimant to the respondent that are unfixed and which have not been paid for, or to enforce the adjudication determination as if it were a judgment debt, if inter alia, such claimant is not paid after the adjudicator has determined that the respondent shall pay an adjudicated amount to the claimant; and

(c) where the respondent fails to pay the whole or any part of the adjudicated amount to a claimant, the right of a principal of the respondent (being the person who is liable to make payment to the respondent for or in relation to the whole or part of the construction work that is the subject of the contract between the respondent and the claimant) to make direct payment of the outstanding amount of the adjudicated amount to the claimant, together with the right of such principal to recover such payment from the respondent.

REGULATORY OVERVIEW ON OPERATING A REAL ESTATE DEVELOPER BUSINESS IN SINGAPORE

Housing Developer's Licence

The Housing Developers (Control and Licensing) Act, Chapter 130 of Singapore (the "**HD(C&L) Act**"), and the Housing Developers Rules (the "**HD Rules**"), and the Housing Developers (Project Account) Rules (the "**HD(PA) Rules**") set out the requirements for licensing of a housing developer. Any housing developer who desires to undertake:

(a) developing a housing project with more than 4 units (including executive condominiums and public housing flats under the Design, Build and Sell Scheme (the "**DBSS**"));

(b) developing a mixed residential/commercial project with more than 4 units (e.g. comprising 3 flats and 4 shops);

(c) carrying out additional and alteration work to an existing residential building, such as those which result in an increase in the number of residential units or gross floor area; or

(d) providing money to develop a project with more than 4 units, and are not a bank or finance company licensed by the Monetary Authority of Singapore,

has to have a housing developer's licence (the "**Housing Developer's Licence**") from the Controller of Housing under the Urban Redevelopment Authority (the "**URA**") before commencing construction. The Housing Developer's Licence will only be granted if the housing developer meets the criteria set out in the HD(C&L) Act, and is issued subject to, *inter alia*, compliance with the HD(C&L) Act, the HD Rules and the HD(PA) Rules.

If the developer is not the legal owner of the land under development, the landowner and the developer are required to apply for the Housing Developer's Licence together.

Sale Licence, No-Sale Licence

There are 2 types of Housing Developer's Licence available. A sale licence allows a developer to commence construction and start selling the units once building plan approval for the development has been obtained. A no-sale licence allows a developer to commence construction works but the sale of units can only commence with prior written approval of the Controller of Housing.

To qualify for a sale licence, a developer (if the developer is a company) has to meet the following requirements:

(a) its directors must not be un-discharged bankrupts;

(b) the developer must have a minimum paid-up capital of S$1,000,000;

(c) the developer must submit a copy of its latest audited accounts, verified by a statutory declaration;

(d) the developer must have an acceptable track record;

(e) the developer must submit a valid provisional or written permission; and

(f) the developer must submit a letter from a financial institution confirming that a project account has been opened.

To qualify for a no-sale licence, a developer (if the developer is a company) has to meet the following requirements:

(a) its directors must not be un-discharged bankrupts;

(b) the developer must have a minimum paid-up capital of S$100,000;

(c) the developer must submit a copy of its latest audited accounts, verified by a statutory declaration; and

(d) the developer must submit a valid provisional or written permission.

Private housing project

The Housing Developer's Licence for a private development (including executive condominiums) shall continue in force until the date of issuance of the Certificate of Statutory Completion (the "**CSC**"), and the Subsidiary Strata Certificates of Title or the Certificates of Title for all the units of the development.

Public housing project

The Housing Developer's Licence for public housing flats under the DBSS shall continue in force until the date of issuance of the CSC for all the whole development, and the Strata Lease Plan is approved by the Chief Surveyor for each of the units in the development.

Duties of a housing developer

The duties of a licenced housing developer are set out in the HD(C&L) Act. These duties include, without limitation, the requirement to open and keep an account (defined in the HD(C&L) Act as a Project Account) with a bank or finance company for each building project undertaken by the licensed housing developer. The HD(PA) Rules promulgated under the HD(C&L) Act govern the operation of the Project Account, and specifies inter alia what moneys must be deposited into or may be withdrawn from the Project Account.

Sale and Purchase

Sale of units in a housing development is subject to a standard form of sale and purchase agreement as prescribed by the HD Rules (for private residential developments) or the Executive Condominium Housing Scheme Regulations (for executive condominium developments). Any amendment to the standard form of sale and purchase agreement requires the approval of the Controller of Housing (for private residential developments) or the Minister of National Development (for executive condominium developments). Sale of units after CSC is issued is not subject to the prescribed standard form of sale and purchase agreement; the form of sale and purchase agreement may be negotiated between the housing developer and the buyer.

Pursuant to the standard form of sale and purchase agreements, 20% of the purchase price (including the booking fee) will be paid by the purchaser within 8 weeks from the date of the option to purchase. Thereafter 40% is paid progressively as the construction progresses. Another 25% is payable when the unit achieves Temporary Occupation Permit (the "**TOP**"). The final 15% of the purchase price is payable when CSC is issued or upon completion of the sale and purchase of the unit (whichever is applicable). As for units sold after CSC is issued, usually 10% of the purchase price (less the option money) is paid by the purchaser upon exercise of the option to purchase, and the balance is paid on completion of the sale and purchase of the unit.

Residential Property Act

The Residential Property Act, Chapter 274 of Singapore (the "**RP Act**"), administered by the Controller of Residential Property, governs the purchase of residential property in Singapore, as well as foreign participation in housing developments.

The RP Act restricts the transfer or purchase of residential properties (including vacant land) to citizens of Singapore, any Singapore company/limited liability partnership/society and approved purchasers, and provides that any foreign person who desires to purchase, acquire or retain any estate or interest in any residential property in Singapore (other than Non-Restricted Residential Property, as defined below) shall apply to the Minister of Law for such approval.

Under the RP Act, "*Singapore company*" means a company which satisfies the following:

(a) the company is incorporated in Singapore and its directors and members are all Singapore citizens;

(b) if any member of the company is another company, that other company satisfies the requirements of paragraph (a) above;

(c) if that other company referred to in paragraph (b) above has a member which is a company, which in turn has a member which is also a company and so on, all the members of each such company consist only of Singapore citizens and companies that satisfy the requirements of paragraphs (a) and (b) above; and

(d) if any member of the company is a limited liability partnership, that limited liability partnership is a Singapore limited liability partnership.

Under the RP Act, "***residential property***" includes:

(a) any vacant land upon which no building or other structure exists or any land upon which exists any building or other structure which is constructed or used contrary to any written law;

(b) any house building or other premises or any part thereof which is permitted to be used pursuant to the Planning Act, Chapter 232 of Singapore (the "**P Act**") or any other written law as a dwelling house or which is lawfully so used;

(c) any land zoned for residential purposes in the Master Plan (as defined in the P Act); and

(d) any other land or building as the Minister of Law may by notification in the Gazette declare to be residential property for the purposes of the RP Act,

but does not include:

(a) any land (whether vacant or not) which is zoned for industrial and/or commercial purposes in the Master Plan or which is permitted to be used pursuant to the P Act or any other written law solely for industrial and/or commercial purposes;

(b) any house building or other premises which is permitted to be used pursuant to the P Act or any other written law solely for industrial and/or commercial purposes or which is lawfully so used;

(c) any hotel registered under the Hotels Act, Chapter 127 of Singapore; and

(d) such other land or building as the Minister of Law may by notification in the Gazette declare to be industrial, commercial or non-residential property for the purposes of the RP Act.

A Singapore company which intends to acquire any estate or interest in any residential property, other than the Non-Restricted Residential Property (as defined below), it shall prior to the vesting of such estate or interest, furnish to the Controller of Residential Property with a list of its directors and members containing particulars of their nationality etc. If the Controller of Residential Property is satisfied that the foregoing is complied with, and that the company is a Singapore company, then it may issue a certificate (the "**Clearance Certificate**") stating that the company may acquire and retain residential properties subject to the provisions of the RP Act.

The RP Act does not apply to any transfer to or any purchase or acquisition by any foreign person of any estate or interest in the following residential properties:

(a) any flat that is comprised in any building in a development permitted to be used under the P Act for residential purposes, and that is not a landed dwelling house;

(b) any unit comprised in a development which is shown in an approved plan bearing the title "condominium" and issued by the competent authority under the P Act; and

(c) any unit in a development comprising housing accommodation sold under the executive condominium scheme under the Executive Condominium Housing Scheme Act, Chapter 99A of Singapore (the "**ECHS Act**")

(the "**Non-Restricted Residential Property**").

Notwithstanding the above, no foreign person shall, without the prior approval of the Minister of Law, purchase or acquire (whether in a single transaction or a series of transactions) all the flats in every building in a development permitted to be used for residential purposes under the P Act, or all the units in a development approved by the competent authority under the Planning Act as a condominium development or all the units in a development sold under the executive condominium scheme under the ECHS Act.

Qualifying Certificate

Any person (including a foreign company) which constructs or intends to construct flats or dwelling houses for sale, whether or not such company is licensed or required to be licensed as a housing developer under the HD(C&L) Act, is required to apply to the Controller of Residential Property for approval to purchase or acquire any estate or interest in any residential property (as evidenced by a "**Qualifying Certificate**").

Housing developers which are Singapore companies holding the Clearance Certificate, do not need to apply for the Qualifying Certificate in order to purchase or acquire residential property. If the housing developer wishes to retain 1 or more units in the development after having completed the development, then he may apply for such retention in accordance with the RP Act.

Most housing developers in Singapore (including publicly listed developers) come within the definition of being a foreign company and therefore required to apply for a Qualifying Certificate for each housing development.

Conditions of a Qualifying Certificate

In issuing the Qualifying Certificate, the Controller of Residential Property requires the housing developer to comply with the following conditions:

(a) the housing developer shall within the prescribed period computed from the date of issue of the Qualifying Certificate:

    (i) obtain the Notice of Grant of Written Permission from the Competent Authority (under the P Act) to carry out the housing development;

    (ii) obtain the Building Plan approval from the Commissioner of Building Control (under the BC Act) for the housing development; and

    (iii) complete the construction of the whole of the housing development and obtain the TOP for the whole of the housing development;

(b) the housing developer shall not without the prior written approval of the Controller of Residential Property enter into any arrangement (including the grant of an option), whether conditional or otherwise, to sell or dispose of the land or any interest therein (but excluding any disposition by way of a mortgage or charge);

(c) the housing developer shall within 2 years of the issue of the TOP for the whole of the housing development or such extended period as the Controller of Residential Property may in his discretion permit in writing, sell all the units in the housing development;

(d) the housing developer shall not at any time lease or let out any of the unsold units in the housing development; and

(e) the housing developer shall not permit or allow any sale, transfer, allotment or acquisition of its shares without the prior written approval of the Controller of Residential Property up to and until the date of issue of the TOP for the whole housing development or the date the housing developer has sold all the units in the housing development (whichever is the later).

Land sold by government exempted from the RP Act

Purchases or acquisitions by a foreign person of any estate or interest in any residential property by way of tender or otherwise from URA or any person or body that is duly appointed as an agent of the Singapore Government in the sale of any estate or interest in any residential property is not prohibited by the RP Act. Accordingly, all residential lands sold by the URA or by the Housing Development Board of Singapore on behalf of the Singapore Government are exempted from the RP Act and the requirements of a Qualifying Certificate.

REGULATORY OVERVIEW ON EMPLOYMENT OF FOREIGN WORKERS IN SINGAPORE

Employment of Foreign Workers

The Employment of Foreign Manpower Act, Chapter 91A of Singapore (the "**EFM Act**"), regulated by the Ministry of Manpower, governs the employment of foreign workers in Singapore.

Valid work pass

The prohibition against employment of foreign employees without a valid work pass applies to both the employer and the employee.

Employer

No person shall employ a foreign employee unless the foreign employee has a valid work pass. Any person who employs a foreign employee without a valid work pass is guilty of an offence and shall:

(a) be liable on conviction to a fine not less than S$5,000 and not more than S$30,000 or to imprisonment for a term not exceeding 12 months or to both; and

(b) on a second or subsequent conviction, (in the case of an individual) be punished with a fine of not less than S$10,000 and not more than S$30,000 and with imprisonment for a term of not less than 1 month and not more than 12 months, or (in any other case) be punished with a fine of not less than S$20,000 and not more than S$60,000.

Employee

No foreign employee without a valid work pass shall be in the employment of an employer. Any person in the employment of an employer without a valid work pass is guilty of an offence and shall be liable on conviction to a fine not more than S$20,000 or to imprisonment for a term not exceeding 24 months or to both.

The Ministry of Manpower also regulates foreign workers availability through the imposition of, *inter alia*, the following conditions and requirements:

Approved source countries for the construction sector

The approved source countries for construction workers are Federation of Malaysia, People's Republic of China ("**PRC**"), the Non-Traditional Sources (the "**NTS**"), and the North Asian Sources (the "**NAS**"). The NTS countries are Republic of India, Democratic Socialist Republic of Sri Lanka, Kingdom of Thailand, People's Republic of Bangladesh, Republic of the Union of Myanmar and Republic of the Philippines, and NAS countries are Hong Kong Special Administrative Region of the PRC, Macau Special Administrative Region of the PRC, Republic of Korea and Republic of China.

Prior Approval

The prior approval of the Ministry of Manpower is required for the employment of foreign construction workers from NTS countries and the PRC. The approval stipulates the number of foreign workers a company is allowed to source from NTS countries and the PRC, and also indicates the number of workers eligible for work permit renewals or who are eligible to be transferred from another company in Singapore.

Approvals from the Ministry of Manpower are based on, *inter alia*, the duration of the work permits applied for, the number of full-time local workers employed by the company over the past three months as reflected in the company's CPF contribution statements, the number of man-year entitlement and the remaining quota (as relevant).

All new NTS and PRC workers in the construction sector and who receive prior approval from the Ministry of Manpower must also possess either the Skills Evaluation Certificate or the Skills Evaluation Certificate (Knowledge) before they are allowed to work in Singapore.

Maximum period of employment

The restriction on the maximum period of employment applies only to NTS and PRC work permit holders, and does not apply to NAS and Malaysia work permit holders. All workers in the construction sector can only work in Singapore up to a maximum age of 60 years.

The maximum period of employment for higher skilled NTS and PRC work permit holders in the construction sector is 22 years, such permit holders being those registered under BCA's Construction Registration of Tradesman (CoreTrade) scheme, Multi-Skilling scheme, or the Trade Certificate Scheme recognised by the BCA, and have at least 4 years construction experience in Singapore or alternatively have at least 6 years construction experience in Singapore and earn a fixed monthly salary of S$1,600.

The maximum period of employment for basic skilled work permit holders:

(a) who have never worked in Singapore before 1 January 2012 is 10 years;

(b) who have worked in Singapore for more than 8 years (as of 1 January 2012) is:

 (i) 1-time work permit renewal of 2 years; or

 (ii) 2-time work permit renewal of 1 year each,

 from the date of expiry of their existing Work Permit on or after 1 January 2012 insofar as the maximum period does not exceed 18 years; and

(c) who have worked in Singapore for more than 8 years and returns between 1 January 2012 and 31 December 2013 is:

 (i) 1-time work permit renewal of 2 years; or

 (ii) 2-time work permit renewal of 1 year each,

 from the date of expiry of their existing Work Permit on or after 1 January 2012 insofar as the maximum period does not exceed 18 years.

Foreign worker quota

The foreign worker quota for the construction sector is currently set at a ratio of 1 full-time local employee to 7 work permit holders. This means that for every full-time Singapore citizen or Singapore permanent resident employed by a company in the construction sector, such company will be permitted to employ 7 work permit holders.

Man-year entitlement

In addition to the foreign worker quota, NTS and PRC work permit holders are subject to man-year entitlement (the "**MYE**") requirements. The MYE requirements do not apply to NAS and Malaysia work permit holders. NTS and PRC work permit holders may qualify for a waiver if they have at least 2 years of experience in the construction sector.

The MYE reflects the total number of work permit holders a main contractor is entitled to employ based on the value of the projects awarded, such allocation in the form of the number of "man-years" required to complete a project. Main contractors are prohibited from allocating their MYE to other contractors not involved in the same project or selling their MYE to any contractor, and acting in breach of this prohibition will result in the main contractor being barred from applying for new work permits in the future.

At the time of the MYE application which can only be made by main contractors, the following requirements must be fulfilled:

(a) the main contractor must have a valid Central Provident Fund account for construction work permit applications in the company's name;

(b) the project must have a balance period of at least 1 month; and

(c) the total remaining contract value must be at least S$500,000.

The main contractor is allowed to combine projects to meet the minimum contract value requirement, provided that each of the combined projects fulfils the following requirements:

(a) the project must have a balance period of at least 1 month; and

(b) the total remaining contract value is less than S$500,000.

An MYE will expire on the stated project completion date. The main contractor may request an extension of the MYE validity period if the project's completion date has been extended. As MYE are given based on a project's value, a main contractor can request for an increase if the project value has increased.

Levy, security bond

The number of work permit holders that can be employed is limited by the foreign worker quota (and where applicable, the MYE) and subject to a levy, which is lower for higher skilled work permit holders as compared to basic skilled work permit holders. The levy bond imposed also depends on the work permit holder's skill level.

The current levy rates for the construction sector are as follows:

Worker category	**Monthly levy** *(S$)*
Malaysia work permit and NAS — Higher skilled	300
Malaysia work permit and NAS — Basic skilled	550
NTS and PRC work permit Higher skilled and on MYE	300
NTS and PRC work permit Basic skilled and on MYE	550
NTS and PRC work permit Higher skilled, experience and exempted from MYE	600
NTS and PRC work permit Basic skilled, experience and exempted from MYE	950

A security bond in the form of a banker's guarantee or insurance guarantee is required for each NAS, NTS or PRC foreign worker before such approved worker's arrival in Singapore, failing which entry to Singapore will not be permitted. The security bond is S$5,000 to be satisfied by way of a banker's or insurance guarantee, which has to be furnished in favour of Controller of work passes.

Employers are also required to comply with work permit conditions. Apart from the EFMA, an employer of foreign workers is subject to, *inter alia*, to the provisions set out in the Employment Act, Chapter 91 of Singapore, the Immigration Act, Chapter 133 of Singapore, and the regulations made thereunder.

Work Injury Compensation Act

The Work Injury Compensation Act, Chapter 354 of Singapore, (the "**WIC Act**"), regulated by the Ministry of Manpower, applies to workmen in all industries in respect of injury suffered by them in the course of their employment and sets out, among others, the amount of compensation they are entitled to and the method(s) of calculating such compensation.

A personal injury by accident arising out of and in the course of the employment is caused to a workman, the employer shall be liable to pay compensation in accordance with the provisions of the WIC Act. In addition, any person (referred to as the principal) in the course of its business or for the purpose of his trade or business contracts with any other person (referred to as the contractor) for the execution by the contractor of the whole or any part of any work undertaken by the principal, the principal shall be liable to pay to any workman employed in the execution of the work any compensation which he would have been liable to pay if that workman had been immediately employed by the principal.

Workplace and Health Safety Measures

The Workplace Safety and Health Act, Chapter 354A of Singapore, the Workplace Safety and Health (General Provisions) Regulations sets out the general provisions relating to safety at the workplace and the general duties of persons at the workplace.

As a general principle, all employers are under the duty to take, so far as is reasonably practicable, such measures as are necessary to ensure the safety and health of his employees at work as well as such other persons (not being his employees) who may be affected by any undertaking carried on by him at the workplace.

To ensure the safety and health of persons at work, there are certain measures that need to be undertaken, including but not limited to the following:

(a) providing and maintaining for those persons a work environment which is safe, without risk to health and adequate as regards facilities and arrangements for their welfare at work;

(b) ensuring that adequate safety measures are taken in respect of any machinery, equipment, plant, article or process used by those persons;

(c) ensuring that those persons are not exposed to hazards arising out of the arrangement, disposal, manipulation, organisation, processing, storage, transport, working or use of things in their workplace or near their workplace and under the control of the employer;

(d) developing and implementing procedures for dealing with emergencies that may arise while those persons are at work; and

(e) ensuring that those persons at work has adequate instruction, information, training and supervision as is necessary for those persons to perform their work.

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

pwc 羅兵咸永道

25 September 2015

The Directors
CNQC International Holdings Limited

HSBC Corporate Finance (Hong Kong) Limited

Dear Sirs,

We report on the financial information of Wang Bao Development Limited (the "Target Company") and its subsidiaries (together, the "Target Group"), which comprises the combined statements of financial position of the Target Company as at 31 December 2012, 2013 and 2014 and 31 March 2015, and the combined statements of comprehensive income, the combined statements of changes in equity and the combined statements of cash flows of the Target Company for each of the years ended 31 December 2012, 2013 and 2014 and the three months ended 31 March 2015 (the "Relevant Periods"), and a summary of significant accounting policies and other explanatory information. This financial information has been prepared by the directors of CNQC International Holdings Limited (the "Company") and is set out in Sections I to III below for inclusion in Appendix III to the circular of the Company dated 25 September 2015 (the "Circular") in connection with the proposed acquisition of the Target Company by the Company constituting a reverse takeover and a deemed new listing.

The Target Company was incorporated in the British Virgin Islands (the "BVI") on 28 April 2015 as a company with limited liability. Pursuant to a group reorganisation as described in Note 1.2 of Section II headed "Group Restructuring and Reorganisation" below, which was completed on 22 September 2015, the Target Company became the holding company of the subsidiaries now comprising the Target Group (the "Reorganisation").

As at the date of this report, the Target Company has direct and indirect interests in the subsidiaries and associated companies as set out in Note 1.2 of Section II below. All of these companies are private companies.

No audited financial statements have been prepared by the Target Company as it is newly incorporated and has not been involved in any significant business transactions since its date of incorporation, other than the Reorganisation. The audited financial statements of the other companies now comprising the Target Group as at the date of this report for which there are

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statutory audit requirements have been prepared in accordance with the relevant accounting principles generally accepted in their respective places of incorporation. The details of the statutory auditors of these companies are set out in Note 1.2 of Section II.

The directors of the Target Company are responsible for the preparation of the combined financial statements of the Target Company and its subsidiaries now comprising the Target Group for the Relevant Periods that give a true and fair view in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") (the "Underlying Financial Statements"), and for such internal control as the directors determine is necessary to enable the preparation of the Underlying Financial Statements that are free from material misstatement, whether due to fraud or error. We have audited the Underlying Financial Statements in accordance with Hong Kong Standards on Auditing (the "HKSA") issued by the HKICPA pursuant to separate terms of engagement.

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

Directors' Responsibility for the Financial Information

The directors of the Company are responsible for the preparation of the financial information that gives a true and fair view in accordance with the basis of presentation set out in Note 1.3 of Section II below and in accordance with HKFRS, and the accounting policies adopted by the Company and its subsidiaries (together, the "Group") as set out in the annual report of the Company for the nine months ended 31 December 2014.

Reporting Accountant's Responsibility

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

Opinion

In our opinion, the financial information gives, for the purpose of this report and presented on the basis set out in Note 1.3 of Section II below, a true and fair view of the combined state of affairs of the Target Group as at 31 December 2012, 2013 and 2014 and 31 March 2015 and of the Target Group's combined results and cash flows for the Relevant Periods then ended.

Review of stub period comparative financial information

We have reviewed the stub period comparative financial information set out in Sections I and II below included in Appendix III to the Circular which comprises the combined statement of comprehensive income, the combined statement of changes in equity and the combined statement of cash flows of the Target Company for the three months ended 31 March 2014 and a summary of significant accounting policies and other explanatory information (the "Stub Period Comparative Financial Information").

The directors of the Company are responsible for the preparation and presentation of the Stub Period Comparative Financial Information in accordance with the basis of presentation set out in Note 1.3 of Section II below and the accounting policies set out in Note 2 of Section II below adopted by the Group as set out in the annual report of the Company for the nine months ended 31 December 2014.

Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. A review of Stub Period Comparative Financial Information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with HKSA and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information, for the purpose of this report and presented on the basis set out in Note 1.3 of Section II below, is not prepared, in all material respects, in accordance with the accounting policies set out in Note 2 of Section II below.

I. FINANCIAL INFORMATION OF THE TARGET GROUP

The following is the financial information of the Target Group prepared by the directors of the Company as at 31 December 2012, 2013 and 2014 and 31 March 2015 and for each of the years ended 31 December 2012, 2013 and 2014 and the three months ended 31 March 2014 and 2015 (the "Financial Information"):

Combined statements of comprehensive income

		Year ended 31 December			Three months ended 31 March	
		2012	2013	2014	2014	2015
	Note	*SGD*	*SGD*	*SGD*	*SGD*	*SGD*
					(Unaudited)	
Revenue	6	289,602,201	274,902,277	1,038,545,828	65,226,989	118,832,619
Cost of sales	9	(230,654,268)	(257,144,862)	(877,782,234)	(61,747,482)	(113,133,346)
Gross profit		58,947,933	17,757,415	160,763,594	3,479,507	5,699,273
Other income	7	744,902	287,121	615,817	270,382	384,289
Other (losses)/gains — net	8	(27,594)	(2,227)	76,172	8,920	—
Selling and marketing expenses	9	(15,224,355)	(6,148,803)	(20,195,594)	(731,331)	(1,304,537)
Administrative expenses	9	(16,919,047)	(29,205,473)	(56,406,750)	(7,032,992)	(8,581,087)
Operating profit/(loss)		27,521,839	(17,311,967)	84,853,239	(4,005,514)	(3,802,062)
Finance income		614,500	6,950,109	3,347,269	2,965,069	133,533
Finance costs		(1,948,750)	(10,010,186)	(15,609,566)	(2,730,888)	(7,042,564)
Finance (costs)/income — net	11	(1,334,250)	(3,060,077)	(12,262,297)	234,181	(6,909,031)
Share of (losses)/profits of associated companies	18	(25,553)	(2,065)	5,702	(66,364)	(52,019)
Profit/(loss) before income tax		26,162,036	(20,374,109)	72,596,644	(3,837,697)	(10,763,112)
Income tax (expense)/credit	12	(3,975,778)	3,573,497	(11,726,307)	407,830	233,259
Total profit/(loss) and total comprehensive income/(loss) for the year/period		22,186,258	(16,800,612)	60,870,337	(3,429,867)	(10,529,853)

		Year ended 31 December			Three months ended 31 March	
		2012	**2013**	**2014**	**2014**	**2015**
	Note	*SGD*	*SGD*	*SGD*	*SGD*	*SGD*
					(Unaudited)	
Profit/(loss) and total comprehensive income/(loss) for the year/period attributable to:						
Equity holders of the Target Company		25,418,298	(14,353,203)	38,871,878	(3,344,961)	(9,261,882)
Non-controlling interests		(3,232,040)	(2,447,409)	21,998,459	(84,906)	(1,267,971)
		22,186,258	(16,800,612)	60,870,337	(3,429,867)	(10,529,853)
Earnings/(loss) per share for profit/(loss) attributable to equity holders of the Target Company						
Basic and diluted	*13*	N/A	N/A	N/A	N/A	N/A
Dividend	*28*	—	49,969,768	—	—	—

Combined statements of financial position

		As at 31 December			As at 31 March
		2012	2013	2014	2015
	Note	*SGD*	*SGD*	*SGD*	*SGD*
ASSETS					
Non-current assets					
Prepayments	15	1,379,703	2,325,917	3,235,269	2,893,238
Investments in associated companies	18	704,421	402,356	98,058	46,039
Available-for-sale financial assets	19	200,000	200,000	200,000	200,000
Property, plant and equipment	20	14,616,180	17,966,714	32,699,571	31,866,099
Other receivables	15	—	19,253,176	14,953,176	14,603,176
Deferred income tax assets	25	7,704,460	15,744,829	21,130,984	22,936,063
		24,604,764	55,892,992	72,317,058	72,544,615
Current assets					
Cash and cash equivalents	14	262,492,454	264,443,136	135,229,944	221,182,641
Trade and other receivables	15	302,878,107	289,670,264	301,993,805	287,538,174
Amount due from customers for contract work	16	9,590,695	7,723,892	5,727,946	3,367,076
Development properties for sale	17	1,331,009,210	2,140,716,335	2,057,688,197	2,315,075,433
Tax recoverable		60,281	—	90,189	15,325
		1,906,030,747	2,702,553,627	2,500,730,081	2,827,178,649
Total assets		1,930,635,511	2,758,446,619	2,573,047,139	2,899,723,264
EQUITY AND LIABILITIES					
EQUITY					
Capital and reserves attributable to equity holders of the Company					
Combined capital	26	25,500,000	25,500,000	25,500,000	25,500,000
Merger reserve	27	(1,705,971)	(1,705,971)	(1,705,971)	(1,705,971)
Retained earnings/ (accumulated losses)		14,727,972	(49,594,999)	(10,723,121)	(19,985,003)
		38,522,001	(25,800,970)	13,070,908	3,809,026
Non-controlling interests		(4,174,511)	(6,037,350)	4,736,583	3,468,612
Total equity/(deficit)		34,347,490	(31,838,320)	17,807,491	7,277,638

		As at 31 December			As at 31 March
		2012	2013	2014	2015
	Note	*SGD*	*SGD*	*SGD*	*SGD*
LIABILITIES					
Non-current liabilities					
Borrowings	*22*	1,118,528,423	1,351,206,487	1,062,423,585	1,117,018,720
Deferred income tax liabilities	*25*	1,062,251	397,555	393,730	558,891
		1,119,590,674	1,351,604,042	1,062,817,315	1,117,577,611
Current liabilities					
Trade and other payables	*21*	724,014,512	1,115,454,049	1,233,587,788	1,352,566,678
Tax payables		8,518,578	5,487,814	15,570,822	16,942,393
Borrowings	*22*	42,760,257	316,335,034	243,263,723	405,358,944
Provisions	*24*	1,404,000	1,404,000	—	—
		776,697,347	1,438,680,897	1,492,422,333	1,774,868,015
Total liabilities		1,896,288,021	2,790,284,939	2,555,239,648	2,892,445,626
Total equity and liabilities		1,930,635,511	2,758,446,619	2,573,047,139	2,899,723,264
Net current assets		1,129,333,400	1,263,872,730	1,008,307,748	1,052,310,634
Total assets less current liabilities		1,153,938,164	1,319,765,722	1,080,624,806	1,124,855,249

Combined statements of changes in equity

	Note	Share capital	Merger reserve	Retained earnings/ (accumulated losses)	Total	Non-controlling interests	Total equity/ (deficit)
		SGD	*SGD*	*SGD*	*SGD*	*SGD*	*SGD*
31 December 2012							
Beginning of financial year		—	30,015,145	(3,010,428)	27,004,717	(1,392,471)	25,612,246
Issuance of new shares		25,500,000	—	—	25,500,000	—	25,500,000
Consideration paid for reorganisation		—	(31,721,116)	—	(31,721,116)	—	(31,721,116)
Contribution from non-controlling shareholders of subsidiaries		—	—	—	—	450,000	450,000
Profit and total comprehensive income for the year		—	—	25,418,298	25,418,298	(3,232,040)	22,186,258
Distribution to the ultimate holding company		—	—	(7,679,898)	(7,679,898)	—	(7,679,898)
End of financial year		25,500,000	(1,705,971)	14,727,972	38,522,001	(4,174,511)	34,347,490
31 December 2013							
Beginning of financial year		25,500,000	(1,705,971)	14,727,972	38,522,001	(4,174,511)	34,347,490
Contributions from non-controlling shareholders of subsidiaries		—	—	—	—	720,000	720,000
Loss and total comprehensive loss for the year		—	—	(14,353,203)	(14,353,203)	(2,447,409)	(16,800,612)
Dividend paid	*28*	—	—	(49,969,768)	(49,969,768)	(135,430)	(50,105,198)
End of financial year		25,500,000	(1,705,971)	(49,594,999)	(25,800,970)	(6,037,350)	(31,838,320)

	Note	Share capital	Merger reserve	Retained earnings/ (accumulated losses)	Total	Non-controlling interests	Total equity/ (deficit)
		SGD	*SGD*	*SGD*	*SGD*	*SGD*	*SGD*
31 December 2014							
Beginning of financial year		25,500,000	(1,705,971)	(49,594,999)	(25,800,970)	(6,037,350)	(31,838,320)
Contribution from non-controlling shareholders of subsidiaries		—	—	—	—	280,000	280,000
Profit and total comprehensive income for the year		—	—	38,871,878	38,871,878	21,998,459	60,870,337
Dividend paid		—	—	—	—	(11,504,526)	(11,504,526)
End of financial year		25,500,000	(1,705,971)	(10,723,121)	13,070,908	4,736,583	17,807,491
31 March 2015							
Beginning of financial period		25,500,000	(1,705,971)	(10,723,121)	13,070,908	4,736,583	17,807,491
Loss and total comprehensive loss for the period		—	—	(9,261,882)	(9,261,882)	(1,267,971)	(10,529,853)
End of financial period		25,500,000	(1,705,971)	(19,985,003)	3,809,026	3,468,612	7,277,638
(Unaudited)							
31 March 2014							
Beginning of financial period		25,500,000	(1,705,971)	(49,594,999)	(25,800,970)	(6,037,350)	(31,838,320)
Loss and total comprehensive loss for the period		—	—	(3,344,961)	(3,344,961)	(84,906)	(3,429,867)
End of financial period		25,500,000	(1,705,971)	(52,939,960)	(29,145,931)	(6,122,256)	(35,268,187)

Combined statements of cash flows

		Year ended 31 December			Three months ended 31 March	
		2012	2013	2014	2014	2015
	Note	*SGD*	*SGD*	*SGD*	*SGD*	*SGD*
					(Unaudited)	
Cash flows from operating activities						
Total profit/(loss) for the year/period		22,186,258	(16,800,612)	60,870,337	(3,429,867)	(10,529,853)
Adjustments for:						
— Income tax expense/ (credit)	*12*	3,975,778	(3,573,497)	11,726,307	(407,830)	(233,259)
— Depreciation		2,037,882	3,039,745	2,885,362	632,880	921,261
— Gain from disposal of property, plant and equipment	*8*	(11,755)	(109)	(98,740)	(10,253)	—
— Interest income		(614,500)	(4,974,696)	(3,347,269)	(1,370,722)	(133,533)
— Interest expenses		1,638,674	10,010,186	10,979,662	2,730,888	2,241,430
— Net foreign exchange losses/(gains)		310,076	(1,975,413)	4,629,904	(1,594,347)	4,801,134
— Provision written back		—	—	(1,404,000)	—	—
— Share of losses/(profits) of associated companies	*18*	25,553	2,065	(5,702)	66,364	52,019
		29,547,966	(14,272,331)	86,235,861	(3,382,887)	(2,880,801)
Changes in working capital:						
— Amount due from customers for contract work		(692,070)	1,866,803	1,995,946	3,947,243	2,360,870
— Development properties for sale		(651,945,335)	(753,043,009)	120,280,248	(57,454,213)	(247,875,750)
— Trade and other receivables		(184,564,346)	110,855,330	(129,882,042)	9,359,922	14,797,662
— Trade and other payables		472,608,782	391,439,537	118,133,739	53,005,394	118,978,890
Cash (used in)/generated from operations		(335,045,003)	(263,153,670)	196,763,752	5,475,459	(114,619,129)
Interest paid		(33,250,581)	(66,674,302)	(48,231,772)	(12,883,156)	(11,752,916)
Income tax (paid)/refunded		(7,487,687)	(8,102,051)	(7,123,468)	(25,682)	39,776
Net cash (used in)/generated from operating activities		(375,783,271)	(337,930,023)	141,408,512	(7,433,379)	(126,332,269)

	Note	Year ended 31 December 2012 SGD	2013 SGD	2014 SGD	Three months ended 31 March 2014 SGD (Unaudited)	2015 SGD
Cash flows from investing activities						
Acquisition of available-for-sale financial assets		(150,000)	—	—	—	—
Acquisition of associated companies		—	(300,000)	—	—	—
Additions to property, plant and equipment		(4,697,924)	(6,464,002)	(17,808,020)	(4,586,969)	(87,789)
Repayment from/(loans to) related parties, associated company and immediate holding company		(22,255,448)	(117,846,877)	120,949,149	12,517,811	350,000
Proceeds from disposal of property, plant and equipment		23,723	73,832	288,541	13,502	—
Interest received		614,500	4,974,696	3,347,269	1,370,722	133,533
Dividends received	*18*	600,000	600,000	310,000	—	—
Net cash (used in)/generated from investing activities		(25,865,149)	(118,962,351)	107,086,939	9,315,066	395,744
Cash flows from financing activities						
Contribution from non-controlling shareholders of subsidiaries		450,000	720,000	280,000	—	—
Bank deposit pledged		393,261	—	—	—	—
Dividends paid		—	(50,105,198)	(11,504,526)	—	—
Proceeds from borrowings		676,944,997	976,524,716	93,310,750	2,242,392	248,008,527
Repayment of borrowings		(119,539,076)	(467,776,753)	(459,364,375)	(78,169,300)	(35,628,688)
Repayments of finance leases		(1,481,358)	(433,130)	(430,492)	(61,776)	(480,617)
Net cash generated from/(used in) financing activities		556,767,824	458,929,635	(377,708,643)	(75,988,684)	211,889,222
Net increase/(decrease) in cash and cash equivalents		155,119,404	2,037,261	(129,213,192)	(74,106,997)	85,952,697
Cash and cash equivalents at beginning of the financial year/period		107,286,471	262,405,875	264,443,136	264,443,136	135,229,944
Cash and cash equivalents at end of the financial year/period	*14*	262,405,875	264,443,136	135,229,944	190,336,139	221,182,641

II. NOTES TO THE FINANCIAL INFORMATION

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

1.1 General information

The Target Company was incorporated in the British Virgin Islands (the "BVI") on 28 April 2015 and the address of its registered office is at the office of NovaSage Chambers, P.O. Box 4389, Road Town, Tortola, British Virgin Islands.

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

Prior to the incorporation of the Target Company and the completion of the reorganisation (the "Reorganisation") as set out in Note 1.2 below, the Target Business was carried out by CNQC (South Pacific) Holding Pte. Ltd. ("CNQC (South Pacific)") and its subsidiaries (collectively the "Operating Companies"), of which the immediate holding company is Guotsing Holding (South Pacific) Investment Pte. Ltd. ("Guotsing SG"), an investment holding company incorporated in Singapore and the ultimate holding company is 國清控股集團有限公司 (Guotsing Holding Group Co. Ltd.* or "Guotsing Holding"), a company incorporated in the People's Republic of China.

1.2 Group Restructuring and Reorganisation

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

(a) Incorporation of CNQC (South Pacific)

CNQC (South Pacific) was incorporated in Singapore on 10 August 2012 as a private limited company with an issued and paid-up share capital of SGD1 comprising one ordinary share. On the date of incorporation, CNQC (South Pacific) was wholly-owned by Guotsing SG. The issued share capital was subsequently increased by SGD25,499,999 to SGD25,500,000 on 28 December 2012.

(b) Transfer from Qingjian Group Co., Ltd. Singapore Branch ("Qingjian Singapore Branch") to Qingjian International (South Pacific) Group Development Co., Pte. Ltd. ("Qingjian International")

Pursuant to an agreement dated 20 February 2012, Qingjian Singapore Branch novated all its contracts including employment contracts, and transferred its registered workheads, assets and liabilities to Qingjian International for a consideration of SGD10,984,855.

(c) Acquisition of Max Marine International Trading Pte. Ltd. ("Max Marine") by CNQC (South Pacific)

On 28 December 2012, CNQC (South Pacific) entered into a sale and purchase agreement with Qingdao Construction (Singapore) Pte Ltd. ("Qingdao Construction") whereby CNQC (South Pacific) purchased the entire issued and paid-up share capital of Max Marine for a consideration of SGD1,015,145.

* *For identification purpose only*

(d) Acquisition of Qingjian Realty (South Pacific) Group Pte. Ltd. ("Qingjian Realty"), Qingdao Construction and Qingjian International

On 28 December 2012, CNQC (South Pacific) entered into three sale and purchase agreements with Qingjian Group Co., Ltd. whereby CNQC (South Pacific) purchased the entire issued and paid-up share capital of Qingjian Realty, Qingdao Construction and Qingjian International for a consideration of SGD1,944,206, SGD8,314,056 and SGD20,447,709 respectively.

(e) Incorporation of Wang Bao Development Limited

On 28 April 2015, the Target Company was incorporated in the BVI and is wholly owned by Guotsing Holding Company Limited ("New Guotsing Holdco"), a company set up by the same group of ultimate beneficial shareholders who collectively own Guotsing Holding and their effective equity interests in New Guotsing Holdco are the same as their effective equity interests in Guotsing Holding.

(f) Acquisition of CNQC (South Pacific) by the Target Company

On 22 September 2015, the entire equity interest in CNQC (South Pacific) was transferred from Guotsing SG to the Target Company pursuant to the Reorganisation.

Upon the completion of the Reorganisation, the Target Company has direct and indirect interests in the following subsidiaries and associated companies:

Name of companies	Principal activities	Country of operation/ incorporation	Date of incorporation	Particulars of share capital	Effective interest held as at 31 December 2012	2013	2014	31 March 2015
					%	%	%	%
Subsidiaries directly held by the Target Company								
CNQC (South Pacific) Holdings Pte. Ltd. (a)	Investment holding	Singapore	10 August 2012	SGD25,500,000	100	100	100	100
Subsidiaries indirectly held by the Target Company								
Qingjian International (South Pacific) Group Development Co., Pte. Ltd. (a)	General construction	Singapore	22 February 2010	SGD20 million	100	100	100	100
Qingdao Construction (Singapore) Pte. Ltd. (a)	General construction	Singapore	17 September 1999	SGD15 million	100	100	100	100
Qingjian Realty (South Pacific) Pte. Ltd. (a)	Investment holding	Singapore	3 October 2011	SGD2 million	100	100	100	100
Max Marine International Trading Pte. Ltd. (a)	General wholesale trade	Singapore	4 November 2010	SGD6 million	100	100	100	100
Qingjian Holding Pte. Ltd. (a)	Investment holding	Singapore	6 August 2013	SGD1	—	100	100	100
Qingjian Realty (Serangoon) Pte. Ltd. (a)	Property development	Singapore	22 June 2010	SGD1 million	81	81	81	81
Qingjian Realty (Punggol) Pte. Ltd. (a)	Property development	Singapore	18 October 2010	SGD1 million	60	60	60	60
Qingjian Realty (Seng Kang) Pte. Ltd. (a)	Property development	Singapore	10 June 2011	SGD1 million	72	72	72	72
Qingjian Realty (Punggol Field) Pte. Ltd. (a)	Investment holding	Singapore	10 October 2011	SGD1	100	100	100	100
Qingjian Realty (Fernvale) Pte. Ltd. (a)	Investment holding	Singapore	17 April 2012	SGD1	100	100	100	100
Qingjian Realty (Pasir Ris) Pte. Ltd. (a)	Investment holding	Singapore	4 July 2012	SGD1	100	100	100	100
Qingjian Realty (Punggol Central) Pte. Ltd. (a)	Property development	Singapore	17 November 2011	SGD1 million	85	85	85	85

Name of companies	Principal activities	Country of operation/ incorporation	Date of incorporation	Particulars of share capital	Effective interest held as at 31 December 2012	2013	2014	31 March 2015
					%	%	%	%
Qingjian Realty (Punggol Way) Pte. Ltd. (a)	Property development	Singapore	13 September 2012	SGD1 million	85	85	85	85
Qingjian Realty (Edgefield Plains) Pte. Ltd. (a)	Property development	Singapore	12 April 2012	SGD1 million	85	85	85	85
Qingjian Realty (Woodlands) Pte. Ltd. (a)	Property development	Singapore	23 May 2013	SGD1 million	—	65	65	65
Qingjian Realty (Anchorvale) Pte. Ltd. (a)	Property development	Singapore	10 June 2013	SGD1 million	—	63	63	63
Qingjian Realty (Tuas Bay) Pte. Ltd. (a)	Investment holding	Singapore	9 May 2013	SGD10	—	100	100	100
Creative Engineering International Pte. Ltd. (a)	Construction service	Singapore	20 January 2011	SGD100,000	51	51	51	51
Chong Lee Heng Builders Pte. Ltd. (a)	Building and constructions, leasing of construction equipment	Singapore	26 April 2007	SGD616,692	100	100	100	100
Qingjian Construction (Singapore) Pte. Ltd. (a)	General construction	Singapore	27 August 2013	SGD7 million	—	100	100	100
Qingjian Reality (Sembawang) Pte. Ltd. (a)	Property development	Singapore	24 October 2014	SGD1 million	—	—	72	72
Qingjian Realty (Singapore) Pte. Ltd. (d)	Investment holding	Singapore	7 January 2014	SGD1	—	—	100	100
Qingjian Realty (Residential) Pte. Ltd. (d)	Investment holding	Singapore	7 January 2014	SGD1	—	—	100	100
Hilife Interactive Pte. Ltd. (e)	Information technology and computer service activities	Singapore	13 February 2015	SGD100	—	—	—	70
Associated companies indirectly held by the Target Company								
Orion-Four Development Pte. Ltd. (b)	Property development	Singapore	21 February 2008	SGD1,000	20	20	20	20
BH-ZACD (Tuas Bay) Development Pte. Ltd. (c)	Property development	Singapore	16 May 2013	SGD1,000,000	—	30	30	30

Notes:

The statutory financial statements for each of the years ended 31 December 2012, 2013 and 2014, where applicable, were audited by certified public accountants as follows:

(a) Audited by PricewaterhouseCoopers LLP, Singapore

(b) Audited by Goh Hwee Cheng & Co, Singapore

(c) Audited by Ernst and Young LLP, Singapore

(d) Not required to be audited under the laws of Singapore

(e) No audited financial statements as at the reporting date since it is incorporated on 13 February 2015

1.3 Basis of presentation

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

2. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the Financial Information are set out below. These policies have been consistently applied to all the years/periods presented, unless otherwise stated.

2.1 Basis of preparation

The Financial Information has been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") under the historical cost convention, except as disclosed in the accounting policies below.

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

As at 31 March 2015, the Target Group had total current liabilities of SGD1,774,868,015 that would be due for repayment in the coming twelve months, out of which SGD1,022,753,317 represented advanced proceeds received from customers in connection with the pre-sale of properties developed by the Target 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 Target Group had cash at bank and on hand of SGD221,182,641 and trade and other receivables of SGD287,538,174 that were current in nature.

Management has prepared cash flow projections which cover a period of twelve months from the date of the combined statement of financial position as at 31 March 2015. The directors of the Company and Target Company have reviewed the Target Group's cash flow projections and banking facilities available and are of the opinion that the Target 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 combined statement of financial position as at 31 March 2015. In addition, the directors of the Target Company closely monitor the Target Group's liquidity position and financial performance to improve the Target Group's cash flows. In the opinion of the directors of the Company and Target Company, with the anticipated cash flows from pre-sale of properties and other operations and the available banking facilities, the directors of the Company and Target Company are satisfied that it is appropriate to prepare the combined financial information on a going concern basis.

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

The following new standards and amendments to standards have been published but are not yet effective for the Relevant Periods and which the Target Group has not early adopted:

		Effective for annual periods beginning on or after
HKFRS (amendment)	Annual improvement to HKFRSs 2012–2014 cycle	1 January 2016
HKAS 1 (amendment)	Disclosure initiative	1 January 2016
HKFRS 9	Financial instruments	1 January 2018
HKFRS 10 and HKAS 28 (amendment)	Sale or contribution of assets between an investor and its associate or joint venture	1 January 2016
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 2017
HKAS 16 and HKAS 38 (amendment)	Clarification of acceptable methods of depreciation and amortisation	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

The Target 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 Target Group's results of operations and its financial position, except for HKFRS 15. The Target Group is primarily engaged in the development and sales of executive condominiums and condominiums in Singapore. Different laws and regulations in Singapore are applicable to such properties and the terms of the sale and purchase agreements for executive condominiums and condominiums are different. HKFRS 15 "Revenue from contracts with customers" takes a principle-based approach and inter alia, has a focus on whether the construction creates an asset with alternative use to the property developer, and whether the property developer is entitled to payment from the purchasers that compensate its performance completed to date. Whether revenue from pre-sale of properties should be recognised over time or at a point in time under HKFRS 15 depends on careful analysis of the specific contract terms and the applicable laws and regulations. The current accounting policy, as described in Note 2.20 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.

2.2 Consolidation and combination

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

(i) Business combinations

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

The Target Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis. 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 the combined statement of comprehensive income.

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

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

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 Target 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 Target Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in the combined statement of comprehensive income. 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 Target Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

2.3 Associated companies

Associated companies are entities over which the Target 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 Target 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 Target 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 Target 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 Target Group's share of losses in the associated companies equals or exceeds its interest in the associated companies, including any other unsecured receivables, the Target Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associated companies.

The Target Group determines at each reporting date whether there is any objective evidence that the investment in the associated companies is impaired. If this is the case, the Target Group calculates the amount of impairment as the difference between the recoverable amount of the associated companies and its carrying value and recognises the amount adjacent to 'share of profit of investments accounted for using equity method' in profit or loss.

Profits and losses resulting from upstream and downstream transactions between the Target Group and its associated companies are recognised in the Financial Information 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 Target Group.

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

2.4 Segment reporting

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

2.5 Foreign currency translation

(a) Functional and presentation currency

Item included in the Financial Information of each entity in the Target Group are measured using the currency of the primary economic environment in which the entity operates ("functional currency"). The Financial Information is presented in Singapore Dollar ("SGD"), which is functional currency of the Target Company and the presentation currency of the Target Group.

(b) 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 period/year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the combined statement of comprehensive income.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented within "finance income/(costs) — net". All other foreign exchange gains and losses impacting profit or loss are presented within "other (losses)/gains — net".

(c) 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 combined statement of financial position presented are translated at the closing rate at the end of that reporting period;

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

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

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

2.6 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 Target Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance costs are charged to profit or loss during the financial period/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:

	Useful lives
Office equipment	3 to 5 years
Motor vehicles	4 to 5 years
Plant and machinery	3 to 10 years
Leasehold improvements	3 years
Leasehold land and buildings	Less of 60 years and lease terms

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

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

Gains and losses on disposal are determined by comparing the proceeds with the carrying amount and are recognised within "Other (losses)/gain — net" in the combined statement of comprehensive income.

2.7 Impairment of non-financial assets

Assets that have indefinite useful life are not subject to amortisation and are tested annually for impairment. 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, 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.

2.8 Leases

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.

(a) When the Target Group is the lessee

The Target 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 Target 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 combined 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 the combined statement of comprehensive income, unless they are directly attributable to the acquisition, construction or production of qualifying assets, in which case they are capitalised in accordance with the Target 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 the combined statement of comprehensive income 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.

(b) When the Target Group is the lessors

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

Leases of equipments where the Target 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 Target 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.

2.9 Construction contracts in progress and trade and other receivables

(i) A construction contract is defined by HKAS 11 as a contract specifically negotiated for the construction of an asset or a combination of assets that are closely interrelated or independent 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 Target 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/period in connection with future activity on a contract are excluded from contract costs in determining the stage of completion.

The Target 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 Target 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.

2.10 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 land use rights, 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 are entered into prior to completion of construction are recognised when the development properties are delivered to the buyers, hence the issuance of Temporary Occupation Permit (TOP) by Building and Construction Authority of Singapore.

2.11 Financial assets

(a) Classification

The Target Group classifies its financial assets in the following categories: loans and receivables and available-for-sale. The classification depends on purpose 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 combined statement of financial position date which are presented as non-current assets. Loans and receivables are presented as "trade and other receivables" (Note 15) and "cash at bank and on hand" (Note 14) on the combined 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 combined statement of financial position date.

(b) Recognition and measurement

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

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Target 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.

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 Target 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 Target 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 the combined statement of comprehensive income.

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 the combined statement of comprehensive income.

(ii) Assets classified as available-for-sale

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

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.

2.12 Cash and cash equivalents

For the purpose of presentation in the combined 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 combined 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.

2.13 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.14 Trade and other payables

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

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

2.15 Borrowings

Borrowings are presented as current liabilities unless the Target Group has an unconditional right to defer settlement for at least 12 months after the combined statement of financial position date, in which case they are presented as non-current liabilities.

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

2.16 Borrowing costs

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

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.

2.17 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 Target 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 Target 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 Financial Information. 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, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Target Group and it is probable that the temporary difference will not reverse in the foreseeable future. Generally the Target Group is unable to control the reversal of the temporary difference for associates. Only where there is an agreement in place that gives the Target Group the ability to control the reversal of the temporary difference not recognised.

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

(iii) Offsetting

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

2.18 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 Target Group operates defined contribution plans and pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Target 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 Target Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Target Group recognises termination benefits at the earlier of the following dates: (a) when the Target 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 Target Group recognises a liability and an expense for bonuses when the Target 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.

2.19 Provisions

Provisions are recognised when the Target 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 amount has 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 statement of comprehensive income as finance expense.

2.20 Revenue

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 Target Group's activities. The Target 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 Target Group's activities, as described below. Revenue is shown after eliminating sales within the Target Group.

(a) 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.

(b) 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 combined statement of financial position as advanced proceeds received from customers under trade and other payables.

(c) Sale of goods — materials used in construction

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

(d) Rental of equipment

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

(e) Income from loaning labour to other contractors

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

(f) Interest income

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

(g) Dividend income

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

2.21 Dividends distribution

Dividends distribution to the shareholders is recognised as a liability in the Target Group's Financial Information 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.

2.22 Sales commission

Sales commission paid to third parties for securing pre-sales contracts is recognised as assets in the Target Group's Financial Information. The sales commission is charged to the combined statement of comprehensive income upon the recognition of sales of development properties.

3. FINANCIAL RISK MANAGEMENT

Financial risk factors

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

The Board of Directors is responsible for setting the objectives and underlying principles of financial risk management for the Target Group. The finance personnel measure 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 Target Group operates in Asia with dominant operation in Singapore.

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

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

	SGD	Renminbi ("RMB")	United States dollar ("USD")	Total
	SGD	*SGD*	*SGD*	*SGD*
At 31 December 2012				
Financial assets				
Cash and cash equivalents	261,385,557	211,869	895,028	262,492,454
Trade and other receivables excluding prepayments	295,595,982	2,462,102	1,952,555	300,010,639
	556,981,539	2,673,971	2,847,583	562,503,093
Financial liabilities				
Trade and other payables excluding advances from customers	293,462,652	—	—	293,462,652
Borrowings	1,161,288,680	—	—	1,161,288,680
	1,454,751,332	—	—	1,454,751,332
Net financial (liabilities)/assets	(897,769,793)	2,673,971	2,847,583	(892,248,239)
Currency exposure of financial assets net of those denominated in the Target Group's functional currency	—	2,673,971	2,847,583	5,521,554

	SGD	RMB	USD	Total
	SGD	*SGD*	*SGD*	*SGD*
At 31 December 2013				
Financial assets				
Cash and cash equivalents	264,029,169	175,521	238,446	264,443,136
Receivables from subsidiaries	1,011,880	—	—	1,011,880
Trade and other receivables excluding prepayments	208,641,853	2,474,933	73,846,321	284,963,107
	473,682,902	2,650,454	74,084,767	550,418,123
Financial liabilities				
Trade and other payables excluding advances from customers	243,754,306	—	203,344	243,957,650
Payables to subsidiaries	1,011,880	—	—	1,011,880
Borrowings	1,588,524,840	—	79,016,681	1,667,541,521
	1,833,291,026	—	79,220,025	1,912,511,051
Net financial (liabilities)/assets	(1,359,608,124)	2,650,454	(5,135,258)	(1,362,092,928)
Currency exposure of financial assets net of those denominated in the Target Group's functional currency	—	2,650,454	(5,135,258)	(2,484,804)

	SGD	RMB	USD	Total
	SGD	*SGD*	*SGD*	*SGD*
At 31 December 2014				
Financial assets				
Cash and cash equivalents	129,997,911	7,247	5,224,786	135,229,944
Receivables from subsidiaries	139,191,578	—	—	139,191,578
Trade and other receivables excluding prepayments	264,307,795	—	35,877,276	300,185,071
	533,497,284	7,247	41,102,062	574,606,593
Financial liabilities				
Trade and other payables excluding advances from customers	259,505,214	47,867,235	11,525,098	318,897,547
Payables to subsidiaries	139,191,578	—	—	139,191,578
Borrowings	1,135,259,637	117,744,425	52,683,246	1,305,687,308
	1,533,956,429	165,611,660	64,208,344	1,763,776,433
Net financial liabilities	(1,000,459,145)	(165,604,413)	(23,106,282)	(1,189,169,840)
Currency exposure of financial assets net of those denominated in the Target Group's functional currency	—	(165,604,413)	(23,106,282)	(188,710,695)

	SGD	RMB	USD	Indonesia Rupiah	Total
	SGD	*SGD*	*SGD*	*SGD*	*SGD*
At 31 March 2015					
Financial assets					
Cash and cash equivalents	213,556,558	59,293	6,861,727	705,063	221,182,641
Receivables from subsidiaries	8,594,686	—	—	—	8,594,686
Trade and other receivables excluding prepayments	278,703,307	—	3,035,433	7,677	281,746,417
	500,854,551	59,293	9,897,160	712,740	511,523,744
Financial liabilities					
Trade and other payables excluding advances from customers	329,254,038	—	—	559,323	329,813,361
Payables to subsidiaries	8,594,686	—	—	—	8,594,686
Borrowings	1,407,608,308	92,915,603	21,853,753	—	1,522,377,664
	1,745,457,032	92,915,603	21,853,753	559,323	1,860,785,711
Net financial (liabilities)/ assets	(1,244,602,481)	(92,856,310)	(11,956,593)	153,417	(1,349,261,967)
Currency exposure of financial assets net of those denominated in the Target Group's functional currency	—	(92,856,310)	(11,956,593)	153,417	(104,659,486)

If RMB and USD change against SGD by 5% respectively, with all other variables including tax rate being held constant, the effects arising from the profit after tax will be as follows:

	Increase/(decrease) in profit after tax			
	Year ended 31 December			Period ended 31 March
	2012	2013	2014	2015
	SGD	*SGD*	*SGD*	*SGD*
Group				
RMB against SGD				
— Strengthened	110,969	109,994	(6,872,583)	(4,642,812)
— Weakened	(110,969)	(109,994)	6,872,583	4,642,812
USD against SGD				
— Strengthened	118,174	(213,113)	(958,911)	(597,830)
— Weakened	(118,174)	213,113	958,911	597,830

(ii) Price risk

The Target Group has insignificant exposure to equity price risk.

(iii) Interest rate risk

The Target Group is exposed to significant interest rate risk on its borrowings.

The Target Group's borrowings at variable rates are denominated mainly in SGD. If the interest rates had increased/decreased by 50 basis points with all other variables including tax rate being held constant, the financial results before tax would have been lower/higher by SGD180,620, SGD881,269, SGD1,404,437, SGD1,423,795 and SGD1,119,147 for the years ended 31 December 2012, 2013 and 2014 and the three months ended 31 March 2014 and 2015 as a result of higher/lower interest expense on these borrowings.

(b) Credit risk

The Target 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 Target 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 Target Group's trade receivables include three debtors that individually represented 10–42% of trade receivables as at 31 December 2012, 2013 and 2014 and 31 March 2015 respectively.

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

The Target 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 Target Group or receivables from fellow subsidiaries and related parties.

The aging analysis of trade receivables past due but not impaired is as follows:

	As at 31 December			As at 31 March
	2012	**2013**	**2014**	**2015**
	SGD	*SGD*	*SGD*	*SGD*
Up to 1 month	12,468,975	6,852,984	9,519,645	7,919,707
Between 1 month and 3 months	3,267,054	957,747	2,171,864	4,217,034
Over 3 months	1,145,089	4,402,680	1,164,868	—
	16,881,118	12,213,411	12,856,377	12,136,741

There is no other class of financial assets that is past due and/or impaired except for trade receivables.

The carrying amount of trade and other receivables individually determined to be impaired and the movement in the related allowance for impairment are as follows:

	As at 31 December			As at 31 March
	2012	**2013**	**2014**	**2015**
	SGD	*SGD*	*SGD*	*SGD*
Gross amount	—	—	—	—
Less: Allowance for impairment	—	—	—	—
	—	—	—	—

	Year ended 31 December			Three months ended 31 March
	2012	**2013**	**2014**	**2015**
Beginning of financial year/period	115,127	—	—	—
Allowance made	—	—	—	—
Allowance written off	(115,127)	—	—	—
End of financial year/period	—	—	—	—

(c) Liquidity risk

The table below analyses the Target Group's non-derivative financial liabilities into relevant maturity groupings based on the remaining period from the combined statement of financial position date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balance due within 12 months equal their carrying amounts as the impact of discounting is not significant.

	Within one year	Between two and five years	Over five years	Total
	SGD	*SGD*	*SGD*	*SGD*
At 31 December 2012				
Trade and other payables excluding advances from customers and Good Service tax payable	291,636,099	—	—	291,636,099
Provision	1,404,000	—	—	1,404,000
Borrowings	42,815,954	1,155,130,476	3,448,128	1,201,394,558
At 31 December 2013				
Trade and other payables excluding advances from customers and Good Service tax payable	241,227,814	—	—	241,227,814
Provision	1,404,000	—	—	1,404,000
Borrowings	316,400,038	1,387,318,313	4,295,503	1,708,013,854
At 31 December 2014				
Trade and other payables excluding advances from customers and Good Service tax payable	316,784,483	—	—	316,784,483
Borrowings	243,398,885	1,093,499,461	3,861,831	1,340,760,177
At 31 March 2015				
Trade and other payables excluding advances from customers and Good Service tax payable	329,284,486	—	—	329,284,486
Borrowings	379,767,690	1,244,590,315	3,872,438	1,628,230,443

(d) Capital risk

The Target Group's objectives when managing capital are to ensure that the Target Group is adequately capitalised and to maintain an optimal capital structure by issuing or redeeming additional equity and debt instruments when necessary.

The Board of Director's monitors its capital based on net debt and total equity. Net debt is calculated as borrowings less cash and cash equivalents. Total capital is calculated as total equity/(deficit) plus net debt. The Target 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/period end divided by the total capital as at each year/period end.

	As at 31 December			As at 31 March
	2012	2013	2014	2015
	SGD	*SGD*	*SGD*	*SGD*
Net debt	898,796,226	1,403,098,385	1,170,457,364	1,301,195,023
Total equity/(deficit)	34,347,490	(31,838,320)	17,807,491	7,277,638
Total capital	933,143,716	1,371,260,065	1,188,264,855	1,308,472,661
Net debt to total capital ratio	96%	102%	99%	99%

The Target Group is not subject to any externally imposed capital requirements.

(e) Fair value measurements

The carrying values less impairment provision of trade and other receivables, trade and other payables, amounts due from/to ultimate holding company, fellow subsidiaries, 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.

Financial instruments by category

The aggregate carrying amounts of loans and receivables and financial liabilities at amortised cost are as follows:

	31 December			31 March
	2012	2013	2014	2015
	SGD	*SGD*	*SGD*	*SGD*
Loans and receivables	562,503,093	549,406,243	435,415,015	502,929,058
Financial liabilities at amortised cost	1,454,751,332	1,911,499,171	1,624,584,855	1,852,191,025

4. CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS AND JUDGEMENTS

Estimates, assumptions and judgements 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.

(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 Target 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.

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 judgements of contract costs and revenues on the latest available information, which includes detailed contract valuations. In many cases the results reflect the expected outcome of long-term contractual obligations which span more than one reporting period. Contract costs and revenues are affected by a variety of uncertainties that depend on the outcome of future events and often need to be revised as events unfold and uncertainties are resolved. The estimates of contract costs and revenues 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 Target 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 Target Group is able to satisfy the continuing ownership test.

During 2012, the Target Group reorganised shareholdings of certain group entities, for which a deferred tax asset amounting to SGD4,153,446, SGD4,620,103, SGD8,562,163 and SGD 9,084,514 was recognised based on the anticipated future use of tax losses carried forward by those entities as at 31 December 2012, 2013 and 2014 and 31 March 2015 respectively. If the tax authority regards the Target Group entities as not satisfying the continuing ownership test, the deferred tax income asset will have to be written off as income tax expense.

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

The Target Group has significant investments in property, plant and equipment. The Target 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 Target Group's strategies. The Target 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 Target Group extends or shortens the useful lives and/or makes impairment provisions according to the results of the review.

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 value 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 Target Group's financial position and results of the operations.

(d) Net realisable value of development properties for sale

The Target Group writes down development properties for sale based on assessment of the realisability of the development properties for sale which takes into account cost to completion based on management's experience and net sales value based on prevailing market conditions. If there is an increase in cost 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 judgement and estimates. Where the expectation is different from the original estimate, the carrying value of the development properties for sale is adjusted in the period in which such estimate is changed.

(e) Provision for impairment of trade and other receivables

The Target 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 judgement and estimates. Where the expectation is different from the original estimate, such difference will impact the carrying value of trade and other receivables and impairment is recognised in the period in which such estimate has been changed.

(f) Income taxes

The Target Group is mainly subject to income taxes in Singapore. Significant judgement is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Target Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

(g) Provision for litigations

When accounting for provisions for litigation and other items, the Target Group has taken internal and external advice in considering known legal claims and actions made by or against the Target Group. It carefully assesses the likelihood of success of a claim or action. Appropriate provisions are made for legal claims or actions against the Target 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 has been identified as the executive directors of the Target Company's Board of Directors.

The executive directors review the performance of the Target Group's operations mainly from a business operation perspective. The Target Group is organised into two main business segments, namely (i) Construction including sales of goods and loaning of labour; and (ii) Property development. The construction segment mainly represents provision of construction work to property developers mainly in Singapore. The property 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/loss before income tax. The adjusted profit/loss before income tax is measured consistently with the Target Group's profit/loss 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.

Year ended 31 December 2012

	Construction segment *SGD*	Property segment *SGD*	Total *SGD*
Sales			
Sales to external parties	289,602,201	—	289,602,201
Inter-segment sales	96,842,785	—	96,842,785
Total segment sales	386,444,986	—	386,444,986
Adjusted segment profit/(loss)	60,097,896	(22,636,231)	37,461,665
Depreciation	1,988,311	49,571	2,037,882
Capital expenditure	4,643,465	54,459	4,697,924

Year ended 31 December 2013

	Construction segment *SGD*	Property segment *SGD*	Total *SGD*
Sales			
Sales to external parties	274,902,277	—	274,902,277
Inter-segment sales	223,536,192	—	223,536,192
Total segment sales	498,438,469	—	498,438,469
Adjusted segment profit/(loss)	27,793,115	(14,435,951)	13,357,164
Depreciation	2,914,251	125,494	3,039,745
Capital expenditure	5,930,971	533,031	6,464,002

Year ended 31 December 2014

	Construction segment *SGD*	Property segment *SGD*	Total *SGD*
Sales			
Sales to external parties	396,889,330	641,656,498	1,038,545,828
Inter-segment sales	300,693,642	—	300,693,642
Total segment sales	697,582,972	641,656,498	1,339,239,470
Adjusted segment profit	21,288,774	80,947,044	102,235,818
Depreciation	2,722,560	162,802	2,885,362
Capital expenditure	17,537,628	270,392	17,808,020

Three months ended 31 March 2014 (unaudited)

	Construction segment *SGD* (Unaudited)	Property segment *SGD* (Unaudited)	Total *SGD* (Unaudited)
Sales			
Sales to external parties	65,226,989	—	65,226,989
Inter-segment sales	76,453,043	—	76,453,043
Total segment sales	141,680,032	—	141,680,032
Adjusted segment loss	(3,302,484)	(2,353,082)	(5,655,566)
Depreciation	600,912	31,968	632,880
Capital expenditure	4,586,969	—	4,586,969

Three months ended 31 March 2015

	Construction segment *SGD*	Property segment *SGD*	Total *SGD*
Sales			
Sales to external parties	118,832,619	—	118,832,619
Inter-segment sales	65,603,414	—	65,603,414
Total segment sales	184,436,033	—	184,436,033
Adjusted segment profit/(loss)	6,726,968	(4,078,160)	2,648,808
Depreciation	868,846	52,415	921,261
Capital expenditure	87,789	—	87,789

The following tables present segment assets and liabilities as at 31 December 2012, 2013 and 2014 and 31 March 2014 and 2015 respectively.

As at 31 December 2012

	Construction segment *SGD*	**Property segment** *SGD*	**Total** *SGD*
Segment assets	459,923,407	1,616,133,037	2,076,056,444
Segment liabilities	383,377,693	1,634,498,842	2,017,876,535

As at 31 December 2013

	Construction segment *SGD*	**Property segment** *SGD*	**Total** *SGD*
Segment assets	498,797,739	2,724,495,333	3,223,293,072
Segment liabilities	435,634,701	2,758,066,887	3,193,701,588

As at 31 December 2014

	Construction segment *SGD*	**Property segment** *SGD*	**Total** *SGD*
Segment assets	396,894,483	2,488,739,955	2,885,634,438
Segment liabilities	325,031,307	2,567,695,607	2,892,726,914

As at 31 March 2015

	Construction segment *SGD*	**Property segment** *SGD*	**Total** *SGD*
Segment assets	423,555,347	2,888,922,315	3,312,477,662
Segment liabilities	343,493,301	2,928,171,296	3,271,664,597

A reconciliation of segment results to profit/(loss) before income tax is as follows:

	As at 31 December			As at 31 March	
	2012	2013	2014	2014	2015
	SGD	*SGD*	*SGD*	*SGD*	*SGD*
				(Unaudited)	
Adjusted segment profit/(loss) for reportable segments	37,461,665	13,357,164	102,235,818	(5,655,566)	2,648,808
Unallocated expenses	(132,887)	(2,388,113)	(643,140)	(272,499)	(675,452)
Elimination	(9,806,939)	(28,281,018)	(16,739,439)	1,922,551	(5,775,418)
Finance income	614,500	6,950,109	3,347,269	2,965,069	133,533
Finance costs	(1,948,750)	(10,010,186)	(15,609,566)	(2,730,888)	(7,042,564)
Share of (losses)/profits of associated companies	(25,553)	(2,065)	5,702	(66,364)	(52,019)
Profit/(loss) before income tax	26,162,036	(20,374,109)	72,596,644	(3,837,697)	(10,763,112)

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

	As at 31 December			As at 31 March
	2012	2013	2014	2015
	SGD	*SGD*	*SGD*	*SGD*
Segment assets	2,076,056,444	3,223,293,072	2,885,634,438	3,312,477,662
Unallocated	32,153,990	45,323,032	93,990,003	98,618,403
Elimination	(177,574,923)	(510,169,485)	(406,577,302)	(511,372,801)
Total assets	1,930,635,511	2,758,446,619	2,573,047,139	2,899,723,264

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

	As at 31 December			As at 31 March
	2012	2013	2014	2015
	SGD	*SGD*	*SGD*	*SGD*
Segment liabilities	2,017,876,535	3,193,701,588	2,892,726,914	3,271,664,597
Unallocated	6,786,877	20,800,047	37,065,855	25,183,475
Elimination	(128,375,391)	(424,216,696)	(374,553,121)	(404,402,446)
Total liabilities	1,896,288,021	2,790,284,939	2,555,239,648	2,892,445,626

For the years ended 31 December 2012, 2013 and 2014 and the three months ended 31 March 2014 and 2015, revenues of approximately SGD150,466,699, SGD158,000,989, SGD260,340,664, SGD40,894,315 and SGD95,782,552, representing 52.0%, 57.5%, 25.1%, 62.7% and 80.6% of the Target Group's total revenue, were derived from a single external customer for the respective years/periods. These revenues are attributable to the construction segment.

6. REVENUE

	Year ended 31 December			Three months ended 31 March	
	2012	2013	2014	2014	2015
	SGD	*SGD*	*SGD*	*SGD*	*SGD*
				(Unaudited)	
Construction revenue	287,353,425	272,136,825	395,107,428	64,948,382	118,510,455
Sales of development properties	—	—	641,656,498	—	—
Sale of goods to fellow subsidiaries	1,042,486	50,680	1,418,968	—	61,152
Income from loaning labour to other contractors	1,188,691	2,235,087	362,934	278,607	261,012
Rental of equipment	17,599	479,685	—	—	—
	289,602,201	274,902,277	1,038,545,828	65,226,989	118,832,619

7. OTHER INCOME

	Year ended 31 December			Three months ended 31 March	
	2012	2013	2014	2014	2015
	SGD	*SGD*	*SGD*	*SGD*	*SGD*
				(Unaudited)	
Income from default payments of development properties	460,303	219,719	475,672	166,348	81,530
Sundry income	284,599	67,402	140,145	104,034	302,759
	744,902	287,121	615,817	270,382	384,289

8. OTHER (LOSSES)/GAINS — NET

	Year ended 31 December			Three months ended 31 March	
	2012	2013	2014	2014	2015
	SGD	*SGD*	*SGD*	*SGD*	*SGD*
				(Unaudited)	
Gain from disposal of property, plant and equipment	11,755	109	98,740	10,253	—
Others	(39,349)	(2,336)	(22,568)	(1,333)	—
	(27,594)	(2,227)	76,172	8,920	—

9. EXPENSES BY NATURE

	Year ended 31 December			Three months ended 31 March	
	2012	2013	2014	2014	2015
	SGD	*SGD*	*SGD*	*SGD*	*SGD*
				(Unaudited)	
Contractor and material costs net of changes in construction contract work-in-progress included in "Cost of sales"	194,723,129	222,925,399	312,714,728	48,735,535	98,806,862
Property development costs included in "Cost of Sales"	—	—	506,840,802	—	—
Sales commissions	—	—	8,554,765	—	—
Show flat costs	3,379,367	3,092,516	6,481,951	13,842	80,316
Marketing expenses	11,844,988	3,056,287	5,158,878	717,489	1,224,221
Travel and entertainment expenses	2,338,213	2,842,436	2,018,513	713,088	532,736
Depreciation of owned assets	1,586,332	2,533,052	1,637,157	395,779	531,280
Depreciation of assets under finance leases	451,550	506,693	1,248,205	237,101	389,981
Staff costs, including directors' emoluments *(Note 10)*	37,200,762	37,863,050	85,922,351	13,861,316	13,953,113
Donations	22,194	50,219	254,737	47,600	—
Professional fees	389,152	1,578,722	1,357,616	482,837	276,526
Auditor's remuneration					
— Audit services	302,000	345,000	405,000	100,000	290,000
— Non-audit services	141,200	75,400	70,000	19,850	17,600
Rental expenses on operating leases	9,258,808	14,721,259	20,508,690	4,047,233	5,732,001
Other expenses	1,159,975	2,909,105	1,211,185	140,135	1,184,334
Total cost of sales, selling and marketing and administrative expenses	262,797,670	292,499,138	954,384,578	69,511,805	123,018,970

10. STAFF COSTS, INCLUDING DIRECTORS' EMOLUMENTS

	Year ended 31 December			Three months ended 31 March	
	2012	2013	2014	2014	2015
	SGD	*SGD*	*SGD*	*SGD*	*SGD*
				(Unaudited)	
Directors' fees, employee's wages and salaries	34,951,862	34,111,556	57,122,202	12,803,518	12,772,381
Performance bonus	—	—	25,000,000	—	—
Employer's contributions to defined contribution plans including Central Provident Fund	1,805,070	3,215,948	3,401,419	848,632	1,018,672
Other staff benefits	443,830	535,546	398,730	209,166	162,060
	37,200,762	37,863,050	85,922,351	13,861,316	13,953,113

(a) Directors' emoluments

The remuneration of the directors for the year ended 31 December 2012 is set out below:

Name	Fees	Salary	Discretionary bonuses	Other benefits	Employer's contribution to pension scheme	Total
	SGD	*SGD*	*SGD*	*SGD*	*SGD*	*SGD*
Mr. Du Bo	270,000	150,000	1,152,293	—	5,350	1,577,643
Mr. Zhang Zhihua	270,000	—	883,005	—	—	1,153,005
Mr. Song Xiuyi	270,000	—	385,774	—	—	655,774
Mr. Zuo Haibin	270,000	288,000	2,819,907	8,420	9,600	3,395,927

The remuneration of the directors for the year ended 31 December 2013 is set out below:

Name	Fees	Salary	Discretionary bonuses	Other benefits	Employer's contribution to pension scheme	Total
	SGD	*SGD*	*SGD*	*SGD*	*SGD*	*SGD*
Mr. Du Bo	390,000	—	390,000	—	2,625	782,625
Mr. Zhang Zhihua	390,000	240,000	200,000	500	—	830,500
Mr. Song Xiuyi	390,000	228,000	458,000	1,460	—	1,077,460
Mr. Zuo Haibin	390,000	216,000	604,400	7,460	13,600	1,231,460

The remuneration of the directors for the year ended 31 December 2014 is set out below:

Name	Fees	Salary	Discretionary bonuses	Other benefits	Employer's contribution to pension scheme	Total
	SGD	*SGD*	*SGD*	*SGD*	*SGD*	*SGD*
Mr. Du Bo	390,000	230,500	5,569,650	—	6,675	6,196,825
Mr. Zhang Zhihua	390,000	288,000	2,777,840	500	—	3,456,340
Mr. Song Xiuyi	390,000	264,000	2,617,040	1,700	—	3,272,740
Mr. Zuo Haibin	390,000	240,000	4,393,270	6,500	13,850	5,043,620

The remuneration of the directors for the three months ended 31 March 2014 is set out below:

Name	Fees	Salary	Discretionary bonuses	Other benefits	Employer's contribution to pension scheme	Total
	SGD	*SGD*	*SGD*	*SGD*	*SGD*	*SGD*
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Mr. Du Bo	97,500	57,500	105,542	—	1,575	262,117
Mr. Zhang Zhihua	97,500	72,000	9,985	—	—	179,485
Mr. Song Xiuyi	97,500	60,000	56,185	—	—	213,685
Mr. Zuo Haibin	97,500	61,500	46,992	—	3,462	209,454

The remuneration of the directors for the three months ended 31 March 2015 is set out below:

Name	Fees	Salary	Discretionary bonuses	Other benefits	Employer's contribution to pension scheme	Total
	SGD	*SGD*	*SGD*	*SGD*	*SGD*	*SGD*
Mr. Du Bo	97,500	90,000	—	—	1,800	189,300
Mr. Zhang Zhihua	97,500	72,000	—	—	—	169,500
Mr. Song Xiuyi	97,500	66,450	—	—	—	163,950
Mr. Zuo Haibin	97,500	61,500	—	—	2,550	161,550

During the years ended 31 December 2012, 2013 and 2014 and the three months ended 31 March 2014 and 2015, there was no arrangement under which a director waived or agreed to waive any remuneration, and no emoluments were paid by the Target Group to the directors as an inducement to join or upon joining the Target Group, or as compensation for loss of office.

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Target Group for each of the years ended 31 December 2012, 2013 and 2014 include four directors and that for the three months ended 31 March 2014 and 2015 include four directors whose emoluments are reflected in the analysis presented in Note 10(a) above. The emoluments payable to the remaining one individual during the years ended 31 December 2012, 2013 and 2014 and the remaining two individuals during the three months ended 31 March 2014 and 2015 are as follows:

	Year ended 31 December			Three months ended 31 March	
	2012	2013	2014	2014	2015
	SGD	*SGD*	*SGD*	*SGD*	*SGD*
				(Unaudited)	
Basic salaries, housing allowances, other allowances and benefits in kind	109,838	91,510	124,550	36,750	42,900
Bonus	211,500	421,000	1,916,900	13,882	13,882
Employer's contribution to pension scheme	1,800	6,650	11,400	3,463	3,613
	323,138	519,160	2,052,850	54,095	60,395

The emoluments of this individual fell within the following bands:

	Number of individuals				
	Year ended 31 December			Three months ended 31 March	
	2012	2013	2014	2014	2015
				(Unaudited)	
Emolument bands (in HK$)					
Nil–HK$1,000,000	—	—	—	1	1
HK$1,500,001–HK$2,000,000	1	—	—	—	—
HK$3,000,001–HK$3,500,000	—	1	—	—	—
HK$11,500,001–HK$12,000,000	—	—	1	—	—

11. FINANCE INCOME/(COSTS) — NET

	Year ended 31 December			Three months ended 31 March	
	2012	2013	2014	2014	2015
	SGD	*SGD*	*SGD*	*SGD*	*SGD*
				(Unaudited)	
Finance income					
Interest income from					
— bank deposits	286,213	525,245	722,400	188,396	4,406
— related parties, immediate holding company and associated company	328,287	4,449,451	2,624,869	1,182,326	129,127
Net foreign exchange gains	—	1,975,413	—	1,594,347	—
	614,500	6,950,109	3,347,269	2,965,069	133,533
Finance costs					
Interest expenses on finance leases wholly repayable					
— within 5 years	(16,588)	(10,834)	(53,438)	(8,668)	(14,730)
— over 5 years	(10,958)	(44,447)	(35,697)	—	(3,602)
Interest expenses on bank borrowings wholly repayable					
— within 5 years	(15,849,406)	(40,968,964)	(27,550,899)	(7,227,434)	(8,206,676)
— over 5 years	(157,770)	(174,087)	(166,686)	(42,140)	(50,256)
Interest expenses on loans from immediate holding company, non-controlling shareholders of subsidiaries and ultimate holding company	(17,215,859)	(25,475,970)	(20,425,052)	(5,604,914)	(3,477,652)
	(33,250,581)	(66,674,302)	(48,231,772)	(12,883,156)	(11,752,916)
Less: Interest expenses capitalised	31,611,907	56,664,116	37,252,110	10,152,268	9,511,486
	(1,638,674)	(10,010,186)	(10,979,662)	(2,730,888)	(2,241,430)
Net foreign exchange losses	(310,076)	—	(4,629,904)	—	(4,801,134)
	(1,948,750)	(10,010,186)	(15,609,566)	(2,730,888)	(7,042,564)
Finance income/(costs) — net	(1,334,250)	(3,060,077)	(12,262,297)	234,181	(6,909,031)

12. INCOME TAXES

Singapore income tax was provided at the rate of 17% during the years ended 31 December 2012, 2013, 2014 and the three months ended 31 March 2014 and 2015 on the profit/(loss) of the companies comprising the Target Group, adjusted for those items which are not assessable or deductible for Singapore income tax purpose.

	Year ended 31 December			Three months ended 31 March	
	2012	2013	2014	2014	2015
	SGD	*SGD*	*SGD*	*SGD* (Unaudited)	*SGD*
Current income tax	9,638,022	5,131,568	17,116,287	59,890	1,406,659
Deferred income tax *(Note 25)*	(5,662,244)	(8,705,065)	(5,389,980)	(467,720)	(1,639,918)
	3,975,778	(3,573,497)	11,726,307	(407,830)	(233,259)

The tax on profit/(loss) before tax differs from the theoretical amount that would arise using the Singapore standard rate of income tax as follows:

	Year ended 31 December			Three months ended 31 March	
	2012	2013	2014	2014	2015
	SGD	*SGD*	*SGD*	*SGD* (Unaudited)	*SGD*
Profit/(loss) before income tax	26,162,036	(20,374,109)	72,596,644	(3,837,697)	(10,763,112)
Share of loss/(profit) of associated companies	25,553	2,065	(5,702)	66,364	52,019
Profit/(loss) before income tax and share of loss/(profit) of associated companies	26,187,589	(20,372,044)	72,590,942	(3,771,333)	(10,711,093)
Tax calculated at tax rate of 17%	4,451,890	(3,463,248)	12,340,460	(641,127)	(1,820,886)
Effects of:					
— Statutory stepped income exemption	(178,612)	(232,717)	(207,400)	(63,247)	(64,133)
— Further deduction under productivity and innovation credit scheme	(495,315)	(167,134)	(158,364)	—	—
— Income exempted under partial tax rebate scheme	(136,619)	(227,802)	(208,109)	(39,750)	(73,983)
— Expenses not deductible for tax purposes	261,416	529,721	46,767	328,489	1,725,743
— Income not subject to tax	(104,575)	(12,317)	(119,465)	—	—
— Deferred tax assets not recognised	177,593	—	32,418	7,805	—
Income tax expense/(credit)	3,975,778	(3,573,497)	11,726,307	(407,830)	(233,259)

13. EARNINGS/(LOSS) PER SHARE

Earnings/(loss) per share information is not presented as its inclusion is not considered meaningful due to the Reorganisation and the presentation of the results for the Relevant Periods on a combined basis as disclosed in Note 1.3 of this section.

14. CASH AND CASH EQUIVALENTS

	As at 31 December			As at 31 March
	2012	**2013**	**2014**	**2015**
	SGD	*SGD*	*SGD*	*SGD*
Cash at bank and on hand	40,007,451	93,418,660	40,768,400	81,752,033
Short-term bank deposits	30,000	30,630	—	—
Maintenance fund accounts *(Note b)*	—	—	897,206	792,759
Project accounts *(Note a)*	222,455,003	170,993,846	93,564,338	138,637,849
	262,492,454	264,443,136	135,229,944	221,182,641

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

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

For the purpose of presenting the combined statements of cash flows, cash and cash equivalents comprise the following:

	As at 31 December			As at 31 March
	2012	**2013**	**2014**	**2015**
	SGD	*SGD*	*SGD*	*SGD*
Cash and bank balances	262,492,454	264,443,136	135,229,944	221,182,641
Less: Bank overdraft *(Note 22)*	(86,579)	—	—	—
Cash and cash equivalents per combined statements of cash flows	262,405,875	264,443,136	135,229,944	221,182,641

15. TRADE AND OTHER RECEIVABLES

	As at 31 December			As at 31 March
	2012	2013	2014	2015
	SGD	*SGD*	*SGD*	*SGD*
Current				
Trade receivables				
— Fellow subsidiaries	309,753	245,041	1,066,169	1,132,346
— Related parties	1,330,336	22,065,704	4,324,006	2,995,464
— Third parties	74,553,208	63,247,790	92,086,434	93,253,541
	76,193,297	85,558,535	97,476,609	97,381,351
Amount due from customers for contract work *(Note 16)*				
— Retention receivables	15,602,308	11,923,721	21,500,490	22,659,342
Development properties — due from customers	—	—	98,033,255	65,100,615
Other receivables				
— Immediate holding company	54,502,236	18,945,802	52,181,127	61,397,962
— Fellow subsidiaries	119,951,704	11,823,587	4,200,882	8,199,038
— Related parties	568,090	1,630,959	2,210,629	2,820,645
— Third parties	5,641,051	9,030,959	29,156	957,369
— Prepayments	2,867,468	23,960,333	16,761,910	20,394,933
— Deposits	4,844,671	5,868,986	5,281,625	4,411,919
— Staff advances	451,834	78,233	118,122	15,000
	188,827,054	71,338,859	80,783,451	98,196,866
Loans to				
— Immediate holding company	—	120,849,149	—	—
— Related parties	22,255,448	—	4,200,000	4,200,000
	22,255,448	120,849,149	4,200,000	4,200,000
	302,878,107	289,670,264	301,993,805	287,538,174
Non-current				
Loans to				
— Associated company	—	4,800,000	4,800,000	4,800,000
— Related parties	—	14,453,176	10,153,176	9,803,176
	—	19,253,176	14,953,176	14,603,176
Prepayments	1,379,703	2,325,917	3,235,269	2,893,238

The credit period for trade receivables is 30 days. No interest was charged on the outstanding balance.

The ageing analysis of the trade receivables as at 31 December 2012, 2013 and 2014 and 31 March 2015 based on invoice date is as follows:

	As at 31 December			As at 31 March
	2012	**2013**	**2014**	**2015**
	SGD	*SGD*	*SGD*	*SGD*
Up to 3 months	72,347,230	85,558,535	95,340,908	93,164,317
3 to 12 months	2,897,010	—	2,135,701	4,217,034
Over 12 months	949,057	—	—	—
	76,193,297	85,558,535	97,476,609	97,381,351

Retention receivables in respect of the construction business are settled in accordance with the terms of respective contracts. Retention receivables held by customers for construction works amount to approximately SGD7,187,367, SGD10,665,174, SGD11,942,398, SGD2,734,424 are expected to be recovered to settled in more than twelve months from 31 December 2012, 2013 and 2014 and 31 March 2015 respectively.

The other receivables due from the immediate holding company, fellow subsidiaries and related parties were unsecured, interest-free and repayable on demand.

Loans to the immediate holding company were unsecured, repayable on demand and interest-bearing at 1.8% to 5.36% per annum as at 31 December 2013.

Loans to an associated company and related parties were lent to the invested real estate development companies in proportion to the percentages of the Target Group's shareholding in these invested companies. The loans to associated company and related parties were unsecured, and interest-bearing at a fixed rate of 7% per annum, 5% per annum, 5% per annum and 5% per annum respectively as at 31 December 2012, 2013 and 2014 and 31 March 2015.

The carrying amounts of the Target Group's trade and other receivables (excluding prepayments) as at 31 December 2012, 2013 and 2014 and 31 March 2015 approximated their fair values.

16. AMOUNT DUE FROM CUSTOMERS FOR CONTRACT WORK

	As at 31 December			As at 31 March
	2012	**2013**	**2014**	**2015**
	SGD	*SGD*	*SGD*	*SGD*
Aggregate costs incurred and profits (less losses) recognised to date on uncompleted construction contracts	290,808,802	331,072,706	618,850,508	678,123,039
Less: progress billings to date	(281,218,107)	(323,348,814)	(613,122,562)	(674,755,963)
Amount due from customers for contract work	9,590,695	7,723,892	5,727,946	3,367,076

Progress billings to date include retention receivables of SGD15,602,308, SGD11,923,721, SGD21,500,490 and SGD22,659,342 as at 31 December 2012, 2013 and 2014 and 31 March 2015 respectively (Note 15).

17. DEVELOPMENT PROPERTIES FOR SALE

	As at 31 December			As at 31 March
	2012	2013	2014	2015
	SGD	*SGD*	*SGD*	*SGD*
Properties in the course of development				
Leasehold land at cost	1,072,051,640	1,548,885,668	1,355,309,746	1,527,342,496
Development costs	180,141,360	441,899,187	578,321,633	650,700,270
Overheads expenditure capitalised	31,007,411	45,458,565	15,522,027	18,986,390
Interest expenses capitalised	47,808,799	104,472,915	108,534,791	118,046,277
	1,331,009,210	2,140,716,335	2,057,688,197	2,315,075,433

Interest expenses on bank borrowings, loans from non-controlling shareholders of subsidiaries, immediate holding company and ultimate holding company were capitalised. The weighted average rates of capitalisation of the interest expenses were 1.90%, 2.29%, 2.34% and 2.00% per annum for bank borrowings and 7.216%, 7.216%, 7.216% and 7.216% per annum for loans from non-controlling shareholders of subsidiaries, immediate holding company and ultimate holding company for the years ended 31 December 2012, 2013 and 2014 and the three months ended 31 March 2015, respectively.

As at 31 December 2012, 2013 and 2014 and 31 March 2015, development properties with net carrying amounts of SGD1,331,009,210, SGD2,140,716,335, SGD2,057,688,197 and SGD2,315,075,433 respectively, were pledged as securities for the bank loans of the Target Group (Note 22(a)&(b)).

18. INVESTMENTS IN ASSOCIATED COMPANIES

The carrying amounts recognised in the combined statements of financial position are as follows:

	As at 31 December			As at 31 March
	2012	2013	2014	2015
	SGD	*SGD*	*SGD*	*SGD*
Share of net assets	704,421	402,356	98,058	46,039

The amounts recognised in the combined statements of comprehensive income are as follows:

	Year ended 31 December			Three months ended 31 March	
	2012	2013	2014	2014	2015
	SGD	*SGD*	*SGD*	*SGD*	*SGD*
				(Unaudited)	
Share of (losses)/profits	(25,553)	(2,065)	5,702	(66,364)	(52,019)

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

	Year ended 31 December			Three months ended 31 March
	2012	**2013**	**2014**	**2015**
	SGD	*SGD*	*SGD*	*SGD*
Beginning of financial year/period	1,329,974	704,421	402,356	98,058
Capital contribution to an associate	—	300,000	—	—
Share of (losses)/profits of associated companies	(25,553)	(2,065)	5,702	(52,019)
Dividend received	(600,000)	(600,000)	(310,000)	—
End of financial year/period	704,421	402,356	98,058	46,039

The directors are of the opinion that the investments in associated companies are not material to the Target Group as at 31 December 2012, 2013 and 2014 and 31 March 2015. Refer to note 1.2 for the details of investments in associated companies as at 31 December 2012, 2013 and 2014 and 31 March 2015.

There were no contingent liabilities relating to the Target Group's interests in associated companies as at 31 December 2012, 2013 and 2014 and 31 March 2015.

19. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	As at 31 December			As at 31 March
	2012	**2013**	**2014**	**2015**
	SGD	*SGD*	*SGD*	*SGD*
Unquoted equity shares	200,000	200,000	200,000	200,000

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

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

20. PROPERTY, PLANT AND EQUIPMENT

	Office equipment	Motor vehicles	Plant and machinery	Leasehold improvements	Leasehold buildings under construction	Leasehold land and buildings	Total
	SGD	*SGD*	*SGD*	*SGD*	*SGD*	*SGD*	*SGD*
Year ended 31 December 2012							
Cost							
Beginning of financial year	2,237,607	2,395,949	6,600,790	101,653	4,937,745	—	16,273,744
Additions	961,294	928,149	1,447,460	—	1,361,021	—	4,697,924
Disposals	(21,938)	—	—	—	—	—	(21,938)
Reclassification	—	—	—	—	(4,848,887)	4,848,887	—
End of financial year	3,176,963	3,324,098	8,048,250	101,653	1,449,879	4,848,887	20,949,730
Accumulated depreciation							
Beginning of financial year	781,175	1,448,783	1,985,322	90,358	—	—	4,305,638
Depreciation charge *(Note 9)*	632,322	510,736	843,122	11,295	—	40,407	2,037,882
Disposals	(9,970)	—	—	—	—	—	(9,970)
End of financial year	1,403,527	1,959,519	2,828,444	101,653	—	40,407	6,333,550
Net book value							
End of financial year	1,773,436	1,364,579	5,219,806	—	1,449,879	4,808,480	14,616,180

	Office equipment	Motor vehicles	Plant and machinery	Leasehold improvements	Leasehold buildings under construction	Leasehold land and buildings	Total
	SGD	*SGD*	*SGD*	*SGD*	*SGD*	*SGD*	*SGD*
Year ended 31 December 2013							
Cost							
Beginning of financial year	3,176,963	3,324,098	8,048,250	101,653	1,449,879	4,848,887	20,949,730
Additions	704,513	750,469	805,524	—	4,203,496	—	6,464,002
Disposals	(8,000)	(339,689)	—	—	—	—	(347,689)
End of financial year	3,873,476	3,734,878	8,853,774	101,653	5,653,375	4,848,887	27,066,043
Accumulated depreciation							
Beginning of financial year	1,403,527	1,959,519	2,828,444	101,653	—	40,407	6,333,550
Depreciation charge *(Note 9)*	780,259	632,053	1,546,618	—	—	80,815	3,039,745
Disposals	(8,000)	(265,966)	—	—	—	—	(273,966)
End of financial year	2,175,786	2,325,606	4,375,062	101,653	—	121,222	9,099,329
Net book value							
End of financial year	1,697,690	1,409,272	4,478,712	—	5,653,375	4,727,665	17,966,714

	Office equipment SGD	Motor vehicles SGD	Plant and machinery SGD	Leasehold improvements SGD	Leasehold buildings under construction SGD	Leasehold land and buildings SGD	Total SGD
Year ended 31 December 2014							
Cost							
Beginning of financial year	3,873,476	3,734,878	8,853,774	101,653	5,653,375	4,848,887	27,066,043
Additions	877,371	—	7,136,210	—	9,794,439	—	17,808,020
Disposals	(232,524)	—	(368,100)	—	—	—	(600,624)
Reclassification	—	—	—	—	(14,921,385)	14,921,385	—
End of financial year	4,518,323	3,734,878	15,621,884	101,653	526,429	19,770,272	44,273,439
Accumulated depreciation							
Beginning of financial year	2,175,786	2,325,606	4,375,062	101,653	—	121,222	9,099,329
Depreciation charge *(Note 9)*	919,356	510,411	1,372,415	—	—	83,180	2,885,362
Disposals	(215,670)	—	(195,153)	—	—	—	(410,823)
End of financial year	2,879,472	2,836,017	5,552,324	101,653	—	204,402	11,573,868
Net book value							
End of financial year	1,638,851	898,861	10,069,560	—	526,429	19,565,870	32,699,571

(Unaudited)	Office equipment SGD	Motor vehicles SGD	Plant and machinery SGD	Leasehold improvements SGD	Leasehold buildings under construction SGD	Leasehold land and buildings SGD	Total SGD
Three months ended 31 March 2014							
Cost							
Beginning of financial period	3,873,476	3,734,878	8,853,774	101,653	5,653,375	4,848,887	27,066,043
Additions	111,105	—	175,000	—	4,300,864	—	4,586,969
Disposals	(122,560)	—	—	—	—	—	(122,560)
End of financial period	3,862,021	3,734,878	9,028,774	101,653	9,954,239	4,848,887	31,530,452
Accumulated depreciation							
Beginning of financial period	2,175,786	2,325,606	4,375,062	101,653	—	121,222	9,099,329
Depreciation charge *(Note 9)*	110,692	118,181	381,444	—	—	22,563	632,880
Disposals	(119,311)	—	—	—	—	—	(119,311)
End of financial period	2,167,167	2,443,787	4,756,506	101,653	—	143,785	9,612,898
Net book value							
End of financial period	1,694,854	1,291,091	4,272,268	—	9,954,239	4,705,102	21,917,554

	Office equipment *SGD*	Motor vehicles *SGD*	Plant and machinery *SGD*	Leasehold improvements *SGD*	Leasehold buildings under construction *SGD*	Leasehold land and buildings *SGD*	Total *SGD*
Three months ended 31 March 2015							
Cost							
Beginning of financial period	4,518,323	3,734,878	15,621,884	101,653	526,429	19,770,272	44,273,439
Additions	49,778	—	38,011	—	—	—	87,789
End of financial period	4,568,101	3,734,878	15,659,895	101,653	526,429	19,770,272	44,361,228
Accumulated depreciation							
Beginning of financial period	2,879,472	2,836,017	5,552,324	101,653	—	204,402	11,573,868
Depreciation charge *(Note 9)*	244,631	98,467	386,734	—	—	191,429	921,261
End of financial period	3,124,103	2,934,484	5,939,058	101,653	—	395,831	12,495,129
Net book value							
End of financial period	1,443,998	800,394	9,720,837	—	526,429	19,374,441	31,866,099

As at 31 December 2012, 2013 and 2014 and 31 March 2015, the Target Group's interests in leasehold land and buildings and their net book amounts are analysed as follows:

	As at 31 December 2012 *SGD*	2013 *SGD*	2014 *SGD*	As at 31 March 2015 *SGD*
Outside Hong Kong, held on leases of:				
Between 10 to 50 years	4,808,480	4,727,665	17,693,646	17,517,819
Over 50 years	—	—	1,872,224	1,856,622

The carrying amounts of the Target Group's machinery and motor vehicles under finance leases were SGD772,510, SGD1,062,124, SGD8,846,644 and SGD8,600,178 as at 31 December 2012, 2013 and 2014 and 31 March 2015 respectively.

The Target Group's leasehold land and buildings with the total carrying amounts of SGD4,808,480, SGD4,727,665, SGD6,514,691 and SGD6,494,486 as at 31 December 2012, 2013 and 2014 and 31 March 2015 respectively were pledged as securities for the bank borrowings (Note 22(c)).

Included within additions in the combined financial information were machinery and motor vehicles acquired under finance leases amounting to SGD140,318, SGD487,030 and SGD6,148,065 and nil for the years ended 31 December 2012, 2013 and 2014 and the three months ended 31 March 2015 respectively.

21. TRADE AND OTHER PAYABLES

	As at 31 December			As at 31 March
	2012	2013	2014	2015
	SGD	*SGD*	*SGD*	*SGD*
Current				
Trade payables to:				
— Related parties	3,480,330	7,336,808	11,415,440	8,860,552
— Fellow subsidiary	—	—	1,008,584	4,582,039
— Third parties	145,132,305	167,869,335	230,620,818	222,544,673
	148,612,635	175,206,143	243,044,842	235,987,264
Non-trade payables to:				
— Ultimate holding company	4,597,902	—	—	—
— Immediate holding company	—	12,716,018	20,908,584	26,956,913
— Fellow subsidiaries	62,543,896	13,580,802	10,831,472	15,706,047
— Related parties	53,885,177	11,571,540	13,702,873	14,633,327
— Third parties	7,521,437	9,235,347	3,025,540	2,944,972
— Good Service Tax payable	1,826,553	2,729,836	2,113,064	528,875
	130,374,965	49,833,543	50,581,533	60,770,134
Deposits received	103,794	93,382	—	—
Accruals for operating expenses	14,371,258	18,824,582	25,271,172	33,055,963
Advanced proceeds received from customers	430,551,860	871,496,399	914,690,241	1,022,753,317
	445,026,912	890,414,363	939,961,413	1,055,809,280
Total trade and other payables	724,014,512	1,115,454,049	1,233,587,788	1,352,566,678

The credit terms granted by the suppliers were usually within 30 to 60 days.

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

	As at 31 December			As at 31 March
	2012	2013	2014	2015
	SGD	*SGD*	*SGD*	*SGD*
0–30 days	143,199,412	158,375,640	232,283,156	232,028,312
31–90 days	2,453,938	9,686,317	8,670,266	2,628,908
91–365 days	2,950,592	4,620,712	1,630,244	793,522
Over 365 days	8,693	2,523,474	461,176	536,522
	148,612,635	175,206,143	243,044,842	235,987,264

The amounts due to ultimate holding company, immediate holding company, fellow subsidiaries and related parties were unsecured, interest-free and repayable on demand. The carrying amounts of trade and other payables approximated their fair values.

22. BORROWINGS

	As at 31 December			As at 31 March
	2012	2013	2014	2015
	SGD	*SGD*	*SGD*	*SGD*
Current				
Bank overdraft — unsecured *(Note 14)*	86,579	—	—	—
Bank borrowings — secured *(Note (a))*	42,280,000	315,900,469	236,775,183	392,616,253
Bank borrowings — mortgage *(Note (c))*	132,116	142,322	160,420	200,175
Loans from non-controlling shareholders of subsidiaries — unsecured *(Note (d))*	49,000	—	4,501,000	4,501,000
Loan from immediate holding company — unsecured *(Note (d))*	—	—	—	6,230,000
Finance lease liabilities *(Note 23)*	212,562	292,243	1,827,120	1,811,516
	42,760,257	316,335,034	243,263,723	405,358,944
Non-current				
Bank borrowings — secured *(Note (b) and Note (a)(iii))*	833,243,032	1,006,889,309	857,643,948	927,049,974
Bank borrowings — mortgage *(Note (c))*	3,237,890	3,095,847	3,677,840	3,586,424
Loans from ultimate holding company — unsecured *(Note (d))*	221,408,655	—	—	—
Loans from non-controlling shareholders of subsidiaries — unsecured *(Note (d))*	53,350,000	74,381,000	86,794,032	86,794,032
Loan from immediate holding company — unsecured *(Note (d))*	6,230,000	265,819,537	109,406,380	95,151,918
Finance lease liabilities *(Note 23)*	1,058,846	1,020,794	4,901,385	4,436,372
	1,118,528,423	1,351,206,487	1,062,423,585	1,117,018,720
Total borrowings	1,161,288,680	1,667,541,521	1,305,687,308	1,522,377,664

The exposure of the borrowings of the Target Group as at 31 December 2012, 2013 and 2014 and 31 March 2015 to interest rate changes and the contractual re-pricing dates were as follows:

	As at 31 December			As at 31 March
	2012	2013	2014	2015
	SGD	*SGD*	*SGD*	*SGD*
Less than one year	1,154,618,272	1,591,847,484	1,212,937,071	1,516,129,776
Later than one year				
— Between one and five years	2,648,054	71,930,486	88,447,819	5,851,252
— Later than five years	4,022,354	3,763,551	4,302,418	396,636
	6,670,408	75,694,037	92,750,237	6,247,888
Total	1,161,288,680	1,667,541,521	1,305,687,308	1,522,377,664

Borrowings

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

	As at 31 December			As at 31 March
	2012	**2013**	**2014**	**2015**
	SGD	*SGD*	*SGD*	*SGD*
Less than one year	42,760,257	316,335,034	243,263,723	405,358,944
Later than one year				
— Between one and five years	1,115,545,893	1,348,499,634	1,059,392,489	1,113,632,471
— Later than five years	2,982,530	2,706,853	3,031,096	3,386,249
Total	1,161,288,680	1,667,541,521	1,305,687,308	1,522,377,664

(a) These bank borrowings comprised:

(i) SGD42,280,000, SGD26,700,000, SGD17,700,000 and SGD SGD17,700,000 as at 31 December 2012, 2013 and 2014 and 31 March 2015, respectively, 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 2.17% to 3.60%, 1.82% to 2.23% and 2.04% to 2.94% and 2.86% to 3.42%, respectively.

(ii) USD63,000,000 (SGD79,016,681), USD15,750,000 (SGD20,615,183) and USD USD15,750,000 (SGD21,853,753) as at 31 December 2013 and 2014 and 31 March 2015, respectively, were secured by the interests in construction contracts, and borne interest at 4.55% per annum.

(iii) SGD127,000,000 and SGD170,000,000 as at 31 December 2014 and 31 March 2015, respectively was secured by the interests in contract work of the Target Group, assets of a related party and corporate guarantee by immediate holding company, and borne interest at 2% per annum over Bank's one month SGD Cost of Funds ("COF") calculated daily with monthly rate based on a 365-day year. SGD 45,000,000 of the loan balance as at 31 March 2015 is repayable within one year and the remaining balance of SGD125,000,000 is repayable after one year.

(iv) SGD15,000,000 as at 31 December 2013 was secured by the interests in contract work, and borne interest at 2% per annum over Bank's one month SGD Cost of Funds ("COF") calculated daily with monthly rests based on a 365-day year.

(v) Land loan of SGD125,183,788. SGD56,000,000 and SGD114,602,500 and revolving term loan of SGD70,000,000, SGD122,460,000 and SGD193,460,000 as at 31 December 2013 and 2014 and 31 March 2015, respectively, and borne interest at rates ranging from 1.88% to 2.17% per annum, 1.87% to 2.15% per annum, 2.04% to 2.12% per annum and 2.07% to 2.82% per annum, respectively.

The loans were secured by mortgages over the Target Group's development properties for sale (Note 17) 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.

(b) SGD833,243,032, SGD1,006,889,309, SGD750,643,948 and SGD802,049,974 as at 31 December 2012, 2013 and 2014 and 31 March 2015, respectively comprised land and development loans of SGD790,543,032, SGD816,889,309, SGD640,643,948 and SGD676,539,750 and revolving loans of SGD42,700,000, SGD190,000,000, SGD110,000,000 and SGD125,510,224, respectively. The interest rates range from 1.47% to 2.20% per annum, 1.57% to 3.30% per annum, 1.57% to 3.30% per annum and 2.30% to 3.54% per annum as at 31 December 2012, 2013 and 2014 and 31 March 2015, respectively. The loans were repayable later than 1 year but within five years. The loans were secured by mortgages over the Target Group's development properties for sale (Note 17) 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 directors of certain subsidiaries.

(c) SGD3,370,006, SGD3,238,169, SGD3,838,260 and SGD3,786,599 as at 31 December 2012, 2013 and 2014 and 31 March 2015, respectively was secured by a mortgage over part of the Target Group's leasehold land and buildings (Note 20). The interest rates of the loan were 5.25% per annum as at 31 December 2012, 2013 and 2014 and 31 March 2015. The loans will be repaid by fixed monthly payment over 10 years to 20 years.

(d) The loans from immediate holding company, non-controlling shareholders and ultimate holding company 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, except for the interest-free loan from immediate holding company of SGD6,230,000 as at 31 December 2012, 2013 and 2014 and 31 March 2015. The effective interest rate was between 2.08% to 7.68% as at 31 December 2012, 2013 and 2014 and 31 March 2015, respectively.

(e) The fair values of the bank borrowings and the loans from ultimate holding company, immediate holding company, non-controlling shareholders of subsidiaries approximated their respective carrying values as at 31 December 2012, 2013 and 2014 and 31 March 2015, as these borrowings were charged at market interest rates.

23. FINANCE LEASE LIABILITIES

The Target 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 Target Group with options to purchase the leased assets at nominal values at the end of the lease terms.

	As at 31 December			As at 31 March
	2012	**2013**	**2014**	**2015**
	SGD	*SGD*	*SGD*	*SGD*
Minimum lease payments due				
— Within one year	268,259	357,247	1,962,282	1,951,262
— Between one and five years	818,837	897,381	5,112,254	4,639,674
— Over five years	374,042	260,410	158,075	142,769
	1,461,138	1,515,038	7,232,611	6,733,705
Less: future finance charges	(189,730)	(202,001)	(504,106)	(485,817)
Present value of finance lease liabilities	1,271,408	1,313,037	6,728,505	6,247,888

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

	As at 31 December			As at 31 March
	2012	2013	2014	2015
	SGD	*SGD*	*SGD*	*SGD*
Within one year	212,562	292,243	1,827,120	1,811,516
Between one and five years	710,763	773,960	4,749,929	4,299,021
Over five years	348,083	246,834	151,456	137,351
	1,271,408	1,313,037	6,728,505	6,247,888

24. PROVISIONS

	Year ended 31 December			Three months ended 31 March
	2012	2013	2014	2015
	SGD	*SGD*	*SGD*	*SGD*
Liquidated damages				
At beginning of financial year/period	1,404,000	1,404,000	1,404,000	—
Write back to profit or loss	—	—	(1,404,000)	—
At end of financial year/period	1,404,000	1,404,000	—	—

Provision for liquidated damages was made in respect of anticipated claims from customers on contracts of which deadlines were overdue or not expected to be completed on time in accordance with contractual obligations. The timing and recognition of liability for these liquidated damages depended on the probability that there would be a cash outflow to settle the obligation with the customers. The utilisation of provision was dependent on the timing of settlement of claims.

As at 31 December 2014, the claims from customers did not materialise, the Target Group had written back the provision to profit or loss.

25. 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:

	As at 31 December			As at 31 March
	2012	2013	2014	2015
	SGD	*SGD*	*SGD*	*SGD*
Deferred income tax assets				
— to be settled within 12 months	—	12,816,871	12,568,821	15,073,828
— to be settled after more than 12 months	7,704,460	2,927,958	8,562,163	7,862,235
	7,704,460	15,744,829	21,130,984	22,936,063
Deferred income tax liabilities				
— to be settled within 12 months	(58,462)	—	—	—
— to be settled after more than 12 months	(1,003,789)	(397,555)	(393,730)	(558,891)
	(1,062,251)	(397,555)	(393,730)	(558,891)

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

	As at 31 December			As at 31 March
	2012	2013	2014	2015
	SGD	*SGD*	*SGD*	*SGD*
Beginning of financial year/period	979,965	6,642,209	15,347,274	20,737,254
Tax credited to profit or loss *(Note 12)*	5,662,244	8,705,065	5,389,980	1,639,918
End of financial year/period	6,642,209	15,347,274	20,737,254	22,377,172

Deferred income tax assets:

	Unrealised profit	Tax losses	Total
	SGD	*SGD*	*SGD*
31 December 2012			
Beginning of financial year	—	2,034,400	2,034,400
Tax credited to profit or loss	3,551,014	2,119,046	5,670,060
End of financial year	3,551,014	4,153,446	7,704,460
31 December 2013			
Beginning of financial year	3,551,014	4,153,446	7,704,460
Tax credited to profit or loss	7,573,712	466,657	8,040,369
End of financial year	11,124,726	4,620,103	15,744,829

	Unrealised profit *SGD*	Tax losses *SGD*	Total *SGD*
31 December 2014			
Beginning of financial year	11,124,726	4,620,103	15,744,829
Tax credited to profit or loss	1,444,095	3,942,060	5,386,155
End of financial year	12,568,821	8,562,163	21,130,984
31 March 2015			
Beginning of financial period	12,568,821	8,562,163	21,130,984
Tax credited to profit or loss	1,282,728	522,351	1,805,079
End of financial period	13,851,549	9,084,514	22,936,063

Deferred income tax liabilities:

	Accelerated tax depreciation *SGD*
31 December 2012	
Beginning of financial year	(1,054,435)
Tax charged to profit or loss	(7,816)
End of financial year	(1,062,251)
31 December 2013	
Beginning of financial year	(1,062,251)
Tax credited to profit or loss	664,696
End of financial year	(397,555)
31 December 2014	
Beginning of financial year	(397,555)
Tax credited to profit or loss	3,825
End of financial year	(393,730)
31 March 2015	
Beginning of financial period	(393,730)
Tax charged to profit or loss	(165,161)
End of financial period	(558,891)

26. COMBINED CAPITAL

Combined capital mainly comprised share capital of CNQC (South Pacific).

27. MERGER RESERVE

This represents the difference between the aggregate of share capital of Qingjian International, Qingdao Construction, Max Marine and Qingjian Realty and the investment costs paid by the CNQC (South Pacific) as disclosed in Note 1.2 above.

28. DIVIDEND

During the year ended 31 December 2013, an interim dividend of SGD1.96 per share amounting to a total dividend of SGD49,969,768 was paid by CNQC (South Pacific) to its then shareholders.

29. CONTINGENT LIABILITIES

The Target Group has issued corporate guarantees to banks for borrowings of certain related parties with net asset positions. These bank borrowings amount to SGD40,297,450, SGD57,279,550, SGD57,279,550 and SGD57,279,550 as at 31 December 2012, 2013 and 2014 and 31 March 2015 respectively.

30. COMMITMENTS

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

The Target 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 2012, 2013 and 2014 and 31 March 2015 were as follows:

	As at 31 December			As at 31 March
	2012	**2013**	**2014**	**2015**
	SGD	*SGD*	*SGD*	*SGD*
Not later than one year	924,989	904,564	3,712,016	2,784,948
Between one and five years	2,600,467	2,655,397	2,304,064	2,471,827
Later than five years	7,475,208	6,900,192	6,325,176	6,181,422
	11,000,664	10,460,153	12,341,256	11,438,197

(b) Capital commitments

Capital expenditures contracted but not recognised in the financial information as at 31 December 2012, 2013 and 2014 and 31 March 2015, excluding those relating to investment in associated companies, were as follows:

	As at 31 December			As at 31 March
	2012	**2013**	**2014**	**2015**
	SGD	*SGD*	*SGD*	*SGD*
Contracted but not provided for:				
Development expenditure	9,415,859	15,092,853	6,209,324	4,266,904

31. RELATED PARTY TRANSACTIONS

Save as disclosed in elsewhere in this report, the following transactions took place between the Target Group and related parties at terms agreed between the parties:

Name of related parties	Relationship with the Target Group
Qingjian Precast Pte. Ltd.	A related company in which a director of CNQC (South Pacific) has an interest.
Elite Concrete Pte. Ltd.	A related company in which a director of CNQC (South Pacific) has an interest.
Welltech Construction Pte. Ltd.	A related company controlled by a shareholder of ultimate holding company
SLP International Ltd	A related company controlled by shareholders of subsidiaries
Zuo Hai Bin	Director of CNQC (South Pacific)
Guotsing Holding	Ultimate holding company
Guotsing Holding (South Pacific) Investment Pte. Ltd.	Immediate holding company
Qingjian Group Co. Ltd	Fellow subsidiary
TKS International Investment Pte. Ltd.	A non-controlling interest shareholder in a subsidiary
Bohai Investments (Seng Keng) Pte. Ltd.	A non-controlling interest shareholder in a subsidiary
Bohai Investments (Punggol Central) Pte. Ltd.	A non-controlling interest shareholder in a subsidiary
Shun Kang Development & Investment Pte. Ltd.	A non-controlling interest shareholder in a subsidiary
ZACD (Seng Keng) Pte. Ltd.	A non-controlling interest shareholder in a subsidiary
ZACD Investment (Punggol Drive) Pte. Ltd.	A non-controlling interest shareholder in a subsidiary
ZACD (Anchorvale) Pte. Ltd.	A non-controlling interest shareholder in a subsidiary
ZACD (Woodlands3) Pte. Ltd.	A non-controlling interest shareholder in a subsidiary
ZACD (Sennett) Pte. Ltd.	A non-controlling interest shareholder in a subsidiary
ZACD (Canberra) Pte. Ltd.	A non-controlling interest shareholder in a subsidiary
HLY Investments (Anchorvale)	A non-controlling interest shareholder in a subsidiary
Suntec Property Ventures Pte. Ltd.	A non-controlling interest shareholder in a subsidiary
Yongli He Development Pte. Ltd.	A non-controlling interest shareholder in a subsidiary
Creative Engineering Pte. Ltd.	A non-controlling interest shareholder in a subsidiary
BH-ZACD (Tuas Bay) Development Pte. Ltd.	A related company in which CNQC (South Pacific) is non-controlling shareholder
Publique Realty (Pasir Ris) Pte. Ltd.	A related company in which CNQC (South Pacific) is non-controlling shareholder
Publique Realty Pte. Ltd.	A related company in which CNQC (South Pacific is non-controlling shareholder
Peak Living Pte. Ltd.	A related company in which CNQC (South Pacific) is non-controlling shareholder
Hyday (South Pacific) Investment Pte. Ltd.	Fellow subsidiary
Qingdao Qingjian Logistics Co. Ltd.	Fellow subsidiary
Qingjian Group Co. Ltd.	Fellow subsidiary
Qingjian International (Myanmar) Group Development Co. Ltd.	Fellow subsidiary
Qingdao Qingjian Logistics Co. Ltd.	Fellow subsidiary

(a) Sales and purchase of goods and services

	Year ended 31 December			Three months ended 31 March	
	2012	**2013**	**2014**	**2014**	**2015**
	SGD	*SGD*	*SGD*	*SGD* (Unaudited)	*SGD*
Construction revenue from related parties	58,291,075	37,469,563	64,608,483	12,860,598	14,227,776
Sale of goods to fellow subsidiaries	1,042,486	50,680	1,418,968	—	61,152
Purchase of materials from related parties	62,665,638	60,111,328	73,887,076	26,803,553	22,745,167
Construction service provided by a fellow subsidiary	—	—	9,886,406	—	3,038.178
Sales commission paid to a related party	7,940,307	4,932,049	2,526,414	2,262,162	655,389
Interest income from related parties	328,287	309,042	187,686	46,279	46,278
Interest income from the immediate holding company	—	3,954,948	2,101,183	1,053,198	—
Interest income from an associated company	—	185,461	336,000	82,849	82,849
Interest charged by non-controlling shareholders of subsidiaries	3,521,493	4,482,892	5,383,700	1,293,104	1,729,185
Interest charged by the immediate holding company	—	20,993,078	15,041,352	4,311,810	1,748,467
Interest charged by the ultimate holding company	13,694,366	—	—	—	—

Outstanding balances as at the year/period end dates arising from sale/purchase of goods and services, were unsecured and receivable/payable within 12 months from combined statement of financial position dates were disclosed in Notes 15 and 21.

(b) Key management personnel compensation

The emoluments of the directors (representing the key management personnel) during the years ended 31 December 2012, 2013 and 2014 and the three months ended 31 March 2014 and 2015 are disclosed in Note 10.

32. SUBSEQUENT EVENTS

Save as disclosed elsewhere in this report, no other significant subsequent event has taken place subsequent to 31 March 2015 except the following:

(a) On 23 May 2015, the Company and Guotsing SG entered into a sale and purchase agreement (the "Share Purchase Agreement") pursuant to which the Company has conditionally agreed to acquire the entire issued share capital of the Target Company (the "Acquisition") on the terms and subject to the conditions set out in the Share Purchase Agreement.

(b) On 10 April 2015, CNQC (South Pacific) granted rights (the "Rights") to certain senior management ("Selected Participants") of Guotsing Holding and its subsidiaries (the "Guotsing Group"), who have made contributions to the development of CNQC (South Pacific), to subscribe for up to 12,000,000 shares of CNQC (South Pacific) ("Pre-existing Management Scheme") at SGD2.43 per share. Up to the date of this report, no Selected Participant has exercised any of the Rights.

Pursuant to the Share Purchase Agreement, a trust (the "Trust") will be constituted on the completion of the Acquisition to service a management share scheme (the "Management Share Scheme") pursuant to which awards ("Awards") will be granted to the Selected Participants to purchase from the Trust up to a total of 304,599,273 new non-redeemable convertible preference shares ("CPS") of the Company in accordance with the terms and conditions of the Management Share Scheme. Upon completion of the Acquisition, the Management Share Scheme and the Awards will become effective immediately, and will replace and supersede the Pre-existing Management Scheme and the Rights.

Subject to Completion, the Awards will vest over 5 years at a rate of 20% each year commencing from 1 April 2016 and will entitle the relevant Selected Participants to purchase from the Trust a certain number of CPS (or ordinary shares of the Company where appropriate) at a price of HK$0.56 per CPS (or ordinary shares of the Company where appropriate) at any time up to 10 years from the date of grant of the Award provided that all of the CPS allotted and issued by the Company to New Guotsing Holdco at Completion have been converted into ordinary shares of the Company at a share exchange ratio of 1 CPS for 1 ordinary share of the Company.

III. SUBSEQUENT FINANCIAL STATEMENTS

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

Yours faithfully,
PricewaterhouseCoopers
Certified Public Accountants
Hong Kong

UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR THE SIX MONTHS ENDED 30 JUNE 2015

Set out below is the unaudited condensed consolidated financial statements extracted from the interim report of the Company for the six months ended 30 June 2015.

The board (the "**Board**") of directors (the "**Directors**") of CNQC International Holdings Limited (the "**Company**") is pleased to present the unaudited consolidated results of the Company and its subsidiaries (collectively referred to as the "**Group**") for the six months ended 30 June 2015 (the "**Reporting Period**"), together with the comparative figures for the six months ended 30 September 2014 as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2015

		Six months ended	
	Note	**30 June 2015 HK$'000 (Unaudited)**	30 September 2014 HK$'000 (Unaudited)
Revenue	6	**835,217**	612,496
Cost of sales		**(713,692)**	(510,669)
Gross profit		**121,525**	101,827
Other (losses)/income, net		**(130)**	419
General and administrative expenses		**(44,384)**	(25,408)
Operating profit	7	**77,011**	76,838
Finance income		**183**	298
Finance costs		**(3,138)**	(3,121)
Finance costs, net	8	**(2,955)**	(2,823)
Profit before income tax		**74,056**	74,015
Income tax expense	9	**(15,438)**	(10,887)
Profit and total comprehensive income for the period attributable to owners of the Company		**58,618**	63,128
Earnings per share attributable to owners of the Company during the period	10		
— basic (HK cents)		**19.5**	21.0
— diluted (HK cents)		**19.5**	21.0

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2015

	Note	30 June 2015 HK$'000 (Unaudited)	31 December 2014 HK$'000 (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment	11	**331,985**	341,675
Goodwill	11	**13,022**	13,022
Prepayments and deposits	12	**1,841**	2,215
		346,848	356,912
Current assets			
Trade and other receivables, prepayments and deposits	12	**294,006**	329,404
Amounts due from customers for contract work	13	**42,862**	44,406
Tax recoverable		**–**	33
Cash and cash equivalents		**261,241**	113,121
		598,109	486,964
Total assets		**944,957**	843,876
EQUITY			
Capital and reserves			
Share capital	16	**3,000**	3,000
Share premium		**57,320**	57,320
Other reserves		**108,328**	103,216
Retained earnings		**262,488**	203,870
Total equity		**431,136**	367,406

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2015

	Note	30 June 2015 HK$'000 (Unaudited)	31 December 2014 HK$'000 (Audited)
LIABILITIES			
Non-current liabilities			
Borrowings	14	**72,557**	86,675
Deferred taxation		**39,914**	38,377
		112,471	125,052
Current liabilities			
Trade and other payables	15	**276,556**	209,756
Borrowings	14	**98,900**	128,865
Tax payable		**25,894**	12,797
		401,350	351,418
Total liabilities		**513,821**	476,470
Total equity and liabilities		**944,957**	843,876
Net current assets		**196,759**	135,546
Total assets less current liabilities		**543,607**	492,458

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2015

	(Unaudited)						
			Other reserves				
	Share capital (Note 16) HK$'000	Share premium HK$'000	Share-based payment reserve HK$'000	Merger reserve HK$'000	Capital reserve HK$'000	Retained earnings HK$'000	Total HK$'000
Balance at 1 April 2014	3,000	57,320	–	39,183	58,714	97,521	255,738
Profit and total comprehensive income for the period	–	–	–	–	–	63,128	63,128
Transaction with owners: Employee share option scheme — share based compensation benefits	–	–	2,763	–	–	–	2,763
Balance at 30 September 2014	3,000	57,320	2,763	39,183	58,714	160,649	321,629
Balance at 1 January 2015	**3,000**	**57,320**	**5,319**	**39,183**	**58,714**	**203,870**	**367,406**
Profit and total comprehensive income for the period	**–**	**–**	**–**	**–**	**–**	**58,618**	**58,618**
Transaction with owners: Employee share option scheme — share based compensation benefits	**–**	**–**	**5,112**	**–**	**–**	**–**	**5,112**
Balance at 30 June 2015	**3,000**	**57,320**	**10,431**	**39,183**	**58,714**	**262,488**	**431,136**

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2015

	Six months ended 30 June 2015 HK$'000 (Unaudited)	30 September 2014 HK$'000 (Unaudited)
Cash flows from operating activities		
Net cash generated from operations	**216,785**	50,776
Tax paid	**(771)**	(5,728)
Interest paid	**(3,138)**	(3,121)
Net cash generated from operating activities	**212,876**	41,927
Cash flows from investing activities		
Proceeds from disposal of property, plant and equipment	**719**	–
Purchases of property, plant and equipment	**(21,575)**	(58,965)
Interest received	**183**	298
Net cash used in investing activities	**(20,673)**	(58,667)
Cash flows from financing activities		
Inception of finance leases	**9,601**	52,447
Drawdown of bank borrowings	**43,489**	108,198
Repayment of finance leases	**(33,039)**	(26,455)
Repayment of bank borrowings	**(64,134)**	(85,347)
Dividend paid	**–**	(150,000)
Net cash used in financing activities	**(44,083)**	(101,157)
Net increase/(decrease) in cash and cash equivalents	**148,120**	(117,897)
Cash and cash equivalents at beginning of the period	**113,121**	188,885
Cash and cash equivalents at end of the period	**261,241**	70,988

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

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 the foundation business and machinery rental business in Hong Kong and Macau. The ultimate holding company is Guotsing Holding Group Company Limited which is incorporated in the People's Republic of China ("the PRC").

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.

This condensed consolidated interim financial information is presented in thousands of Hong Kong Dollar ("HK$'000"), unless otherwise stated. This condensed consolidated interim financial information was approved for issue on 28 August 2015.

2. BASIS OF PREPARATION

This unaudited condensed interim financial information for the six months ended 30 June 2015 has been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim financial reporting". The unaudited condensed interim financial information should be read in conjunction with the consolidated financial statements for the nine months ended 31 December 2014, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS").

3. ACCOUNTING POLICIES

Except as described below, the accounting policies applied to prepare this unaudited condensed interim financial information for the six months ended 30 June 2015 are consistent with those of the consolidated financial statements for the nine months ended 31 December 2014.

The Group has adopted the following amendments to standards for accounting periods beginning on or after 1 January 2015:

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 Group has assessed the impact of the adoption of these amendments to standards and considered that there was no significant impact on the Group's results and financial position nor any substantial changes in the Group's accounting policies.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

3. ACCOUNTING POLICIES *(Continued)*

The following new standards and amendments to standards have been published but are not yet effective and which the Group has not early adopted:

		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	1 January 2016
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 2017
Annual Improvements Project	Annual Improvements 2012–2014 Cycle	1 January 2016

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.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

4. FINANCIAL RISK MANAGEMENT

(a) Financial risk factors

The Group's activities expose it to a variety of financial risks: interest rate risk, credit risk and liquidity risk.

The condensed consolidated interim financial information does not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's financial statements for the nine months ended 31 December 2014.

There have been no changes in the risk management policies since the last financial period.

(b) 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 short and long term. Management believes there is no significant liquidity risk as the Group has sufficient committed facilities to fund their operations.

(c) Fair value estimation

The carrying values less impairment provision of trade and other receivables, trade and other payables, amount due from customers for contract work and bank balances are a reasonable approximation of their fair value 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 at market rates.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of the unaudited condensed interim financial information requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

In preparing the unaudited condensed interim financial information, the critical accounting estimates and judgments applied are consistent with those that applied to the consolidated financial statements for the nine months ended 31 December 2014.

6. REVENUE AND SEGMENT INFORMATION

Revenue, which is also the Group's turnover, represents the amounts that can be recognised in accordance with the respective stage of completion of construction work and rental income on machinery in the ordinary course of business. Revenue recognised during the respective periods is as follows:

	Six months ended	
	30 June 2015 HK$'000 (Unaudited)	30 September 2014 HK$'000 (Unaudited)
Revenue		
Construction contracts income	**835,217**	610,832
Rental income on machinery	**–**	1,664
	835,217	612,496

The chief operating decision-maker has been identified as the Board of Directors of the Company. The Board of Directors regards the Group's business as a single operating segment and reviews financial statements accordingly. Therefore, no segment information is presented.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

7. OPERATING PROFIT

Operating profit is stated after charging the following:

	Six months ended	
	30 June 2015 HK$'000 (Unaudited)	30 September 2014 HK$'000 (Unaudited)
Cost of sales		
Construction material costs	**270,733**	237,713
Subcontracting charges	**339,735**	179,599
Staff costs, including directors' emoluments	**84,294**	77,026
Share-based payments (Note 17)	**5,112**	2,763
Depreciation of owned assets (Note 11)	**11,662**	15,980
Depreciation of assets under finance leases (Note 11)	**18,754**	11,772
Legal and professional fees	**16,809**	2,250
Operating lease rental on land and buildings	**3,049**	1,787
Insurance	**1,455**	1,497
Repair and maintenance	**2,160**	2,011

8. FINANCE COSTS, NET

	Six months ended	
	30 June 2015 HK$'000 (Unaudited)	30 September 2014 HK$'000 (Unaudited)
Interest expense on bank borrowings wholly repayable within 5 years	**749**	981
Interest expense on finance lease liabilities wholly repayable within 5 years	**2,389**	2,140
Interest income	**(183)**	(298)
	2,955	2,823

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

9. INCOME TAX EXPENSE

Hong Kong and Macau profits tax have been provided at the rate of 16.5% and 12% respectively for the six months ended 30 June 2015 and 30 September 2014 on the estimated assessable profit for the period.

	Six months ended	
	30 June 2015 HK$'000 (Unaudited)	30 September 2014 HK$'000 (Unaudited)
Current income tax		
— Hong Kong profits tax	**13,256**	1,719
— Macau profits tax	**645**	6,108
Deferred income tax	**1,537**	3,060
Income tax expense	**15,438**	10,887

10. EARNINGS PER SHARE

Basic

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the respective periods.

	Six months ended	
	30 June 2015 (Unaudited)	30 September 2014 (Unaudited)
Profit attributable to owners of the Company (HK$'000)	**58,618**	63,128
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share (in thousand)	**300,000**	300,000
Basic earnings per share (HK cents)	**19.5**	21.0

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

10. EARNINGS PER SHARE *(Continued)*

Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. Share issuable under the share option scheme is the only category of dilutive potential ordinary shares. A calculation is made to determine the number of shares that could have been acquired at fair value (determined as the average market share 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.

	Six months ended	
	30 June 2015 (Unaudited)	30 September 2014 (Unaudited)
Diluted earnings per share (HK cents)	**19.5**	21.0

Diluted earnings per share for the six months ended 30 June 2015 and 30 September 2014 equal basic earnings per share as the exercise of the outstanding share options would be anti-dilutive.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

11. PROPERTY, PLANT AND EQUIPMENT AND GOODWILL

	Property, plant and equipment HK$'000	Goodwill HK$'000	Total HK$'000
Six months ended 30 June 2015 (Unaudited)			
Net book value			
Opening amount as at 1 January 2015	**341,675**	**13,022**	**354,697**
Additions	**21,575**	**–**	**21,575**
Disposals	**(849)**	**–**	**(849)**
Depreciation	**(30,416)**	**–**	**(30,416)**
Closing amount as 30 June 2015	**331,985**	**13,022**	**345,007**
Six months ended 30 September 2014 (Unaudited)			
Net book value			
Opening amount as at 1 April 2014	315,959	13,022	328,981
Additions	58,965	–	58,965
Depreciation	(27,752)	–	(27,752)
Closing amount as at 30 September 2014	347,172	13,022	360,194

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

12. TRADE AND OTHER RECEIVABLES

	30 June 2015 HK$'000 (Unaudited)	31 December 2014 HK$'000 (Audited)
Contract receivables	**146,082**	207,211
Retention receivables	**142,150**	103,869
Total trade receivables	**288,232**	311,080
Other receivables, deposits and prepayments (note d)	**7,615**	20,539
	295,847	331,619
Less: prepayments and deposits — non-current portion	**(1,841)**	(2,215)
Current portion	**294,006**	329,404

Notes:

(a) Trade receivables are past due when a counterparty has failed to make a payment when contractually due. The credit period granted to customers is 14 to 60 days.

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

	30 June 2015 HK$'000 (Unaudited)	31 December 2014 HK$'000 (Audited)
0–30 days	**127,863**	201,727
31–60 days	**13,658**	1,589
61–90 days	**–**	–
Over 90 days	**4,561**	3,895
	146,082	207,211

Contract receivables of HK$141,521,000 and HK$203,316,000 as at 30 June 2015 and 31 December 2014 respectively were not yet past due and HK$4,561,000 and HK$3,895,000 as at 30 June 2015 and 31 December 2014 respectively were past due but not impaired. These relate to contract receivables from a number of independent customers of whom there is no recent history of default and no provision has therefore been made.

Retention receivables were not yet past due as at 30 June 2015 and were settled in accordance with the terms of respective contracts.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

12. TRADE AND OTHER RECEIVABLES *(Continued)*

Notes: *(continued)*

(c) The other classes of assets within trade and other receivables do not contain impaired assets. The Group does not hold any collateral as security.

(d) The amount as at 30 June 2015 and 31 December 2014 mainly represents prepayments for insurance, construction site deposits and prepayments for purchase of materials.

(e) The carrying amounts of trade and other receivables approximate their fair values and are denominated in the following currencies:

	30 June 2015 HK$'000 (Unaudited)	31 December 2014 HK$'000 (Audited)
Hong Kong Dollar	**265,280**	298,724
Macau Pataca	**30,567**	32,895
	295,847	331,619

13. AMOUNTS DUE FROM CUSTOMERS FOR CONTRACT WORK

	30 June 2015 HK$'000 (Unaudited)	31 December 2014 HK$'000 (Audited)
Costs plus attributable profits less foreseeable losses	**789,181**	1,259,679
Less: progress billings to date	**(746,319)**	(1,215,273)
Amounts due from customers for contract work	**42,862**	44,406

There were no advances received from customers for contract work as at 30 June 2015 and 31 December 2014. Progress billings to date include retention receivables of HK$52,073,000 and HK$94,926,000 as at 30 June 2015 and 31 December 2014.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

14. BORROWINGS

	30 June 2015 HK$'000 (Unaudited)	31 December 2014 HK$'000 (Audited)
Non-current		
Bank borrowings (note a)	12,150	8,586
Finance lease liabilities (note b)	60,407	78,089
	72,557	86,675
Current		
Bank borrowings (note a)	35,214	59,423
Finance lease liabilities (note b)	63,686	69,442
	98,900	128,865
Total borrowings	171,457	215,540

Note:

(a) Bank borrowings

As at 30 June 2015, the Group had bank borrowing which bore interest at Hong Kong best lending rate, the current prime rate per annum or 2%–3.5% above one-month or three-month Hong Kong Interbank Offered Rate ("HIBOR") per annum, respectively.

The bank borrowings were denominated in Hong Kong Dollar.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

14. BORROWINGS *(Continued)*

Note: *(Continued)*

(a) Bank borrowings *(Continued)*

The bank borrowings of HK$35,214,000 (31 December 2014: HK$59,423,000) were classified as current liabilities according to "Interpretation-5, Presentation of Financial statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause". According to the repayment schedule the bank borrowings, without considering the repayable on demand clause, were repayable as follows:

	30 June 2015 HK$'000 (Unaudited)	31 December 2014 HK$'000 (Audited)
Within 1 year	**35,214**	56,593
Between 1 and 2 years	**7,198**	5,209
Between 2 and 5 years	**4,952**	6,207
	47,364	68,009

The carrying amounts of the borrowings approximately their fair value.

(b) Finance lease liabilities

Finance lease liabilities are secured as the rights to the leased assets revert to the lessors in the event of default.

	30 June 2015 HK$'000 (Unaudited)	31 December 2014 HK$'000 (Audited)
Gross finance lease liabilities — minimum lease payments		
— Within 1 year	**66,072**	73,135
— Later than 1 year and no later than 5 years	**61,855**	80,354
	127,927	153,489
Future finance charges on finance leases	**(3,834)**	(5,958)
Present value of finance lease liabilities	**124,093**	147,531

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

14. BORROWINGS *(Continued)*

Note: *(Continued)*

(b) Finance lease liabilities *(Continued)*

The present value of finance lease liabilities is as follows:

	30 June 2015 HK$'000 (Unaudited)	31 December 2014 HK$'000 (Audited)
Within 1 year	**63,686**	69,442
Later than 1 year and no later than 5 years	**60,407**	78,089
	124,093	147,531

The finance leases liabilities are denominated in Hong Kong Dollar.

(c) As at 30 June 2015, the Group had committed bank facilities (including the finance lease facilities) of HK$25,537,000 which bore interest at 2.5% below the current prime rate per annum, HK$1,023,000 which bore interest at a fixed rate of 2% to 2.5% per annum, HK$27,000,000 which bore interest rate at best lending rate and HK$399,336,000 which bore interest at 2% to 3.5% per annum above HIBOR, respectively.

As at 31 December 2014, the Group had committed bank facilities (including the finance lease facilities) of HK$25,537,000 which bore interest at 2.5% below the current prime rate per annum, HK$1,023,000 which bore interest at a fixed rate of 2% to 2.5% per annum, HK$27,000,000 which bore interest rate at best lending rate and HK$378,965,000 which bore interest at 2% to 3.5% per annum above HIBOR, respectively.

These committed banking facilities were subject to annual review. As at 30 June 2015, the undrawn banking facilities amounted to HK$135,757,000 (31 December 2014: HK$116,069,000).

These banking facilities were secured by the Group's machinery with an aggregate net book value of HK$210,042,000 and HK$213,646,000 as at 30 June 2015 and 31 December 2014 respectively.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

15. TRADE AND OTHER PAYABLES

	30 June 2015 HK$'000 (Unaudited)	31 December 2014 HK$'000 (Audited)
Trade payables	**192,342**	122,427
Accruals for construction costs	**67,080**	65,419
Other accruals (note c)	**17,134**	21,910
	276,556	209,756

Notes:

(a) The carrying amounts of trade and other payables approximate their fair values and are mainly denominated in Hong Kong Dollar.

(b) Payment terms granted by suppliers are 14 to 60 days from the invoice date of the relevant purchases.

The aging analysis of trade payables based on the invoice date is as follows:

	30 June 2015 HK$'000 (Unaudited)	31 December 2014 HK$'000 (Audited)
0–30 days	**152,530**	108,079
31–60 days	**15,837**	12,286
61–90 days	**22,257**	1,099
Over 90 days	**1,718**	963
	192,342	122,427

(c) Other accruals mainly related to the accrued staff benefits and accrued legal and professional expenses.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

16. SHARE CAPITAL

	Number of ordinary shares	Nominal amount HK$'000
Authorised:		
Ordinary shares as at 30 June 2015 and 31 December 2014	2,000,000,000	20,000
Issued and fully paid:		
Ordinary shares as at 30 June 2015 and 31 December 2014	300,000,000	3,000

17. SHARE-BASED PAYMENTS

Share options to subscribe for 19,500,000 ordinary shares of the Company were granted by the Company to selected employees including directors in 2014. The exercise price of the granted options was HK$2.70 per 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 the 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; (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.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

17. SHARE-BASED PAYMENTS *(Continued)*

Movements in the number of share options outstanding and their related weighted average exercise prices are as follows:

	30 June 2015		30 September 2014	
	Average exercise price in HK$ per share option	**Options (thousands)**	Average exercise price in HK$ per share option	Options (thousands)
At beginning of the period	**2.7**	**19,500**	–	–
Granted	**–**	**–**	2.7	19,500
At end of the period	**2.7**	**19,500**	2.7	19,500

The weighted average fair value of options granted using the Binomial Option Pricing Model was HK$1.19 per 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. See Note 7 for the total expense recognised in the condensed consolidated statements of comprehensive income for share options granted to directors and employees.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

18. COMMITMENTS

Capital commitment

There is no capital expenditure contracted for but not yet incurred as at 30 June 2015 (31 December 2014: HK$12,433,000 for purchase of machineries).

Operating lease commitments — Group as lessee

As at each statement of financial position date, the total future minimum lease payments under non-cancellable operating leases were payable as follows:

	30 June 2015 HK$'000 (Unaudited)	31 December 2014 HK$'000 (Audited)
Not later than 1 year	**7,603**	6,401
1–5 years	**6,628**	8,910
	14,231	15,311

The Group is the lessee in respect of a number of properties under operating leases. The leases typically run for an initial period of two to three years, with an option to renew the lease when all terms are renegotiated. None of the leases includes contingent rentals.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

19. 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. Related parties may be individuals or other entities.

(a) During the six months ended 30 June 2015 and 30 September 2014, the related parties that had transactions with the Group were as follows:

Name of related parties	Relationship with the Group
Super Ease Holdings Limited ("Super Ease")	A related company in which a director of the Company has an interest
Sunnic Holdings Limited ("Sunnic Holdings")	A related company in which a director of the Company has an interest

(b) The following is a summary of significant related party transactions 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:

	Six months ended	
	30 June 2015 HK$'000 (Unaudited)	30 September 2014 HK$'000 (Unaudited)
Rent paid to		
— Super Ease	–	143
— Sunnic Holdings	–	143
	–	286

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

19. RELATED PARTY TRANSACTIONS *(Continued)*

(c) Key management compensation

	Six months ended	
	30 June 2015 HK$'000 (Unaudited)	30 September 2014 HK$'000 (Unaudited)
Directors' fee, salaries, wages and allowances	**8,584**	5,695
Share-based payments	**5,112**	1,955
Retirement benefit expenses	**50**	32
	13,746	7,682

20. CONTINGENT LIABILITIES

(a) Guarantees

As at each statement of financial position date, the Group had the following contingent liabilities:

	30 June 2015 HK$'000 (Unaudited)	31 December 2014 HK$'000 (Audited)
Guarantees on performance bonds in respect of contracts	**193,600**	64,489

(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 financial statements.

AUDITOR'S REPORT AND AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR THE NINE MONTHS ENDED 31 DECEMBER 2014

Set out below is the auditor's report extracted from the annual report of the Company for the nine months ended 31 December 2014.

INDEPENDENT AUDITOR'S REPORT

羅兵咸永道

INDEPENDENT AUDITOR'S REPORT 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 (together, the "Group") set out on pages 41 to 100, which comprise the consolidated and company statements of financial position as at 31 December 2014, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the nine months ended 31 December 2014, 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, in accordance with our agreed terms of engagement 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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2014, and of the Group's profit and cash flows for the nine months ended 31 December 2014 in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 18 March 2015

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For nine months ended 31 December 2014

	Note	**Nine months ended 31 December 2014 HK$'000**	Year ended 31 March 2014 HK$'000
Revenue	5	**957,919**	1,218,198
Cost of sales	6	**(784,629)**	(989,861)
Gross profit		**173,290**	228,337
Other gains/(losses)	5	**1,040**	(2,437)
General and administrative expenses	6	**(44,804)**	(39,117)
Operating profit		**129,526**	186,783
Finance income		**401**	190
Finance costs		**(4,783)**	(5,066)
Finance costs, net	9	**(4,382)**	(4,876)
Profit before income tax		**125,144**	181,907
Income tax expense	10	**(18,795)**	(26,111)
Profit and total comprehensive income for the period/year attributable to owners of the Company		**106,349**	155,796
Basic and diluted earnings per share (HK cents)	11	**35.4**	51.9

The notes on pages 48 to 100 are an integral part of these financial statements.

Dividend	12	**–**	150,000

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2014

	Note	As at 31 December 2014 HK$'000	As at 31 March 2014 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	13	**341,675**	315,959
Goodwill	14	**13,022**	13,022
Prepayments and deposits	15	**2,215**	–
Deferred taxation	21	**–**	43
		356,912	329,024
Current assets			
Trade and other receivables, prepayments and deposits	15	**329,404**	177,392
Amounts due from customers for contract work	16	**44,406**	40,672
Tax recoverable		**33**	480
Cash and cash equivalents	18	**113,121**	188,885
		486,964	407,429
Total assets		**843,876**	736,453
EQUITY			
Capital and reserves			
Share capital	23	**3,000**	3,000
Share premium		**57,320**	57,320
Other reserves	24, 25	**103,216**	97,897
Retained earnings		**203,870**	97,521
Total equity		**367,406**	255,738

The notes on pages 48 to 100 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2014

	Note	As at 31 December 2014 HK$'000	As at 31 March 2014 HK$'000
LIABILITIES			
Non-current liabilities			
Borrowings	19	**86,675**	78,445
Deferred taxation	21	**38,377**	30,098
		125,052	108,543
Current liabilities			
Trade and other payables	20	**209,756**	89,374
Borrowings	19	**128,865**	118,570
Tax payable		**12,797**	14,228
Dividend payable		**–**	150,000
		351,418	372,172
Total liabilities		**476,470**	480,715
Total equity and liabilities		**843,876**	736,453
Net current assets		**135,546**	35,257
Total assets less current liabilities		**492,458**	364,281

The financial statements on pages 41 to 100 were approved by the Board of Directors on 18 March 2015 and were signed on its behalf.

Du Bo	**Cheng Wing On, Michael**
Director	*Director*

The notes on pages 48 to 100 are an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION

As at 31 December 2014

	Note	As at 31 December 2014 HK$'000	As at 31 March 2014 HK$'000
ASSETS			
Non-current assets			
Investments in subsidiaries	17	**2,546**	10
Loans due from subsidiaries	17	**111,710**	49,110
		114,256	49,120
Current assets			
Other receivables	15	**51**	150,000
Amount due from a subsidiary	17	**–**	10,000
Cash and cash equivalents	18	**88**	2,584
		139	162,584
Total assets		**114,395**	211,704
EQUITY			
Capital and reserves			
Share capital	23	**3,000**	3,000
Share premium		**57,320**	57,320
Share based payment reserve	24	**5,319**	–
Accumulated losses	25(c)	**(31,071)**	(19,904)
Total equity		**34,568**	40,416

The notes on pages 48 to 100 are an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION

As at 31 December 2014

	Note	As at 31 December 2014 HK$'000	As at 31 March 2014 HK$'000
LIABILITIES			
Non-current liability			
Loan due to a subsidiary	17	**33,000**	20,000
Current liabilities			
Other payables	20	**1,437**	1,288
Amounts due to subsidiaries	17	**25,490**	–
Loan due to a subsidiary	17	**19,900**	–
Dividend payable		**–**	150,000
		46,827	151,288
Total liabilities		**79,827**	171,288
Total equity and liabilities		**114,395**	211,704
Net current (liabilities)/assets		**(46,688)**	11,296
Total assets less current liabilities		**67,568**	60,416

The financial statements on pages 41 to 100 were approved by the Board of Directors on 18 March 2015 and were signed on its behalf

Du Bo	**Cheng Wing On, Michael**
Director	*Director*

The notes on pages 48 to 100 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 31 December 2014

	Share capital HK$'000 (Note 23)	Share premium HK$'000	Share based payment reserve HK$'000 (Note 24)	Merger reserve HK$'000 (Note 25)	Capital reserve HK$'000 (Note 25)	Retained earnings HK$'000	Total HK$'000
Balance at 1 April 2013	3,000	57,320	–	39,183	58,714	112,725	270,942
Profit and total comprehensive income for the year	–	–	–	–	–	155,796	155,796
Transaction with owners							
Dividend relating to the year ended 31 March 2013	–	–	–	–	–	(21,000)	(21,000)
Dividend relating to the year ended 31 March 2014	–	–	–	–	–	(150,000)	(150,000)
Total transactions with owners	–	–	–	–	–	(171,000)	(171,000)
Balance at 31 March 2014	3,000	57,320	–	39,183	58,714	97,521	255,738
Balance at 1 April 2014	**3,000**	**57,320**	**–**	**39,183**	**58,714**	**97,521**	**255,738**
Profit and total comprehensive income for the period	**–**	**–**	**–**	**–**	**–**	**106,349**	**106,349**
Transaction with owners:							
Employee share option scheme — share based compensation benefits	**–**	**–**	**5,319**	**–**	**–**	**–**	**5,319**
Balance at 31 December 2014	**3,000**	**57,320**	**5,319**	**39,183**	**58,714**	**203,870**	**367,406**

The notes on pages 48 to 100 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the nine months ended 31 December 2014

	Note	Nine months ended 31 December 2014 HK$'000	Year ended 31 March 2014 HK$'000
Cash flows from operating activities			
Net cash generated from operations	26(a)	**139,598**	232,309
Tax paid		**(11,457)**	(9,155)
Interest paid		**(4,783)**	(5,066)
Net cash generated from operating activities		**123,358**	218,088
Cash flows from investing activities			
Proceeds from disposal of property, plant and equipment		**600**	6,854
Purchases of property, plant and equipment		**(62,778)**	(128,387)
Interest received		**401**	190
Net cash used in investing activities		**(61,777)**	(121,343)
Cash flows from financing activities			
Inception of finance leases		**52,447**	39,568
Drawdown of bank borrowings		**121,968**	109,799
Repayment of finance leases		**(43,642)**	(40,432)
Repayment of bank borrowings		**(118,118)**	(53,890)
Dividend paid		**(150,000)**	(21,000)
Net cash (used in)/generated from financing activities		**(137,345)**	34,045
Net (decrease)/increase in cash and cash equivalents		**(75,764)**	130,790
Cash and cash equivalents at the beginning of the period/year		**188,885**	58,095
Cash and cash equivalents at the end of the period/year		**113,121**	188,885

The notes on pages 48 to 100 are an integral part of these 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 the foundation business and machinery rental business in Hong Kong and Macau.

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 thousands of Hong Kong Dollar ("HK$'000"), unless otherwise stated, and have been approved for issue by the Board of Directors on 18 March 2015.

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 periods presented, unless otherwise stated.

(a) Change of year end date and additional financial information

Pursuant to a special resolution passed on 24 November 2014, the Board of Directors resolved to change the financial year end date of the Company and the Group from 31 March to 31 December to coincide with the year end date with the ultimate holdings company. Accordingly, the current financial period covers a nine-month period from 1 April 2014 to 31 December 2014 with the comparative financial period from 1 April 2013 to 31 March 2014.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(b) Basis of preparation

The consolidated financial statements of the Company have been prepared in accordance with the Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The consolidated financial statements have been prepared under the historical cost convention.

The consolidated financial statements are prepared in accordance with the applicable requirements of the predecessor Hong Kong Companies Ordinance (Cap. 32) for this financial period and the comparative period.

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

(i) Amendments to standards and interpretation adopted by the Group

The following amendments to standards and interpretation have been adopted by the Group for the first time for the financial period beginning on or after 1 April 2014:

HKFRS 10, HKFRS 12 and HKAS 27 (2011) (amendment)	Investment entities
HKAS 32 (amendment)	Financial instruments: presentation — offsetting financial assets and financial liabilities
HKAS 36 (amendment)	Recoverable amount disclosures for non-financial assets
HKAS 39 (amendment)	Novation of derivatives and continuation of hedge accounting
HK(IFRIC)-Int 21	Levies

The Group has assessed the impact of the adoption of these amendments to standards and interpretation and considered that there was no significant impact on the Group's results and financial position nor any substantial changes in the Group's accounting policies.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(b) Basis of preparation *(Continued)*

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

The following new standards and amendments to standards have been published but are not yet effective and which the Group has not early adopted:

		Effective for annual periods beginning on or after
HKFRS (amendment)	Annual improvement to HKFRSs 2010–2012 cycle	1 July 2014
HKFRS (amendment)	Annual improvement to HKFRSs 2011–2013 cycle	1 July 2014
HKFRS (amendment)	Annual improvement to HKFRSs 2012–2014 cycle	1 January 2016
HKFRS 9	Financial instruments	1 January 2018
HKFRS 10 and HKAS 28 (amendment)	Sale or contribution of assets between an investor and its associate or joint venture	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 2017
HKAS 16 and HKAS 38 (amendment)	Clarification of acceptable methods of depreciation and amortisation	1 January 2016
HKAS 16 and HKAS 41 (amendment)	Agriculture: bearer plants	1 January 2016
HKAS 19 (2011)	Defined benefit plans: employee contributions	1 July 2014
HKAS 27 (amendment)	Equity method in separate financial statements	1 January 2016

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.

(iii) 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 as from the Company's first financial period commencing on or after 3 March 2014 in accordance with section 358 of that Ordinance. The Group has made an assessment of expected impact of the changes in the Companies Ordinance on the consolidated financial statements in the period of initial application of Part 9 of the new Hong Kong Companies Ordinance (Cap. 622). So far it has concluded that the impact is unlikely to be significant and only the presentation and the disclosure of information in the consolidated financial statements will be affected.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(c) Consolidation

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. 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 the consolidated statement of comprehensive income.

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 the consolidated statement of comprehensive income or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

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

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(c) Consolidation *(Continued)*

(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 the consolidated statement of comprehensive income. 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.

(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 reported to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors that makes strategic decisions.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(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 (the "functional currency"). The consolidated financial statements are presented in Hong Kong Dollar, which is the Company's functional and the Group's presentation currency.

(ii) Transactions and balances

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

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the consolidated statement of comprehensive income within 'Finance costs'. All other foreign exchange gains and losses are presented in the consolidated statement of comprehensive income within 'Other gains/(losses)'.

(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 end of that reporting period;

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(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 period/year in which they are incurred.

Depreciation on assets is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Machinery	10%–20%
Office equipment	20%
Motor vehicles	20%–30%
Furniture and fixtures	20%

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 gains/(losses)" in the consolidated statement of comprehensive income.

(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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(i) Impairment of non-financial assets

Assets that have indefinite useful life, for example, goodwill, are not subject to amortisation and are tested annually for impairment. 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, 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.

(j) 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.

The Group as lessee

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 the consolidated statement of comprehensive income, 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 the consolidated statement of comprehensive income 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.

(k) Construction contracts in progress

Contracting work-in-progress is valued at cost incurred plus an appropriate proportion of profits after deducting progress payments and allowances for foreseeable losses. Cost comprises construction material costs, labour and overheads expenses incurred in bringing the work-in-progress to its present condition.

The Group presents as an asset the gross amounts 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 retention 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).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(l) Loans and receivables

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

(m) Impairment of financial assets

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 the consolidated statement of comprehensive income.

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 the consolidated statement of comprehensive income.

(n) Trade and other receivables

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(o) Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less.

(p) Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(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 recognised initially at fair value and subsequently measured 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 consolidated statement of comprehensive income 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.

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.

(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 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, 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 associates. Only where there is an agreement in place that gives the Group the ability to control the reversal of the temporary difference not recognised.

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries 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 benefits

(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 expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligations. The increase in the provision due to passage of time is recognised as interest expense.

(w) Contingent liabilities and contingent assets

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.

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(x) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivables for the sale of services 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 an independent surveyor.

(ii) Rental income on machinery

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

(iii) Interest income

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

(iv) Dividend income

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

(y) Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's and 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(z) Share based payment

(i) Equity-settled share based payment transactions

The Group operates an equity-settled, share based compensation plan, 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).

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).

(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.

3 FINANCIAL RISK MANAGEMENT

(a) Financial risk factors

The Group's activities exposed it to a variety of financial risks: interest rate risk, credit risk and liquidity risk.

The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group may use derivative financial instruments, if necessary, to reduce certain risk exposures.

(i) Interest rate risk

Other than bank balances with 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 issued 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 2014, if the interest rate on all borrowings had been 100 basis points (31 March 2014: 100 basis points) higher/lower with all other variables held constant, the Group's profit after tax for the period would have been decreased/increased by approximately HK$2,126,000 (year ended 31 March 2014: HK$1,970,000) respectively, mainly as a result of higher/lower interest expense on borrowings with floating interest rates.

(ii) Credit risk

Credit risk arises mainly from trade and other receivables, amounts due from customers for contract work and cash at bank. The Group's maximum exposure to credit risk in the event of the counterparties' failure to perform their obligations as at the reporting dates in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated statement of financial position.

The credit risk of bank balances is limited because the counterparties are banks with sound credit ratings assigned by international credit-rating agencies.

In respect of trade and other receivables and amounts due from customers for contract work, individual credit evaluations are performed on all customers and counterparties. These evaluations focus on the counterparty's financial position, past history of making payments and take into account information specific to the counterparty as well as pertaining to the economic environment in which the counterparty operates. Monitoring procedures have been implemented to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade and other receivable balance at the end of each reporting period to ensure adequate impairment losses are made for irrecoverable amounts.

3 FINANCIAL RISK MANAGEMENT *(Continued)*

(a) Financial risk factors *(Continued)*

(ii) Credit risk *(Continued)*

As at 31 December 2014, there were 3 (31 March 2014: 3) customers which individually contributed over 10% of the Group's trade and other receivables. The aggregate amount of trade and other receivables from these customers amounted to 53% (31 March 2014: 46%) of the Group's total trade and other receivables.

(iii) 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 short 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 period end date of the Group's and the Company'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 period/year end date) and the earliest date the Group may be required to pay:

Group

	Within one year HK$'000	Between one to two years HK$'000	Between two to five years HK$'000	Total HK$'000
At 31 December 2014				
Trade and other payables	**207,096**	**–**	**–**	**207,096**
Borrowings	**133,107**	**53,931**	**35,386**	**222,424**
	340,203	**53,931**	**35,386**	**429,520**
At 31 March 2014				
Trade and other payables	87,240	–	–	87,240
Borrowings	122,269	47,676	33,272	203,217
Dividend payable	150,000	–	–	150,000
	359,509	47,676	33,272	440,457

3 FINANCIAL RISK MANAGEMENT *(Continued)*

(a) Financial risk factors *(Continued)*

(iii) Liquidity risk *(Continued)*

Company

	Within one year HK$'000	Between one to two years HK$'000	Between two to five years HK$'000	Total HK$'000
At 31 December 2014				
Other payables	**1,437**	**–**	**–**	**1,437**
Dividend payable	**–**	**–**	**–**	**–**
Amounts due to subsidiaries	**45,390**	**33,000**	**–**	**78,390**
	46,827	**33,000**	**–**	**79,827**
At 31 March 2014				
Other payables	1,288	–	–	1,288
Dividend payable	150,000	–	–	150,000
Amounts due to subsidiaries	–	20,000	–	20,000
	151,288	20,000	–	171,288

(b) Capital management

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.

Consistent with others in the industry the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as the total interest-bearing liabilities divided by the total equity as at each period/year end.

3 FINANCIAL RISK MANAGEMENT *(Continued)*

(b) Capital management *(Continued)*

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

	As at 31 December 2014 HK$'000	As at 31 March 2014 HK$'000
Total borrowings *(Note 19)*	**215,540**	197,015
Total equity	**367,406**	255,738
Gearing ratio	**58.7%**	77.0%

(c) Fair value estimation

The carrying values less impairment provision of trade and other receivables, trade and other payables, amounts due from customers for contract work 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 at market rates.

4 CRITICAL ACCOUNTING ESTIMATES 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) 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS *(Continued)*

(a) 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 value 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.

(b) Impairment of receivables

Management determines the provision for impairment of trade and other receivables and amounts due from customers for contract work. This estimate is based on the credit history of its customers and the current market condition. Management reassesses the provision at each statement of financial position date.

Significant judgment is exercised on the assessment of the collectability of receivables from each customer. In making the judgment, management considers a wide range of factors such as results of follow-up procedures, customer payment trends including subsequent payments and customers' financial positions. If the financial conditions of the customers of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required.

(c) 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. As at 31 March 2014 and 31 December 2014, management was not aware of any impairment on goodwill based on the assessment.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS *(Continued)*

(d) 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.

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 base their judgements of contract costs and revenues on the latest available information, which includes detailed contract valuations. In many cases the results reflect the expected outcome of long-term contractual obligations which span more than one reporting period. Contract costs and revenues are affected by a variety of uncertainties that depend on the outcome of future events and often need to be revised as events unfold and uncertainties are resolved. The estimates of contract costs and revenues 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.

(e) Provision for litigation

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 REVENUE AND SEGMENT INFORMATION

Revenue, which is also the Group's turnover, represents the amounts that can be recognized in accordance with the respective stage of completion of construction contracts and rental income on machinery in the ordinary course of business. Revenue and other gains/(losses) recognised during the respective period/year are as follows:

	Nine months ended 31 December 2014 HK$'000	Year ended 31 March 2014 HK$'000
Revenue		
Construction contracts income	**956,255**	1,218,187
Rental income on machinery	**1,664**	11
	957,919	1,218,198
Other gains/(losses)		
Impairment of property, plant and equipment	**–**	(4,151)
Gain on disposal of property, plant and equipment	**600**	1,320
Others	**440**	394
	1,040	(2,437)

5 REVENUE AND SEGMENT INFORMATION *(Continued)*

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker being the Board. As the Group is principally engaged in foundation business and machinery leasing business in Hong Kong and Macau, which are subject to similar business risk, and resources are allocated based on what is beneficial to the Group in enhancing the value as a whole rather than any specific unit, the Group's chief operating decision maker considers the performance assessment of the Group should be based on the profit before income tax of the Group as a whole. Therefore, management considers there to be only one operating segment under the requirements of HKFRS 8.

The Group primarily operates in Hong Kong and Macau, and its revenue is derived from the following regions:

	Nine months ended 31 December 2014 HK$'000	Year ended 31 March 2014 HK$'000
Hong Kong	**794,916**	885,437
Macau	**163,003**	332,761
	957,919	1,218,198

There were 4 (year ended 31 March 2014: 3) customers which individually contributed over 10% of the Group's revenue for the nine month ended 31 December 2014. The aggregate amount of revenue from these customers amounted to approximately 66% of the Group's total revenue for the nine months ended 31 December 2014 (year ended 31 March 2014: approximately 57%).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6 EXPENSES BY NATURE

	Nine months ended 31 December 2014 HK$'000	Year ended 31 March 2014 HK$'000
Cost of sales		
Construction material costs	**349,450**	480,459
Subcontracting charges	**279,395**	337,369
Staff costs *(Note 7)*	**113,472**	123,701
Depreciation of owned assets *(Note 13)*	**20,334**	21,042
Depreciation of assets under finance leases *(Note 13)*	**21,978**	27,290
	784,629	989,861
General and administrative expenses		
Auditors' remuneration	**1,815**	1,949
Building management fee	**474**	332
Staff costs, including directors' emoluments *(Note 7)*	**24,327**	18,392
Depreciation *(Note 13)*	**620**	996
Operating lease rental on land and buildings	**3,064**	2,175
Transportation	**1,692**	2,733
Legal and professional fees	**5,212**	3,186
Insurance	**1,704**	1,834
Repair and maintenance	**2,783**	4,450
Other expenses	**3,113**	3,070
	44,804	39,117
Total cost of sales and general and administrative expenses	**829,433**	1,028,978

7 EMPLOYEE BENEFIT EXPENSES, INCLUDING DIRECTORS' EMOLUMENTS

	Nine months ended 31 December 2014 HK$'000	Year ended 31 March 2014 HK$'000
Salaries, wages and allowances	**129,182**	138,456
Retirement benefit expenses — defined contribution plan	**3,298**	3,637
Share based payment expense	**5,319**	–
	137,799	142,093

The Group operates a defined contribution scheme in Hong Kong which complies with the requirements under the Mandatory Provident Fund ("MPF") Schemes Ordinance. All assets under the scheme are held separately from the Group under independently administered funds. Contributions to the MPF scheme follow the MPF Schemes Ordinance.

Under the MPF scheme, each of the Group (the employer) and its Hong Kong employees makes monthly contributions to the scheme at 5% of the employees' relevant income, as defined in the MPF Schemes Ordinance. Both the Group's and the employees' monthly contributions are subject to a cap of HK$1,250 up to 31 May 2014 and HK$1,500 from 1 June 2014 and contributions beyond these amounts are voluntary. The contributions are fully and immediately vested upon payment.

As 31 December 2014, there were no forfeited contributions (31 March 2014: Nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

8 DIRECTORS' EMOLUMENTS

(a) Directors' emoluments

The emoluments of the directors for the nine months ended 31 December 2014 are set out below:

	Fee HK$'000	Salaries, wages and allowances HK$'000	Discretionary bonuses HK$'000	Equity settled share based payments HK$'000	Retirement scheme contributions HK$'000	Total HK$'000
Executive directors						
Dr. Du Bo *(note (i))*	964	–	–	–	–	964
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))*	173	–	–	818	–	991
Dr. Ding Hongbin *(note (i))*	173	–	–	818	–	991
	1,880	3,846	2,222	3,764	26	11,738

8 DIRECTORS' EMOLUMENTS *(Continued)*

(a) Directors' emoluments *(Continued)*

The emoluments of the directors for the year ended 31 March 2014 are set out below:

	Fee HK$'000	Salaries, wages and allowances HK$'000	Discretionary bonuses HK$'000	Equity settled share based payments HK$'000	Retirement scheme contributions HK$'000	Total HK$'000
Executive directors						
Dr. Ho Kar Chung *(note (ii))*	1,000	–	–	–	–	1,000
Mr. Ho Chi Ling	–	1,044	261	–	15	1,320
Mr. Cheng Wing On, Michael	–	960	200	–	15	1,175
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 director						
Mr. Leung Chee Hon *(note (ii))*	240	–	–	–	–	240
	1,960	2,004	461	–	30	4,455

During the period/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. No director has waived or agreed to waive any emoluments during the period/year.

Notes:

(i) These directors were appointed on 11 April 2014

(ii) These directors resigned on 11 April 2014

8 DIRECTORS' EMOLUMENTS *(Continued)*

(b) Five highest paid individuals

Of the five individuals with the highest emoluments, four (year ended 31 March 2014: three) of them are directors whose emoluments are disclosed above. The emoluments of the remaining one (year ended 31 March 2014: two) highest paid individuals for the nine months ended 31 December 2014 are as follows:

	Nine months ended 31 December 2014 HK$'000	Year ended 31 March 2014 HK$'000
Salaries, wages and allowances	**900**	1,920
Discretionary bonuses	**400**	400
Retirement benefit expenses	**–**	6
Share based payment expenses	**409**	–
	1,709	2,326

The emoluments of these highest paid individuals fell within the following bands:

	Nine months ended 31 December 2014	Year ended 31 March 2014
HK$1,000,000 – HK$1,500,000	**–**	2
HK$1,500,001 – HK$2,000,000	**1**	–
	1	2

During the period/year, no emoluments were paid by the Group to the above highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office as a director or management of any members of the Group. No such emoluments were agreed to be waived by the relevant individuals.

9 FINANCE COSTS, NET

	Nine months ended 31 December 2014 HK$'000	Year ended 31 March 2014 HK$'000
Interest on finance leases wholly repayable within 5 years	**3,347**	4,156
Interest on bank borrowings wholly repayable within 5 years	**1,436**	910
Interest income	**(401)**	(190)
	4,382	4,876

No interest (year ended 31 March 2014: Nil) was capitalised during the nine months ended 31 December 2014.

10 INCOME TAX EXPENSE

Hong Kong and Macau profits tax have been provided at the rate of 16.5% and 12% respectively for the year ended 31 March 2014 and nine months ended 31 December 2014 on the estimated assessable profit for the respective year/period.

	Nine months ended 31 December 2014 HK$'000	Year ended 31 March 2014 HK$'000
Current income tax		
— Hong Kong profits tax	**586**	5,099
— Macau profits tax	**9,915**	14,776
Over-provision in prior years		
— Hong Kong profits tax	**(28)**	(10)
Deferred income tax *(Note 21)*	**8,322**	6,246
Income tax expense	**18,795**	26,111

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

10 INCOME TAX EXPENSE *(Continued)*

The taxation on the Group's profit before income tax differs from the theoretical amount that would arise using the Hong Kong profits tax rate as follows:

	Nine months ended 31 December 2014 HK$'000	Year ended 31 March 2014 HK$'000
Profit before income tax	**125,144**	181,907
Calculated at a tax rate of 16.5% (2014: 16.5%)	**20,649**	30,015
Effect of different tax rate in other jurisdiction	**(3,718)**	(5,541)
Income not subject to tax	**(109)**	(32)
Expenses not deductible for tax purposes	**1,848**	1,571
Temporary difference not recognised	**153**	108
Tax losses for which no deferred income tax asset was recognised	**–**	–
Over-provision in prior year	**(28)**	(10)
Income tax expense	**18,795**	26,111

11 EARNINGS PER SHARE

Basic

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the period/year.

	Nine months ended 31 December 2014	Year ended 31 March 2014
Profit attributable to owners of the Company (HK$'000)	**106,349**	155,796
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share (in thousand)	**300,000**	300,000
Basic earnings per share (HK cents)	**35.4**	51.9

Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. Share issuable under the share option scheme is the only category of dilutive potential ordinary shares. A calculation is made to determine the number of shares that could have been acquired at fair value (determined as the average market share 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.

	Nine months ended 31 December 2014	Year ended 31 March 2014
Diluted earnings per share (HK cents)	**35.4**	51.9

Diluted earnings per share for the nine months ended 31 December 2014 equals to basic earnings per share as the exercise of the outstanding share options would be anti-dilutive. Diluted earnings per share for the year ended 31 March 2014 equals to basic earnings per share as there were no potential dilutive shares outstanding during the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

12 DIVIDEND

	Nine months ended 31 December 2014 HK$'000	Year ended 31 March 2014 HK$'000
Special, paid *(note)*	–	150,000

Note:

For the year ended 31 March 2014, pursuant to the board resolution passed on 26 February 2014, the Group declared a special dividend amounting to HK$150,000,000 relating to the year ended 31 March 2014 subject to completion of the acquisition of 225,000,000 shares of the Company by CNQC Development Limited from Leading Win Management Limited ("Leading Win"). Completion of the aforesaid acquisition took place on 17 March 2014. The amount of special dividend was paid in June 2014.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

13 PROPERTY, PLANT AND EQUIPMENT — GROUP

	Machinery HK$'000	Office equipment HK$'000	Motor vehicles HK$'000	Furniture and fixtures HK$'000	Total HK$'000
Cost					
At 1 April 2013	335,784	1,065	3,186	257	340,292
Additions	126,832	247	1,308	–	128,387
Disposals	(5,660)	–	(138)	–	(5,798)
At 31 March 2014	456,956	1,312	4,356	257	462,881
Accumulated depreciation and impairment					
At 1 April 2013	91,034	509	1,907	257	93,707
Charge for the year *(Note 6)*	48,332	167	829	–	49,328
Disposals	(126)	–	(138)	–	(264)
Impairment	4,151	–	–	–	4,151
At 31 March 2014	143,391	676	2,598	257	146,922
Net book value					
At 31 March 2014	313,565	636	1,758	–	315,959
Cost					
At 1 April 2014	**456,956**	**1,312**	**4,356**	**257**	**462,881**
Additions	**65,760**	**109**	**921**	**1,858**	**68,648**
Disposals	**(770)**	**–**	**–**	**–**	**(770)**
Write off	**–**	**(6)**	**–**	**–**	**(6)**
At 31 December 2014	**521,946**	**1,415**	**5,277**	**2,115**	**530,753**
Accumulated depreciation and impairment					
At 1 April 2014	**143,391**	**676**	**2,598**	**257**	**146,922**
Charge for the period *(Note 6)*	**42,312**	**136**	**453**	**31**	**42,932**
Disposals	**(770)**	**–**	**–**	**–**	**(770)**
Write off	**–**	**(6)**	**–**	**–**	**(6)**
At 31 December 2014	**184,933**	**806**	**3,051**	**288**	**189,078**
Net book value					
At 31 December 2014	**337,013**	**609**	**2,226**	**1,827**	**341,675**

13 PROPERTY, PLANT AND EQUIPMENT — GROUP *(Continued)*

(a) 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.

(b) The net book amount of property, plant and equipment where the Group was a lessee under finance leases as at 31 December 2014 is analysed as follows:

	As at 31 December 2014 HK$'000	As at 31 March 2014 HK$'000
Cost — Capitalised finance leases	**287,950**	233,803
Accumulated amortisation	**(93,196)**	(82,309)
Net book amount	**194,754**	151,494

As at 31 December 2014, the Group's machinery with an aggregate net book value of HK$18,892,000 (31 March 2014: HK$20,864,000) was pledged for bank borrowings.

(c) Rental income amounting to HK$1,664,000 (year ended 31 March 2014:HK$11,000) for the nine months ended 31 December 2014 relating to the lease of machinery is included in the consolidated statement of comprehensive income (Note 5).

14 GOODWILL — GROUP

	HK$'000
At 31 March 2014 and 31 December 2014	13,022

Impairment test for goodwill

Goodwill is allocated to the Group's cash generating unit (''CGU'') identified which is the foundation business.

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.

14 GOODWILL — GROUP *(Continued)*

Impairment test for goodwill *(Continued)*

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

	As at 31 December 2014	As at 31 March 2014
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 2019.

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

(c) Assuming 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 2014.

15 TRADE AND OTHER RECEIVABLES

	Group		**Company**	
	As at 31 December 2014 HK$'000	As at 31 March 2014 HK$'000	**As at 31 December 2014 HK$'000**	As at 31 March 2014 HK$'000
Contract receivables	**207,211**	87,011	**–**	–
Retention receivables	**103,869**	84,630	**–**	–
Total trade receivables	**311,080**	171,641	**–**	–
Other receivables, deposits and prepayments *(note d)*	**20,539**	5,751	**51**	–
Dividend receivable	**–**	–	**–**	150,000
	331,619	177,392	**51**	150,000
Less: prepayments and deposits — non-current portion	**2,215**	–	**–**	–
Current portion	**329,404**	177,392	**51**	150,000

15 TRADE AND OTHER RECEIVABLES *(Continued)*

Notes:

(a) The credit periods granted to customers were 14 to 60 days.

(b) The aging analysis of the Group's contract receivables based on invoice date is as follows:

	As at 31 December 2014 HK$'000	As at 31 March 2014 HK$'000
0–30 days	**201,727**	86,991
31–60 days	**1,589**	–
61–90 days	**–**	–
Over 90 days	**3,895**	20
	207,211	87,011

Contract receivables of approximately HK$203,316,000 as at 31 December 2014 (31 March 2014: approximately HK$86,991,000) were not yet past due and approximately HK$3,895,000 as at 31 December 2014 (31 March 2014: approximately HK$20,000) were past due but not impaired. These relate to contract receivables from a number of independent customers for whom there is no recent history of default and no provision has therefore been made. As at 31 December 2014, no trade receivables (31 March 2014: Nil) were impaired. Retention receivables were not yet past due as at 31 December 2014 and will be settled in accordance with the terms of the respective contracts.

(c) The other classes within trade and other receivables did not contain impaired assets. The Group did not hold any collateral as security.

(d) The amount as at 31 December 2014 mainly represented construction site deposits, prepayments for insurance and purchases of materials. The amount as at 31 March 2014 mainly represented prepayments for purchases of materials.

(e) The carrying amounts of trade and other receivables approximated their fair values and were denominated in the following currencies:

	Group		**Company**	
	As at 31 December 2014 HK$'000	As at 31 March 2014 HK$'000	**As at 31 December 2014 HK$'000**	As at 31 March 2014 HK$'000
Hong Kong Dollar	**298,724**	160,351	**51**	150,000
Macau Pataca	**32,895**	17,041	**–**	–
	331,619	177,392	**51**	150,000

16 AMOUNTS DUE FROM CUSTOMERS FOR CONTRACT WORK — GROUP

	As at 31 December 2014 HK$'000	As at 31 March 2014 HK$'000
Costs plus attributable profits less foreseeable losses	**1,259,679**	822,515
Less: progress billings to date	**(1,215,273)**	(781,843)
Amounts due from customers for contract work	**44,406**	40,672

There were no advances received from customers for contract work as at 31 March 2014 and 31 December 2014. Progress billings to date include retention receivables of HK$94,926,000 (31 March 2014: HK$52,875,000) as at 31 December 2014.

17 INTERESTS IN SUBSIDIARIES — COMPANY

	As at 31 December 2014 HK$'000	As at 31 March 2014 HK$'000
Non-current		
Investment in subsidiaries, at cost *(note (a))*	**2,546**	10
Loans due from subsidiaries *(note (b))*	**111,710**	49,110
Loan due to a subsidiary *(note (b))*	**(33,000)**	(20,000)
Current		
Amount due from a subsidiary *(note (c))*	**–**	10,000
Amounts due to subsidiaries *(note (c))*	**(25,490)**	–
Loan due to a subsidiary *(note (d))*	**(19,900)**	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

17 INTERESTS IN SUBSIDIARIES — COMPANY *(Continued)*

Notes:

(a) During the nine months ended 31 December 2014, share options were granted to the employees including the directors of the Group to subscribe for shares of the Company. 9,300,000 share options were granted by the Company to the employees of the Group's subsidiaries and the effect was accounted for as capital contribution to these subsidiaries. Please refer to Note 24 for further details of the Group's share option schemes.

(b) Loans due from subsidiaries and loan due to a subsidiary were unsecured, non-interest bearing and denominated in Hong Kong Dollar. The loans shall not be repayable on demand by the Company or the relevant subsidiary on or before 31 July 2016; and the Company or the relevant subsidiary shall not demand for repayment of the loans unless and until all other liabilities and commitments of the subsidiaries or the Company to other creditors are fully settled and satisfied.

(c) Amount due from a subsidiary and amounts due to subsidiaries are unsecured, non-interest bearing and repayable on demand. The carrying amounts of these balances were mainly denominated in Hong Kong Dollar and approximate their fair values.

(d) Loan due to a subsidiary is unsecured, non-interest bearing and denominated in Hong Kong Dollar. The loan shall not be repayable on demand by the subsidiary on or before 31 October 2015; and the subsidiary shall not demand repayment of the loan unless and until all other liabilities and commitments of the Company to other creditors are fully settled and satisfied.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

17 INTERESTS IN SUBSIDIARIES — COMPANY *(Continued)*

The following is a list of the principal subsidiaries at 31 December 2014:

Name	Place of incorporation	Principal activities and place of operation	Particulars of share capital	Effective interest held as at 31 December 2014
Directly held by the Company:				
One Million International Limited ("One million")	The British Virgin Islands	Investment holding	US$3, 3 shares of US$1 each	**100%**
Indirectly held by the Company:				
Sunley Engineering & Construction Company Limited	Hong Kong	General contracting, building and civil engineering and rental of machinery in Hong Kong	Share capital of HK$39,193,000	**100%**
Sunnic Engineering Limited ("Sunnic")	Hong Kong	General contracting, building and civil engineering and rental of machinery in Hong Kong	Share capital of HK$9,300,000	**100%**
Full Gain Engineering Limited ("Full Gain")	Hong Kong	General contracting, building and civil engineering and rental of machinery in Hong Kong	Share capital of HK$100	**100%**
Sunley Foundation Engineering (Macau) Company Limited	Macau	General contracting, building and civil engineering in Macau	MOP$100,000, 1 share of MOP$99,000 and 1 share of MOP$1,000	**100%**
Sunnic Engineering (Macau) Limited	Macau	General contracting, building and civil engineering in Macau	MOP$25,000, 1 share of MOP$24,000 and 1 share of MOP$1,000	**100%**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

18 CASH AND CASH EQUIVALENTS

	Group		Company	
	As at 31 December 2014 HK$'000	As at 31 March 2014 HK$'000	**As at 31 December 2014 HK$'000**	As at 31 March 2014 HK$'000
Cash at banks	**112,983**	188,747	**88**	2,584
Cash on hand	**138**	138	**–**	–
Cash and cash equivalents	**113,121**	188,885	**88**	2,584

Notes:

(a) The cash and cash equivalents were denominated in the following currencies:

	Group		Company	
	As at 31 December 2014 HK$'000	As at 31 March 2014 HK$'000	**As at 31 December 2014 HK$'000**	As at 31 March 2014 HK$'000
Hong Kong Dollar	**98,280**	181,395	**88**	2,584
Macau Pataca	**14,774**	7,416	**–**	–
Euro	**31**	35	**–**	–
United States Dollar	**22**	23	**–**	–
Australian Dollar	**14**	16	**–**	–
	113,121	188,885	**88**	2,584

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

19 BORROWINGS — GROUP

	As at 31 December 2014 HK$'000	As at 31 March 2014 HK$'000
Non-current		
Bank borrowings *(note a)*	**8,586**	–
Finance lease liabilities *(note b)*	**78,089**	78,445
	86,675	78,445
Current		
Bank borrowings *(note a)*	**59,423**	64,159
Finance lease liabilities *(note b)*	**69,442**	54,411
	128,865	118,570
Total borrowings	**215,540**	197,015

Notes:

(a) Bank borrowings

As at 31 December 2014, the Group had bank borrowings which bore interest at Hong Kong best lending rate, the current prime rate per annum or 2%-3.5% above one-month or 3-month Hong Kong Interbank Offered Rate ("HIBOR") per annum, respectively.

The bank borrowings were denominated in Hong Kong Dollar.

The bank borrowings of HK$59,423,000 (31 March 2014: HK$64,159,000) were classified as current liabilities according to "Interpretation-5, Presentation of Financial statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause". According to the repayment schedule the bank borrowings, without considering the repayable on demand clause, were repayable as follows:

	As at 31 December 2014 HK$'000	As at 31 March 2014 HK$'000
Within 1 year	**56,593**	56,919
Between 1 and 2 years	**5,209**	2,543
Between 2 and 5 years	**6,207**	4,697
	68,009	64,159

The carrying amounts of the borrowings approximated their fair values.

19 BORROWINGS — GROUP *(Continued)*

Notes: (Continued)

(b) Finance lease liabilities

Lease liabilities were secured as the rights to the leased assets revert to the lessors in the event of default.

	As at 31 December 2014 HK$'000	As at 31 March 2014 HK$'000
Gross finance lease liabilities — minimum lease payments		
Within 1 year	**73,135**	58,110
Later than 1 year and no later than 5 years	**80,354**	80,948
	153,489	139,058
Future finance charges on finance leases	**(5,958)**	(6,202)
Present value of finance lease liabilities	**147,531**	132,856

The present value of finance lease liabilities is as follows:

	As at 31 December 2014 HK$'000	As at 31 March 2014 HK$'000
Within 1 year	**69,442**	54,411
Later than 1 year and no later than 5 years	**78,089**	78,445
	147,531	132,856

All finance leases liabilities were denominated in Hong Kong Dollar.

(c) As at 31 December 2014, the Group had committed banking facilities (including the finance lease facilities) of HK$25,537,000 which bore interest at 2.5% below the current prime rate per annum, HK$1,023,000 which bore interest at a fixed rate of 2% to 2.5% per annum, HK$27,000,000 which bore interest rate at best lending rate and HK$378,965,000 which bore interest at 2% to 3.5% per annum above HIBOR, respectively.

As at 31 March 2014, the Group had committed banking facilities (including the finance lease facilities) of HK$25,467,000 which bore interest at 2.5% below the current prime rate per annum, HK$5,800,000 which bore interest at the current prime rate per annum, HK$972,000 which bore interest at a fixed rate of 2.25% to 2.5% per annum and HK$305,150,000 which bore interest at 2% to 3.5% per annum above HIBOR, respectively.

These committed banking facilities were subject to annual review. As at 31 December 2014, the undrawn banking facilities amounted to HK$116,069,000 (31 March 2014: HK$140,374,000).

These banking facilities were secured by the Group's property, plant and equipment with an aggregate net book value of HK$172,357,000 and HK$213,646,000 as at 31 March 2014 and 31 December 2014 respectively (Note 13).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

20 TRADE AND OTHER PAYABLES

	Group		Company	
	As at 31 December 2014 HK$'000	As at 31 March 2014 HK$'000	**As at 31 December 2014 HK$'000**	As at 31 March 2014 HK$'000
Trade payables	**122,427**	82,674	**–**	–
Accruals for construction costs	**65,419**	–	**–**	–
Other accruals *(note c)*	**21,910**	6,700	**1,437**	1,288
	209,756	89,374	**1,437**	1,288

Notes:

(a) The carrying amounts of trade and other payables approximated their fair values and were mainly denominated in Hong Kong Dollar.

(b) Payment terms granted by suppliers were 14 to 60 days from the invoice date of the relevant purchases.

The aging analysis of the Group's trade payables based on the invoice date is as follows:

	As at 31 December 2014 HK$'000	As at 31 March 2014 HK$'000
0–30 days	**108,079**	74,778
31–60 days	**12,286**	7,748
61–90 days	**1,099**	2
Over 90 days	**963**	146
	122,427	82,674

(c) Other accruals mainly relate to the accrued staff benefits and accrued legal and professional expenses.

21 DEFERRED TAXATION — GROUP

The analysis of deferred taxation assets is as follows:

	As at 31 December 2014 HK$'000	As at 31 March 2014 HK$'000
— Deferred tax assets to be settled after more than 12 months	**–**	43
— Deferred tax assets to be settled within 12 months	**–**	–
	–	43

The analysis of deferred taxation liabilities is as follows:

	As at 31 December 2014 HK$'000	As at 31 March 2014 HK$'000
— Deferred tax liabilities to be settled after more than 12 months	**(38,209)**	(29,585)
— Deferred tax liabilities to be settled within 12 months	**(168)**	(513)
	(38,377)	(30,098)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

21 DEFERRED TAXATION — GROUP *(Continued)*

The movements in deferred tax assets and liabilities during the period/year without taking into consideration the offsetting of balances within the same tax jurisdiction are as follows:

	Accelerated tax depreciation HK$'000	Tax losses HK$'000	Share-based payment HK$'000	Total HK$'000
Deferred tax assets/(liabilities)				
At 1 April 2013	(26,529)	2,720	–	(23,809)
(Charged)/credited to consolidated statement of comprehensive income *(Note 10)*	(11,267)	5,021	–	(6,246)
At 31 March 2014	(37,796)	7,741	–	(30,055)
At 1 April 2014	**(37,796)**	**7,741**	**–**	**(30,055)**
(Charged)/credited to consolidated statement of comprehensive income *(Note 10)*	**(1,239)**	**(7,502)**	**419**	**(8,322)**
At 31 December 2014	**(39,035)**	**239**	**419**	**(38,377)**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

22 FINANCIAL INSTRUMENTS BY CATEGORY

(a) Group

	Loans and receivables	
	As at 31 December 2014 HK$'000	As at 31 March 2014 HK$'000
Assets as per balance sheet		
Trade and other receivables excluding prepayments	**317,347**	175,291
Amounts due from customers for contract work	**44,406**	40,672
Cash and cash equivalents	**113,121**	188,885
Total	**474,874**	404,848

	Financial liabilities at amortised cost	
	As at 31 December 2014 HK$'000	As at 31 March 2014 HK$'000
Liabilities as per balance sheet		
Trade and other payables excluding non-financial liabilities	**207,096**	87,240
Borrowings (excluding finance lease liabilities)	**68,009**	64,159
Finance lease liabilities	**147,531**	132,856
Dividend payable	**–**	150,000
Total	**422,636**	434,255

22 FINANCIAL INSTRUMENTS BY CATEGORY *(Continued)*

(b) Company

	Loans and receivables	
	As at 31 December 2014 HK$'000	As at 31 March 2014 HK$'000
Assets as per balance sheet		
Loans due from subsidiaries	**111,710**	49,110
Other receivables	**51**	150,000
Amount due from a subsidiary	**–**	10,000
Cash and cash equivalents	**88**	2,584
Total	**111,849**	211,694

	Financial liabilities at amortised cost	
	As at 31 December 2014 HK$'000	As at 31 March 2014 HK$'000
Liabilities as per balance sheet		
Other payables	**1,437**	1,288
Amounts due to subsidiaries	**25,490**	–
Loan due to a subsidiary	**52,900**	20,000
Dividend payable	**–**	150,000
Total	**79,827**	171,288

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

23 SHARE CAPITAL

	Ordinary shares of HK$0.01 each Number of shares	Nominal amount HK$'000
Authorised:		
Ordinary shares as at 31 March 2014 and 31 December 2014	2,000,000,000	20,000
Issued and fully paid:		
Ordinary shares as at 31 March 2014 and 31 December 2014	300,000,000	3,000

24 SHARE BASED PAYMENTS

Share options to subscribe for 19,500,000 ordinary shares of the Company were granted by the Company to selected employees including directors during the nine months ended 31 December 2014. The exercise price of the granted options was HK$2.70 per 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 the 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; (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.

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

	31 December 2014		31 March 2014	
	Average exercise price in HK$ per share option	**Options (thousands)**	Average exercise price in HK$ per share option	Options (thousands)
At 1 April	**–**	**–**	–	–
Granted	**2.70**	**19,500**	–	–
At end of the period/year	**2.70**	**19,500**	–	–

24 SHARE BASED PAYMENTS *(Continued)*

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. See Note 7 for the total expense recognised in the consolidated statements of comprehensive income for share options granted to the directors and employees of the Group.

25 OTHER RESERVES

(a) Merger reserve

Merger reserve represented the difference between the nominal value of the ordinary shares issued by the Company to acquire the entire equity interest in One Million and its subsidiaries during the reorganisation of the group and the issued share capital of Sunley.

(b) Capital reserve

Capital reserve represented the difference between the nominal value of the share issued by One Million to acquire the entire equity interests in Sunnic and Full Gain and the fair value of shares issued by Leading Win, the former immediate holding company, to the then shareholders of Sunnic and Full Gain. The latter was regarded as a capital contribution by Leading Win to One Million.

(c) The (loss)/profit attributable to owners of the Company is dealt with in the financial statements of the Company to the extent of a loss of approximately HK$11,167,000 (year ended 31 March 2014: a profit of approximately HK$144,832,000). For the year ended 31 March 2014, the Company declared a special dividend amounting to HK$150,000,000, the distribution of dividend was financed by dividend income from the Company's subsidiaries.

26 NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Reconciliation of profit before income tax to net cash generated from operations

	Nine months ended 31 December 2014 HK$'000	Year ended 31 March 2014 HK$'000
Profit before income tax	**125,144**	181,907
Adjustments for:		
Depreciation	**42,932**	49,328
Gain on disposal of property, plant and equipment	**(600)**	(1,320)
Share based payment	**5,319**	–
Impairment of property, plant and equipment	**–**	4,151
Finance costs, net	**4,382**	4,876
Operating profit before working capital changes	**177,177**	238,942
Increase in trade and other receivables	**(154,227)**	(13,556)
Increase in amounts due from customers for contract work	**(3,734)**	(19,371)
Increase in trade and other payables	**120,382**	26,294
Net cash generated from operations	**139,598**	232,309

(b) Non-cash transactions

Additions of property, plant and equipment amounting to HK$5,870,000 for the nine months ended 31 December 2014 were acquired under finance lease (year ended 31 March 2014: Nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

27 COMMITMENTS

Capital commitment — Group

Capital expenditure contacted for at the end of the period but not yet incurred was for purchase of machineries amounting to HK$12,433,000 (31 March 2014: Nil).

Operating lease commitments — Group as lessee

At consolidated statement of financial position date, the total future minimum lease payments under non-cancellable operating leases were payable as follows:

	As at 31 December 2014 HK$'000	As at 31 March 2014 HK$'000
Not later than 1 year	**6,401**	2,929
1–5 years	**8,910**	208
	15,311	3,137

The Group is the lessee in respect of a number of properties under operating leases. The leases typically run for an initial period of one to two years, with an option to renew the lease when all terms are renegotiated. None of the leases includes contingent rentals.

28 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. Related parties may be individuals or other entities. On 17 March 2014, CNQC Development Limited purchased 225,000,000 shares of the Company from Leading Win, representing 75% of the issued share capital of the Company at a price of HK$2.4 per ordinary share. The immediate holding company of the Company changed from Leading Win to CNQC Development Limited and the ultimate holding company of the Company changed from Joint Together Management Limited to Guotsing Holding Group Company Limited.

(a) During the year ended 31 March 2014 and nine months ended 31 December 2014, the related parties that had transactions with the Group were as follows:

Name of related parties	Relationship with the Group
Super Ease Holdings Limited ("Super Ease")	A related company in which a director of the Company has an interest
Sunnic Holdings Limited ("Sunnic Holdings")	A related company in which a director of the Company has an interest

28 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:

	Nine months ended 31 December 2014 HK$'000	Year ended 31 March 2014 HK$'000
Rent paid to		
— Super Ease	**190**	285
— Sunnic Holdings	**190**	285
	380	570

(c) The emoluments of the directors and senior executives (representing the key management personnel) during the period/year are disclosed in Note 8.

29 CONTINGENT LIABILITIES — GROUP

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

	As at 31 December 2014 HK$'000	As at 31 March 2014 HK$'000
Guarantees on performance bonds in respect of construction contracts	**64,489**	27,231

(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.

AUDITOR'S REPORT AND AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR THE TWELVE MONTHS ENDED 31 MARCH 2014

Set out below is the auditor's report extracted from the annual report of the Company for the twelve months ended 31 March 2014.

INDEPENDENT AUDITOR'S REPORT

pwc 羅兵咸永道

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF SUNLEY HOLDINGS LIMITED
(incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Sunley Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 38 to 87, which comprise the consolidated and company statements of financial position as at 31 March 2014, 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, in accordance with our agreed terms of engagement 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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 March 2014, and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 25 June 2014

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2014

	Note	2014 HK$'000	2013 HK$'000
Revenue	5	**1,218,198**	597,991
Cost of sales	6	**(989,861)**	(483,830)
Gross profit		**228,337**	114,161
Other income and net (losses)/gains	5	**(2,437)**	5,828
General and administrative expenses	6	**(39,117)**	(37,919)
Operating profit		**186,783**	82,070
Finance income		**190**	–
Finance costs		**(5,066)**	(3,921)
Finance costs, net	9	**(4,876)**	(3,921)
Profit before income tax		**181,907**	78,149
Income tax expense	10	**(26,111)**	(12,968)
Profit and total comprehensive income for the year attributable to owners of the Company		**155,796**	65,181
Basic and diluted earnings per share (HK cents)	11	**51.9**	25.2

The notes on pages 44 to 87 are an integral part of these financial statements.

Dividend	12	**150,000**	41,000

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2014

	Note	2014 HK$'000	2013 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	13	**315,959**	246,585
Deferred taxation	21	**43**	71
Goodwill	14	**13,022**	13,022
		329,024	259,678
Current assets			
Trade and other receivables	15	**177,392**	163,836
Amounts due from customers for contract work	16	**40,672**	21,301
Cash and cash equivalents	18	**188,885**	58,095
Tax recoverable		**480**	–
		407,429	243,232
Total assets		**736,453**	502,910
EQUITY			
Capital and reserves			
Share capital	23	**3,000**	3,000
Share premium	23	**57,320**	57,320
Other reserves	24	**97,897**	97,897
Retained earnings		**97,521**	112,725
Total equity		**255,738**	270,942

The notes on pages 44 to 87 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2014

	Note	2014 HK$'000	2013 HK$'000
LIABILITIES			
Non-current liabilities			
Borrowings	*19*	**78,445**	88,305
Deferred taxation	*21*	**30,098**	23,880
		108,543	112,185
Current liabilities			
Trade and other payables	*20*	**89,374**	63,080
Borrowings	*19*	**118,570**	53,665
Tax payable		**14,228**	3,038
Dividend payable	*12*	**150,000**	–
		372,172	119,783
Total liabilities		**480,715**	231,968
Total equity and liabilities		**736,453**	502,910
Net current assets		**35,257**	123,449
Total assets less current liabilities		**364,281**	383,127

The financial statements on pages 38 to 87 were approved by the Board of Directors on 25 June 2014 and were signed on its behalf.

Du Bo
Director

Cheng Wing On, Michael
Director

The notes on pages 44 to 87 are an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION

As at 31 March 2014

	Note	2014 HK$'000	2013 HK$'000
ASSETS			
Non-current assets			
Investment in a subsidiary	*17*	**10**	10
Loan to a subsidiary	*17*	**49,110**	28,000
		49,120	28,010
Current assets			
Other receivables	*15*	**150,000**	–
Amounts due from subsidiaries	*17*	**10,000**	11,446
Cash and cash equivalents	*18*	**2,584**	6,912
		162,584	18,358
Total assets		**211,704**	46,368
EQUITY			
Capital and reserves			
Share capital	*23*	**3,000**	3,000
Share premium	*23*	**57,320**	57,320
Accumulated losses		**(19,904)**	(14,736)
Total equity		**40,416**	45,584
LIABILITIES			
Non-current liability			
Amount due to a subsidiary	*17*	**20,000**	–
Current liabilities			
Other payables	*20*	**1,288**	784
Dividend payable	*12*	**150,000**	–
		151,288	784
Total liabilities		**171,288**	784
Total equity and liabilities		**211,704**	46,368
Net current assets		**11,296**	17,574
Total assets less current liabilities		**60,416**	45,584

The financial statements on pages 38 to 87 were approved by the Board of Directors on 25 June 2014 and were signed on its behalf

Du Bo	**Cheng Wing On, Michael**
Director	*Director*

The notes on pages 44 to 87 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the years ended 31 March 2014

	Share capital HK$'000 (Note 23)	Share premium HK$'000 (Note 23)	Merger reserve HK$'000 (Note 24)	Capital reserve HK$'000 (Note 24)	Retained earnings HK$'000	Total HK$'000
Balance at 1 April 2012	–	–	39,193	58,714	67,544	165,451
Profit and total comprehensive income for the year	–	–	–	–	65,181	65,181
Transaction with owners						
Issuance of shares upon group reorganisaton	10	–	(10)	–	–	–
Shares issued pursuant to the capitalisation issue	2,240	(2,240)	–	–	–	–
Gross proceeds from public offering of shares	750	65,250	–	–	–	66,000
Share issuance costs	–	(5,690)	–	–	–	(5,690)
Dividend	–	–	–	–	(20,000)	(20,000)
Total transactions with owners	3,000	57,320	(10)	–	(20,000)	40,310
Balance at 31 March 2013	3,000	57,320	39,183	58,714	112,725	270,942
Balance at 1 April 2013	**3,000**	**57,320**	**39,183**	**58,714**	**112,725**	**270,942**
Profit and total comprehensive income for the year	**–**	**–**	**–**	**–**	**155,796**	**155,796**
Transaction with owners						
Dividend relating to the year ended 31 March 2013	**–**	**–**	**–**	**–**	**(21,000)**	**(21,000)**
Dividend relating to the year ended 31 March 2014					**(150,000)**	**(150,000)**
Total transactions with owners	**–**	**–**	**–**	**–**	**(171,000)**	**(171,000)**
Balance at 31 March 2014	**3,000**	**57,320**	**39,183**	**58,714**	**97,521**	**255,738**

The notes on pages 44 to 87 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the years ended 31 March 2014

	Note	2014 HK$'000	2013 HK$'000
Cash flows from operating activities			
Net cash generated from operations	*25(a)*	**232,309**	57,579
Tax paid		**(9,155)**	(5,996)
Interest paid		**(5,066)**	(3,921)
Net cash generated from operating activities		**218,088**	47,662
Cash flows from investing activities			
Proceeds from disposal of property, plant and equipment		**6,854**	9,202
Purchases of property, plant and equipment		**(128,387)**	(73,769)
Interest received		**190**	–
Net cash used in investing activities		**(121,343)**	(64,567)
Cash flows from financing activities			
Issuance of shares		**–**	60,310
Inception of finance leases		**39,568**	6,610
Drawdown of bank borrowings		**109,799**	10,000
Repayment of finance leases		**(40,432)**	(16,216)
Repayment of bank borrowings		**(53,890)**	(12,313)
Dividends paid		**(21,000)**	(20,000)
Net cash generated from financing activities		**34,045**	28,391
Net increase in cash and cash equivalents		**130,790**	11,486
Cash and cash equivalents at 1 April		**58,095**	46,609
Cash and cash equivalents at 31 March		**188,885**	58,095

The notes on pages 44 to 87 are an integral part of these financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 GENERAL INFORMATION AND GROUP REORGANISATION

(a) General information

Sunley Holdings Limited (the "Company") is an investment holding company. The Company and its subsidiaries (together, the "Group") are principally engaged in the foundation business and machinery rental business in Hong Kong and Macau.

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 thousands of Hong Kong Dollar ("HK$'000"), unless otherwise stated, and have been approved for issue by the Board of Directors on 25 June 2014.

(b) Group reorganisation

In preparation for the listing of the Company's shares on the Main Board of the Stock Exchange, the Company underwent a group reorganisation (the "Reorganisation") on 11 September 2012, pursuant to which the Company allotted and issued 999,999 ordinary shares of HK$0.01 each to Leading Win Management Limited ("Leading Win"), credited as fully paid, to acquire the entire equity interest in One Million International Limited, the intermediate holding company of the Group. Thereafter, the Company became the holding company of the companies now comprising the Group.

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 periods presented, unless otherwise stated.

(a) Basis of preparation

The consolidated financial statements of the Company have been prepared in accordance with the Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The consolidated financial statements have been prepared under the historical cost convention.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(a) Basis of preparation *(Continued)*

(i) Effect of adopting new standards, amendments to standards and interpretation

The following new standards, amendments to standards and interpretation are mandatory for accounting periods beginning on or after 1 April 2013. The adoption of these new standards, amendments to standards and interpretation does not have any significant impact to the results and financial position of the Group.

HKFRSs (amendment)	Annual improvements to HKFRSs 2009–2011 cycle
HKFRS 1 (amendment)	Government loans
HKFRS 7 (amendment)	Disclosures — offsetting financial assets and financial liabilities
HKFRS 10	Consolidated financial statements
HKFRS 11	Joint arrangements
HKFRS 12	Disclosure of interests in other entities
HKFRS 10, HKFRS 11 and HKFRS 12 (amendment)	Consolidated financial statements, joint arrangement and disclosure of interests in other entities: Transition guidance
HKFRS 13	Fair value measurements
Hong Kong Accounting Standards ("HKAS") 1 (amendment)	Presentation of financial statements
HKAS 19 (amendment)	Employee benefits
HKAS 27 (2011)	Separate financial statements
HKAS 28 (2011)	Investments in associates and joint ventures
HK(IFRIC)-Int 20	Stripping costs in the production phase of a surface mine

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(a) Basis of preparation *(Continued)*

(ii) New standard, amendments to standards and interpretation that have been issued but are not effective

The following new standard, amendments to standards and interpretation have been published but are not yet effective for the year and which the Group has not early adopted:

		Effective for annual periods beginning on or after
HKFRS (amendment)	Annual improvement to HKFRSs 2010–2012 cycle	1 July 2014
HKFRS (amendment)	Annual improvement to HKFRSs 2011–2013 cycle	1 July 2014
HKFRS 7 (amendment)	Mandatory effect date of HKFRS 9 and transition disclosures	1 April 2015
HKFRS 9 (amendment)	Financial instruments	Effective date to be determined
Additions to HKFRS 9	Financial instruments — financial liabilities	Effective date to be determined
HKFRS 10, HKFRS 12 and HKAS 27 (2011) (amendment)	Investment entities	1 January 2014
HKFRS 14	Regulatory deferral accounts	1 January 2016
HKAS 19 (amendment)	Defined benefit plans: employee contributions	1 July 2014
HKAS 32 (amendment)	Financial instruments: presentation — offsetting financial assets and financial liabilities	1 January 2014
HKAS 36 (amendment)	Recoverable amount disclosures for non-financial assets	1 January 2014
HKAS 39 (amendment)	Novation of derivatives and continuation of hedge accounting	1 January 2014
HK(IFRIC)-Int 21	Levies	1 January 2014

The Group will adopt these new standard, amendments to standards and interpretation in the period of initial application. It is not expected to have a significant impact on the Group's result of operations and its financial position.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(b) Consolidation

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. 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, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

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 the consolidated statement of comprehensive income.

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 the consolidated statement of comprehensive income or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(b) Consolidation *(Continued)*

(i) Business combinations *(Continued)*

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 the consolidated statement of comprehensive income. 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 the consolidated statement of comprehensive income.

(c) 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.

(d) Segment reporting

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(e) 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 (the "functional currency"). The consolidated financial statements are presented in Hong Kong dollar, which is the Company's functional and the Group's presentation currency.

(ii) Transactions and balances

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

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the consolidated statement of comprehensive income within 'finance costs, net'. All other foreign exchange gains and losses are presented in the consolidated statement of comprehensive income within 'Other income and net (losses)/gains'.

(iii) Group companies

The results and financial position of all companies now comprising the Group (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 end of that reporting period;

(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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(e) Foreign currency translation *(Continued)*

(iii) Group companies *(Continued)*

On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a jointly controlled entity that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to the consolidated statement of comprehensive income.

In the case of a partial disposal that does not result in the Group losing control over a subsidiary that includes a foreign operation, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in the consolidated statement of comprehensive income. For all other partial disposals (that is, reductions in the Group's ownership interest in associates or jointly controlled entities that do not result in the Group losing significant influence or joint control) the proportionate share of the accumulated exchange difference is reclassified to the consolidated statement of comprehensive income.

(f) 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 the consolidated statement of comprehensive income during the financial year in which they are incurred.

Depreciation on assets is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Machinery	10%–20%
Office equipment	20%
Motor vehicles	20%–30%
Furniture and fixtures	20%

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(f) Property, plant and equipment *(Continued)*

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 income and net (losses)/gains" in the consolidated statement of comprehensive income.

(g) 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.

(h) Impairment of non-financial assets

Assets that have indefinite useful life, for example, goodwill, are not subject to amortisation and are tested annually for impairment. 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, 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(i) 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.

The Group as lessee

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 the consolidated statement of comprehensive income, 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 the consolidated statement of comprehensive income 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.

(j) Construction contracts in progress

Contracting work-in-progress is valued at cost incurred plus an appropriate proportion of profits after deducting progress payments and allowances for foreseeable losses. Cost comprises construction material costs, labour and overheads expenses incurred in bringing the work-in-progress to its present condition.

The Group presents as an asset the gross amounts 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 retention 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).

(k) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise "amounts due from customers for contract work", "trade and other receivables" and "cash and cash equivalents" in the consolidated statement of financial position.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(l) Impairment of financial assets

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 assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The criteria that the Group uses to determine that there is objective evidence of an impairment loss include:

— Significant financial difficulty of the issuer or obligor;

— A breach of contract, such as a default or delinquency in interest or principal payments;

— The Group, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;

— It becomes probable that the borrower will enter bankruptcy or other financial reorganisation;

— The disappearance of an active market for that financial asset because of financial difficulties; or

— Observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:

(i) adverse changes in the payment status of borrowers in the portfolio;

(ii) national or local economic conditions that correlate with defaults on the assets in the portfolio.

The Group first assesses whether objective evidence of impairment exists.

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 the consolidated statement of comprehensive income.

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 the consolidated statement of comprehensive income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(m) Trade and other receivables

Trade receivables are amounts due from customers for 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 provision for impairment.

(n) Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less.

(o) Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(p) 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 recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

(q) 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 consolidated statement of comprehensive income 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(r) 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 the consolidated statements of comprehensive income in the period which they are incurred.

(s) Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the consolidated statement of comprehensive income, 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 during the year 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.

(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 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(s) Current and deferred income tax *(Continued)*

(ii) Deferred income tax *(Continued)*

Outside basis differences

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, 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 associates. Only where there is an agreement in place that gives the Group the ability to control the reversal of the temporary difference not recognised.

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

(iii) Offsetting

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

(t) Employee benefits

(i) Employee leave entitlements

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

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

(ii) Retirement benefits

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(t) Employee benefits *(Continued)*

(iii) Termination benefits

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

(iv) Bonus plans

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

(u) 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 expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligations. The increase in the provision due to passage of time is recognised as interest expense.

(v) Contingent liabilities and contingent assets

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(v) Contingent liabilities and contingent assets *(Continued)*

Financial guarantee *(Continued)*

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.

(w) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivables for the sale of services 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.

(a) 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 an independent surveyor.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(w) Revenue recognition *(Continued)*

(b) Rental income on machinery

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

(c) Interest income

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

(d) Dividend income

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

(x) Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's and 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.

3 FINANCIAL RISK MANAGEMENT

(a) Financial risk factors

The Group's activities exposed it to a variety of financial risks: interest rate risk, credit risk and liquidity risk.

The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group uses derivative financial instruments, if necessary, to reduce certain risk exposures.

(i) Interest rate risk

Other than bank balances with variable interest rate, 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 issued 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 risks.

As at 31 March 2014, if the interest rate on all borrowings had been 100 basis points (2013: 100 basis points) higher/lower with all other variables held constant, the Group's profit after tax for the year would have been decreased/increased by approximately HK$1,970,000 (2013: HK$1,416,000) respectively, mainly as a result of higher/lower interest expense on borrowings with floating interest rates.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT *(Continued)*

(a) Financial risk factors *(Continued)*

(ii) Credit risk

Credit risk arises mainly from trade and other receivables, amounts due from customers for contract work and cash at bank. The Group's maximum exposure to credit risk in the event of the counterparties' failure to perform their obligations as at the reporting dates in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated statement of financial position.

The credit risk of bank balances is limited because the counterparties are banks with sound credit ratings assigned by international credit-rating agencies.

In respect of trade and other receivables and amounts due from customers for contract work, individual credit evaluations are performed on all customers and counterparties. These evaluations focus on the counterparty's financial position, past history of making payments and take into account information specific to the counterparty as well as pertaining to the economic environment in which the counterparty operates. Monitoring procedures have been implemented to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade and other receivable balance at the end of each reporting period to ensure adequate impairment losses are made for irrecoverable amounts.

As at 31 March 2014, there were 3 (2013: 3) customers which individually contributed over 10% of the Group's trade and other receivables each year end date. The aggregate amount of trade and other receivables from these customers amounted to 46% (2013: 46%) of the Group's total trade and other receivables.

(iii) 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 short and longer term. Management believes there is no significant liquidity risk as the Group has sufficient committed facilities to fund their operations.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT *(Continued)*

(a) Financial risk factors *(Continued)*

(iii) Liquidity risk *(Continued)*

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:

Group

	Within one year HK$'000	Between one and two years HK$'000	Between two and five years HK$'000	Total HK$'000
At 31 March 2014				
Trade and other payables	**87,240**	**–**	**–**	**87,240**
Borrowings	**122,269**	**47,676**	**33,272**	**203,217**
Dividend payable	**150,000**	**–**	**–**	**150,000**
	359,509	**47,676**	**33,272**	**440,457**
At 31 March 2013				
Trade and other payables	61,739	–	–	61,739
Borrowings	58,040	35,555	56,611	150,206
	119,779	35,555	56,611	211,945

Company

	Within one year HK$'000	Between one and two years HK$'000	Between two and five years HK$'000	Total HK$'000
At 31 March 2014				
Other payables	**1,288**	**–**	**–**	**1,288**
Dividend payable	**150,000**	**–**	**–**	**150,000**
Amount due to a subsidiary	**–**	**20,000**	**–**	**20,000**
	151,288	**20,000**	**–**	**171,288**
At 31 March 2013				
Other payables	784	–	–	784

3 FINANCIAL RISK MANAGEMENT *(Continued)*

(b) Capital risk management

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 Group monitors capital on the basis of the gearing ratio. This ratio is calculated as the total interest-bearing liabilities as at each year end divided by the total equity as at each year end.

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

	2014 **HK$'000**	2013 HK$'000
Total borrowings *(Note 19)*	**197,015**	141,970
Total equity	**255,738**	270,942
Gearing ratio	**77.0%**	52.4%

(c) Fair value estimation

The carrying values less impairment provision of trade and other receivables, trade and other payables, amounts due from customers for contract work 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 at market rates.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4 CRITICAL ACCOUNTING ESTIMATES 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) 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.

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 value 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.

(b) Impairment of receivables

Management determines the provision for impairment of trade and other receivables and amounts due from customers for contract work. This estimate is based on the credit history of its customers and the current market condition. Management reassesses the provision at each statement of financial position date.

Significant judgment is exercised on the assessment of the collectability of receivables from each customer. In making the judgment, management considers a wide range of factors such as results of follow-up procedures, customer payment trends including subsequent payments and customers' financial positions. If the financial conditions of the customers of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS *(Continued)*

(c) 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. As at 31 March 2013 and 2014, management was not aware of any impairment on goodwill based on the assessment.

(d) 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.

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 base their judgements of contract costs and revenues on the latest available information, which includes detailed contract valuations. In many cases the results reflect the expected outcome of long-term contractual obligations which span more than one reporting period. Contract costs and revenues are affected by a variety of uncertainties that depend on the outcome of future events and often need to be revised as events unfold and uncertainties are resolved. The estimates of contract costs and revenues 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS *(Continued)*

(e) Provision for litigation

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 REVENUE AND SEGMENT INFORMATION

Revenue, which is also the Group's turnover, represents gross contract receipts on construction contracts and rental income on machinery in the ordinary course of business. Revenue and other income and net (losses)/gains recognised during the respective years are as follows:

	2014	2013
	HK$'000	HK$'000
Revenue		
Construction contracts income	**1,218,187**	593,742
Rental income on machinery	**11**	4,249
	1,218,198	597,991

	2014	2013
	HK$'000	HK$'000
Other income and net (losses)/gains		
Impairment of property, plant and equipment	**(4,151)**	–
Gain on disposal of property, plant and equipment	**1,320**	112
Reimbursement of legal fees	**–**	5,203
Others	**394**	513
	(2,437)	5,828

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker being the Board. As the Group is principally engaged in foundation business and machinery leasing business in Hong Kong and Macau, which are subject to similar business risk, and resources are allocated based on what is beneficial to the Group in enhancing the value as a whole rather than any specific unit, the Group's chief operating decision maker considers the performance assessment of the Group should be based on the profit before income tax of the Group as a whole. Therefore, management considers there to be only one operating segment under the requirements of HKFRS 8.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5 REVENUE AND SEGMENT INFORMATION *(Continued)*

The Group primarily operates in Hong Kong and Macau, and its revenue is derived from the following regions:

	2014 HK$'000	2013 HK$'000
Hong Kong	**885,437**	521,272
Macau	**332,761**	76,719
	1,218,198	597,991

Reimbursement of legal fees represents the compensation received from a customer in respect of legal fees incurred by the Group on a previous litigation which was settled during the year ended 31 March 2012.

There were 3 (2013: 2) customers which individually contributed over 10% of the Group's revenue for the year ended 31 March 2014. The aggregate amount of revenue from these customers amounted to approximately 57% (2013: approximately 37%) of the Group's total revenue for the year ended 31 March 2014.

6 EXPENSES BY NATURE

	2014 HK$'000	2013 HK$'000
Cost of sales		
Construction material costs	**480,459**	226,878
Subcontracting charges	**337,369**	144,992
Staff costs *(Note 7)*	**123,701**	77,305
Depreciation of owned assets *(Note 13)*	**21,042**	15,999
Depreciation of assets under finance leases *(Note 13)*	**27,290**	18,656
	989,861	483,830
General and administrative expenses		
Auditors' remuneration	**1,949**	1,720
Building management fee	**332**	318
Staff costs, including directors' emoluments *(Note 7)*	**18,392**	14,524
Depreciation *(Note 13)*	**996**	1,111
Operating lease rental on land and buildings	**2,175**	1,943
Transportation	**2,733**	2,134
Legal and professional fees	**3,186**	9,103
Insurance	**1,834**	1,998
Repair and maintenance	**4,450**	2,816
Other expenses	**3,070**	2,252
	39,117	37,919
Total cost of sales and general and administrative expenses	**1,028,978**	521,749

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

7 EMPLOYEE BENEFIT EXPENSES, INCLUDING DIRECTORS' EMOLUMENTS

	2014 HK$'000	2013 HK$'000
Salaries, wages and allowances	**138,456**	89,207
Retirement benefit expenses		
— defined contribution plan	**3,637**	2,622
	142,093	91,829

The Group operates a defined contribution scheme in Hong Kong which complies with the requirements under the Mandatory Provident Fund ("MPF") Schemes Ordinance. All assets under the scheme are held separately from the Group under independently administered funds. Contributions to the MPF scheme follow the MPF Schemes Ordinance.

Under the MPF scheme, each of the Group (the employer) and its Hong Kong employees makes monthly contributions to the scheme at 5% of the employees' relevant income, as defined in the MPF Schemes Ordinance. Both the Group's and the employees' monthly contributions are subject to a cap of HK$1,000 prior to 1 June 2012 and HK$1,250 thereafter and contributions beyond these amounts are voluntary. The contributions are fully and immediately vested upon payment.

As 31 March 2014, there were no forfeited contributions (2013: Nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

8 DIRECTORS' EMOLUMENTS

(a) Directors' emoluments

The emoluments of the directors for the year are set out below:

	Fee HK$'000	Salaries, wages and allowances HK$'000	Discretionary bonuses HK$'000	Retirement scheme contributions HK$'000	Total HK$'000
Year ended 31 March 2014					
Executive directors					
Dr. Ho Kar Chung *(note (i))*	**1,000**	**–**	**–**	**–**	**1,000**
Mr. Ho Chi Ling	**–**	**1,044**	**261**	**15**	**1,320**
Mr. Cheng Wing On, Michael	**–**	**960**	**200**	**15**	**1,175**
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 director					
Mr. Leung Chee Hon *(note (i))*	**240**	**–**	**–**	**–**	**240**
	1,960	**2,004**	**461**	**30**	**4,455**
Year ended 31 March 2013					
Executive directors					
Dr. Ho Kar Chung *(note (i))*	1,000	–	–	–	1,000
Mr. Ho Chi Ling	–	911	228	15	1,154
Mr. Cheng Wing On, Michael	–	960	–	15	975
Independent non-executive directors					
Mr. Chuck Winston Calptor	132	–	–	–	132
Mr. Ching Kwok Hoo, Pedro	132	–	–	–	132
Mr. Tam Tak Kei, Raymond	132	–	–	–	132
Non-executive director					
Mr. Leung Chee Hon *(note (i))*	158	–	–	–	158
	1,554	1,871	228	30	3,683

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. No director has waived or agreed to waive any emoluments during the year.

Note:

(i) These directors resigned on 11 April 2014.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

8 DIRECTORS' EMOLUMENTS *(Continued)*

(b) Five highest paid individuals

Of the five individuals with the highest emoluments, three (2013: three) of them are directors whose emoluments are disclosed above. The emoluments of the remaining two (2013: two) highest paid individuals for the year ended 31 March 2014 are as follows:

	2014 HK$'000	2013 HK$'000
Salaries, wages and allowances	**1,920**	1,920
Discretionary bonuses	**400**	–
Retirement benefit expenses	**6**	15
	2,326	1,935

The emoluments of the highest paid individuals fell within the following bands:

	2014	2013
HK$Nil–HK$1,000,000	**–**	2
HK$1,000,001–HK$1,500,000	**2**	–
	2	2

During the year, no emoluments were paid by the Group to the above highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office as a director or management of any members of the Group. No such emoluments were agreed to be waived by the relevant individuals.

9 FINANCE COSTS, NET

	2014 HK$'000	2013 HK$'000
Interest on finance leases	**4,156**	3,504
Interest on bank borrowings wholly repayable within 5 years	**910**	417
Interest income	**(190)**	–
	4,876	3,921

No interest (2013: Nil) was capitalised during the year ended 31 March 2014.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

10 INCOME TAX EXPENSE

Hong Kong and Macau profits tax have been provided at the rate of 16.5% and 12% respectively for the years ended 31 March 2013 and 2014 on the estimated assessable profit for the respective years.

	2014 HK$'000	2013 HK$'000
Current income tax		
— Hong Kong profits tax	**5,099**	5,578
— Macau profits tax	**14,776**	1,394
Over-provision in prior years		
— Hong Kong profits tax	**(10)**	(20)
Deferred income tax *(Note 21)*	**6,246**	6,016
Income tax expense	**26,111**	12,968

The taxation on the Group's profit before income tax differs from the theoretical amount that would arise using the Hong Kong profits tax rate as follows:

	2014 HK$'000	2013 HK$'000
Profit before income tax	**181,907**	78,149
Calculated at a tax rate of 16.5% (2013: 16.5%)	**30,015**	12,895
Effect of different tax rate in other jurisdiction	**(5,541)**	(559)
Income not subject to tax	**(32)**	(43)
Expenses not deductible for tax purposes	**1,571**	1,650
Temporary difference not recognised	**108**	(957)
Tax losses for which no deferred income tax asset was recognised	**–**	2
Over-provision in prior year	**(10)**	(20)
Income tax expense	**26,111**	12,968

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

11 EARNINGS PER SHARE

Basic

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the year. The weighted average number of ordinary shares used for such purpose has been retrospectively adjusted for the effects of the issue of shares in connection with the Reorganisation on 11 September 2012 and the capitalisation issue of the ordinary shares which took place on 18 October 2012, details of which are set out in Note 23.

	2014	2013
Profit attributable to owners of the Company (HK$'000)	**155,796**	65,181
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share (in thousand)	**300,000**	258,699
Basic earnings per share (HK cents)	**51.9**	25.2

Diluted

Diluted earnings per share is the same amount as the basic earnings per share as there were no potential dilutive ordinary shares outstanding during the year ended 31 March 2014 (2013: Nil).

12 DIVIDEND

	2014 **HK$'000**	2013 HK$'000
Special, declared/paid *(note i)*	**150,000**	20,000
Final, proposed, of HK 7 cents per ordinary share *(note ii)*	**–**	21,000
	150,000	41,000

Notes:

(i) For the year ended 31 March 2014, pursuant to the board resolution passed on 26 February 2014, subject to completion of the acquisition of 225,000,000 shares of the Company by CNQC Development Limited from Leading Win, the Group declared a special dividend amounting to HK$150,000,000 relating to the year ended 31 March 2014. Completion of the said acquisition took place on 17 March 2014. The amount was not yet settled as at 31 March 2014 and was reflected as dividend payable in the financial statements.

For the year ended 31 March 2013, pursuant to the respective resolution passed on 28 May 2012, certain subsidiaries comprising the Group declared a special dividend relating to the year ended 31 March 2013 amounting to HK$20,000,000 prior to the Company's public offering of shares, which was paid in May 2012.

(ii) At a meeting held on 27 June 2013, the directors recommended the payment of a final dividend for the year ended 31 March 2013 of HK 7 cents per ordinary share, totalling HK$21,000,000. This proposed dividend is not reflected as a dividend payable in these financial statements for the year ended 31 March 2013, but is reflected as an appropriation of retained earnings for the year ended 31 March 2014. The final dividend was approved at the annual general meeting held on 5 September 2013 and paid to the shareholders of the Company on 7 October 2013.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

13 PROPERTY, PLANT AND EQUIPMENT

	Machinery HK$'000	Office equipment HK$'000	Motor vehicles HK$'000	Furniture and fixtures HK$'000	Total HK$'000
Cost					
At 1 April 2012	230,177	435	2,503	257	233,372
Additions	117,593	630	791	–	119,014
Disposals	(11,986)	–	(108)	–	(12,094)
At 31 March 2013	335,784	1,065	3,186	257	340,292
Accumulated deprecation					
At 1 April 2012	59,274	216	1,198	257	60,945
Charge for the year *(Note 6)*	34,656	293	817	–	35,766
Disposals	(2,896)	–	(108)	–	(3,004)
At 31 March 2013	91,034	509	1,907	257	93,707
Net book value					
At 31 March 2013	244,750	556	1,279	–	246,585
Cost					
At 1 April 2013	**335,784**	**1,065**	**3,186**	**257**	**340,292**
Additions	**126,832**	**247**	**1,308**	**–**	**128,387**
Disposals	**(5,660)**	**–**	**(138)**	**–**	**(5,798)**
Impairment	**(6,073)**	**–**	**–**	**–**	**(6,073)**
At 31 March 2014	**450,883**	**1,312**	**4,356**	**257**	**456,808**
Accumulated deprecation					
At 1 April 2013	**91,034**	**509**	**1,907**	**257**	**93,707**
Charge for the year *(Note 6)*	**48,332**	**167**	**829**	**–**	**49,328**
Disposals	**(126)**	**–**	**(138)**	**–**	**(264)**
Impairment	**(1,922)**	**–**	**–**	**–**	**(1,922)**
At 31 March 2014	**137,318**	**676**	**2,598**	**257**	**140,849**
Net book value					
At 31 March 2014	**313,565**	**636**	**1,758**	**–**	**315,959**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

13 PROPERTY, PLANT AND EQUIPMENT *(Continued)*

(a) 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.

(b) The net book amount of property, plant and equipment where the Group was a lessee under finance leases as at 31 March 2014 is analysed as follows:

	2014 **HK$'000**	2013 HK$'000
Cost — Capitalised finance leases	**233,803**	194,235
Accumulated amortisation	**(82,309)**	(51,301)
Net book amount	**151,494**	142,934

As at 31 March 2014, the Group's machinery with an aggregate net book value of HK$20,864,000 (2013: HK$12,390,000) was pledged for bank borrowings.

(c) Rental income amounting to HK$11,000 (2013:HK$4,249,000) for the year ended 31 March 2014 relating to the lease of machinery is included in the consolidated statement of comprehensive income (Note 5).

14 GOODWILL

	HK$'000
At 31 March 2013 and 2014	13,022

Impairment tests for goodwill

Goodwill is allocated to the Group's cash generating unit ("CGU") identified which is the foundation business.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

14 GOODWILL *(Continued)*

Impairment tests for goodwill *(Continued)*

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

	2014	2013
Average growth rate *(note a)*	**5%**	5%
Terminal growth rate	**2%**	2%
Discount rate *(note b)*	**15%**	14%

(a) Average growth rate used in the budget is for the five-year period ending 31 March 2019.

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

(c) Assuming 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 March 2014.

15 TRADE AND OTHER RECEIVABLES

	Group		Company	
	2014	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000
Contract receivables	**87,011**	111,220	**–**	–
Retention receivables	**84,630**	41,272	**–**	–
Total trade receivables	**171,641**	152,492	**–**	–
Other receivables, deposits and prepayments *(note d)*	**5,751**	11,344	**–**	–
Dividend receivable	**–**	–	**150,000**	–
	177,392	163,836	**150,000**	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

15 TRADE AND OTHER RECEIVABLES *(Continued)*

Notes:

(a) The credit periods granted to customers were 14 to 60 days.

(b) The aging analysis of the Group's contract receivables based on invoice date is as follows:

	2014	2013
	HK$'000	HK$'000
0–30 days	**86,991**	105,533
31–60 days	**–**	561
61–90 days	**–**	537
Over 90 days	**20**	4,589
	87,011	111,220

Contract receivables of approximately HK$86,991,000 as at 31 March 2014 (2013: approximately HK$105,533,000) were not yet past due and approximately HK$20,000 as at 31 March 2014 (2013: approximately HK$5,687,000) were past due but not impaired. These relate to contract receivables from a number of independent customers for whom there is no recent history of default and no provision has therefore been made. As at 31 March 2014, no trade receivables (2013: Nil) were impaired. Retention receivables were not yet past due as at 31 March 2014 and will be settled in accordance with the terms of the respective contracts.

(c) The other classes within trade and other receivables do not contain impaired assets. The Group does not hold any collateral as security.

(d) The amount as at 31 March 2014 mainly represents construction site deposits and prepayments for purchase of materials. The amount as at 31 March 2013 mainly represented prepayments for purchases of materials.

(e) The carrying amounts of trade and other receivables approximate their fair values and are denominated in the following currencies:

	Group		**Company**	
	2014	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong dollar	**160,351**	163,568	**150,000**	–
Macau Pataca	**17,041**	268	**–**	–
	177,392	163,836	**150,000**	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

16 AMOUNTS DUE FROM CUSTOMERS FOR CONTRACT WORK

	2014 HK$'000	2013 HK$'000
Costs plus attributable profits less foreseeable losses	**822,515**	168,368
Less: progress billings to date	**(781,843)**	(147,067)
Amounts due from customers for contract work	**40,672**	21,301

There were no advances received from customers for contract work as at 31 March 2013 and 2014. Progress billings to date include retention receivables of HK$52,875,000 (2013: HK$14,349,000) as at 31 March 2014.

17 INTERESTS IN SUBSIDIARIES — COMPANY

	2014 HK$'000	2013 HK$'000
Non-current		
Investment in a subsidiary	**10**	10
Loan to a subsidiary *(note (a))*	**49,110**	28,000
Amount due to a subsidiary *(note(b))*	**(20,000)**	–
	29,120	28,010
Current		
Amounts due from subsidiaries *(note (b))*	**10,000**	11,446

Notes:

(a) Loan to a subsidiary is unsecured, non-interest bearing and denominated in Hong Kong dollar. The loan shall not be repayable on demand by the Company on or before 31 March 2015; and the Company shall not demand repayment of the loan unless and until all the other liabilities and commitments of the subsidiary to other creditors are fully settled and satisfied.

(b) Amounts due from subsidiaries and amount due to a subsidiary are unsecured and non-interest bearing. The amount due to a subsidiary is repayable on or after 31 March 2015 while amount due from subsidiaries is repayable on demand. The carrying amounts of these balances are mainly denominated in Hong Kong Dollars and approximate their fair values.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

17 INTERESTS IN SUBSIDIARIES — COMPANY *(Continued)*

The following is a list of the principal subsidiaries at 31 March 2014:

Name	Place of incorporation	Principal activities and place of operation	Particulars of share capital	Effective interest held as at 2014	2013
Directly held by the Company:					
One Million International Limited	The British Virgin Islands	Investment holding	US$3, 3 shares of US$1 each	**100%**	100%
Indirectly held by the Company:					
Sunley Engineering & Construction Company Limited	Hong Kong	General contracting, building and civil engineering and rental of machinery in Hong Kong	Share capital of HK$39,193,000	**100%**	100%
Sunnic Engineering Limited	Hong Kong	General contracting, building and civil engineering and rental of machinery in Hong Kong	Share capital of HK$9,300,000	**100%**	100%
Full Gain Engineering Limited	Hong Kong	General contracting, building and civil engineering in Hong Kong	Share capital of HK$100	**100%**	100%
Sunley Foundation Engineering (Macau) Company Limited	Macau	General contracting, building and civil engineering in Macau	MOP$100,000, 1 share of MOP$99,000 and 1 share of MOP$1,000	**100%**	100%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

18 CASH AND CASH EQUIVALENTS

	Group		Company	
	2014	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000
Cash at banks	**188,747**	57,957	**2,584**	6,912
Cash on hand	**138**	138	**–**	–
Cash and cash equivalents	**188,885**	58,095	**2,584**	6,912

Notes:

(a) The cash and cash equivalents are denominated in the following currencies:

	Group		Company	
	2014	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong dollar	**181,395**	57,622	**2,584**	6,912
Macau Pataca	**7,416**	388	**–**	–
Euro	**35**	44	**–**	–
United States dollar	**23**	23	**–**	–
Australian dollar	**16**	18	**–**	–
	188,885	58,095	**2,584**	6,912

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

19 BORROWINGS

	2014 HK$'000	2013 HK$'000
Non-current		
Finance lease liabilities *(note b)*	**78,445**	88,305
	78,445	88,305
Current		
Bank borrowings *(note a)*	**64,159**	8,250
Finance lease liabilities *(note b)*	**54,411**	45,415
	118,570	53,665
Total borrowings	**197,015**	141,970

Notes:

(a) Bank borrowings

As at 31 March 2014, the Group had bank borrowings which bore interest at the current prime rate per annum or 2%–3.5% above one-month or 3-month Hong Kong Interbank Offered Rate ("HIBOR") per annum, respectively.

The bank borrowings were denominated in Hong Kong dollars.

The bank borrowings are classified as current liabilities according to Interpretation-5, Presentation of Financial statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause. According to the repayment schedule the bank borrowings, without considering the repayable on demand clause, are repayable as follows:

	2014 HK$'000	2013 HK$'000
Within 1 year	**56,919**	6,440
Between 1 and 2 years	**2,543**	1,810
Between 2 and 5 years	**4,697**	–
	64,159	8,250

The carrying amounts of the borrowings approximate their fair value.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

19 BORROWINGS *(Continued)*

Notes: (Continued)

(b) Finance lease liabilities

Lease liabilities are secured as the rights to the leased assets revert to the lessors in the event of default.

	2014 HK$'000	2013 HK$'000
Gross finance lease liabilities — minimum lease payments		
Within 1 year	**58,110**	39,232
Later than 1 year and no later than 5 years	**80,948**	102,604
	139,058	141,836
Future finance charges on finance leases	**(6,202)**	(8,116)
Present value of finance lease liabilities	**132,856**	133,720

The present value of finance lease liabilities is as follows:

	2014 HK$'000	2013 HK$'000
Within 1 year	**54,411**	45,415
Later than 1 year and no later than 5 years	**78,445**	88,305
	132,856	133,720

All finance leases liabilities were denominated in Hong Kong dollars.

(c) As at 31 March 2014, the Group had committed banking facilities (including the finance lease facilities) of HK$25,467,000 which bore interest at 2.5% below the current prime rate per annum, HK$5,800,000 which bore interest at the current prime rate per annum, HK$972,000 which bore interest at a fixed rate of 2.25% to 2.5% per annum and HK$305,150,000 which bore interest at 2% to 3.5% per annum above HIBOR, respectively.

As at 31 March 2013, the Group had committed banking facilities (including the finance lease facilities) of HK$800,000 which bore interest at the current prime rate per annum, HK$370,000 which bore interest at a fixed rate of 2.5% per annum and HK$232,182,000 which bore interest at 2% to 3.5% per annum above HIBOR, respectively.

These committed banking facilities were subject to annual review. As at 31 March 2014, the undrawn banking facilities amounted to HK$140,374,000 (2013: HK$82,953,000).

These banking facilities are secured by the Group's property, plant and equipment with an aggregate net book value of HK$155,324,000 and HK$172,357,000 as at 31 March 2013 and 2014 respectively (Note 13).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

20 TRADE AND OTHER PAYABLES

	Group		Company	
	2014	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade payables	**82,674**	55,221	**–**	–
Accruals for construction costs	**–**	4,854	**–**	–
Other accruals *(note (c))*	**6,700**	3,005	**1,288**	784
	89,374	63,080	**1,288**	784

Notes:

(a) The carrying amounts of trade and other payables approximate their fair values and are mainly denominated in Hong Kong dollars.

(b) Payment terms granted by suppliers were 14 to 60 days from the invoice date of the relevant purchases.

The aging analysis of the Group's trade payables based on the invoice date is as follows:

	2014	2013
	HK$'000	HK$'000
0–30 days	**74,778**	36,432
31–60 days	**7,748**	6,974
61–90 days	**2**	9,847
Over 90 days	**146**	1,968
	82,674	55,221

(c) Other accruals mainly relate to the accrued staff benefits and accrued legal and professional expenses.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

21 DEFERRED TAXATION

The analysis of deferred taxation assets is as follows:

	2014 HK$'000	2013 HK$'000
— Deferred tax assets to be settled after more than 12 months	**43**	71
— Deferred tax assets to be settled within 12 months	**–**	–
	43	71

The analysis of deferred taxation liabilities is as follows:

	2014 HK$'000	2013 HK$'000
— Deferred tax liabilities to be settled after more than 12 months	**(29,585)**	(23,344)
— Deferred tax liabilities to be settled within 12 months	**(513)**	(536)
	(30,098)	(23,880)

The movements in deferred tax assets and liabilities during the year without taking into consideration the offsetting of balances within the same tax jurisdiction are as follows:

	Accelerated tax depreciation HK$'000	Tax losses HK$'000	Total HK$'000
Deferred tax assets/(liabilities)			
At 1 April 2012	(17,877)	84	(17,793)
(Charged)/credited to consolidated statement of comprehensive income *(Note 10)*	(8,652)	2,636	(6,016)
At 31 March 2013	(26,529)	2,720	(23,809)
At 1 April 2013	(26,529)	2,720	(23,809)
(Charged)/credited to consolidated statement of comprehensive income *(Note 10)*	(11,267)	5,021	(6,246)
At 31 March 2014	(37,796)	7,741	(30,055)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

22 FINANCIAL INSTRUMENTS BY CATEGORY — GROUP AND COMPANY

(a) Group

	Loans and receivables	
	2014	2013
	HK$'000	HK$'000
Assets as per balance sheet		
Trade and other receivables excluding prepayments	**175,291**	156,555
Amounts due from customers for contract work	**40,672**	21,301
Cash and cash equivalents	**188,885**	58,095
Total	**404,848**	235,951

	Financial liabilities at amortised cost	
	2014	2013
	HK$'000	HK$'000
Liabilities as per balance sheet		
Trade and other payables excluding non-financial liabilities	**87,240**	61,739
Borrowings (excluding finance lease liabilities)	**64,159**	8,250
Finance lease liabilities	**132,856**	133,720
Dividend payable	**150,000**	–
Total	**434,255**	203,709

(b) Company

	Loans and receivables	
	2014	2013
	HK$'000	HK$'000
Assets as per balance sheet		
Loan due from a subsidiary	**49,110**	28,000
Other receivables	**150,000**	–
Amounts due from subsidiaries	**10,000**	11,446
Cash and cash equivalents	**2,584**	6,912
Total	**211,694**	46,358

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

22 FINANCIAL INSTRUMENTS BY CATEGORY — GROUP AND COMPANY *(Continued)*

(b) Company *(Continued)*

	Financial liabilities at amortised cost	
	2014	2013
	HK$'000	HK$'000
Liabilities as per balance sheet		
Other payables	**1,288**	784
Amount due to a subsidiary	**20,000**	–
Dividend payable	**150,000**	–
Total	**171,288**	784

23 SHARE CAPITAL AND SHARE PREMIUM

	Ordinary shares of HK$0.01 each Number of shares	Nominal amount HK$'000
Authorised:		
Ordinary shares as at 31 March 2013 and 2014	2,000,000,000	20,000
Issued and fully paid:		
Ordinary shares as at 31 March 2013 and 2014	300,000,000	3,000

On 11 September 2012, pursuant to a shareholder resolution the authorised share capital of the Company was increased to HK$20,000,000 divided into 2,000,000,000 ordinary shares of HK$0.01 each. On the same date, the Company allotted and issued 999,999 ordinary shares of HK$0.01 each to Leading Win in connection with the Reorganisation, credited as fully paid.

On 18 October 2012, the Company issued 75,000,000 ordinary shares of HK$0.01 each during its public offering at an offer price of HK$0.88 per ordinary share. Net proceeds of approximately HK$60,310,000 were received and a credit of HK$59,560,000 to the share premium account was recorded. On the same date, the Company allotted and issued a total of 224,000,000 ordinary shares of HK$0.01 each, credited as fully paid, to the holders of the Company's shares on the register of members at the close of business on 11 September 2012 by way of capitalisation of a sum of HK$2,240,000 standing to the credit of the share premium account of the Company, pursuant to a resolution passed on 11 September 2012.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

24 OTHER RESERVES

(a) Merger reserve

Merger reserve represents the difference between the nominal value of the ordinary shares issued by the Company to acquire the entire equity interest in One Million and its subsidiaries during the Reorganisation and the issued share capital of Sunley.

(b) Capital reserve

Capital reserve represents the difference between the nominal value of the share issued by One Million to acquire the entire equity interests in Sunnic and Full Gain and the fair value of shares issued by Leading Win to the then shareholders of Sunnic and Full Gain. The latter was regarded as a capital contribution by Leading Win to One Million.

(c) The profit/(loss) attributable to owners of the Company is dealt with in the financial statements of the Company to the extent of a profit of approximately HK$144,832,000 (2013: a loss of approximately HK$14,736,000). For the year ended 31 March 2014, the Company declared a special dividend amounting to HK$150,000,000, the distribution of dividend is financed by dividend income from the Company's subsidiaries.

25 NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Reconciliation of profit before income tax to net cash generated from operations

	2014 HK$'000	2013 HK$'000
Profit before income tax	**181,907**	78,149
Adjustments for:		
Depreciation	**49,328**	35,766
Gain on disposal of property, plant and equipment	**(1,320)**	(112)
Impairment of property, plant and equipment	**4,151**	–
Finance costs, net	**4,876**	3,921
Operating profit before working capital changes	**238,942**	117,724
Increase in trade and other receivables	**(13,556)**	(75,802)
Increase in amounts due from customers for contract work	**(19,371)**	(18,539)
Increase in trade and other payables	**26,294**	34,196
Net cash generated from operations	**232,309**	57,579

(b) Non-cash transactions

There were no machineries purchased under borrowing arrangements for the year ended 31 March 2014 (2013: HK$45,245,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

26 COMMITMENTS

Operating lease commitments — Group as lessee

At consolidated statement of financial position date, the total future minimum lease payments under non-cancellable operating leases were payable as follows:

	2014 HK$'000	2013 HK$'000
Not later than 1 year	**2,929**	2,270
1–5 years	**208**	137
	3,137	2,407

The Group is the lessee in respect of a number of properties under operating leases. The leases typically run for an initial period of one to two years, with an option to renew the lease when all terms are renegotiated. None of the leases includes contingent rentals.

27 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. Related parties may be individuals or other entities. On 17 March 2014, CNQC Development Limited purchased 225,000,000 shares of the Company from Leading Win, representing 75% of the issued share capital of the Company at a price of HK$2.4 per ordinary share. The immediate holding company of the Company changed from Leading Win Management Limited to CNQC Development Limited and the ultimate holding company of the Company changed from Joint Together Management Limited to Guotsing Holding Group Company Limited.

(a) During the years ended 31 March 2013 and 2014, the related parties that had transactions with the Group were as follows:

Name of related parties	Relationship with the Group
Super Ease Holdings Limited ("Super Ease")	A related company in which a director of the Company has an interest
Sunnic Holdings Limited ("Sunnic Holdings")	A related company in which a director of the Company has an interest

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

27 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:

	2014 HK$'000	2013 HK$'000
Rent paid to		
— Super Ease	**285**	285
— Sunnic Holdings	**285**	285
	570	570

(c) The emoluments of the directors and senior executives (representing the key management personnel) during the year are disclosed in Note 8.

28 CONTINGENT LIABILITIES

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

	2014 HK$'000	2013 HK$'000
Guarantees on performance bonds in respect of construction contracts	**27,231**	14,122

(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 or casualty 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.

AUDITOR'S REPORT AND AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR THE TWELVE MONTHS ENDED 31 MARCH 2013

Set out below is the auditor's report extracted from the annual report of the Company for the twelve months ended 31 March 2013.

INDEPENDENT AUDITOR'S REPORT

pwc 羅兵咸永道

TO THE SHAREHOLDERS OF SUNLEY HOLDINGS LIMITED
(incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Sunley Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 34 to 83, which comprise the consolidated and company statements of financial position as at 31 March 2013, 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, in accordance with our agreed terms of engagement 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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 March 2013, and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 27 June 2013

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2013

	Note	2013 HK$'000	2012 HK$'000
Revenue	5	**597,991**	313,122
Cost of sales	6	**(483,830)**	(253,452)
Gross profit		**114,161**	59,670
Other income and net gains	5	**5,828**	122
Administrative expenses	6	**(37,919)**	(25,813)
Operating profit		**82,070**	33,979
Finance costs	9	**(3,921)**	(2,097)
Profit before income tax		**78,149**	31,882
Income tax expense	10	**(12,968)**	(6,126)
Profit and total comprehensive income for the year attributable to equity holders of the Company		**65,181**	25,756
Basic and diluted earnings per share (HK cents)	11	**25.2**	11.4

The notes on pages 40 to 83 are an integral part of these financial statements.

Dividend	12	**41,000**	9,300

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2013

	Note	2013 HK$'000	2012 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	13	**246,585**	172,427
Deferred taxation	21	**71**	84
Goodwill	14	**13,022**	13,022
		259,678	185,533
Current assets			
Trade and other receivables	15	**163,836**	88,034
Amounts due from customers for contract work	16	**21,301**	2,762
Cash and cash equivalents	18	**58,095**	46,609
		243,232	137,405
Total assets		**502,910**	322,938
EQUITY			
Capital and reserves			
Share capital	23	**3,000**	–
Share premium	23	**57,320**	–
Other reserves	24	**97,897**	97,907
Retained earnings		**112,725**	67,544
Total equity		**270,942**	165,451

The notes on pages 40 to 83 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2013

	Note	2013 HK$'000	2012 HK$'000
LIABILITIES			
Non-current liabilities			
Borrowings	19	88,305	79,770
Deferred taxation	21	23,880	17,877
		112,185	97,647
Current liabilities			
Trade and other payables	20	63,080	28,884
Borrowings	19	53,665	28,874
Tax payable		3,038	2,082
		119,783	59,840
Total liabilities		231,968	157,487
Total equity and liabilities		502,910	322,938
Net current assets		123,449	77,565
Total assets less current liabilities		383,127	263,098

The financial statements on pages 34 to 83 were approved by the Board of Directors on 27 June 2013 and were signed on its behalf.

Ho Kar Chung
Director

Ho Chi Ling
Director

The notes on pages 40 to 83 are an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION

As at 31 March 2013

	Note	2013 HK$'000	2012 HK$'000
ASSETS			
Non-current assets			
Investment in a subsidiary	17	**10**	–
Loan to a subsidiary	17	**28,000**	–
		28,010	–
Current assets			
Amounts due from subsidiaries	17	**11,446**	–
Cash and cash equivalents	18	**6,912**	–
		18,358	–
Total assets		**46,368**	–
EQUITY			
Capital and reserves			
Share capital	23	**3,000**	–
Share premium	23	**57,320**	–
Accumulated losses	24	**(14,736)**	–
Total equity		**45,584**	–
LIABILITIES			
Current liabilities			
Trade and other payables	20	**784**	–
		784	–
Total liabilities		**784**	–
Total equity and liabilities		**46,368**	–
Net current assets		**17,574**	–
Total assets less current liabilities		**45,584**	–

The financial statements on pages 34 to 83 were approved by the Board of Directors on 27 June 2013 and were signed on its behalf.

Ho Kar Chung
Director

Ho Chi Ling
Director

The notes on pages 40 to 83 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the years ended 31 March 2013

	Share capital (Note 23) HK$'000	Share Premium (Note 23) HK$'000	Merger Reserve (Note 24) HK$'000	Capital Reserve (Note 24) HK$'000	Retained earnings HK$'000	Total HK$'000
Balance at 1 April 2011	–	–	39,193	58,714	51,088	148,995
Profit and total comprehensive income for the year	–	–	–	–	25,756	25,756
Transactions with owners						
Dividend	–	–	–	–	(9,300)	(9,300)
Balance at 31 March 2012	–	–	39,193	58,714	67,544	165,451
Balance at 1 April 2012	**–**	**–**	**39,193**	**58,714**	**67,544**	**165,451**
Profit and total comprehensive income for the year	**–**	**–**	**–**	**–**	**65,181**	**65,181**
Transactions with owners						
Issuance of shares upon group reorganisaton	**10**	**–**	**(10)**	**–**	**–**	**–**
Shares issued pursuant to the capitalisation issue	**2,240**	**(2,240)**	**–**	**–**	**–**	**–**
Gross proceeds from public offering of shares	**750**	**65,250**	**–**	**–**	**–**	**66,000**
Share issuance costs	**–**	**(5,690)**	**–**	**–**	**–**	**(5,690)**
Dividend	**–**	**–**	**–**	**–**	**(20,000)**	**(20,000)**
Total transactions with owners	**3,000**	**57,320**	**(10)**	**–**	**(20,000)**	**40,310**
Balance at 31 March 2013	**3,000**	**57,320**	**39,183**	**58,714**	**112,725**	**270,942**

The notes on pages 40 to 83 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2013

	Note	2013 HK$'000	2012 HK$'000
Cash flows from operating activities			
Net cash generated from operations	*25(a)*	**57,579**	47,240
Tax paid		**(5,996)**	(8,130)
Interest paid		**(3,921)**	(2,097)
Net cash generated from operating activities		**47,662**	37,013
Cash flows from investing activities			
Proceeds from disposal of property, plant and equipment		**9,202**	81
Purchases of property, plant and equipment		**(73,769)**	(42,606)
Net cash used in investing activities		**(64,567)**	(42,525)
Cash flows from financing activities			
Proceeds from public offering of shares, net of share issuance costs		**60,310**	–
Inception of finance lease		**6,610**	37,038
Drawdown of bank borrowings		**10,000**	–
Repayment of finance lease		**(16,216)**	(16,506)
Repayment of bank borrowings		**(12,313)**	(3,771)
Dividends paid		**(20,000)**	(9,300)
Net cash generated from financing activities		**28,391**	7,461
Net increase in cash and cash equivalents		**11,486**	1,949
Cash and cash equivalents at 1 April		**46,609**	44,660
Cash and cash equivalents at 31 March		**58,095**	46,609

The notes on pages 40 to 83 are an integral part of these financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 GENERAL INFORMATION AND GROUP REORGANISATION

(a) General information

Sunley Holdings Limited (the "Company") is an investment holding company. The Company and its subsidiaries (together the "Group") are principally engaged in the foundation business and machinery rental business in Hong Kong and Macau. The ultimate holding company is Join Together Management Limited which is incorporated in the British Virgin Island ("the BVI") with a controlling interest and owned by the controlling shareholders of the Company, Mr. Leung Chee Hon ("Mr. Leung") and Dr. Ho Kar Chung ("Dr. Ho") (together, the "Controlling Shareholders").

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's shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 18 October 2012 pursuant to its share offering under which 75,000,000 new ordinary shares of HK$0.01 each were issued by the Company (the "Share Offering").

These consolidated financial statements are presented in thousands of Hong Kong Dollar ("HK$'000") unless otherwise stated, and have been approved for issue by the Board of Directors on 27 June 2013.

(b) Group reorganisation

In preparation for the listing of the Company's shares on the Main Board of the Stock Exchange, the Company underwent a group reorganisation (the "Reorganisation") on 11 September 2012, pursuant to which the Company allotted and issued 999,999 ordinary shares of HK$0.01 each to Leading Win Management Limited ("Leading Win"), credited as fully paid, to acquire the entire equity interest in One Million International Limited, the intermediate holding company of the Group. Thereafter, the Company became the holding company of the companies now comprising the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 GENERAL INFORMATION AND GROUP REORGANISATION *(Continued)*

(b) Group reorganisation *(Continued)*

Upon completion of the Reorganisation and up to 31 March 2013, the Company has direct or indirect interests in the following subsidiaries:

Name	Place of incorporation	Date of incorporation	Principal activities and place of operation	Issued and fully paid share capital	Equity interest held 31 March 2013	2012
Directly held						
One Million International Limited ("One Million")	The British Virgin Islands	5 January 2010	Investment holding	US$3, 3 shares of US$1 each	**100%**	100%
Indirectly held						
Sunley Engineering & Construction Company Limited ("Sunley")	Hong Kong	27 July 1982	General contracting, building and civil engineering and rental of machinery in Hong Kong	HK$39,193,000, 391,930 shares of HK$100 each	**100%**	100%
Sunnic Engineering Limited ("Sunnic")	Hong Kong	27 May 1993	General contracting, building and civil engineering and rental of machinery in Hong Kong	HK$9,300,000, 9,300,000 shares of HK$1 each	**100%**	100%
Full Gain Engineering Limited ("Full Gain")	Hong Kong	1 December 2000	General contracting, building and civil engineering and rental of machinery in Hong Kong	HK$100, 100 shares of HK$1 each	**100%**	100%
Sunley Foundation Engineering (Macau) Company Limited ("Sunley Macau")	Macau	22 November 2012	General contracting, building and civil engineering in Macau	MOP$100,000, 1 share of MOP$99,000 and 1 share of MOP$1,000	**100%**	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(a) Basis of preparation

The principal accounting policies applied in the preparation of the financial statements which are in accordance with the Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The consolidated financial statements set out in this report has been prepared under the historical cost convention.

Prior to and following the Reorganisation, the Company and its subsidiaries were and are directly or indirectly controlled by the same shareholders. Accordingly, the Reorganisation has been accounted for as a reorganisation of businesses under common control in a manner similar to a uniting of interests. The consolidated financial statements of the Group for the year ended 31 March 2013 including the comparative figures have been prepared on the merger basis as if the Company has been the holding company of these companies comprising the Group since 1 April 2011, or since the dates of their incorporation or establishment.

(i) Effect of adopting amendments to standards

The following amendments to standards are mandatory for accounting periods beginning on or after 1 April 2012. The adoption of these amendments to standards does not have any significant impact to the results and financial position of the Group.

HKFRS 1 (amendment)	Severe hyperinflation and removal of fixed dates for first-time adopters
HKFRS 7 (amendment)	Disclosures — transfers of financial assets
HKAS 12 (amendment)	Deferred tax — recovery of underlying assets

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(a) Basis of preparation *(Continued)*

(ii) New standards, amendments to standards and interpretation that have been issued but are not effective

The following new or revised standards, amendments and interpretations to existing standards have been published but are not yet effective for the year and which the Group has not early adopted:

		Effective for accounting periods of the Group beginning on or after
HKFRSs (amendment)	Improvements to HKFRSs 2011	1 April 2013
HKFRS 1 (amendment)	Government loans for the first time adopters	1 April 2013
HKFRS 7 (amendment)	Disclosures — offsetting financial assets and financial liabilities	1 April 2013
HKFRS 7 (amendment)	Mandatory effect date of HKFRS 9 and transition disclosures	1 April 2015
HKFRS 9 (amendment)	Financial instruments	1 April 2015
Additions to HKFRS 9	Financial instruments — financial liabilities	1 April 2013
HKFRS 10	Consolidated financial statement	1 April 2013
HKFRS 11	Joint arrangements	1 April 2013
HKFRS 12	Disclosure of interests in other entities	1 April 2013
HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated financial statements, joint arrangement and disclosure of interests in other entities: Transition guidance	1 April 2013
HKFRS 10, HKFRS 12 and HKAS 27 (2011) (amendment)	Investment entities	1 April 2014
HKFRS 13	Fair value measurements	1 April 2013
HKAS 1 (amendment)	Presentation of financial statements	1 April 2013
HKAS 19 (2011)	Employee benefits	1 April 2013
HKAS 27 (2011)	Separate financial statements	1 April 2013
HKAS 28 (2011)	Investments in associates and joint ventures	1 April 2013
HKAS 32 (amendment)	Financial instruments: Presentation — Offsetting financial assets and financial liabilities	1 April 2014
HK(IFRIC) Int 20	Stripping costs in the production phase of a surface mine	1 April 2013

The Group will adopt these new standards, amendments and interpretations in the period of initial application. It is not expected to have a significant impact on the Group's result of operations and its financial position.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(b) Consolidation

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the group controls another entity. The group also assesses existence of control where it does not have more than 50% of the voting power but is able to govern the financial and operating policies by virtue of de-facto control.

De-facto control may arise from circumstances where it does not have more than 50% of the voting power but is able to govern the financial and operating policies by virtue of de-facto control.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Inter-company transactions, balances, income and expenses on transactions between group companies are eliminated. Profits and losses resulting from inter-company transactions that are recognised in assets are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group.

(i) Business combinations

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the 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, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

Goodwill is initially measured as the excess of the aggregate of the consideration transferred and the fair value of non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(c) Transaction with non-controlling interests

The Group treats transactions with non-controlling interests as transactions with equity owners of the Group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

When the Group ceases to have control or significant influence, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the 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.

(d) Segment reporting

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

(e) 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 (the "functional currency"). The financial statements are presented in Hong Kong dollar, which is the Company's functional and presentation currency.

(ii) Transactions and balances

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

Foreign exchange gains and losses are presented in the statement of comprehensive income within "Other income and net gains/(losses)".

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(e) Foreign currency translation *(Continued)*

(iii) Group companies

The results and financial position of all companies now comprising the Group (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 end of that reporting period;

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

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

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, and of borrowings and other currency instruments designated as hedges of such investments, are taken to other comprehensive income. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognised in the statement of comprehensive income as part of the gain or loss on sale.

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.

On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a jointly controlled entity that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the equity holders of the Company are reclassified to profit or loss.

In the case of a partial disposal that does not result in the Group losing control over a subsidiary that includes a foreign operation, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (that is, reductions in the Group's ownership interest in associates or jointly controlled entities that do not result in the Group losing significant influence or joint control) the proportionate share of the accumulated exchange difference is reclassified to profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(f) 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 on assets is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Machinery	10%–20%
Office equipment	20%
Motor vehicles	20%–30%
Furniture and fixtures	20%

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 of all property, plant and equipment are the difference between the net disposal proceeds and the carrying amount of the relevant asset, and are recognised in profit or loss on the date of retirement or disposal within "Other income and net gains/(losses)" in the consolidated statement of comprehensive income.

(g) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose identified according to operating segment (note 14).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(h) Impairment of non-financial assets

Assets that have indefinite useful life, for example, goodwill, are not subject to amortisation and are tested annually for impairment.

Assets 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, 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.

(i) 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.

The Group as lessee

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 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.

(j) Construction contracts in progress

Contracting work-in-progress is valued at cost incurred plus an appropriate proportion of profits after deducting progress payments and allowances for foreseeable losses. Cost comprises construction material costs, labour and overheads expenses incurred in bringing the work-in-progress to its present condition.

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 retention 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).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(k) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise "amounts due from customer for contract work", "trade and other receivables" and "cash and cash equivalents" in the statement of financial position.

(l) Impairment of financial assets

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.

The criteria that the Group uses to determine that there is objective evidence of an impairment loss include:

— Significant financial difficulty of the issuer or obligor;

— A breach of contract, such as a default or delinquency in interest or principal payments;

— The Group, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;

— It becomes probable that the borrower will enter bankruptcy or other financial reorganisation;

— The disappearance of an active market for that financial asset because of financial difficulties; or

— Observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:

    (i) adverse changes in the payment status of borrowers in the portfolio;

    (ii) national or local economic conditions that correlate with defaults on the assets in the portfolio.

The Group first assesses whether objective evidence of impairment exists.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(l) Impairment of financial assets *(Continued)*

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.

(m) Trade and other receivables

Trade receivables are amounts due from customers for 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 provision for impairment.

(n) Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less.

(o) Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(p) 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 recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

(q) Borrowings

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.

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 profit or loss over the period of the borrowings using the effective interest method.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(r) 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.

(s) Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the 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.

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 during the year 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.

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, 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.

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.

(t) Employee benefits

(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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(t) Employee benefits *(Continued)*

(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 when it is demonstrably committed to a termination when the entity has a detailed formal plan to terminate the employment of current employees without possibility of withdrawal. 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 each reporting period during the year are discounted to present value.

(iv) Bonus plans

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

(u) 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 expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligations. The increase in the provision due to passage of time is recognised as interest expense.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(v) Contingent liabilities and contingent assets

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.

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.

(w) Revenue recognition

Revenue comprises the fair value of the consideration received or receivables for the sale of services in the ordinary course of the Group's activities. Revenue is shown after eliminating sales within the Group.

(a) 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(w) Revenue recognition *(Continued)*

(a) Construction contracts income *(Continued)*

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 an independent surveyor.

(b) Rental income on machinery

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

(c) Interest income

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

(x) Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's and 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.

3 FINANCIAL RISK MANAGEMENT

(a) Financial risk factors

The Group's activities exposed it to a variety of financial risks: interest rate risk, credit risk and liquidity risk.

The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group uses derivative financial instruments, if necessary, to reduce certain risk exposures.

(i) Interest rate risk

Other than bank balances with variable interest rate, 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 issued 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 risks.

As at 31 March 2013 and 2012, if the interest rate on all borrowings had been 100 basis points higher/lower with all other variables held constant, the Group's profit after tax for the year would have been decreased/increased by approximately HK$1,416,000 (2012: HK$1,086,000) respectively, mainly as a result of higher/lower interest expense on borrowings with floating interest rates.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT *(Continued)*

(a) Financial risk factors *(Continued)*

(ii) Credit risk

Credit risk arises mainly from trade and other receivables, amounts due from customers for contract work and cash at bank. The Group's maximum exposure to credit risk in the event of the counterparties' failure to perform their obligations as at the reporting dates in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated statement of financial position.

The credit risk of bank balances is limited because the counterparties are banks with sound credit ratings assigned by international credit-rating agencies.

In respect of trade and other receivables and amounts due from customers for contract work, individual credit evaluations are performed on all customers and counterparties. These evaluations focus on the counterparty's financial position, past history of making payments and take into account information specific to the counterparty as well as pertaining to the economic environment in which the counterparty operates. Monitoring procedures have been implemented to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade and other receivable balance at the end of each reporting period to ensure adequate impairment losses are made for irrecoverable amounts.

As at 31 March 2013 and 2012, there were 3 (2012: 2) customers which individually contributed over 10% of the Group's trade and other receivables each year end date. The aggregate amount of trade and other receivables from these customers amounted to 46% (2012: 76%) of the Group's total trade and other receivables.

(iii) 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 short and longer term. Management believes there is no significant liquidity risk as the Group has sufficient committed facilities to fund their operations.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT *(Continued)*

(a) Financial risk factors *(Continued)*

(iii) Liquidity risk *(Continued)*

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:

Group

	Within one year	**Between one and two years**	**Between two and five years**	**Total**
	HK$'000	HK$'000	HK$'000	HK$'000
At 31 March 2013				
Trade and other payables	**61,739**	**–**	**–**	**61,739**
Borrowings	**58,040**	**35,555**	**56,611**	**150,206**
	119,779	**35,555**	**56,611**	**211,945**
At 31 March 2012				
Trade and other payables	28,884	–	–	28,884
Borrowings	32,455	25,982	57,715	116,152
	61,339	25,982	57,715	145,036

Company

	Within one year	**Between one and two years**	**Between two and five years**	**Total**
	HK$'000	HK$'000	HK$'000	HK$'000
At 31 March 2013				
Trade and other payables	**784**	**–**	**–**	**784**
At 31 March 2012				
Trade and other payables	–	–	–	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT *(Continued)*

(b) Capital risk management

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 Group monitors capital on the basis of the gearing ratio. This ratio is calculated as the total interest-bearing liabilities as at each year end divided by the total equity as at each year end.

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

	2013	2012
	HK$'000	HK$'000
Total borrowings *(Note 19)*	**141,970**	108,644
Total equity	**270,942**	165,451
Gearing ratio	**52.4%**	65.7%

(c) Fair value estimation

The carrying values less impairment provision of trade and other receivables, trade and other payables, amounts due from customers for contract work 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 at market rates.

4 CRITICAL ACCOUNTING ESTIMATES 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS *(Continued)*

(a) 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.

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 value 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.

(b) Impairment of receivables

Management determines the provision for impairment of trade and other receivables and amounts due from customers for contract work. This estimate is based on the credit history of its customers and the current market condition. Management reassesses the provision at each statement of financial position date.

Significant judgment is exercised on the assessment of the collectability of receivables from each customer. In making the judgment, management considers a wide range of factors such as results of follow-up procedures, customer payment trends including subsequent payments and customers' financial positions. If the financial conditions of the customers of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS *(Continued)*

(c) 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. As at 31 March 2012 and 2013, management was not aware of any impairment on goodwill based on the assessment.

(d) 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.

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 base their judgements of contract costs and revenues on the latest available information, which includes detailed contract valuations. In many cases the results reflect the expected outcome of long-term contractual obligations which span more than one reporting period. Contract costs and revenues are affected by a variety of uncertainties that depend on the outcome of future events and often need to be revised as events unfold and uncertainties are resolved. The estimates of contract costs and revenues 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS *(Continued)*

(e) Provision for litigation

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 REVENUE AND SEGMENT INFORMATION

Revenue, which is also the Group's turnover, represents gross contract receipts on construction contracts and rental income on machinery in the ordinary course of business. Revenue and other income and net gains recognised during the respective years are as follows:

	2013 **HK$'000**	2012 HK$'000
Turnover		
Construction contracts income	**593,742**	302,571
Rental income on machinery	**4,249**	10,551
	597,991	313,122

	2013 **HK$'000**	2012 HK$'000
Other income and net gains		
Reimbursement of legal fees	**5,203**	–
Gain on disposal of property, plant and equipment	**112**	64
Others	**513**	58
	5,828	122

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5 REVENUE AND SEGMENT INFORMATION *(Continued)*

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker being the Board. As the Group is principally engaged in foundation business and machinery leasing business in Hong Kong and Macau, which are subject to similar business risk, and resources are allocated based on what is beneficial to the Group in enhancing the value as a whole rather than any specific unit, the Group's chief operating decision maker considers the performance assessment of the Group should be based on the profit before income tax of the Group as a whole. Therefore, management considers there to be only one operating segment under the requirements of HKFRS 8.

The Group primarily operates in Hong Kong and Macau, and its revenue is derived from the following regions:

	2013	2012
	HK$'000	HK$'000
Hong Kong		
Macau	**521,272**	313,122
	76,719	–
	597,991	313,122

Reimbursement of legal fees represents the compensation received from a customer in respect of legal fee incurred by the Group on a previous litigation which was settled during the year ended 31 March 2012.

There were 2 (2012: 4) customers which individually contributed over 10% of the Group's revenue for the year ended 31 March 2013. The aggregate amount of revenue from these customers amounted to approximately 37% (2012: approximately 48%) of the Group's total revenue for the year ended 31 March 2013.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6 EXPENSES BY NATURE

	2013 HK$'000	2012 HK$'000
Cost of sales		
Construction materials costs	**226,878**	115,442
Subcontracting charges	**144,992**	56,638
Staff costs *(Note 7)*	**77,305**	54,234
Depreciation of owned assets *(Note 13)*	**15,999**	10,220
Depreciation of assets under finance lease *(Note 13)*	**18,656**	16,918
	483,830	253,452
Administrative expenses		
Auditor's remuneration	**1,720**	730
Building management fee	**318**	303
Staff costs, including directors' emoluments *(Note 7)*	**14,524**	9,561
Depreciation *(Note 13)*	**1,111**	1,005
Operating lease rental on land and buildings	**1,943**	2,615
Transportation	**2,134**	1,975
Legal and professional fees	**9,103**	5,362
Insurance	**1,998**	821
Repair and maintenance	**2,816**	1,405
Other expenses	**2,252**	2,036
	37,919	25,813
Total cost of sales and administrative expenses	**521,749**	279,265

7 EMPLOYEE BENEFIT EXPENSES, INCLUDING DIRECTORS' EMOLUMENTS

	2013 HK$'000	2012 HK$'000
Salaries, wages and allowances	**89,207**	61,943
Retirement benefit expenses		
— defined contribution plan	**2,622**	1,852
	91,829	63,795

The Group operates two defined contribution schemes in Hong Kong which comply with the requirements under the Mandatory Provident Fund ("MPF") Schemes Ordinance. All assets under the schemes are held separately from the Group under independently administered funds. Contributions to the MPF Scheme follow the MPF Schemes Ordinance.

Under the MPF Scheme, each of the Group (the employer) and its Hong Kong employees makes monthly contributions to the scheme at 5% of the employees' relevant income, as defined in the Mandatory Provident Fund Scheme Ordinance. Both the Group's and the employee's monthly contributions are subject to a cap of HK$1,000 prior to 1 June 2012 and HK$1,250 thereafter (2012: HK$1,000) and contributions beyond these amounts are voluntary. The contributions are fully and immediately vested upon payment.

At 31 March 2013, there was no forfeited contributions (2012: Nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

8 DIRECTORS' EMOLUMENTS

(a) Directors' emoluments

The emoluments of the directors for the year are set out below:

	Fee	Salaries, wages and allowances	Discretionary bonuses	Retirement scheme contributions	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Year ended 31 March 2013					
Executive directors					
Dr. Ho Kar Chung	**1,000**	**–**	**–**	**–**	**1,000**
Mr. Ho Chi Ling	**–**	**911**	**228**	**15**	**1,154**
Mr. Cheng Wing On, Michael	**–**	**960**	**–**	**15**	**975**
Independent non-executive directors					
Mr. Chuck Winston Calptor	**132**	**–**	**–**	**–**	**132**
Mr. Ching Kwok Hoo, Pedro	**132**	**–**	**–**	**–**	**132**
Mr. Tam Tak Kei, Raymond	**132**	**–**	**–**	**–**	**132**
Non-executive director					
Mr. Leung Chee Hon	**158**	**–**	**–**	**–**	**158**
	1,554	**1,871**	**228**	**30**	**3,683**
Year ended 31 March 2012					
Executive directors					
Dr. Ho Kar Chung	–	–	–	–	–
Mr. Ho Chi Ling	–	780	132	12	924
Mr. Cheng Wing On, Michael	–	960	200	12	1,172
Independent non-executive directors					
Mr. Chuck Winston Calptor	–	–	–	–	–
Mr. Ching Kwok Hoo, Pedro	–	–	–	–	–
Mr. Tam Tak Kei, Raymond	–	–	–	–	–
Non-executive director					
Mr. Leung Chee Hon	–	–	–	–	–
	–	1,740	332	24	2,096

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. No director has waived or agreed to waive any emoluments during the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

8 DIRECTORS' EMOLUMENTS *(Continued)*

(b) Five highest paid individuals

Of the five individuals with the highest emoluments, three (2012: two) of them are directors whose emoluments are disclosed above. The emoluments of the remaining two (2012: three) highest paid individuals for the year ended 31 March 2013 are as follows:

	2013 **HK$'000**	2012 HK$'000
Salaries, wages and allowances	**1,920**	2,580
Discretionary bonuses	**–**	510
Retirement benefits expenses	**15**	24
	1,935	3,114

The emoluments of the highest paid individuals fell within the following bands:

	2013	2012
HK$Nil–HK$1,000,000	**2**	1
HK$1,000,001–HK$1,500,000	**–**	2
	2	3

During the year, no emoluments were paid by the Group to the above highest paid individuals as (i) an inducement to join or upon joining the Group or (ii) as compensation for loss of office as a director or management of any members of the Group. No such emoluments were agreed to be waived by the relevant individuals.

9 FINANCE COSTS

	2013 **HK$'000**	2012 HK$'000
Interest on finance leases	**3,504**	1,793
Interest on bank borrowings wholly repayable within 5 years	**417**	304
	3,921	2,097

No interest (2012: Nil) was capitalised during the year ended 31 March 2013.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

10 INCOME TAX EXPENSE

Hong Kong and Macau profits tax have been provided at the rate of 16.5% and 12% respectively for the year ended 31 March 2013 on the estimated assessable profit for the year.

	2013 HK$'000	2012 HK$'000
Current income tax		
— Hong Kong profits tax	**5,578**	3,846
— Macau profits tax	**1,394**	–
Over-provision in prior years		
— Hong Kong profits tax	**(20)**	–
Deferred income tax	**6,016**	2,280
Income tax expense	**12,968**	6,126

The taxation on the Group's profit before income tax differs from the theoretical amount that would arise using the Hong Kong profits tax rate as follows:

	2013 HK$'000	2012 HK$'000
Profit before income tax	**78,149**	31,882
Calculated at a tax rate of 16.5% (2012: 16.5%)	**12,895**	5,261
Effect of different tax rate in other jurisdiction	**(559)**	–
Income not subject to tax	**(43)**	(36)
Expenses not deductible for tax purposes	**1,650**	920
Temporary difference not recognised	**(957)**	–
Tax losses for which no deferred income tax assets was recognised	**2**	–
Over-provision in prior year	**(20)**	(19)
Income tax expense	**12,968**	6,126

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

11 EARNINGS PER SHARE

Basic

Basic earnings per share are calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the year. The weighted average number of ordinary shares used for such purpose has been retrospectively adjusted for the effects of the issue of shares in connection with the reorganisation on 11 September 2012 and the capitalisation issue of the ordinary shares which took place on 18 October 2012, details of which are set out in Note 23.

	2013	2012
Profit attributable to equity holders of the Company (HK$'000)	**65,181**	25,756
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share (in thousand)	**258,699**	225,000
Basic earnings per share (HK cents)	**25.2**	11.4

Diluted

Diluted earnings per share is the same amount as the basic earnings per share as there were no potential dilutive ordinary shares outstanding during the year ended 31 March 2013 (2012: Nil).

12 DIVIDEND

	2013 **HK$'000**	2012 HK$'000
Interim paid *(note i)*	**–**	9,300
Special paid *(note ii)*	**20,000**	–
Final, proposed, of HK7 cents per ordinary share *(note iii)*	**21,000**	–
	41,000	9,300

Notes:

(i) Pursuant to the respective resolution passed on 6 October 2011, certain subsidiaries comprising the Group declared interim dividends relating to the year ended 31 March 2012 amounting to HK$9,300,000, the amount of which were paid on 6 October 2011.

(ii) Pursuant to the respective resolution passed on 28 May 2012, certain subsidiaries comprising the Group declared a special dividend relating to the year ended 31 March 2013 amounting to HK$20,000,000 prior to the Company's share offer, the amount of which were paid in May 2012.

(iii) At a meeting held on 27 June 2013, the directors recommended the payment of a final dividend for the year ended 31 March 2013 of HK7 cents per ordinary share, totalling HK$21,000,000. This proposed dividend is not reflected as dividend payable in these financial statements, but will be reflected as an appropriation of retained earnings for the year ending 31 March 2014.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

13 PROPERTY, PLANT AND EQUIPMENT

	Machinery	Office equipment	Motor vehicles	Furniture and fixtures	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Cost					
At 1 April 2011	187,901	1,457	2,345	534	192,237
Additions	42,276	–	330	–	42,606
Disposals	–	–	(172)	–	(172)
Written off	–	(1,022)	–	(277)	(1,299)
At 31 March 2012	230,177	435	2,503	257	233,372
Accumulated deprecation					
At 1 April 2011	32,136	946	640	534	34,256
Charge for the year *(Note 6)*	27,138	292	713	–	28,143
Disposals	–	–	(155)	–	(155)
Written off	–	(1,022)	–	(277)	(1,299)
At 31 March 2012	59,274	216	1,198	257	60,945
Net book value					
At 31 March 2012	170,903	219	1,305	–	172,427
Cost					
At 1 April 2012	**230,177**	**435**	**2,503**	**257**	**233,372**
Additions	**117,593**	**630**	**791**	**–**	**119,014**
Disposals	**(11,986)**	**–**	**(108)**	**–**	**(12,094)**
At 31 March 2013	**335,784**	**1,065**	**3,186**	**257**	**340,292**
Accumulated deprecation					
At 1 April 2012	**59,274**	**216**	**1,198**	**257**	**60,945**
Charge for the year *(Note 6)*	**34,656**	**293**	**817**	**–**	**35,766**
Disposals	**(2,896)**	**–**	**(108)**	**–**	**(3,004)**
At 31 March 2013	**91,034**	**509**	**1,907**	**257**	**93,707**
Net book value					
At 31 March 2013	**244,750**	**556**	**1,279**	**–**	**246,585**

(a) Certain machinery was under finance lease 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 from the carrying value of the relevant machinery.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

13 PROPERTY, PLANT AND EQUIPMENT *(Continued)*

(a) *(Continued)*

The net book amount of machinery where the Group was a lessee under finance leases as at 31 March 2013 is analysed as follows:

	2013 **HK$'000**	2012 HK$'000
Cost — Capitalised finance leases	**194,235**	155,830
Accumulated amortisation	**(51,301)**	(37,902)
Net book amount	**142,934**	117,928

As at 31 March 2013, the Group's machinery with an aggregate net book value of approximately HK$12,390,000 (2012: approximately HK$13,537,000) was pledged for bank borrowings.

(b) Rental income amounting to approximately HK$4,249,000 (2012: approximately HK$10,551,000) for the year ended 31 March 2013 relating to the lease of machinery is included in the consolidated statement of comprehensive income (Note 5).

(c) Machinery includes the following amount as at the end of the reporting period where the Group was a lessor under an operating lease:

	2013 **HK$'000**	2012 HK$'000
Cost	**–**	7,880
Accumulated depreciation	**–**	(3,308)
Net book amount	**–**	4,572

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

14 GOODWILL

	HK$'000
At 31 March 2012 and 2013	13,022

Impairment tests for goodwill

Goodwill is allocated to the Group's cash generating unit ("CGU") identified which is the foundation business.

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:

	2013	2012
Average growth rate *(Note a)*	**5%**	5%
Terminal growth rate	**2%**	2%
Discount rate *(Note b)*	**14%**	14%

(a) Average growth rate used in the budget for the five-year period ending 31 March 2018.

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

(c) Assuming the growth rate decreases by 50 basis points and the discount rate increases by 50 basis points, there is still sufficient headroom and no further impairment charge is required for the goodwill as at 31 March 2013.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

15 TRADE AND OTHER RECEIVABLES

	Group		Company	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
Contract receivables	**111,220**	59,398	**–**	–
Retention receivables	**41,272**	19,452	**–**	–
Total trade receivables	**152,492**	78,850	**–**	–
Other receivables, deposits and prepayments *(Note d)*	**11,344**	9,184	**–**	–
	163,836	88,034	**–**	–

Notes:

(a) The credit periods granted to customers were 14 to 60 days. Trade receivables were denominated in Hong Kong dollars.

(b) The aging analysis of the Group's contract receivables based on invoice date is as follows:

	2013	2012
	HK$'000	HK$'000
0–30 days	**105,533**	58,706
31–60 days	**561**	353
61–90 days	**537**	–
Over 90 days	**4,589**	339
	111,220	59,398

Contract receivables of approximately HK$105,533,000 (2012: approximately HK$58,706,000) as at 31 March 2013 were not yet past due and approximately HK$5,687,000 (2012: HK$692,000) as at 31 March 2013 were past due but not impaired. These relate to contract receivables from a number of independent customers for whom there is no recent history of default and no provision has therefore been made. As at 31 March 2013, no trade receivables (2012: Nil) were impaired.

Retention receivables were not yet past due as at 31 March 2013 and were settled in accordance with the terms of the respective contracts.

(c) The other classes within trade and other receivables do not contain impaired assets. The Group does not hold any collateral as security.

(d) The amount as at 31 March 2013 mainly represented prepayments for purchase of materials. The amount as at 31 March 2012 mainly represented prepayments for purchases of materials and listing expenses.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

16 AMOUNTS DUE FROM CUSTOMERS FOR CONTRACT WORK

	2013 HK$'000	2012 HK$'000
Costs plus attributable profits less foreseeable losses	**168,368**	13,144
Less: progress billings to date	**(147,067)**	(10,382)
Amounts due from customers for contract work	**21,301**	2,762

There were no advances received from customers for contract work as at 31 March 2013. Progress billings to date include retention receivables of approximately HK$14,349,200 (2012: HK$1,254,000) as at 31 March 2013.

17 INTEREST IN A SUBSIDIARY — THE COMPANY

	2013 HK$'000	2012 HK$'000
Investment in a subsidiary	**10**	–
Loans to a subsidiary *(note (a))*	**28,000**	–
	28,010	–
Amounts due from subsidiaries *(note (b))*	**11,446**	–

Notes:

(a) Loans to a subsidiary are unsecured and non-interest bearing. The loan shall not be repayable on demand by the Company on or before 31 March 2014; and Company shall not demand repayment of the loan unless and until all the other liabilities and commitments of the subsidiary to other creditors are fully settled and satisfied.

(b) Amounts due from subsidiaries are unsecured, non-interest bearing and repayable on demand. The carrying amounts of these balances are mainly denominated in Hong Kong Dollars and approximate their fair values due to their short maturities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

18 CASH AND CASH EQUIVALENTS

	Group		Company	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
Cash at banks	**57,957**	46,551	**6,912**	–
Cash on hand	**138**	58	**–**	–
Cash and cash equivalents	**58,095**	46,609	**6,912**	–

Notes:

(a) The carrying amounts of the cash and cash equivalents are denominated in the following currencies:

	Group		Company	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong dollar	**57,622**	46,550	**6,912**	–
Macau Pataco	**388**	–	**–**	–
Euro	**44**	18	**–**	–
United States dollar	**23**	18	**–**	–
Australian dollar	**18**	23	**–**	–
	58,095	46,609	**6,912**	–

(b) Cash at bank earns interest at floating rates based on daily bank deposit rates.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

19 BORROWINGS

	2013 HK$'000	2012 HK$'000
Non-current		
Finance lease liabilities *(Note b)*	**88,305**	79,770
	88,305	79,770
Current		
Bank borrowings *(Note a)*	**8,250**	10,563
Finance lease liabilities *(Note b)*	**45,415**	18,311
	53,665	28,874
Total borrowings	**141,970**	108,644

Note:

(a) Bank Borrowings
As at 31 March 2013, the Group had bank borrowings as followings:

— HK$2,215,000 (2012: Nil), which were repayable in full 6 months after each drawdown and bore interest at 3% above Hong Kong Interbank Offered Rate ("HIBOR") per annum;

— HK$189,000 (2012: HK$460,000), mature till November 2013 and bore interest at the current prime rate per annum;

— HK$3,580,000 (2012: HK$5,451,000), mature till 2014 and 2% above one-month HIBOR per annum, and were subject to annual review; and

— HK$2,266,000 (2012: HK$4,652,000), mature till 2015 and 2.5% above one-month HIBOR per annum, and were subject to annual review.

The bank borrowings were denominated in Hong Kong dollars.

The bank borrowings are classified as current liabilities according to the Interpretation-5, Presentation of Financial statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause. According to the repayment schedule the bank borrowings, without considering the repayable on demand clause, are repayable as follows:

	2013 HK$'000	2012 HK$'000
Within 1 year	**6,440**	4,527
Between 1 and 2 years	**1,810**	4,225
Between 2 and 5 years	**–**	1,811
	8,250	10,563

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

19 BORROWINGS *(Continued)*

(b) Finance Lease Liabilities

Lease liabilities are secured as the rights to the leased assets revert to the lessors in the event of default.

	2013	2012
	HK$'000	HK$'000
Gross finance lease liabilities — minimum lease payments		
Within 1 year	**39,232**	21,527
Later than 1 year and no later than 5 years	**102,604**	83,696
	141,836	105,223
Future finance charges on finance leases	**(8,116)**	(7,142)
Present value of finance lease liabilities	**133,720**	98,081

The present value of finance lease liabilities is as follows:

	2013	2012
	HK$'000	HK$'000
Within 1 year	**45,415**	18,311
Later than 1 year and no later than 5 years	**88,305**	79,770
	133,720	98,081

The carrying amounts of all finance leases liabilities are denominated in Hong Kong dollars.

(c) As at 31 March 2013, the Group had committed banking facilities (including the finance lease facilities) of HK$800,000 which bore interest at the current prime rate per annum, HK$370,000 which bore interest at fixed rate 2.5% per annum and HK$232,182,000 which bore interest at 2% to 3.5% per annum above HIBOR, respectively.

As at 31 March 2012, the Group had committed banking facilities (including the finance lease facilities) of HK$800,000 which bore interest at the current prime rate and HK$130,678,000 which bore interest at 2% to 3.5% per annum above HIBOR, respectively.

These committed banking facilities were subject to annual review. As at 31 March 2013, the undrawn banking facilities amounted to HK$82,953,000 (2012: HK$18,980,000).

These banking facilities were secured by the Group's machinery with an aggregate net book value of HK$155,324,000 and HK$131,465,000 as at 31 March 2013 and 2012 respectively (Note 13).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

20 TRADE AND OTHER PAYABLES

	Group		Company	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade payables	**55,221**	25,499	**–**	–
Accruals for construction costs	**4,854**	1,372	**–**	–
Other accruals *(Note (c))*	**3,005**	2,013	**784**	–
	63,080	28,884	**784**	–

Notes:

(a) The carrying amounts of trade and other payables approximated their fair values and were denominated in Hong Kong dollars.

(b) Payment terms granted by suppliers were 14 to 60 days from the invoice date of the relevant purchases.

The aging analysis of the Group's trade payables based on the invoice date is as follows:

	2013	2012
	HK$'000	HK$'000
0–30 days	**36,432**	23,313
31–60 days	**6,974**	1,413
61–90 days	**9,847**	97
Over 90 days	**1,968**	676
	55,221	25,499

(c) Other accruals mainly arose from the purchase of machinery and accrued legal and professional expenses.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

21 DEFERRED TAXATION

The analysis of deferred taxation assets is as follows:

	2013 HK$'000	2012 HK$'000
— Deferred tax assets to be settled after more than 12 months	**71**	84
— Deferred tax assets to be settled within 12 months	**–**	–
	71	84

The analysis of deferred taxation liabilities is as follows:

	2013 HK$'000	2012 HK$'000
— Deferred tax liabilities to be settled after more than 12 months	**(23,344)**	(17,734)
— Deferred tax liabilities to be settled within 12 months	**(536)**	(143)
	(23,880)	(17,877)

The movements in deferred tax assets and liabilities during the year without taking into consideration the offsetting of balances within the same tax jurisdiction are as follows:

	Accelerated tax depreciation HK$'000	Tax losses HK$'000	Total HK$'000
Deferred tax assets/(liabilities)			
At 1 April 2011	(15,628)	115	(15,513)
Charged to consolidated statement of comprehensive income *(Note 10)*	(2,249)	(31)	(2,280)
At 31 March 2012	(17,877)	84	(17,793)
At 1 April 2012	(17,877)	84	(17,793)
(Charged)/credited to consolidated statement of comprehensive income *(Note 10)*	(8,652)	2,636	(6,016)
At 31 March 2013	(26,529)	2,720	(23,809)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

22 FINANCIAL INSTRUMENTS BY CATEGORY

(a) Group

	Loans and receivables	
	2013	2012
	HK$'000	HK$'000
Assets as per balance sheet		
Trade and other receivables excluding prepayments	**156,555**	82,402
Amounts due from customers for contract work	**21,301**	2,762
Cash and cash equivalents	**58,095**	46,609
Total	**235,951**	131,773

	Financial liabilities at amortised cost	
	2013	2012
	HK$'000	HK$'000
Liabilities as per balance sheet		
Trade and other payables excluding non-financial liabilities	**61,739**	28,884
Borrowings (excluding finance lease liabilities)	**8,250**	10,563
Finance lease liabilities	**133,720**	98,081
Total	**203,709**	137,528

(b) Company

	Loans and receivables	
	2013	2012
	HK$'000	HK$'000
Assets as per balance sheet		
Loan due to a subsidiary	**28,000**	–
Amounts due from subsidiaries	**11,446**	–
Cash and cash equivalents	**6,912**	–
Total	**46,358**	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

22 FINANCIAL INSTRUMENTS BY CATEGORY *(Continued)*

(b) Company *(Continued)*

	Financial liabilities at amortised cost	
	2013	2012
	HK$'000	HK$'000
Liabilities as per balance sheet		
Trade and other payables	**784**	–
Total	**784**	–

23 SHARE CAPITAL AND SHARE PREMIUM

	Ordinary shares of HK$0.01 each Number of shares	Nominal amount
		HK$'000
Authorised:		
Ordinary shares as at 31 March 2012	38,000,000	380
Ordinary shares as at 31 March 2013	2,000,000,000	20,000
Issued and fully paid:		
Ordinary shares as at 31 March 2012	1	–
Issuance of shares	999,999	10
Shares issued pursuant to the capitalisation issue	224,000,000	2,240
Shares issued pursuant to the share offer	75,000,000	750
Ordinary shares as at 31 March 2013	300,000,000	3,000

The Company was incorporated in the Cayman Islands on 15 April 2011, with an authorised share capital of HK$380,000 divided into 38,000,000 ordinary shares with a par value of HK$0.01 each. At the time of its incorporation, the Company issued 1 ordinary share of HK$0.01 to the subscriber which was subsequently transferred to Leading Win.

On 11 September 2012, pursuant to a shareholder resolution the authorised share capital of the Company was increased to HK$20,000,000 divided into 2,000,000,000 ordinary shares of HK$0.01 each. On the same date, the Company allotted and issued 999,999 ordinary shares of HK$0.01 each to Leading Win in connection with the Reorganisation as described in Note 1(b) above, credited as fully paid.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

23 SHARE CAPITAL AND SHARE PREMIUM *(Continued)*

On 18 October 2012, the Company issued 75,000,000 ordinary shares with a par value of HK$0.01 each during its share offer at an offer price of HK$0.88 per ordinary share. As a result, after capitalising HK$5,690,000 share issuance costs, HK$60,310,000 were recognised in equity of the consolidated statement of financial position including a credit of HK$59,560,000 to the share premium account. On the same date, the Company allotted and issued a total of 224,000,000 ordinary shares with a par value of HK$0.01 each, credited as fully paid, to the holders of the Company's shares on the register of members at the close of business on 11 September 2012 by way of capitalisation of a sum of HK$2,240,000 standing to the credit of the share premium account of the Company, pursuant to a resolution passed on 11 September 2012.

24 OTHER RESERVES

(a) Merger reserve

As at 31 March 2012, merger reserve represents the difference between the nominal value of the ordinary share issued by One Million to acquire the entire equity interest in Sunley on 18 May 2010 and the issued share capital of Sunley.

As at 31 March 2013, merger reserve represents the nominal value of the ordinary shares issued by the Company to acquire the entire equity interest in One Million and its subsidiaries during the Reorganisation and the merger reserve brought forward.

(b) Capital reserve

Capital reserve represents the differences between the nominal value of the share issued by One Million to acquire the entire equity interests in Sunnic and Full Gain and the fair value of shares issued by Leading Win to the then shareholders of Sunnic and Full Gain. The latter was regarded as a capital contribution by Leading Win to One Million.

(c) The loss attributable to equity holders of the Company is dealt with in the financial statements of the Company to the extent of approximately HK$14,736,000 (2012: Nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

25 NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Reconciliation of profit before income tax to net cash generated from operations

	2013	2012
	HK$'000	HK$'000
Profit before income tax	**78,149**	31,882
Adjustments for:		
Depreciation	**35,766**	28,143
Gain on disposal of fixed assets	**(112)**	(64)
Interest expense	**3,921**	2,097
Operating profit before working capital changes	**117,724**	62,058
Increase in trade and other receivables	**(75,802)**	(10,526)
(Increase)/decrease in amounts due from customers for contract work	**(18,539)**	1,094
Decrease in balance with a related company	**–**	59
Increase/(decrease) in trade and other payables	**34,196**	(5,445)
Net cash generated from operations	**57,579**	47,240

(b) Non-cash transactions

There were machineries purchased under borrowings arrangements amounted to HK$45,245,000 for the year ended 31 March 2013.

26 COMMITMENTS

(a) Capital commitments — Group

Capital commitments outstanding at statement of financial position date not provided for in the financial statements were as follows:

	2013	2012
	HK$'000	HK$'000
Contracted but not provided for	**–**	20,145

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

26 COMMITMENTS *(Continued)*

(b) Operating lease commitments — Group as lessee

At statement of financial position date, the total future minimum lease payments under non-cancellable operating leases were payable as follows:

	2013	2012
	HK$'000	HK$'000
Not later than 1 year	**2,270**	1,331
1–5 years	**137**	1,426
	2,407	2,757

The Group is the lessee in respect of a number of properties under operating leases. The leases typically run for an initial period of one to two years, with an option to renew the lease when all terms are renegotiated. None of the leases includes contingent rentals.

(c) Operating lease commitments — Group as lessor

At statement of financial position date, the total future minimum lease payments receivable under non-cancellable operating leases are receivable as follows:

	2013	2012
	HK$'000	HK$'000
Not later than 1 year	**–**	103

The Group is the lessor in respect of a number of items of machinery under operating leases. The leases had an initial period of one to two years, and did not include any contingent rentals.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

27 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. Related parties may be individuals or other entities.

(a) During the years ended 31 March 2013 and 2012, the related parties that had transactions with the Group were as follows:

Name of related parties	Relationship with the Group
Super Ease Holdings Limited ("Super Ease")	A related company in which a director of the Company has interests
Sunnic Holdings Limited ("Sunnic Holdings")	A related company in which a director of the Company has interests

(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:

	2013 HK$'000	2012 HK$'000
Rent paid to		
— Super Ease	**285**	285
— Sunnic Holdings	**285**	285
	570	570

(c) The emoluments of the directors (representing the key management personnel) during the year are disclosed in Note 8.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

28 CONTINGENT LIABILITIES

At each statement of financial position date, the Group had the following contingent liabilities:

	2013	2012
	HK$'000	HK$'000
Guarantees on performance bonds in respect of construction contracts	**14,122**	5,492

(a) Pending litigation

As at 31 March 2013, there was one outstanding personal injury case made against the Group. The claim related to an employee of the Group who alleged to have suffered from bodily injuries during the course of employment on the Group's construction site. The claim is dealt with and handled by the insurer and is covered by mandatory insurance. The Directors of the Company assessed the case and believe that there would not be a material impact to the financial position of the Group. No provision has been made for the case in the consolidated financial statements.

In August 2012, two charges were laid by the Labour Department of the Government of the Hong Kong Special Administrative Region and in February 2013, one charge was laid by the Buildings Department of the Government of the Hong Kong Special Administrative Region on the Group in relation to an accident which occurred in March 2012 alleging the Group's failure to provide a safe environment and permission of works that caused injuries to its workers working on site. No pleas have been taken for all summonses up to the date of approval of these financial statements. The next hearing will be held in July 2013 at the Magistrates' Court. The Group believes that it had, so far as reasonably practicable, provided a safe environment to all its workers working on site and will resist all charges. In the event the Group is unsuccessful and being convicted, the Group may be subject to a fine at a maximum amount of HK$2,000,000, which will not be covered by the Group's insurance policies. The Board considers that it is too early for management to make a reliable estimate of the amount of liability, if any, in connection with the three charges. In addition, the Controlling Shareholders of the Group entered into a deed of indemnity with and in favour of the Group to provide indemnities in respect of all claims, payments, suits, damages, settlements payments and any associated costs and expenses which would be incurred or suffered by the Group as a result of these three proceedings. In the event the Group exercises the deed of indemnity, such indemnities will be recognised as a credit to equity as a contribution from the controlling shareholders.

MANAGEMENT DISCUSSION AND ANALYSIS OF HISTORICAL RESULTS OF OPERATIONS

Set out below is the management discussion and analysis of the Group's operations for the six months ended 30 June 2015, nine months ended 31 December 2014 and 12 months ended 31 March 2014, 31 March 2013 and 31 March 2012, respectively. The information set out below is principally extracted from the "Management Discussion and Analysis" section of the relevant annual and interim reports of the Company to provide further information relating to the financial condition and results of operations of the Group during the periods stated. These extracted materials were prepared prior to the Acquisition and speak as of the date they were originally published. The Company's circular and intentions will have changed since that date, and the reader should therefore not place undue reliance on this information, particularly the information consisting of or relating to forward-looking or future statements.

For the 6 months ended 30 June 2015

BUSINESS REVIEW

During the Reporting Period, the Group's major source of income was from construction business.

Construction business

The construction projects undertaken by the Group can be broadly divided into foundation works and ancillary services with particular specialisation in piling works. The Group undertakes foundation work related projects in both the public sector, including building and infrastructure related projects, and the private sector in Hong Kong and Macau.

Revenue from the construction contracts for the Reporting Period was approximately HK$835.2 million (six months ended 30 September 2014: approximately HK$610.8 million). The increase was mainly attributable to the substantial completion of a number of projects during the Reporting Period. During the Reporting Period, the Group had undertaken two sizable projects in Kwun Tong Inland Lot No. 761 and in Shatin Town Lot No. 578. The total contract sum of the two projects was approximately HK$615.7 million. The revenue contribution of these two projects together with other ongoing significant projects, including Tsing Yi Town Lot No. 181, Tseung Kwan O Town Lot No. 95, Shek Kip Mei Estate Phase 6, Ma On Shan Town Lot No. 482 account for approximately HK$672.8 million (representing approximately 80.6% of the total revenue from our construction business) during the Reporting Period.

FINANCIAL REVIEW

Revenue

The Group's total revenue for the Reporting Period was approximately HK$835.2 million (six months ended 30 September 2014: approximately HK$612.5 million), representing an increase of approximately 36.4% over the six months ended 30 September 2014. The increase was mainly due to the growth in revenue from construction business during the Reporting Period.

Gross Profit Margin

The Group's gross profit margin during the Reporting Period was approximately 14.6% (six months ended 30 September 2014: approximately 16.6%). The slight decline in margin is mainly due to the absence of relatively high margin projects in Macau during the Reporting Period as it had been substantially completed in the last interim period, coupled with the increase in construction material costs and subcontractor charges.

General and Administrative Expenses

The Group's general and administrative expenses for the Reporting Period were approximately HK$44.4 million (six months ended 30 September 2014: approximately HK$25.4 million), representing an increase of approximately 74.8% over the six months ended 30 September 2014. This was mainly attributable to the increase in professional fee incurred for the reverse takeover transaction as announced by the Company on 23 May 2015. In addition, the higher rental charge for the new office and the share based payment expense incurred for the staff share options were recognised during the Reporting Period are the other reasons for the increase.

Net Profit

During the Reporting Period, the Group recorded a net profit of approximately HK$58.6 million (six months ended 30 September 2014: approximately HK$63.1 million), representing a decrease of approximately 7.1% over the six months ended 30 September 2014. This is mainly attributable to the increase in general and administrative expenses during the Reporting Period.

PROSPECTS

The overall construction industry in Hong Kong remains positive as there are a lot of public projects in the pipeline pending approval. During the Reporting Period, the lengthy approval process undertaken by the Finance Committee of the Legislative Council of the HKSAR resulted in fewer public projects being awarded to contractors during the first half of the year 2015. Such delay caused a fierce competition among contractors towards the private construction sector in order to utilize their existing capacities. Through the optimization of project design and technical knowhow, the Group managed to secure a number of foundation projects from the private market during the Reporting Period.

The Group is fully geared up towards the large-scale government projects to be launched in the second half of the year 2015. In order to maintain a sustainable growth, the Group diversifies its business focus to superstructure construction business by reasonably allocating available resources and maintaining a robust development. In June 2015, the Group was awarded a superstructure construction project at No. 101-111 Wanchai Road with a sizable contract sum.

The proposed acquisition of the Singapore construction and property development business from the parent company Guotsing Group, which is composed of Guotsing Holding Group Company Limited and its subsidiaries as disclosed in the announcement dated 23 May 2015 and 8 June 2015 will enable the Group to commence an integrated construction business model, covering the full industry chain in order to increase cost efficiency and enhance the competitive advantages of the Group and strengthen the "CNQC" branding in the region.

DEBTS AND CHARGE ON ASSETS

The total interest bearing bank borrowings of the Group, including bank loans and finance leases, decreased from approximately HK$215.5 million as at 31 December 2014 to approximately HK$171.5 million as at 30 June 2015. All borrowings were denominated in Hong Kong Dollar. Interests on bank borrowings are mainly charged at floating rates. The Group currently does not have an interest rate hedging policy and the Group monitors interest risks continuously and considers hedging any excessive risk when necessary. These banking facilities are secured by the Group's property, plant and equipment with an aggregate net book value of approximately HK$210.0 million and approximately HK$213.6 million as at 30 June 2015 and 31 December 2014 respectively.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

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

As at 30 June 2015, the Group had cash and bank balances of approximately HK$261.2 million (31 December 2014: approximately HK$113.1 million) of which approximately 93.1% was held in Hong Kong dollar and the remaining was mainly held in Macau Pataca. The significant increase was mainly due to the contribution of cash inflow from the operating activities. The gearing ratio of the Group as at 30 June 2015 (defined as total interest-bearing debts divided by shareholder's equity) was approximately 39.8% (31 December 2014: approximately 58.7%).

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

FOREIGN EXCHANGE

Since the Group mainly operates in Hong Kong and Macau and most of the revenue and transactions arising from its operations were settled in Hong Kong Dollar and Macau Pataca, and the Group's assets and liabilities are primarily denominated in Hong Kong Dollar and

Macau Pataca, 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.

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

During the Reporting Period, there was significant acquisition agreement entered into by the Group on 23 May 2015 to acquire the Singapore construction and property development businesses from the parent company (Guotsing Group). For details, please refer to the announcement of the Company dated 23 May 2015 and 8 June 2015. The completion of the transaction is yet to take place pending the fulfillment of a number of condition precedents.

CAPITAL COMMITMENTS

The Group had no capital commitments as at 30 June 2015 (31 December 2014: HK$12,433,000 for purchase of machineries).

CONTINGENT LIABILITIES

Save as disclosed in note 20 to the unaudited condensed consolidated interim financial information, the Group had no other contingent liabilities as at 30 June 2015 and 31 December 2014.

EVENT AFTER THE REPORTING PERIOD

There are no significant events after the Reporting Period.

EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2015, the Group had 329 full-time employees (31 December 2014: 310 full-time employees). Most of the Group's employees were based in Hong Kong. The remuneration policy and package of the Group's employees are periodically reviewed. Apart from mandatory 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 Reporting Period was approximately HK$84.3 million compared to approximately HK$77.0 million for the six months ended 30 September 2014.

INTERIM DIVIDEND

The Board did not recommend the declaration of any interim dividend for the Reporting Period (six months ended 30 September 2014: HK$Nil).

PURCHASE, SALE AND REDEMPTION OF THE COMPANY'S LISTED SECURITIES

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

For the nine months ended 31 December 2014

CHANGE OF FINANCIAL YEAR END

Pursuant to a resolution of the Board of Directors passed on 24 November 2014, the Company's financial year end date was changed from 31 March to 31 December. Accordingly, the current financial period covers the nine-month period from 1 April 2014 to 31 December 2014 ("the Reporting Period"), and the last year figures cover a twelve-month period from 1 April 2013 to 31 March 2014 ("year ended 31 March 2014"), which may not be comparable with the amounts shown for the current period.

BUSINESS REVIEW

During the Reporting Period, the Group's major source of income was from construction business, and the revenue from machinery leasing was minimal as most of the machines were in full capacity during the Reporting Period. Geographically, Hong Kong continues to be the Group's key market, representing approximately 83.0% of total revenue during the Reporting Period (year ended 31 March 2014: approximately 72.7%).

Construction business

The construction projects undertaken by the Group can be broadly divided into foundation works and ancillary services with particular specialisation in piling works. The Group undertakes foundation work related projects in both the public sector (including building and infrastructure related projects) and the private sector in Hong Kong and Macau respectively.

The Group's revenue from the construction contracts for the Reporting Period was approximately HK$956.3 million (year ended 31 March 2014: approximately HK$1,218.2 million). During the Reporting Period, the Group commenced work of several new sizable projects including Tseung Kwan O Town Lot No. 95, Shek Kip Mei Estate Phase 6, Tsing Yi Town Lot No. 181 and Ma On Shan Shatin Town Lot No. 482, with total contract sum of approximately HK$1.5 billion. The latter three projects were awarded at the last quarter of the Reporting Period. The revenue from these projects together with other ongoing significant projects, including Tsuen Wan Town Lot No. 402, Yuen Long Town Lot No. 518 and Cotai in Macau was approximately HK$711.5 million (year ended 31 March 2014: approximately HK$716.5 million).

FINANCIAL REVIEW

Revenue

The Group's total revenue for the Reporting Period was approximately HK$957.9 million (year ended 31 March 2014: approximately HK$1,218.2 million). During the Reporting Period, the revenue derived from the projects in Hong Kong was approximately HK$794.9 million (year ended 31 March 2014: approximately HK$885.4 million) whereas those in Macau was approximately HK$163.0 million (year ended 31 March 2014: approximately HK$332.8 million). The revenue from machinery leasing was only approximately HK$1.7 million (year ended 31 March 2014: approximately HK$0.01 million).

Gross Profit Margin

The Group's gross profit margin during the Reporting Period was approximately 18.1% (year ended 31 March 2014: approximately 18.7%). 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 foundation design optimization, more competitive subcontractor 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.

General and Administrative Expenses

The Group's general and administrative expenses for the Reporting Period were approximately HK$44.8 million (year ended 31 March 2014: approximately HK$39.1 million), which was approximately 4.7% (year ended 31 March 2014: approximately 3.2%) of the Group's total revenue. This was mainly attributable to the general increase in staff costs including Directors' emoluments incurred and the grant of share options during the Reporting Period.

Net Profit

During the Reporting Period, the Group reported a net profit attributable to owners of the Company of approximately HK$106.3 million (year ended 31 March 2014: net profit of approximately HK$155.8 million).

PROSPECTS

After the Reporting Period and up to the date of this circular, the Group was just awarded foundation work contracts for Kwun Tong Inland Lot No. 761 and Shatin Town Lot No. 578 with an aggregate contract sum of HK$615.7 million. With the continual demand of construction work in Hong Kong, the management expects that there will be a lot of tendering opportunities ahead.

Upon completion of a series of foundation projects in Cotai Macau, the Group is contemplating possible foundation work in other Asia Pacific regions in the future. In addition, by making use of the existing superstructure construction licence of one of the subsidiaries, the Group intends to strengthen the superstructure construction business in the years to come. The Group will seek various opportunities so as to enhance value and deliver sustainable returns to shareholders in the long run.

DEBTS AND CHARGE ON ASSETS

The total interest bearing bank borrowings of the Group, including bank loans and finance leases, increased from approximately HK$197.0 million as at 31 March 2014 to approximately HK$215.5 million as at 31 December 2014. All borrowings were denominated in Hong Kong Dollar. Interests on bank borrowings were charged at floating rates. The Group currently does not have an interest rate hedging policy and the Group monitors interest risks continuously and considers hedging any excessive risk when necessary.

These banking facilities were secured by the Group's property, plant and equipment with an aggregate net book value of approximately HK$213.6 million and approximately HK$172.4 million as at 31 December 2014 and 31 March 2014 respectively.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

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

As at 31 December 2014, the Group had cash and bank balances of approximately HK$113.1 million (as at 31 March 2014: approximately HK$188.9 million) of which approximately 86.9% was held in Hong Kong Dollar and the remaining was mainly held in Macau Pataca. The decrease was mainly due to the distribution of a special dividend in cash of HK$0.50 per share with an aggregate amount of HK$150.0 million on 30 June 2014. The gearing ratio of the Group as at 31 December 2014 (defined as the total interest-bearing debts divided by shareholder's equity) was approximately 58.7% (as at 31 March 2014: approximately 77.0%).

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

FOREIGN EXCHANGE

Since the Group mainly operates in Hong Kong and Macau and most of the revenue and transactions arising from its operations were settled in Hong Kong Dollar and Macau Pataca, and the Group's assets and liabilities were primarily denominated in Hong Kong Dollar and Macau Pataca, 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.

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

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 2014, the Group had capital commitments of approximately HK$12.4 million (as at 31 March 2014: Nil).

CONTINGENT LIABILITIES

Save as disclosed in note 29 to the financial statements, the Group had no other contingent liabilities as at 31 December 2014 and 31 March 2014.

RESTORATION OF PUBLIC FLOAT, APPOINTMENT OF CHIEF FINANCIAL OFFICER, CHANGE OF COMPANY SECRETARY AND AUTHORISED REPRESENTATIVE AND CHANGE OF COMPANY NAME, STOCK SHORT NAME AND WEBSITE

The public float was restored in June 2014 as a result of the completion of the placing of 41,645,000 shares of the Company by CNQC Development Limited to independent placees at a price of HK$2.40 per share, for details, please refer to the announcement of the Company dated 23 June 2014.

For the appointment of chief financial officer, change of company secretary and authorised representative of the Company, please refer to the announcement of the Company dated 12 May 2014.

By a special resolution approving the change of the Company's name by the shareholders at the annual general meeting held on 11 August 2014, the name of the Company was changed from "Sunley Holdings Limited (新利控股有限公司)" to "CNQC International Holdings Limited (青建國際控股有限公司)", for details, please refer to the announcements of the Company dated 9 July 2014, 11 August 2014 and 16 September 2014 and the circular of the Company dated 11 July 2014. Subsequent to the change of name of the Company, the stock short name of the Company was changed to "CNQC INT'L" in English and "青建國際" in Chinese and the website of the Company was changed to www.cnqc.com.hk.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2014, the Group had 310 full-time employees (as at 31 March 2014: 285 full-time employees). Most of the Group's employees were based in Hong Kong.

The remuneration policy and package of the Group's employees were periodically reviewed. Apart from mandatory 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$137.8 million (year ended 31 March 2014: approximately HK$142.1 million).

SHARE OPTIONS

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") 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.

FINAL DIVIDEND

The Board did not recommend the payment of final dividend in respect of the Reporting Period (year ended 31 March 2014: HK$Nil).

MATERIAL CHANGE

The Directors confirm that there has been no material change in the financial or trading position or outlook of the Group since 31 December 2014 up to and including the Latest Practicable Date, save for a material increase in revenue, which was disclosed on the Company's interim results announcement released on 28 August 2015 and generated as a result of CNQC's ordinary business operations.

For the twelve months ended 31 March 2014

CHANGE OF CONTROLLING SHAREHOLDER AND THE CASH OFFER

On 11 February 2014, Leading Win Management Limited ("Leading Win") entered into an agreement (the "Share Sale Agreement") with CNQC Development Limited ("CNQC", which is indirectly wholly-owned by Guotsing Holding Group Co., Ltd. ("Guotsing")) pursuant to which Leading Win conditionally agreed to sell and CNQC conditionally agreed to purchase 225,000,000 Shares (representing 75% of the entire issued capital of the Company) at a cash consideration of HK$2.40 per share.

Completion of the Share Sale Agreement took place on 17 March 2014. As a result, CNQC became the shareholder of 225,000,000 shares of the Company and was required to make an unconditional mandatory cash offer (the "Cash Offer") to acquire all the shares of the Company not already owned by it or parties acting in concert with it at a price of HK$2.40 per share. Upon the close of the Cash Offer on 11 April 2014, CNQC became interested in 265,790,000 shares of the Company, representing approximately 88.6% of the issued share capital of the Company.

On 20 June 2014, CNQC as the seller entered into a placing agreement with an independent placing agent pursuant to which 41,645,000 shares of the Company were placed to independent placees at a price of HK$2.40 per share (the "Placing"). Settlement of the Placing took place on 26 June 2014. After the settlement of the Placing, CNQC became interested in 224,145,000 shares of the Company, representing approximately 74.7% of the issued share capital of the Company, and the public float of the Company was restored. Please also refer to the announcement of the Company dated 23 June 2014 for the Placing.

OVERVIEW

During the Reporting Period, the major source of income for the Group is construction business.

Construction Business

The construction projects undertaken by the Group can be broadly divided into foundation works and ancillary services with particular specialisation in piling works. During the year, the Group undertakes foundation work related projects mainly in the private sector, including building and infrastructure related projects, both in Hong Kong and in Macau.

Revenue from the construction contracts for the Reporting Period was approximately HK$1,218.2 million (2013: approximately HK$593.7 million). The significant increase was mainly attributable to the increase in the number of and average contract sum of construction projects undertaken by the Group. During the Reporting Period, the Group has undertaken several new sizable foundation projects such as Oil Street in North Point (contract sum: approximately HK$53.8 million), Wing Shun Street in Tsuen Wan (contract sum: approximately HK$135.8 million), Kai Tak Development (contract sum: approximately HK$73.8 million) and Cotai, Macau (contract sum: approximately HK$252.8 million). Yuen

Long Town Lot and Tan Kwai Tsuen Road continued to contribute approximately HK$460.5 million revenue which accounted for approximately 37.8% of the total revenue during the Reporting Period.

Machinery Leasing

In view of more foundation construction business undertaken, there was not much machinery which was idle during the Reporting Period for leasing. Revenue from the machinery leasing was only approximately HK$11,000 during the Reporting Period (2013: approximately HK$4,249,000).

FINANCIAL REVIEW

Turnover

The Group's total turnover for the Reporting Period was approximately HK$1,218.2 million (2013: approximately HK$598.0 million), representing an increase of approximately 103.7% compared to the corresponding period in 2013. The significant increase was mainly due to more revenue contributed from several sizable construction projects and more projects undertaken both in Hong Kong and in Macau.

Gross Profit Margin

The Group's gross profit margin during the Reporting Period was approximately 18.7% (2013: approximately 19.1%). Despite the continuing increase in labour cost, construction material cost and subcontractor charges during the Reporting Period as compared with last year, the Group had adjusted the tender price of the construction projects correspondingly in order to reflect the increase in costs and to maintain the gross profit margin.

General and Administrative Expenses

The Group's general and administrative expenses for the Reporting Period were approximately HK$39.1 million (2013: approximately HK$37.9 million), representing an increase of approximately 3.2% over the figure for 2013. This was mainly attributable to the increase in staff costs including Directors' emoluments incurred during the Reporting Period.

Net Profit

For the Reporting Period, the Group recorded a net profit of approximately HK$155.8 million, representing an increase of approximately 138.9% as compared to the net profit of approximately HK$65.2 million for the year ended 31 March 2013. The increase was mainly attributable to the significant increase in both revenue and gross profit contributed by the expansion of the Group's construction business.

BUSINESS REVIEW

Analysis by Source of Income

During the Reporting Period, the Group's principal source of income was derived from the foundation projects in its construction business, which accounted for approximately 100.0% (2013: 99.3%) of the total turnover of the Group. Machinery leasing accounted for the remaining total turnover of approximately 0.0% during the Reporting Period (2013: approximately 0.7%).

Geographical Analysis

Geographically, Hong Kong continues to be the Group's key market, representing approximately 72.7% of total revenue during the Reporting Period (2013: 87.2%). The Group considers Macau as a new emerging market for the construction business and representing approximately 27.3% of total turnover during the Reporting Period (2013: 12.8%).

FUTURE OUTLOOK

After CNQC became the controlling shareholder of the Company, it is expected that CNQC will strengthen its effective management in the Group through an experienced management team overseeing the Group's operation in foundation construction and superstructure development and which will also give advice on long-term insight on the Group's strategic business planning.

The outlook of the Hong Kong economy is expected to remain stable in the year ending 31 March 2015 on the back of continued economic growth in the Mainland China. In view of this, the Group's foundation construction business both in Hong Kong and in Macau is expected to generate steady income stream to the Group. In May 2014, the Group was awarded a sizable foundation project in Tseung Kwan O with contract value of approximately HK$582.0 million.

With the support from CNQC and its related group members, the Group will seek for suitable opportunities to expand its business operations to construction of superstructure and property development in the region in order to enhance value and deliver sustainable returns to shareholders in the long run.

DEBTS AND CHARGE ON ASSETS

The total interest bearing bank borrowings of the Group, including bank loans and finance leases, increased from approximately HK$142.0 million as at 31 March 2013 to approximately HK$197.0 million as at 31 March 2014. All borrowings were denominated in Hong Kong dollar. Interests on bank borrowings are charged at floating rates. The Group currently does not have an interest rate hedging policy and the Group monitors interest risks continuously and considers hedging any excessive risk when necessary.

These banking facilities are secured by the Group's property, plant and equipment with an aggregate net book value of approximately HK$172.4 million and approximately HK$155.3 million as at 31 March 2014 and 2013 respectively.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

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

As at 31 March 2014, the Group had cash and bank balances of approximately HK$188.9 million (31 March 2013: approximately HK$58.1 million) of which approximately 96.0% was held in Hong Kong dollar. The increase was mainly due to the more cash inflow from operating activities. The gearing ratio of the Group as at 31 March 2014 (defined as total interest-bearing debts divided by shareholder's equity) was approximately 77.0% (31 March 2013: approximately 52.4%).

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

FOREIGN EXCHANGE

Since the Group mainly operates in Hong Kong and Macau and most of the revenue and transactions arising from its operations were settled in Hong Kong dollar and some were settled in Macau Pataca during the Reporting Period, and the Group's assets and liabilities are primarily denominated in Hong Kong dollar, the Directors believe 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.

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

During the Reporting Period, there was no significant investment, material acquisition and disposal of subsidiaries and associated companies by the Company.

CONTINGENT LIABILITIES

Save as disclosed in note 28 to the financial statements, the Group had no other contingent liabilities as at 31 March 2013 and 31 March 2014.

EMPLOYEES AND REMUNERATION POLICY

As at 31 March 2014, the Group had 285 full-time employees (31 March 2013: 241 full-time employees). Most of the Group's employees were based in Hong Kong.

The remuneration policy and package of the Group's employees are periodically reviewed. Apart from mandatory provident fund and in-house training programmes, discretionary bonuses may be awarded to employees according to the assessment of individual performance.

The total remuneration cost incurred by the Group for Reporting Period was approximately HK$142.1 million (2013: approximately HK$91.8 million).

DIVIDEND

The Group declared a special dividend in cash of HK$0.50 per share with an aggregate amount of HK$150.0 million on 26 February 2014. The special dividend was conditional upon the completion of the Share Sale Agreement, which took place on 17 March 2014.

In order to preserve financial resources for future expansion and operation of the Group, the Board did not recommend the payment of final dividend for the year ended 31 March 2014 (2013: 7 Hong Kong cents per share with an aggregate amount of HK$21.0 million).

For the twelve months ended 31 March 2013

OVERVIEW

During the Reporting Period, the Group had two major sources of income, namely, construction business and machinery leasing.

Construction Business

The construction projects undertaken by the Group can be broadly divided into foundation works and ancillary services with particular specialisation in piling works. The Group undertakes foundation work related projects in both the public sector, including building and infrastructure related projects, and the private sector in both Hong Kong and Macau.

Revenue from the construction contracts for the Reporting Period was approximately HK$593,742,000 (2012: approximately HK$302,571,000). The significant increase was mainly attributable to the increase in average contract sum of construction projects undertaken by the Group. During the Reporting Period, the Group has undertaken several sizable foundation projects such as Yuen Long Town Lot (contact sum: approximately HK$661.0 million), Tung Chau Street (contact sum: approximately HK$139.0 million) and Tan Kwai Tsuen Road (contact sum: approximately HK$106.9 million).

Machinery Leasing

In addition to undertaking construction works, the Group also leased certain unutilised machinery on a short term basis to third party machinery company and contractors during the Reporting Period in order to maximize utilization of idling resources.

Revenue from the machinery leasing for the Reporting Period was approximately HK$4,249,000 (2012: approximately HK$10,551,000). The decrease was mainly attributable to the increase in utilisation rate for the machinery allocated for construction works and less idle time for the machinery to be leased out.

FINANCIAL REVIEW

Turnover

The Group's total turnover for the Reporting Period was approximately HK$597,991,000 (2012: approximately HK$313,122,000), representing an increase of approximately 91.0% compared to the corresponding period in 2012. The significant increase was mainly due to the growth in revenue contributed from several sizable construction projects.

Gross Profit Margin

The Group's gross profit margin maintained the same at approximately 19.1% for both the years ended 31 March 2012 and 2013. Despite the continuing increase in labour cost, construction material cost and subcontractor charges during the Reporting Period as compared with the corresponding period last year, the Group had adjusted the tender price of the construction projects correspondingly in order to reflect the increase in costs and to maintain the gross profit margin.

General and Administrative Expenses

The Group's administrative expenses for the Reporting Period were approximately HK$37,919,000 (2012: approximately HK$25,813,000), representing an increase of approximately 46.9% over the corresponding period in 2012. This was mainly attributable to the increase in the listing expenses, the professional fees after listing as well as staff costs including Directors' emoluments incurred during the Reporting Period.

Net Profit

For the Reporting Period, the Group recorded a net profit of approximately HK$65,181,000, representing an increase of approximately 153.1% as compared to the net profit of approximately HK$25,756,000 for the corresponding period last year. The increase was mainly attributable to the significant increase in both revenue and gross profit contributed by the construction business.

BUSINESS REVIEW

Analysis by Source of Income

During the Reporting Period, the Group's principal source of income was derived from the foundation projects in its construction business, which accounted for approximately 99.3% of the total turnover of the Group (2012: approximately 96.6%). Machinery leasing accounted for the remaining total turnover of approximately 0.7% (2012: approximately 3.4%).

Geographical Information

Geographically, Hong Kong continues to be the Group's key market, representing approximately 87.2% of total turnover during the Reporting Period (2012: 100%). The Group considered Macau as a new emerging market for the business and representing approximately 12.8% of total turnover during the Reporting Period. (2012: Nil).

Use of Net Proceeds from Listing

The Company's shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 18 October 2012 (the "Listing"). The receipt of proceeds, net of listing expenses (including underwriting fee), including both recognised in the consolidated statement of comprehensive income and deducted from the share premium ("net proceeds") from the Company's Listing were approximately HK$48.0 million. In accordance with the proposed applications set out in the section "Future Plans and Use of Proceeds" of the prospectus of the Company dated 27 September 2012 (the "Prospectus"), the net proceeds received were applied during the Reporting Period as follows:

	Net proceeds		
	Available	**Utilised**	**Unutilised**
		(HK$ million)	
Purchase of machinery and equipment to increase construction capacity	31.2	31.2	—
Hiring of additional staff for increase in construction capacity and provide staff training on safety and environmental protection	7.2	4.4	2.8
Repayment of finance lease liabilities	4.8	4.8	—
Increase of general working capital	4.8	4.8	—
	48.0	45.2	2.8

The unutilised balance of the net proceeds will be applied in the manner consistent with that mentioned in the Prospectus.

FUTURE OUTLOOK

With the net proceeds of approximately HK$48.0 million raised from the share offer of 75,000,000 shares of the Company, the Company has utilised approximately HK$45.2 million to, among others, increase the productivity and reduce the bank borrowings in order to bring value to its shareholders in the near future. Details of the application of such net proceeds are set out in announcement of the Company dated 17 October 2012 and in the Prospectus dated 27 September 2012.

Apart from strengthening the construction business in Hong Kong, the Group will make its best effort to explore business opportunities in Macau. The Directors considered Macau as a fast-growing market for the construction business and the Group will greatly be benefited if it actively participates in bidding the Macau construction projects.

DEBTS AND CHARGE ON ASSETS

The total interest bearing bank borrowings of the Group, including bank loans and finance leases, increased from approximately HK$108,644,000 as at 31 March 2012 to approximately HK$141,970,000 as at 31 March 2013. All borrowings were denominated in Hong Kong dollar and were repayable within 5 years. Interests on bank borrowings are charged at floating rates. The Group currently does not have an interest rate hedging policy and the Group monitors interest risks continuously and considers hedging any excessive risk when necessary.

These banking facilities are secured by the Group's machinery with an aggregate net book value of approximately HK$155,324,000 and approximately HK$131,465,000 as at 31 March 2013 and 2012 respectively.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

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

As at 31 March 2013, the Group had cash and bank balances of approximately HK$58,095,000 (31 March 2012: approximately HK$46,609,000) of which approximately 99.2% was held in Hong Kong dollar. The remaining approximately 0.8% cash and bank balances were held in United States Dollar, Euro, Australian Dollar, Renminbi and Macau Pataca. The increase was mainly due to the more cash inflow from operating activities and financing activities such as issue of new shares upon the Listing. The gearing ratio of the Group as at 31 March 2013 (defined as total interest-bearing debts divided by shareholder's equity) was approximately 52.4% (31 March 2012: approximately 65.7%).

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

FOREIGN EXCHANGE

Since the Group mainly operates in Hong Kong and most of the revenue and transactions arising from its operations were settled in Hong Kong dollar, and the Group's assets and liabilities are primarily denominated in Hong Kong dollar, the Directors believe that the Group will have sufficient foreign exchange to meet its foreign exchange requirements. The Group has not experienced any material difficulties or adverse 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.

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

Save for the group reorganisation before Listing, details of which are set out in note 1(b) to the financial statements, during the Reporting Period, there was no significant investment, material acquisition and disposal of subsidiaries and associated companies by the Company.

CAPITAL COMMITMENTS

Save as disclosed in note 26 to the financial statements, the Group had no other capital commitments as at 31 March 2013 and 31 March 2012.

CONTINGENT LIABILITIES

Save as disclosed in note 28 to the financial statements, the Group had no other contingent liabilities as at 31 March 2013 and 31 March 2012.

EVENTS AFTER THE REPORTING PERIOD

Sunley Engineering & Construction Company Limited ("Sunley"), a wholly-owned subsidiary of the Company, entered into a machinery purchase contract (the "Machinery Purchase Contract") with a machinery manufacturer on 19 April 2013 in respect of the sale and purchase of two sets of crawler crane and the ancillary equipment at the total consideration of EUR2,300,000 (equivalent to approximately HK$23,299,000). As the relevant applicable percentage ratios in respect of the Machinery Purchase Contract are higher than 5% but below 25%, the transaction contemplated under the Machinery Purchase Contract constituted a discloseable transaction of the Company subject to the reporting and announcement requirements but exempt from shareholders' approval requirement under Chapter 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"). Details of the transaction are set out in the announcement of the Company dated 19 April 2013.

Apart from the above, there are no other significant subsequent events since the end of the Reporting Period.

EMPLOYEES AND REMUNERATION POLICY

As at 31 March 2013, the Group had 241 full-time employees (31 March 2012: 164 full-time employees). Most of the Group's employees were based in Hong Kong.

The remuneration policy and package of the Group's employees are periodically reviewed. Apart from mandatory 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 Company has adopted a share option scheme as incentive to the Directors and eligible employees, details of the scheme are set out in the paragraph headed "Share Option Scheme" in the section headed "Report of the Directors".

The total remuneration cost incurred by the Group for Reporting Period was approximately HK$91,829,000 (2012: approximately HK$63,795,000).

FINAL DIVIDEND

The Group declared a final dividend of HK7 cents per share with an aggregate amount of HK$21.0 million on 7 October 2013.

INDEBTEDNESS OF THE GROUP AS AT 31 JULY 2015

Borrowings

As at the close of business on 31 July 2015, being the latest practicable date for the purpose of indebtedness statement, the Group had the following indebtedness:

	As at 31 July 2015 *HK$'000*
Non-Current	
Bank borrowings — secured	16,260
Finance lease liabilities — secured	53,864
	70,124
Current	
Bank borrowings — secured	42,684
Finance lease liabilities — secured	64,605
	107,289
Total borrowings	177,413

Among the secured bank borrowings, an amount of approximately HK$31,978,000 was secured by the Group's property, plant and equipment with carrying amount of approximately HK$20,050,000 and the rest of approximately HK$26,966,000 was guaranteed by the Company.

Finance lease liabilities of approximately HK$118,469,000 was effectively secured as the rights to the leased assets with carrying amount of approximately HK$186,696,000, revert to the lessor in the event of default.

Contingent liabilities

As at 31 July 2015, the Group had guarantees on performance bonds in respect of contracts of approximately HK$193,600,000.

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

Save as aforesaid or as otherwise disclosed herein, and apart from intra-group liabilities and normal trade payables in the normal course of business at the close of business on 31 July 2015 disclosed above, the Group did not have any other outstanding bank or other borrowings, mortgages, charges, debentures or other loan capital or other similar indebtedness, guarantee, liabilities under acceptances (other than normal trade bills), acceptance credits, hire purchase or other finance lease commitments, indemnities or other material contingent liabilities.

As at the Latest Practicable Date, the Directors have confirmed that there has been no material change in the indebtedness or any contingent liabilities of the Group since 31 July 2015 and up to the Latest Practicable Date.

The information set forth in this appendix does not form part of the Accountant's Report of the Target Group from PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, the reporting accountant of the Company, as set forth in Appendix III to this circular, and is included herein for information only. The unaudited pro forma financial information should be read in conjunction with the section headed "Financial Information of the Target Group" in this circular and the "Accountant's Report of the Target Group" set forth in Appendix III to this circular.

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

(I) Basis of Preparation of the Unaudited Pro Forma Consolidated Financial Information of the Enlarged Group

On 11 February 2014, a sale and purchase agreement was entered into between CNQC Development, a wholly-owned subsidiary of Guotsing PRC, and a shareholder of the Company to acquire approximately 75% of the aggregate issued share capital of the Company. This acquisition was completed on 17 March 2014 (the "**Transaction**").

On 23 May 2015, the Company and Guotsing SG entered into a Share Purchase 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 the Target Company and its subsidiaries (collectively the "**Target Group**") on the terms and subject to the conditions set out in the Share Purchase Agreement. The consideration is HK$2,617,650,000, to be settled through the issuance and allotment by the Company of: (i) 647,273,454 CPS to Guotsing SG (or New Guotsing Holdco as Guotsing SG may direct) and (ii) 304,599,273 CPS to Guotsing SG (or the Trustee or a company to be held by the Trustee as Guotsing SG may direct) at the issue price of HK$2.75 per CPS. The Trustee shall hold such 304,599,273 CPS on trust for the Selected Participants in accordance with the terms and conditions of the Management Share Scheme. Upon completion of the Acquisition, the Company will hold indirectly the entire issued share capital of CNQC (South Pacific) which, together with its subsidiaries, is engaged in the property development business and construction business primarily in Singapore.

Pursuant to a resolution of the Board of Directors passed on 24 November 2014, the Company's financial year end date was changed from 31 March to 31 December. Accordingly, the unaudited pro forma consolidated statement of financial position of the Enlarged Group and the unaudited pro forma net tangible assets attributable to the equity holders of the Company are prepared based on the financial position of the Group as at 31 December 2014 and the Target Group as at 31 March 2015, while the unaudited pro forma consolidated statement of comprehensive income and the unaudited pro forma consolidated statement of cash flows of the Enlarged Group are prepared based on the financial results and cash flows of the Group's current financial period which covers the nine-month period from 1 April 2014 to 31 December 2014 and those of the Target Group for the current financial period which covers the year ended 31 December 2014.

The unaudited pro forma financial information is prepared to provide information on the Enlarged Group as a result of the completion of the Acquisition on the basis of the notes set out below for illustrating the effect of the Acquisition. The reverse acquisition accounting method is adopted for the preparation of the unaudited pro forma financial information under which the Target Group is regarded as the acquirer and the Group is regarded as the acquiree as a result of the Transaction which took place on 17 March 2014, the date from which the Group and the Target Group are both under common control of Guotsing PRC. The Directors of the Company consider that such basis is appropriate for reflecting the accounting treatment to be adopted upon completion of the Acquisition and providing the relevant information to the shareholders of the Company.

The information is prepared for illustrative purposes only and because of its hypothetical nature, it does not purport to represent what the results and cash flows or financial position of the Enlarged Group would have been upon completion of the Acquisition in any future periods or on any future dates.

The unaudited pro forma consolidated statement of financial position of the Enlarged Group and the unaudited pro forma net tangible assets attributable to the equity holders of the Company are prepared based on (i) the audited consolidated statement of financial position of the Group as at 31 December 2014 as extracted from the consolidated financial statements set out in the annual report of the Company for the nine months ended 31 December 2014 and (ii) the audited combined statement of financial position of the Target Group as at 31 March 2015 as extracted from the Accountant's Report of the Target Group set out in Appendix III to this Circular, after making pro forma adjustments to the Acquisition, as if the Acquisition had completed on 31 December 2014.

The unaudited pro forma consolidated statement of comprehensive income and the unaudited pro forma consolidated statement of cash flows of the Enlarged Group are prepared based on (i) the audited consolidated statement of comprehensive income and the audited consolidated statement of cash flows of the Group for the nine-month period from 1 April 2014 to 31 December 2014 as extracted from the consolidated financial statements set out the annual report of the Company for the nine months ended 31 December 2014 and (ii) the audited combined statement of comprehensive income and the audited combined statement of cash flows of the Target Group for the year ended 31 December 2014 as extracted from the Accountant's Report on the Target Group set out in Appendix III to this Circular, after making pro forma adjustments to the Acquisition, as if the Acquisition had completed on 1 April 2014 and the Transaction had taken place on 17 March 2014 in view of the application of the reverse acquisition accounting method.

(II) UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF THE ENLARGED GROUP

		Pro forma adjustments						
	The Group as at 31 December 2014 *HK$'000* *(Note 1)*	The Target Group as at 31 March 2015 *SGD'000* *(Note 2)*	The Target Group as at 31 March 2015 *HK$'000* *(Note 2)*	Application of reverse acquisition *HK$'000* *(Note 3)*	Additional amortisation and depreciation charges arising from application of reverse acquisition *HK$'000* *(Note 4)*	Transaction costs related to the Acquisition *HK$'000* *(Note 5)*	Issue of convertible preference shares *HK$'000* *(Note 6)*	Unaudited pro forma of the Enlarged Group as at 31 December 2014 *HK$'000*
NON-CURRENT ASSETS								
Property, plant and equipment	341,675	31,866	179,431	30,360	(3,036)	—	—	548,430
Goodwill	13,022	—	—	269,911	—	—	—	282,933
Intangible assets	—	—	—	89,448	(77,820)	—	—	11,628
Investment in associated companies	—	46	259	—	—	—	—	259
Available-for-sale financial assets	—	200	1,126	—	—	—	—	1,126
Deferred income tax assets	—	22,936	129,148	—	—	—	—	129,148
Prepayments, deposits and other receivables	2,215	17,497	98,522	—	—	—	—	100,737
	356,912	72,545	408,486	389,719	(80,856)	—	—	1,074,261
CURRENT ASSETS								
Development properties for sales	—	2,315,075	13,035,724	—	—	—	—	13,035,724
Trade and other receivables, prepayments and deposits	329,404	287,539	1,619,075	—	—	—	—	1,948,479
Amounts due from customers for contract work	44,406	3,367	18,959	—	—	—	—	63,365
Tax recoverable	33	15	84	—	—	—	—	117
Cash and cash equivalents	113,121	221,183	1,245,437	—	—	(43,139)	—	1,315,419
	486,964	2,827,179	15,919,279	—	—	(43,139)	—	16,363,104
TOTAL ASSETS	843,876	2,899,724	16,327,765	389,719	(80,856)	(43,139)	—	17,437,365
CAPITAL AND RESERVES								
Share capital — ordinary shares	3,000	25,500	158,485	(3,000)	—	—	(155,485)	3,000
Share capital — convertible preference shares	—	—	—	—	—	—	9,519	9,519
Share premium	57,320	—	—	(57,320)	—	—	2,608,131	2,608,131
Other reserves	103,216	(1,706)	(16,265)	527,792	—	—	(2,462,165)	(1,847,422)
Retained earnings/(accumulated losses)	203,870	(19,985)	(120,774)	(97,521)	(67,515)	(43,139)	—	(125,079)
Equity attributable to equity holders of the Company	367,406	3,809	21,446	369,951	(67,515)	(43,139)	—	648,149
Non-controlling interests	—	3,469	19,533	—	—	—	—	19,533
TOTAL EQUITY	367,406	7,278	40,979	369,951	(67,515)	(43,139)	—	667,682
NON-CURRENT LIABILITIES								
Borrowings	86,675	1,117,019	6,289,711	—	—	—	—	6,376,386
Deferred taxation	38,377	559	3,148	19,768	(13,341)	—	—	47,952
	125,052	1,117,578	6,292,859	19,768	(13,341)	—	—	6,424,338
CURRENT LIABILITIES								
Trade and other payables	209,756	1,352,567	7,616,035	—	—	—	—	7,825,791
Borrowings	128,865	405,359	2,282,495	—	—	—	—	2,411,360
Tax payable	12,797	16,942	95,397	—	—	—	—	108,194
	351,418	1,774,868	9,993,927	—	—	—	—	10,345,345
TOTAL LIABILITIES	476,470	2,892,446	16,286,786	19,768	(13,341)	—	—	16,769,683
TOTAL EQUITY AND LIABILITIES	843,876	2,899,724	16,327,765	389,719	(80,856)	(43,139)	—	17,437,365

(III) UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME OF THE ENLARGED GROUP

		Pro forma adjustments				
	The Group for the period from 1 April 2014 to 31 December 2014	The Target Group for the year ended 31 December 2014	The Target Group for the year ended 31 December 2014	Additional amortisation and depreciation charges arising from application of reverse acquisition	Transaction costs related to the Acquisition	Unaudited pro forma of the Enlarged Group for the year ended 31 December 2014
	HK$'000	*SGD'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Note 1)	*(Note 2)*	*(Note 2)*	*(Note 4)*	*(Note 5)*	
Revenue	957,919	1,038,546	6,344,374	—	—	7,302,293
Cost of sales	(784,629)	(877,782)	(5,362,282)	(80,856)	—	(6,227,767)
Gross profit	173,290	160,764	982,092	(80,856)	—	1,074,526
Other income	—	616	3,763	—	—	3,763
Other gains/(losses)	1,040	76	464	—	—	1,504
Selling and marketing expenses	—	(20,196)	(123,375)	—	—	(123,375)
General and administrative expenses	(44,804)	(56,407)	(344,585)	—	(43,139)	(432,528)
Operating profit	129,526	84,853	518,359	(80,856)	(43,139)	523,890
Finance income	401	3,347	20,446	—	—	20,847
Finance costs	(4,783)	(15,610)	(95,360)	—	—	(100,143)
Finance costs, net	(4,382)	(12,263)	(74,914)	—	—	(79,296)
Share of profits of associated companies	—	6	37	—	—	37
Profit before income tax	125,144	72,596	443,482	(80,856)	(43,139)	444,631
Income tax expense	(18,795)	(11,726)	(71,633)	13,341	—	(77,087)
Profit for the period/year	106,349	60,870	371,849	(67,515)	(43,139)	367,544
Profit for the period/year attributable to:						
Equity holders of the Company	106,349	38,872	237,465	(67,515)	(43,139)	233,160
Non-controlling interests	—	21,998	134,384	—	—	134,384
	106,349	60,870	371,849	(67,515)	(43,139)	367,544

(IV) UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF CASH FLOWS OF THE ENLARGED GROUP

		Pro forma adjustments				
	The Group for the period from 1 April 2014 to 31 December 2014	The Target Group for the year ended 31 December 2014	The Target Group for the year ended 31 December 2014	Cash flows from acquisition of the Group as at 31 March 2014	Transaction costs related to the Acquisition	Unaudited pro forma of the Enlarged Group for the year ended 31 December 2014
	HK$'000	*SGD'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Note 1)	*(Note 2)*	*(Note 2)*	*(Note 3)*	*(Note 5)*	
CASH FLOWS FROM OPERATING ACTIVITIES						
Net cash generated from operations	139,598	196,764	1,192,011	—	—	1,331,609
Tax paid	(11,457)	(7,123)	(43,514)	—	—	(54,971)
Interest paid	(4,783)	(48,232)	(294,644)	—	—	(299,427)
NET CASH GENERATED FROM OPERATING ACTIVITIES	123,358	141,409	853,853	—	—	977,211
CASH FLOWS FROM INVESTING ACTIVITIES						
Proceeds from disposal of property, plant and equipment	600	289	1,765	—	—	2,365
Purchase of property, plant and equipment	(62,778)	(17,808)	(108,787)	—	—	(171,565)
Repayment by related parties	—	120,949	738,865	—	—	738,865
Interest received	401	3,347	20,446	—	—	20,847
Dividend received	—	310	1,894	—	—	1,894
Net cash inflows from acquisition of the Group	—	—	—	188,885	—	188,885
NET CASH (USED IN)/GENERATED FROM INVESTING ACTIVITIES	(61,777)	107,087	654,183	188,885	—	781,291
CASH FLOWS FROM FINANCING ACTIVITIES						
Contribution from non-controlling shareholders of subsidiaries	—	280	1,710	—	—	1,710
Inception of finance leases	52,447	—	—	—	—	52,447
Drawdown of borrowings	121,968	93,311	570,028	—	—	691,996
Repayment of finance leases	(43,642)	(431)	(2,633)	—	—	(46,275)
Repayment of borrowings	(118,118)	(459,364)	(2,806,209)	—	—	(2,924,327)
Dividend paid	(150,000)	(11,505)	(70,283)	—	—	(220,283)
Transaction costs paid	—	—	—	—	(43,139)	(43,139)
NET CASH USED IN FINANCING ACTIVITIES	(137,345)	(377,709)	(2,307,387)	—	(43,139)	(2,487,871)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(75,764)	(129,213)	(799,351)	188,885	(43,139)	(729,369)
Cash and cash equivalents at beginning of the period/year	188,885	264,443	1,615,456	(188,885)	—	1,615,456
Exchange losses on cash and cash equivalents	—	—	(22,278)	—	—	(22,278)
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD/YEAR	113,121	135,230	793,827	—	(43,139)	863,809

Notes:

1. The amounts are extracted from the audited combined financial statements of the Group for the nine months ended 31 December 2014 as set out in the annual report of the Company.

2. The amounts are extracted from the Accountant's Report on the Target Group as set out in Appendix III to this Circular. For the purpose of presenting the unaudited pro forma financial information, the exchange rate of SGD1 to HK$5.6308 as at 31 March 2015 has been used to translate the amounts in the consolidated statement of financial position of the Target Group as at 31 March 2015 into HK$, and the average exchange rate of SGD1 to HK$6.1089 has been used to translate the results and cash flows of the Target Group for the year ended 31 December 2014 into HK$, respectively.

3. As described earlier in the introductory paragraphs, the reverse acquisition accounting method is adopted for the preparation of the unaudited pro forma financial information in accordance with the requirements under Hong Kong Financial Reporting Standard 3 (Revised) "Business Combinations", under which the Target Group is regarded as the acquirer and the Group is regarded as the acquiree as a result of the Transaction which took place on 17 March 2014, the date from which the Group and the Target Group are both under common control of Guotsing PRC. In applying the reverse acquisition accounting method, the consideration paid by CNQC Development to acquire the Group amounting to HK$540,000,000 is regarded as deemed contribution to the Enlarged Group by the controlling shareholder.

   The Directors of the Company have determined the fair values of the identifiable assets and liabilities of the Group as at 31 March 2014, after referring to the valuation report prepared by independent valuer, Jones Lang LaSalle Sallmanns Limited. The Directors of the Company have assessed the change of financial position of the Group from 17 March 2014 to 31 March 2014 and considered the change is immaterial for the purpose of the unaudited pro forma financial information.

   The carrying amounts and fair values of identifiable assets and liabilities of the Group at 31 March 2014 are as follows:

	Carrying amounts of the identifiable assets and liabilities of the Group as at 31 March 2014	**Fair value adjustments**	**Fair values of the identifiable assets and liabilities of the Group as at 31 March 2014**
	HK$'000	*HK$'000*	*HK$'000*
Property, plant and equipment	315,959	30,360	346,319
Goodwill	13,022	(13,022)	—
Intangible assets	—	89,448	89,448
Net operating assets excluding cash and cash equivalents	128,690	—	128,690
Cash and cash equivalents	188,885	—	188,885
Other assets	523	—	523
Borrowings	(197,015)	—	(197,015)
Tax payable	(14,228)	—	(14,228)
Dividend payable	(150,000)	—	(150,000)
Deferred taxation	(30,098)	(19,768)	(49,866)
Assets identified and liabilities assumed	255,738	87,018	342,756

Intangible assets represented the unearned profits of the construction contracts in progress as at 31 March 2014. Net operating assets excluding cash and cash equivalents included trade and other receivables, amounts due from customers for contract work, and trade and other payables.

Goodwill is determined as the excess of the consideration paid for the Transaction and the amount of non-controlling interests in the Group over the fair values of the identifiable assets acquired and liabilities assumed of the Group at 31 March 2014 as follows:

	HK$'000
Consideration of the Transaction	540,000
Non-controlling interests, based on 25% of the net identifiable assets of the Group	85,689
Fair value of net identifiable assets of the Group	(342,756)
Goodwill	282,933

The pro forma adjustments represent:

— deemed contribution by the controlling shareholder and non-controlling interests to the Enlarged Group upon completion of the Transaction;

— fair value adjustments to the property, plant and equipment and recognition of goodwill, intangible assets and deferred tax liabilities as at 31 March 2014;

— elimination of the pre-acquisition reserves of the Group prior to the Transaction; and

These adjustments are not expected to have a continuing effect on the Enlarged Group's unaudited pro forma consolidated statement of comprehensive income and unaudited pro forma consolidated statement of cash flows.

For the purpose of this unaudited pro forma financial information, the Group has performed an impairment assessment of property, plant and equipment, intangible assets and goodwill in accordance with Hong Kong Accounting Standard 36 "Impairment of Assets" ("HKAS 36") which is consistent with the accounting policy of the Group. On the basis of such assessment, the Directors concluded that there is no impairment in the value of property, plant and equipment, intangible assets or goodwill.

4. The adjustment represents the additional depreciation of property, plant and equipment, additional amortisation of intangible assets and the related reversal of deferred tax liabilities, as a consequence of the recognition of the fair value adjustment of property, plant and equipment and intangible assets in Note 3 above over the remaining useful life of the respective property, plant equipment and intangible assets. The adjustments are recurring in nature.

5. The adjustment represents the expenditures incurred in connection with the Acquisition including the financial advisor fees, legal fees, printing costs, accountant's fees, and other related expenses. The adjustment has no continuing effect to the Enlarged Group.

6. Pursuant to the Share Purchase Agreement, the total consideration of HK$2,617,650,000 for this Acquisition will be settled through the allotment and issuance by the Company of 951,872,727 CPS at the Issue Price of HK$2.75 per CPS. The adjustments represent (i) an increase in share capital of HK$9,519,000 representing 951,872,727 CPS to be issued at par value of HK$0.01 each; (ii) an increase in share premium of HK$ 2,608,131,000; (iii) the reversal effect on the share capital account amounting to HK$155,485,000 such that the resultant ordinary share capital of the Enlarged Group remains at HK$3,000,000 upon completion of the Acquisition which represents the ordinary share capital of the Company; and (iv) a debit adjustment to other reserves of HK$2,462,165,000 which primarily represents the difference between the fair value of the CPS and share capital of the Target. As the fair value of the CPS at the date of issuance upon completion of the Acquisition may be different from the Issue Price of HK$2.75 pursuant to the Share Purchase Agreement and the difference may be

material, the actual amounts credited to the share premium account on (ii) and debited to the other reserves account on (iv) above upon completion may be materially different from the amounts of the pro forma adjustments stated herein.

7. Other than the above, no other adjustments have been made to reflect any operating results or other transactions of the Enlarged Group entered into subsequent to 31 December 2014.

In particular, the unaudited Pro Forma Financial Information has not taken into account the following: In 2015, CNQC (South Pacific) had granted Rights to the Selected Participants to subscribe for up to 12,000,000 shares of CNQC (South Pacific), representing 32% of the total enlarged issued share capital of CNQC (South Pacific) under the Pre-existing Management Scheme. The Selected Participants comprise senior management and employees of the Guotsing Group who have made contributions to the development of the Guotsing Group. Upon completion of the Acquisition, the Management Share Scheme will replace and supersede the Pre-existing Management Scheme. The financial effects of the Rights granted to the Selected Participants under the Pre-existing Management Scheme and of the replacement of the Pre-existing Management Scheme by the Management Share Scheme have not been reflected in the unaudited pro forma financial information because these represent transactions that took place or will take place subsequent to 31 December 2014.

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

			Issuance of convertible preference shares by the Company to acquire Target Group at issue price of HK$2.75 per share		
	Audited net tangible assets of the Group as at 31 December 2014	Unaudited net tangible assets of the Group per Share as at 31 December 2014	Unaudited pro forma adjusted net tangible assets of the Enlarged Group as at 31 December 2014	Unaudited pro forma adjusted net tangible assets of the Enlarged Group per Ordinary Share as at 31 December 2014	Unaudited pro forma adjusted net tangible assets of the Enlarged Group per Convertible Preference Share as at 31 December 2014
	HK$'000	*HK$*	*HK$'000*	*HK$*	*HK$*
	Note a	*Note b*	*Note c*	*Note d*	*Note d*
Net tangible assets attributable to equity holders of the Company	354,384	1.1813	353,588	0.2824	0.2824

Notes:

a. The amount of audited net tangible assets attributable to equity holders of the Company as at 31 December 2014 is based on the audited net assets attributable to the equity holders of the Company as at 31 December 2014 of HK$367,406,000 as extracted from the audited consolidated financial statements of the Group for the nine months ended 31 December 2014, with an adjustment for the goodwill as at 31 December 2014 of HK$13,022,000.

b. The number of Shares used for the calculation of the audited net tangible assets of the Group per Share is 300,000,000, being the number of Shares in issue as at 31 December 2014.

c. The amount of unaudited pro forma adjusted net tangible assets of the Enlarged Group as at 31 December 2014 is calculated based the unaudited pro forma adjusted net tangible assets attributable to the equity holders of the Company as at 31 December 2014 of HK$648,149,000 as extracted from the unaudited pro forma consolidated statement of financial position of the Enlarged Group, with an adjustment for the goodwill and intangible assets as at 31 December 2014 of HK$282,933,000 and HK$11,628,000 respectively.

d. The number of Shares used for the calculation of the unaudited pro forma adjusted net tangible assets of the Enlarged Group per Share comprises 300,000,000 Ordinary Shares in issue as at 31 December 2014 and 951,872,727 CPS to be issued upon completion of the Acquisition as described in note 6 above. In accordance with the terms and conditions of the CPS, on a distribution of assets on liquidation, winding-up or dissolution of the Company, the holders of CPS have the right to first receive amounts equal to the aggregate nominal amounts of the CPS held by them; and the remaining balance of such assets shall belong to and be distributed on a pari passu basis among the holders of any class of shares including the CPS, other than any other shares not entitled to participate in such assets, by reference to the aggregate nominal amount of shares held by them respectively. Since the Enlarged Group has sufficient net tangible assets over the nominal amount of each class of share including the CPS, the unaudited pro forma adjusted net tangible assets of the Enlarged Group per Ordinary Share equals the unaudited pro forma adjusted net tangible assets of the Enlarged Group per CPS as at 31 December 2014.

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

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

pwc 羅兵咸永道

To the Directors of CNQC International Holdings Limited

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of CNQC International Holdings Limited (the "**Company**") and its subsidiaries (collectively the "**Group**") and Wang Bao Development Limited and its subsidiaries (the "**Target Group**") (collectively the "**Enlarged Group**") by the directors for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma consolidated statement of financial position as at 31 December 2014, the unaudited pro forma consolidated statement of comprehensive income and the unaudited pro forma consolidated statement of cash flows for the period ended 31 December 2014, the unaudited pro forma statement of adjusted net tangible assets of the Group as at 31 December 2014 and related notes (the "**Unaudited Pro Forma Financial Information**") as set out on pages V-1 to V-9 of the Company's circular dated 25 September 2015, in connection with the proposed acquisition of the Target Group which will constitute a Reverse Takeover in accordance with the definition in Chapter 14 of Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rule**") and Takeovers Codes (the "**Proposed Acquisition**"). The applicable criteria on the basis of which the directors have compiled the Unaudited Pro Forma Financial Information are described on pages V-1 to V-9. Unless otherwise defined, terms used herein shall have the same meanings as those defined in the Circular.

The Unaudited Pro Forma Financial Information has been compiled by the directors to illustrate the impact of the Proposed Acquisition on the Group's financial position as at 31 December 2014 and the Group's financial performance and cash flows for the period ended 31 December 2014 as if the Proposed Acquisition had taken place at 31 December 2014 and 1 April 2014 respectively. As part of this process, information about the Group's financial position, financial performance and cash flows has been extracted by the directors from the Group's financial statements for the period from 1 April 2014 to 31 December 2014, on which an audit report has been published.

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

Directors' Responsibility for the Unaudited Pro Forma Financial Information

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

Reporting Accountant's Responsibilities

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

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

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

The purpose of unaudited pro forma financial information included in a circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the Proposed Acquisition at 31 December 2014 or 1 April 2014 would have been as presented.

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

- The related pro forma adjustments give appropriate effect to those criteria; and

- The unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

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

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

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

Opinion

In our opinion:

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

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

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

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 25 September 2015

The following is the text of a letter, summary of valuations and valuation certificates prepared for the purpose of incorporation in this Circular received from DTZ Debenham Tie Leung Limited, independent property valuer, in connection with its opinion of market values of the property interests held by the Target Group in Singapore as at 30 June 2015.

16th Floor
Jardine House
Central
Hong Kong

25 September 2015

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

Dear Sirs,

Instructions, Purpose and Valuation Date

We refer to the instructions from you (the "**Company**") for us to carry out market valuations of the property interests held by the Target Group as defined in the circular of the Company of 25 September 2015, in the Republic of Singapore ("**Singapore**") (as more particularly described in the attached valuation certificates). We confirm that we have carried out inspections, made relevant enquiries and searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the values of the property interests as at 30 June 2015 (the "**Valuation Date**").

Basis of Valuation

Our valuation of each of the property interests represents its market value which in accordance with The HKIS Valuation Standards (2012 Edition) published by The Hong Kong Institute of Surveyors is defined as "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing where the parties had each acted knowledgeably, prudently and without compulsion".

Valuation Basis and Assumptions

Our valuation of each of the property interests excludes an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangement, special considerations or concessions granted by anyone associated with the sale, or any element of special value.

In the course of our valuation of each of the property interests held by the Target Group in Singapore, information regarding tenure, site area and ownership is obtained from our searches carried out at the Singapore Land Authority.

No allowance has been made in our valuations for any charges, mortgages or amounts owing on the property interests nor any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the properties are free from encumbrances, restrictions and outgoings of any onerous nature which could affect their values.

In valuing the property interests, we have complied with the requirements set out in Chapter 5 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and The HKIS Valuation Standards (2012 Edition) published by the Hong Kong Institute of Surveyors and Rule 11 (including 11.3) of the Codes on Takeovers and Mergers and Share Repurchases issued by Securities and Futures Commission.

Method of Valuation

In respect of the property interests which are held by the Target Group under development in Singapore, our valuations are carried out on the basis that each of the property interests will be developed and completed in accordance with the Target Group's latest development proposals provided to us. We have assumed that all consents, approvals and licenses from relevant government authorities for the development proposals have been obtained without onerous conditions or delays. We have also assumed that the design and construction of the developments are in compliance with the local planning and other relevant regulations and have been or will be approved by the relevant authorities. In arriving at our valuations, we have adopted the Direct Comparison Method by making reference to comparable sales evidence as available in the relevant market and have also taken into account the expended construction costs as well as the costs that will be expended to complete the proposed developments. The capital values when completed represent our opinion of the aggregate values of the developments assuming they were completed at the Valuation Date.

According to the Company, the potential tax liabilities which would arise on the sale of the property interests held by the Target Group comprise mainly Singapore income tax calculated based on profit before tax of the respective property development entities which primarily represent the sales proceeds minus the development costs, selling and administrative expenses and finance costs. The exact amount of income tax payable upon realization of the development properties will be subject to the formal tax advice to be issued by the relevant tax authorities. Assuming that the sales proceeds equal to the aggregate market values disclosed in this valuation report and only development costs are taken into consideration, the potential tax liability arising from the sale of these development properties would be approximately SGD40,500,000. As the properties held by the Target Group are for sale, the tax liability will be crystallised upon completion of sale and delivery of the relevant property.

Source of Information

We have relied to a very considerable extent on the information given by the Company and the Target Group and have accepted advice given to us on such matters as planning approvals, statutory notices, proposed Gross Floor Area (GFA) and Saleable Floor Areas

(SFA), number of units, development schemes, development time schedules, construction costs, pre-sale details, interest attributable to the Target Group and all other relevant matters. No on-site measurement has been carried out. Dimensions, measurements and areas included in the valuation certificate are based on the information provided to us and are therefore only approximations. We have no reason to doubt the truth and accuracy of the information provided to us by the Company and the Target Group which is material to the valuations. We were also advised by the Company that no material facts have been omitted from the information provided.

Title Investigation

As the strata certificate of titles have not been issued to individual units at this juncture, no further searches have been carried out for any mortgages, charges and caveats lodged against the subject properties.

Site Inspection

Two valuers ranked assistant manager from our Singapore office have inspected the sites in July 2015. We have not carried out any soil investigations to determine the suitability of the soil conditions and the services etc. for any development. Our valuations are prepared on the assumption that these aspects are satisfactory and that no extraordinary expenses or delays will be incurred during the construction period. As the properties are under construction and no strata certificate of titles have been issued, we have assumed that the areas shown on the documents handed to us are correct. No on site measurements have been carried out.

Currency

Unless otherwise stated, all sums stated in our valuation certificates are in Singapore Dollar ("**SGD**") which is the official currency in Singapore.

We enclose herewith a summary of valuations and our valuation certificates.

Yours faithfully,
For and on behalf of
DTZ Debenham Tie Leung Limited
K. B. Wong
Senior Director, Valuation & Advisory Services
MHKIS, RPS(GP)

Notes:

Mr. K B Wong is a Registered Professional Surveyor (General Practice) who has over 30 years property valuation experience in Hong Kong and in other Asian countries.

The valuation of the properties in Singapore were undertaken by Mr. K.B. Wong in collaboration with Ms. Poh Kwee Eng of our Singapore office. Ms. Poh is a Registered Professional Surveyor and a Fellow Member of The Singapore Institute of Surveyors and Valuers who has more than 30 years of experience in valuating properties in Singapore. She is an executive director and head of valuation of DTZ Singapore office.

SUMMARY OF VALUATIONS

Property interests held by the Target Group under development in Singapore

	Property	Market value in existing state as at the Valuation Date	Interest attributable to the Target Group	Market value in existing state attributable to the Target Group as at the Valuation Date
		SGD	*%*	*SGD*
1.	River Isles	545,200,000	85	463,420,000
2.	WaterBay	292,750,000	85	248,837,500
3.	Ecopolitan	388,780,000	85	330,463,000
4.	Bellewoods	335,400,000	65	218,010,000
5.	Bellewaters	390,600,000	63	246,078,000
6.	Land Parcel at Sembawang Road/ Canberra Link	232,000,000	72	167,040,000
7.	West Star	50,440,000	30	15,132,000
	Total:	2,235,170,000		1,688,980,500

VALUATION CERTIFICATE

Property interests held by the Target Group under development in Singapore

	Property	Description and tenure	Particulars of Occupancy	Market value in existing state as at 30 June 2015
1.	River Isles at 52, 54, 56, 58, 60, 62, 64 & 68 Edgedale Plains, Singapore	The subject property is legally described as Lot 2497A Mukim 21 and the tenure of the site is 99 years leasehold commencing from 6 February 2012. It is located at the corner of Punggol Central and Edgedale Plains junctions. It is approximately 19 km from the city centre at Raffles Place. The immediate locality is residential in nature comprising mainly HDB flats and apartment/condominium developments. Prominent developments within the vicinity include Greendale Primary School, Greendale Secondary School, Horizon Primary School, RiverParc Residence, Waterwoods (under construction), Flo Residence (under construction) and Punggol Plaza amongst many others. Public transport facilities are readily available along Punggol Central and Punggol East. The Coral Edge and Riviera LRT Stations are located nearby. It is also accessible from major expressways such as Tampines Expressway (TPE). The site area is 20,256.1 sq.m., subject to final survey. It is rectangular in shape with road frontages of about 154 m onto Punggol Central and a return frontage of about 90 m onto Edgefield Plains. Topographically, the site is generally flat and lies on the access roads. As advised by the Company and the Target Group, upon completion, the proposed development will comprise 9 blocks of 17-storey apartments with a basement carparks, landscape deck and communal facilities. There will be a total of 610 units (comprising 16 one-bedroom, 64 two-bedroom apartments, 351 three-bedroom apartments, 142 four-bedroom apartments and 36 penthouses) in various designs and layouts with sizes ranging from 41 sq.m. to 205 sq.m.. The planning control and design parameters as provided by the Company and the Target Group are as follows: Master Plan Zoning (2014 Edition) : Residential Proposed Gross Plot Ratio : 3.27 Proposed Gross Floor Area (GFA) : 66,293.17 sq.m. (including addition GFA of 5,524.87 sq.m.) Proposed Saleable Floor Area (including net floor area, balcony, private enclosed space, roof terrace and void areas, if any) : 64,939.00 sq.m.	As at the valuation date, the property was under construction and is scheduled to be completed in October 2015.	SGD545,200,000/- (85% interest attributable to the Target Group SGD463,420,000/-)

Notes:

1. Grant of Written Permission (WP) (Ref: ES20111219R0193) dated 20 March 2012 has been obtained from the Urban Redevelopment Authority (URA) for a proposed Condominium Housing Development comprising 9 blocks of 17-storey apartments (Total: 610 units) with a basement carpark, landscape deck and communal facilities. The total Gross Floor Area, including additional Gross Floor Area for balcony (5,524.87 sq.m.), is 66,293.17 sq.m. The overall plot ratio is 3.27 (gross).

2. The registered proprietor is Qingjian Realty (Punggol Central) Pte. Ltd. of which 85% interest is attributable to the Target Group. The subject property is mortgaged to United Overseas Bank Limited.

3. In valuing the property if it is not fully sold, we have assumed unit rate of about SGD9,860psm (SGD916psf) for the residential development.

   In undertaking our valuation of the property if completed, we have made reference to sales prices of comparable residential properties. The prices of comparable residential properties range from about SGD9,052psm (SGD841psf) to SGD11,667psm (SGD1,084psf). The unit rates assumed by us are consistent with the relevant comparables after due adjustments.

4. We were informed by the Company and the Target Group that the estimated construction cost is in the region of SGD160,000,000/- excluding marketing expenses, contingencies, professional/consultation fees, property tax and GST of about SGD66,100,000/-. The construction period is assumed to be approximately 3 years.

5. As advised by the Company and the Target Group, the construction cost expended as at 30 June 2015, is SGD150,900,000/- excluding marketing expenses, contingencies, professional/consultation fees, property tax and GST of about SGD50,700,000/-. We have taken into account such amount in our valuation.

6. According to the information provided by the Company and the Target Group, various 609 units with a total saleable floor area of approximately 64,869 sq.m. (698,243 sq.ft.) of the property have been pre-sold for a total consideration of SGD569,062,450/-. In the course of our valuation, we have included such pre-sold portions and taken into account such consideration in our valuation.

7. The capital value of the property as if completed on 30 June 2015 is approximately SGD569,750,000.

VALUATION CERTIFICATE

	Property	Description and tenure	Particulars of Occupancy	Market value in existing state as at 30 June 2015
2.	WaterBay at 45, 45A, 45B, 47, 47A & 47B Edgefield Plains, Singapore	The subject property is legally described as Lot 2531L Mukim 21 and the tenure of the site is 99 years leasehold commencing from 2 July 2012. It is located at the junction of Punggol Central and Edgefield Plains, approximately 17 km from the city centre at Raffles Place. The immediate locality is residential in nature comprising mainly HDB flats and apartment/condominium developments. Other prominent developments within the vicinity include Punggol Plaza, Edgefield Primary School, Punggol Secondary School, Prive, Parc Centros (under construction) and Twin Waterfalls (under construction) amongst many others. Public transport facilities are readily available along Punggol Central. Cove LRT Station is located nearby. It is also accessible from major expressway such as Tampines Expressway (TPE). The site area is 13,241.80 sq.m., subject to final survey. It is near rectangular in shape with road frontages of about 166 m onto Punggol Central and about 81 m onto Edgefield Plains. Topographically, the site is generally flat and at the access roads. As advised by the Company and the Target Group, upon completion, the proposed development will comprise 6 blocks of 17-storey apartments with landscaped deck, common basement carparks and communal facilities. There will be a total of 383 units (comprising 16 two-bedroom apartments, 186 three-bedroom apartments, 142 four-bedroom apartments, 16 five-bedroom apartments and 23 penthouses) in various designs and layouts with sizes ranging from 70 sq.m. to 248 sq.m.. The planning control and design parameters as provided by the Company and the Target Group are as follows: Master Plan Zoning (2014 Edition) : Residential Proposed Gross Plot Ratio : 3.3 Proposed Gross Floor Area (GFA) : 43,697.94 sq.m. Proposed Saleable Floor Area (including net floor area, balcony, private enclosed space, roof terrace and void areas, if any) : 43,277.00 sq.m.	As at the valuation date, the property was under construction and is scheduled to be completed in January 2016.	SGD292,750,000/- (85% interest attributable to the Target Group SGD248,837,500/-)

Notes:

1. Grant of Written Permission (WP) (Ref: ES20120522R0187) dated 1 August 2012 has been obtained from the Urban Redevelopment Authority (URA) for a proposed Executive Condominium Housing Development comprising 6 blocks of 17-storey apartments (Total: 383 units) with landscaped deck, common basement carparks and communal facilities. The total Gross Floor Area, including additional Gross Floor Area for balcony (3,972.54 sq.m.), is 43,697.94 sq.m. The overall plot ratio is 3.3 (gross).

2. The registered proprietor is Qingjian Realty (Edgefield Plains) Pte. Ltd. of which 85% interest is attributable to the Target Group. The subject property is mortgaged to United Overseas Bank Limited.

3. In valuing the property if it is not fully sold, we have assumed unit rate of about SGD7,825psm (SGD727psf) for the residential development.

   In undertaking our valuation of the property if completed, we have made reference to sales prices of comparable residential properties. The prices of comparable residential properties range from about SGD8,245psm (SGD766psf) to SGD9,074psm (SGD843psf). The unit rates assumed by us are consistent with the relevant comparables after due adjustments.

4. We were informed by the Company and the Target Group that the estimated construction cost is in the region of SGD99,300,000/- excluding marketing expenses, contingencies, professional/consultation fees, property tax and GST of about SGD34,700,000/-. The construction period is assumed to be approximately 3 years.

5. As advised by the Company and the Target Group, the construction cost expended as at 30 June 2015, is SGD83,300,000/- excluding marketing expenses, contingencies, professional/consultation fees, property tax and GST of about SGD22,400,000/-. We have taken into account such amount in our valuation.

6. According to the information provided by the Company and the Target Group, various 380 units with a total saleable floor area of approximately 42,940 sq.m. (462,201 sq.ft.) of the property have been pre-sold for a total consideration of SGD335,362,516/-. In the course of our valuation, we have included such pre-sold portions and taken into account such consideration in our valuation.

7. The capital value of the property as if completed on 30 June 2015 is approximately SGD338,000,000/-.

VALUATION CERTIFICATE

	Property	Description and tenure	Particulars of Occupancy	Market value in existing state as at 30 June 2015
3.	Ecopolitan at 124, 126, 128, 130, 132, 134, 136 & 138 Punggol Walk, Singapore	The subject property is legally described as Lot 2540T Mukim 21 and the tenure of the site is 99 years leasehold commencing from 4 December 2012. 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. The immediate locality is residential in nature comprising mainly HDB flats and apartment/condominium developments. Prominent developments within the vicinity include Punggol Green Primary School, Twin Waterfalls (under construction), Edgefield Secondary School and Compassvale Secondary School amongst many others. Public transport facilities are readily available along Punggol Way. The Soo Teck LRT Station is located short distance away. It is also accessible from major expressway such as Tampines Expressway (TPE). The site area is 18,747.80 sq.m., subject to final survey. It is regular in shape with road frontages of about 86 m, 93 m and 125 m onto Punggol Walk, Punggol Way and TPE respectively. Topographically, the site is generally flat and level with the access road. As advised by Company and the Target the Group, upon completion, the proposed development will comprise 8 blocks of 16-storey residential building (Total: 512 units) with 2-level of basement carpark, tennis court, swimming pool, landscape deck, clubhouse and communal facilities. The planning control and design parameters as provided by the Company and the Target Group are as follows: Master Plan Zoning (2014 Edition) : Residential Proposed Gross Plot Ratio : 3.0 Proposed Gross Floor Area (GFA) : 61,866.70 sq.m. Proposed Saleable Floor Area (including net floor area, balcony, private enclosed space, roof terrace and void areas, if any) : 57,113.00 sq.m.	As at the valuation date, the property was under construction and is scheduled to be completed in June 2016.	SGD388,780,000/- (85% interest attributable to the Target Group SGD330,463,000/-)

Notes:

1. Grant of Written Permission (WP) (Ref: ES20130207R0201) dated 10 May 2013 has been obtained from the Urban Redevelopment Authority (URA) for a proposed erection of Executive Condominium Development comprising 8 blocks of 16-storey residential building (Total: 512 units) with 2-level of basement carpark, tennis court, swimming pool, landscape deck, clubhouse and communal facilities. The total Gross Floor Area of the proposed building is 61,866.76 sq.m. (inclusive of additional balcony Gross Floor Area of 5,271.90 sq.m. and PES Gross Floor Area 351.46 sq.m. The overall plot ratio is 3.29 (gross).

2. The registered proprietor is Qingjian Realty (Punggol Way) Pte. Ltd. of which 85% interest is attributable to the Target Group. The subject property is mortgaged to United Overseas Bank Limited.

3. In valuing the property if it is not fully sold, we have assumed unit rate of about SGD7,449psm (SGD692psf) for the residential development.

   In undertaking our valuation of the property if completed, we have made reference to sales prices of comparable residential properties. The prices of comparable residential properties range from about SGD8,099psm (SGD753psf) to SGD8,848psm (SGD822psf). The unit rates assumed by us are consistent with the relevant comparables after due adjustments.

4. We were informed by the Company and the Target Group that the estimated construction cost is in the region of SGD128,200,000/- excluding marketing expenses, contingencies, professional/consultation fees, property tax and GST of about SGD44,700,000/-. The construction period is assumed to be approximately 3 years.

5. As advised by the Company and the Target Group, the construction cost expended as at 30 June 2015, is SGD82,300,000/- excluding marketing expenses, contingencies, professional/consultation fees, property tax and GST of about SGD24,300,000/-. We have taken into account such amount in our valuation.

6. According to the information provided by the Company and the Target Group, various 458 units with a total saleable floor area of approximately 51,357 sq.m. (552,802 sq.ft.) of the property have been pre-sold for a total consideration of SGD436,360,190/-. In the course of our valuation, we have included such pre-sold portions and taken into account such consideration in our valuation.

7. The capital value of the property as if completed on 30 June 2015 is approximately SGD479,000,000/-.

VALUATION CERTIFICATE

	Property	Description and tenure	Particulars of Occupancy	Market value in existing state as at 30 June 2015
4.	Bellewoods at 100, 102, 104, 106, 108, 110, 112, 114, 116, 118, 120 & 122 Woodlands Avenue 5, Singapore	The subject property is legally described as Lot 6049X Mukim 13 and the tenure of the site is 99 years leasehold commencing from 12 August 2013. 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. The immediate locality is residential in nature comprising mainly HDB flats and apartment/condominium developments. Prominent developments within the vicinity include La Casa, Forestville (under construction), Twin Fountains (under construction), Woodlands Ring Primary School, Woodlands 11 (Industrial Development) and Primz Bizhub (Industrial Development) amongst many others. Public transport facilities are readily available along Woodlands Avenue 5 and Woodlands Avenue 6. It is also accessible from major expressway such as Seletar Expressway (SLE). The site area is 21,004.3 sq.m., subject to final survey. It is regular in shape with road frontages of about 116 m and 215 m onto Woodlands Avenue 5 and Woodlands Avenue 6 respectively. Topographically, the site is generally flat and lies on the access roads. As advised by the Company and the Target Group, upon completion, the proposed development will comprise 3 blocks of 11-storey and 9 blocks of 12-storey apartments with common basement carparks and communal facilities. There will be a total of 561 units (comprising 36 two-bedroom apartments, 219 three-bedroom apartments, 153 four-bedroom apartments and 153 five-bedroom apartments) in various designs and layouts with sizes ranging from 73 sq.m. to 156 sq.m.. The planning control and design parameters as provided by the Company and the Target Group are as follows: Master Plan Zoning (2014 Edition) : Residential Proposed Gross Plot Ratio : 3.08 Proposed Gross Floor Area (GFA) : 64,693.24 sq.m. Proposed Saleable Floor Area (including net floor area, balcony, private enclosed space, roof terrace and void areas, if any) : 60,880.00 sq.m.	As at the valuation date, the property was under construction and is scheduled to be completed in February 2017.	SGD335,400,000/- (65% interest attributable to the Target Group SGD218,010,00/-)

Notes:

1. Grant of Written Permission (WP) (Ref: ES20130620R0219) dated 16 December 2013 has been obtained from the Urban Redevelopment Authority (URA) for a proposed Executive Condominium Housing Development comprising 3 blocks of 11-storey and 9 blocks of 12-storey apartments (Total: 561 units) with common basement carparks and communal facilities. The total Gross Floor Area, including additional Gross Floor Area for balcony (4,865.54 sq.m.), is 64,693.24 sq.m. The overall plot ratio is 3.07 (gross).

2. The registered proprietor is Qingjian Realty (Woodlands) Pte. Ltd. of which 65% interest is attributable to the Target Group. The subject property is mortgaged to United Overseas Bank Limited, Hong Leong Finance Limited and Bank of China.

3. In valuing the property if it is not fully sold, we have assumed unit rate of about SGD7,739psm (SGD719psf) for the residential development.

   In undertaking our valuation of the property if completed, we have made reference to sales prices of comparable residential properties. The prices of comparable residential properties range from about SGD7,567psm (SGD703psf) to SGD8,385psm (SGD779psf). The unit rates assumed by us are consistent with the relevant comparables after due adjustments.

4. We were informed by the Company and the Target Group that the estimated construction cost is in the region of SGD143,500,000/- excluding marketing expenses, contingencies, professional/consultation fees, property tax and GST of about SGD41,100,000/-. The construction period is assumed to be approximately 3.25 years.

5. As advised by the Company and the Target Group, the construction cost expended as at 30 June 2015, is SGD69,000,000/- excluding marketing expenses, contingencies, professional/consultation fees, property tax and GST of about SGD20,100,000/-. We have taken into account such amount in our valuation.

6. According to the information provided by the Company and the Target Group, various 97 units with a total saleable floor area of approximately 9,575 sq.m. (103,064 sq.ft.) of the property have been pre-sold for a total consideration of SGD81,991,467/-. In the course of our valuation, we have included such pre-sold portions and taken into account such consideration in our valuation.

7. The capital value of the property as if completed on 30 June 2015 is approximately SGD478,800,000/-.

VALUATION CERTIFICATE

	Property	Description and tenure	Particulars of Occupancy	Market value in existing state as at 30 June 2015
5.	Bellewaters at 11, 13, 15, 17, 19, 21, 23, 25, 27 & 29 Anchorvale Crescent, Singapore	The subject property is legally described as Lot 2599T Mukim 21 and the tenure of the site is 99 years leasehold. The subject site is located along Anchorvale Crescent, approximately 20 km from the city centre at Raffles Place. The immediate locality is generally residential in character comprising apartment/condominium developments and HDB flats. Notable developments in the vicinity include Sengkang Riverside Park, Sengkang Sport Complex, La Fiesta (under construction), The Luxurie (under construction) and Compass Point amongst many others. Public transport facilities are readily available along Anchorvale Street. It is also accessible from major expressway such as Tampines Expressway (TPE). The subject site is also located near the Farmway LRT Station. The site area is approximately 23,000.0 sq.m., subject to final survey. It is regular in shape with road frontages of about 200 m and 190 m onto Anchorvale Crescent and Tampines Expressway (TPE) respectively. Topographically, the site is generally flat and lies slightly above the access road level. As advised by the Company and the Target Group, upon completion, the proposed development will comprise 3 blocks of 17-storey and 7 blocks of 16-storey apartments (total 651 units) with, landscape deck, common basement carparks and communal facilities. There will be a total of 651 units (comprising 370 three-bedroom apartments, 247 four-bedroom apartments and 34 five-bedroom apartments) in various designs and layouts with sizes ranging from 86 sq.m. to 159 sq.m.. The planning control and design parameters as provided by the Company and the Target Group are as follows: Master Plan Zoning (2014 Edition) : Residential Proposed Gross Plot Ratio : 3.3 Proposed Gross Floor Area (GFA) : 75,900.00 sq.m. Proposed Saleable Floor Area (including net floor area, balcony, private enclosed space, roof terrace and void areas, if any) : 71,075.00 sq.m.	As at the valuation date, the property was under construction and is scheduled to be completed in February 2017.	SGD390,600,000/- (63% interest attributable to the Target Group SGD246,078,000/-)

Notes:

1. Grant of Written Permission (WP) (Ref: ES20130715R0207) dated 8 January 2014 has been obtained from the Urban Redevelopment Authority (URA) for a proposed erection of 3 blocks of 17-storey and 7 blocks of 16-storey apartments (total 651 units) with, landscape deck, common basement carparks and communal facilities. The total gross floor area of the proposed building shall not exceed 75,900.00 sq.m. (including 690.0 sq.m. GM GFA, 285.57 sq.m. PES GFA and 5,924.43 sq.m. balcony GFA). The overall plot ratio shall not exceed 3.3 (gross).

2. The successful tenderer for the site is Qingjian Realty (South Pacific) Group Pte Ltd. of which 63% interest is attributable to the Target Group. The approved developer undertaking the development of the site is Qingjian Realty (Anchorvale) Pte. Ltd.

3. In valuing the property if it is not fully sold, we have assumed unit rate of about SGD7,825psm (SGD727psf) for the residential development.

   In undertaking our valuation of the property if completed, we have made reference to sales prices of comparable residential properties. The prices of comparable residential properties range from about SGD8,105psm (SGD753psf) to SGD9,009psm (SGD837psf). The unit rates assumed by us are consistent with the relevant comparables after due adjustments.

4. We were informed by the Company and the Target Group that the estimated construction cost is in the region of SGD168,300,000/- excluding marketing expenses, contingencies, professional/consultation fees, property tax and GST of about SGD37,200,000/-. The construction period is assumed to be approximately 3.25 years.

5. As advised by the Company and the Target Group, the construction cost expended as at 30 June 2015, is SGD57,000,000/- excluding marketing expenses, contingencies, professional/consultation fees, property tax and GST of about SGD22,700,000/-. We have taken into account such amount in our valuation.

6. According to the information provided by the Company and the Target Group, various 193 units with a total saleable floor area of approximately 19,959 sq.m. (214,837 sq.ft.) of the property have been pre-sold for a total consideration of SGD173,567,710/-. In the course of our valuation, we have included such pre-sold portions and taken into account such consideration in our valuation.

7. The capital value of the property as if completed on 30 June 2015 is approximately SGD573,780,000/-.

VALUATION CERTIFICATE

	Property	Description and tenure	Particulars of Occupancy	Market value in existing state as at 30 June 2015
6.	Land Parcel at Sembawang Road/Canberra Link	The subject property is legally described as Lot 3837L Mukim 19 and the tenure of the site is 99 years leasehold. It is located at the junction of Canberra Link and Sembawang Road, approximately 25 km from the city centre at Raffles Place. The immediate locality is residential in nature comprising conventional housing, HDB flats, apartment/condominium developments. Other prominent developments within the vicinity include Canberra Residences, The Nautical (under construction) and D'Banyan amongst many others. Public transport facilities are readily available along Sembawang Road. It is also accessible from major expressway such as Seletar Expressway (SLE). The site area is 28,745.90 sq.m., subject to final survey. It is near rectangular in shape with road frontages of about 133 m onto Canberra Link, about 250 m onto Sembawang Road and about 150 m onto Canberra Drive. Topographically, the site is generally flat and at the access roads. As advised by the Company and the Target Group, upon completion, there will be a total of about 632 units. The planning control and design parameters as provided by the Company and the Target Group are as follows: Master Plan Zoning (2014 Edition) : Residential Proposed Gross Plot Ratio : 2.1 Proposed Gross Floor Area (GFA) : 60,366.39 sq.m. Proposed Saleable Floor Area (including net floor area, balcony, private enclosed space, roof terrace and void areas, if any) : 60,668.22 sq.m.	As at the valuation date, construction is yet to commence. It is expected to start construction in August/ September 2015 and is scheduled to be completed by October 2018.	SGD232,000,000/- (72% interest attributable to the Target Group SGD167,040,000/-)

Notes:

1. According to the tender document, the site is permitted for executive condominium development with a maximum allowable gross floor area of 60,366.39 sq.m..

2. The successful tenderer for the site is Qingjian Realty (Residential) Pte Ltd. The approved developer undertaking the development of the site is Qingjian Realty (Sembawang) Pte. Ltd. of which 72% interest is attributable to the Target Group.

3. In valuing the property, we have assumed unit rate of about SGD8,288psm (SGD770psf) for the residential development.

   In undertaking our valuation of the property if completed, we have made reference to sales prices of comparable residential properties. The prices of comparable residential properties range from about SGD7,565psm (SGD703psf) to SGD9,009psm (SGD837psf). The unit rates assumed by us are consistent with the relevant comparables after due adjustments.

4. We were informed by the Company and the Target Group that the estimated construction cost is in the region of SGD155,900,000/- excluding marketing expenses, contingencies, professional/consultation fees, property tax and GST of about SGD39,900,000/-. The construction period is assumed to be approximately 3 years.

5. The capital value of the property as if completed on 30 June 2015 is approximately SGD502,800,000/-.

VALUATION CERTIFICATE

	Property	Description and tenure	Particulars of Occupancy	Market value in existing state as at 30 June 2015
7.	West Star at 11 Tuas Bay Close, Singapore	The subject property is legally described as Lot 2853A PT Mukim 7 and the tenure of the site is 30 years leasehold. It is located along Tuas Bay, approximately 32 km from the city centre at Raffles Place. It is situated within the Jurong Industrial Estate managed by the Jurong Town Corporation (JTC) which features land for industrial development and standard completed factories for sale and/or lease. The surrounding locality comprises standard/purpose-built factories designated for general industry use and vacant land for future developments. It has easy access to other parts of Singapore via Ayer Rajah Expressway (AYE) and Pan Island Expressway (PIE). The site area is 24,971.00 sq.m., subject to final survey. It is regular in shape with road frontages of about 225 m onto Tuas Bay Close, about 51 m onto Tuas South Avenue 5 and about 62 m onto Tuas Bay Drive. Topographically, the site is generally flat and at the access roads. As advised by the Company and the Target Group, upon completion, the proposed development will comprise a block of 8-storey ramp-up factory (total 108 units), a temporary ancillary staff canteen (total 1 unit) and other ancillary facilities. The planning control and design parameters as provided by the Company and the Target Group are as follows: Master Plan Zoning (2014 Edition) : Business 2 Proposed Gross Plot Ratio : 1.7 Proposed Gross Floor Area (GFA) : 42,450.24 sq.m. Void Area : 4,787.00 sq.m. Proposed Saleable Floor Area (including net floor area, balcony, private enclosed space, roof terrace and void areas, if any) : 45,863.00 sq.m.	As at the valuation date, the property was under construction and is scheduled to be completed in March 2018.	SGD50,440,000/- (30% interest attributable to the Target Group SGD15,132,000/-)

Notes:

1. Grant of Written Permission (WP) (Ref: ES20130628R0154) dated 20 January 2014 has been obtained from the Urban Redevelopment Authority (URA) for a proposed erection of a multiple-user general industrial development comprising a 8-storey ramp-up factory building (total 108 factory units), a temporary ancillary staff canteen (total 1 unit) and other ancillary facilities. The total gross floor area of the proposed building shall not exceed 42,450.24 sq.m.. The overall plot ratio shall not exceed 1.7 (gross).

2. The successful tenderer for the site is ZACD Investments Pte Ltd and Bohai Investments (Sengkang) Pte Ltd and the approved developer undertaking the development of the site is BH-ZACD (Tuas Bay) Development Pte Ltd. of which 30% interest is attributable to the Target Group.

3. In valuing the property if it is not fully sold, we have assumed unit rate of about SGD2,605psm (SGD242psf) for the industrial development.

   In undertaking our valuation of the property if completed, we have made reference to sales prices of comparable industrial properties. The prices of comparable industrial properties range from about SGD3,671psm (SGD341psf) to SGD5,210psm (SGD484psf). The unit rates assumed by us are consistent with the relevant comparables after due adjustments.

4. We were informed by the Company and the Target Group that the estimated construction cost is in the region of SGD65,000,000/- excluding marketing expenses, contingencies, professional/consultation fees, property tax and GST of about SGD14,000,000/-. The construction period is assumed to be approximately 3.5 years.

5. As advised by the Company and the Target Group, the construction cost expended as at 30 June 2015, is SGD8,500,000/- excluding marketing expenses, contingencies, professional/consultation fees, property tax and GST of about SGD4,000,000/-. We have taken into account such amount in our valuation.

6. According to the information provided by the Company and the Target Group, various 36 units with a total saleable floor area of approximately 12,920 sq.m. (139,070 sq.ft.) of the property have been pre-sold for a total consideration of SGD43,865,393/-. In the course of our valuation, we have included such pre-sold portions and taken into account such consideration in our valuation.

7. The capital value of the property as if completed on 30 June 2015 is approximately SGD130,000,000/-.

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of the Company and of certain aspects of Cayman Islands company law.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 15 April 2011 under the Companies Law. The Company's constitutional documents consist of its Amended and Restated Memorandum of Association (the "**Memorandum**") and the Amended and Restated Articles of Association (the "**Articles**").

1. MEMORANDUM OF ASSOCIATION

(a) The Memorandum provides, inter alia, that the liability of members of the Company is limited and that the objects for which the Company is established are unrestricted (and therefore include acting as an investment company), and that the Company shall have and be capable of exercising any and all of the powers at any time or from time to time exercisable by a natural person or body corporate whether as principal, agent, contractor or otherwise and since the Company is an exempted company that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.

(b) By special resolution the Company may alter the Memorandum with respect to any objects, powers or other matters specified therein.

2. ARTICLES OF ASSOCIATION

The Articles were adopted on 11 September 2012. The following is a summary of certain provisions of the Articles:

(a) Shares

(i) Classes of shares

The share capital of the Company consists of ordinary shares.

(ii) Share certificates

Every person whose name is entered as a member in the register of members shall be entitled to receive a certificate for his shares. No shares shall be issued to bearer.

Every certificate for shares, warrants or debentures or representing any other form of securities of the Company shall be issued under the seal of the Company, and shall be signed autographically by one Director and the Secretary, or by 2 Directors, or by some other person(s) appointed by the Board for the purpose. As regards any certificates for shares or debentures or other securities of the Company, the Board may by resolution determine that such signatures or either of them shall be dispensed with or affixed by some method or system of mechanical signature other than autographic or may be printed thereon as specified in such resolution or that such certificates need not be signed by any person. Every share certificate issued shall specify the number and class of shares in respect of which it is issued and the amount paid thereon and may otherwise be in such form as the Board may from time to time prescribe. A share certificate shall relate to only one class of shares, and where the capital of the Company includes shares with different voting rights, the designation of each class of shares, other than those which carry the general right to vote at general meetings, must include the words "restricted voting" or "limited voting" or "non-voting" or some other appropriate designation which is commensurate with the rights attaching to the relevant class of shares. The Company shall not be bound to register more than 4 persons as joint holders of any share.

(b) Directors

(i) Power to allot and issue shares and warrants

Subject to the provisions of the Companies Law, the Memorandum and Articles and without prejudice to any special rights conferred on the holders of any shares or class of shares, any share may be issued with or have attached thereto such rights, or such restrictions, whether with regard to dividend, voting, return of capital, or otherwise, as the Company may by ordinary resolution determine (or, in the absence of any such determination or so far as the same may not make specific provision, as the Board may determine). Any share may be issued on terms that upon the happening of a specified event or upon a given date and either at the option of the Company or the holder thereof, they are liable to be redeemed.

The Board may issue warrants to subscribe for any class of shares or other securities of the Company on such terms as it may from time to time determine.

Where warrants are issued to bearer, no certificate thereof shall be issued to replace one that has been lost unless the Board is satisfied beyond reasonable doubt that the original certificate thereof has been destroyed and the Company has received an indemnity in such form as the Board shall think fit with regard to the issue of any such replacement certificate.

Subject to the provisions of the Companies Law, the Articles and, where applicable, the rules of any stock exchange of the Relevant Territory (as defined in the Articles) and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company shall be at the disposal of the Board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount.

Neither the Company nor the Board shall be obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others whose registered addresses are in any particular territory or territories where, in the absence of a registration statement or other special formalities, this is or may, in the opinion of the Board, be unlawful or impracticable. However, no member affected as a result of the foregoing shall be, or be deemed to be, a separate class of members for any purpose whatsoever.

(ii) Power to dispose of the assets of the Company or any subsidiary

While there are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries, the Board may exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Companies Law to be exercised or done by the Company in general meeting, but if such power or act is regulated by the Company in general meeting, such regulation shall not invalidate any prior act of the Board which would have been valid if such regulation had not been made.

(iii) Compensation or payments for loss of office

Payments to any present Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually or statutorily entitled) must be approved by the Company in general meeting.

(iv) Loans and provision of security for loans to Directors

There are provisions in the Articles prohibiting the making of loans to Directors and their associates which are equivalent to provisions of Hong Kong law prevailing at the time of adoption of the Articles.

The Company shall not directly or indirectly make a loan to a Director or a director of any holding company of the Company or any of their respective associates, enter into any guarantee or provide any security in connection with a loan made by any person to a Director or a director of any holding company of the Company or any of their respective associates, or if any one or more of the Directors hold (jointly or severally or directly or indirectly) a controlling interest in another company, make a loan to that other company or enter into any guarantee or provide any security in connection with a loan made by any person to that other company.

(v) Disclosure of interest in contracts with the Company or with any of its subsidiaries

With the exception of the office of auditor of the Company, a Director may hold any other office or place of profit with the Company in conjunction with his office of Director for such period and, upon such terms as the Board may determine, and may be paid such extra remuneration therefor (whether by way of salary, commission, participation in profits or otherwise) in addition to any remuneration provided for by or pursuant to any other Articles. A Director may be or become a director or other officer or member of any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration or other benefits received by him as a director, officer or member of such other company. The Board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise thereof in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company.

No Director or intended Director shall be disqualified by his office from contracting with the Company, either as vendor, purchaser or otherwise, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company for any profit realised by any such contract or arrangement by reason only of such Director holding that office or the fiduciary relationship thereby established. A Director who is, in any way, materially interested in a contract or arrangement or proposed contract or arrangement with the Company shall declare the nature of his interest at the earliest meeting of the Board at which he may practically do so.

There is no power to freeze or otherwise impair any of the rights attaching to any Share by reason that the person or persons who are interested directly or indirectly therein have failed to disclose their interests to the Company.

A Director shall not vote (nor shall he be counted in the quorum) on any resolution of the Board in respect of any contract or arrangement or other proposal in which he or his associate(s) is/are materially interested, and if he shall do so his vote shall not be counted nor shall he be counted in the quorum for that resolution, but this prohibition shall not apply to any of the following matters namely:

(aa) the giving of any security or indemnity to the Director or his associate(s) in respect of money lent or obligations incurred or undertaken by him or any of them at the request of or for the benefit of the Company or any of its subsidiaries;

(bb) the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his associate(s) has/have himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;

(cc) any proposal concerning an offer of shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;

(dd) any proposal or arrangement concerning the adoption, modification or operation of a share option scheme, a pension fund or retirement, death or disability benefits scheme or other arrangement which relates both to Directors, his associate(s) and employees of the Company or of any of its subsidiaries and does not provide in respect of any Director, or his associate(s), as such any privilege or advantage not generally accorded to the employees to which such scheme or fund relates; or

(ee) any contract or arrangement in which the Director or his associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company.

(vi) Remuneration

The Directors shall be entitled to receive, as ordinary remuneration for their services, such sums as shall from time to time be determined by the Board, or the Company in general meeting, as the case may be, such sum (unless otherwise directed by the resolution by which it is determined) to be divided amongst the Directors in such proportions and in such manner as they may agree or failing agreement, equally, except that in such event any Director holding office for only a portion of the period in respect of which the remuneration is payable shall only rank in such division in proportion to the time during such period for which he has held office. The Directors shall also be entitled to be repaid all travelling, hotel and other expenses reasonably incurred by them in attending any Board meetings, committee meetings or general meetings or otherwise in connection with the discharge of their duties as Directors. Such remuneration shall be in addition to any other remuneration to which a Director who holds any salaried employment or office in the Company may be entitled by reason of such employment or office.

Any Director who, at the request of the Company performs services which in the opinion of the Board go beyond the ordinary duties of a Director may be paid such special or extra remuneration (whether by way of salary, commission, participation in profits or otherwise) as the Board may determine and such extra remuneration shall be in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration (whether by way of salary, commission or participation in profits or otherwise or by all or any of those modes) and such other benefits (including pension and/or gratuity and/or other benefits on retirement) and allowances as the Board may from time to time decide. Such remuneration shall be in addition to his ordinary remuneration as a Director.

The Board may establish, either on its own or jointly in concurrence or agreement with other companies (being subsidiaries of the Company or with which the Company is associated in business), or may make contributions out of the

Company's monies to, such schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or former Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and former employees of the Company and their dependents or any class or classes of such persons.

In addition, the Board may also pay, enter into agreements to pay or make grants of revocable or irrevocable, whether or not subject to any terms or conditions, pensions or other benefits to employees and former employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or former employees or their dependents are or may become entitled under any such scheme or fund as mentioned above. Such pension or benefit may, if deemed desirable by the Board, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

(vii) Appointment, retirement and removal

At any time or from time to time, the Board shall have the power to appoint any person as a Director either to fill a casual vacancy on the Board or as an additional Director to the existing Board subject to any maximum number of Directors, if any, as may be determined by the members in general meeting. Any Director appointed by the Board to fill a casual vacancy shall hold office only until the first general meeting of the Company after his appointment and be subject to re-election at such meeting. Any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

At each annual general meeting, one third of the Directors for the time being will retire from office by rotation. However, if the number of Directors is not a multiple of three, then the number nearest to but not less than one third shall be the number of retiring Directors. The Directors who shall retire in each year will be those who have been longest in the office since their last re-election or appointment but as between persons who become or were last re-elected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot.

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 such notices will commence no earlier than the day after the despatch of the notice of the meeting appointed for such election and end no later than 7 days prior to the date of such meeting and the minimum length of the period during which such notices to the Company may be given must be at least 7 days.

A Director is not required to hold any shares in the Company by way of qualification nor is there any specified upper or lower age limit for Directors either for accession to the Board or retirement therefrom.

A Director may be removed by an ordinary resolution of the Company before the expiration of his term of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and the Company may by ordinary resolution appoint another in his place. The number of Directors shall not be less than two.

In addition to the foregoing, the office of a Director shall be vacated:

(aa) if he resigns his office by notice in writing delivered to the Company at the registered office or head office of the Company for the time being or tendered at a meeting of the Board;

(bb) if he dies or becomes of unsound mind as determined pursuant to an order made by any competent court or official on the grounds that he is or may be suffering from mental disorder or is otherwise incapable of managing his affairs and the Board resolves that his office be vacated;

(cc) if, without special leave, he is absent from meetings of the Board for six (6) consecutive months, and the Board resolves that his office is vacated;

(dd) if he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors generally;

(ee) if he is prohibited from being a director by law;

(ff) if he ceases to be a director by virtue of any provision of law or is removed from office pursuant to the Articles;

(gg) if he has been validly required by the stock exchange of the Relevant Territory (as defined in the Articles) to cease to be a Director and the relevant time period for application for review of or appeal against such requirement has lapsed and no application for review or appeal has been filed or is underway against such requirement; or

(hh) if he is removed from office by notice in writing served upon him signed by not less than three-fourths in number (or, if that is not a round number, the nearest lower round number) of the Directors (including himself) then in office.

From time to time the Board may appoint one or more of its body to be managing director, joint managing director, or deputy managing director or to hold any other employment or executive office with the Company for such period and upon such terms as the Board may determine and the Board may revoke or terminate any of such appointments. The Board may also delegate any of its powers to committees consisting of such Director or Directors and other person(s) as the Board thinks fit, and from time to time it may also revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed shall, in the exercise of the powers so delegated, conform to any regulations that may from time to time be imposed upon it by the Board.

(viii) Borrowing powers

Pursuant to the Articles, the Board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and uncalled capital of the Company and, subject to the Companies Law, to issue debentures, debenture stock, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party. The provisions summarised above, in common with the Articles of Association in general, may be varied with the sanction of a special resolution of the Company.

(ix) Register of Directors and officers

Pursuant to the Companies Law, the Company is required to maintain at its registered office a register of directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within 30 days of any change in such directors or officers.

(x) Proceedings of the Board

Subject to the Articles, the Board may meet anywhere in the world for the despatch of business and may adjourn and otherwise regulate its meetings as it thinks fit. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have a second or casting vote.

(c) Alterations to the constitutional documents

To the extent that the same is permissible under Cayman Islands law and subject to the Articles, the Memorandum and Articles of the Company may only be altered or amended, and the name of the Company may only be changed by the Company by special resolution.

(d) Variation of rights of existing shares or classes of shares

Subject to the Companies Law, if at any time the share capital of the Company is divided into different classes of shares, all or any of the special rights attached to any class of shares may (unless otherwise provided for by the terms of issue of the shares of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting the provisions of the Articles relating to general meetings shall mutatis mutandis apply, but so that the necessary quorum (other than at an adjourned meeting) shall be not less than two persons together holding (or in the case of a shareholder being a corporation, by its duly authorised representative) or representing by proxy not less than one-third in nominal value of the issued shares of that class. Every holder of shares of the class shall be entitled on a poll to one vote for every such share held by him, and any holder of shares of the class present in person or by proxy may demand a poll.

Any special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

(e) Alteration of capital

The Company may, by an ordinary resolution of its members, (a) increase its share capital by the creation of new shares of such amount as it thinks expedient; (b) consolidate or divide all or any of its share capital into shares of larger or smaller amount than its existing shares; (c) divide its unissued shares into several classes and attach thereto respectively any preferential, deferred, qualified or special rights, privileges or conditions; (d) subdivide its shares or any of them into shares of an amount smaller than that fixed by the Memorandum; and (e) cancel shares which, at the date of the passing of the resolution, have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the shares so cancelled; (f) make provision for the allotment and issue of shares which do not carry any voting rights; (g) change the currency of denomination of its share capital; and (h) reduce its share premium account in any manner authorised and subject to any conditions prescribed by law.

Reduction of share capital — subject to the Companies Law and to confirmation by the court, a company limited by shares may, if so authorised by its Articles of Association, by special resolution, reduce its share capital in any way.

(f) Special resolution — majority required

In accordance with the Articles, a special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or by proxy or, in the case of members which are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which not less than 21 clear days' notice, specifying the intention to propose the resolution as a special resolution, has been duly given. However, except in the case of an annual general meeting, if it is so agreed by a majority in number of the members having a right to attend and vote at such meeting, being a majority together holding not less than 95% in nominal value of the shares giving that right and, in the case of an annual general meeting, if so agreed by all members entitled to attend and vote thereat, a resolution may be proposed and passed as a special resolution at a meeting of which less than 21 clear days' notice has been given.

Under Companies Law, a copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within 15 days of being passed.

An "ordinary resolution", by contrast, is defined in the Articles to mean a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of members which are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which not less than fourteen clear days' notice has been given and held in accordance with the Articles. A resolution in writing signed by or on behalf of all members shall be treated as an ordinary resolution duly passed at a general meeting of the Company duly convened and held, and where relevant as a special resolution so passed.

(g) Voting rights (generally and on a poll) and right to demand a poll

Subject to any special rights, restrictions or privileges as to voting for the time being attached to any class or classes of shares at any general meeting on a show of hands, every member who is present in person or by proxy or being a corporation, is present by its duly authorised representative shall have one vote, and on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every share which is fully paid or credited as fully paid registered in his name in the register of members of the Company but so that no amount paid up or credited as paid up on a share in advance of calls or instalments is treated for the foregoing purpose as paid up on the share. Notwithstanding anything contained in the Articles, where more than one proxy is appointed by a member which is a Clearing House (as defined in the Articles) (or its nominee(s)), each such proxy shall have one vote on a show of hands. On a poll, a member entitled to more than one vote need not use all his votes or cast all the votes he does use in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided on a show of hands unless (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) a poll is demanded or otherwise required under the rules of the stock exchange of the Relevant Territory (as defined in the Articles). A poll may be demanded by:

(i) the chairman of the meeting; or

(ii) at least two members present in person or, in the case of a member being a corporation, by its duly authorised representative or by proxy for the time being entitled to vote at the meeting; or

(iii) any member or members present in person or, in the case of a member being a corporation, by its duly authorised representative or by proxy and representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting; or

(iv) a member or members present in person or, in the case of a member being a corporation, by its duly authorised representative or by proxy and holding shares in the Company conferring a right to vote at the meeting being shares on which an aggregate sum has been paid equal to not less than one-tenth of the total sum paid up on all the shares conferring that right.

Should a Clearing House or its nominee(s), be a member of the Company, such person or persons may be authorised as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised in accordance with this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same rights and powers on behalf of the Clearing House or its nominee(s), as if such person were an individual member including the right to vote individually on a show of hands.

Where the Company has knowledge that any member is, under the Listing Rules, required to abstain from voting on any particular resolution of the Company or restricted to voting only for or only against any particular resolution of the Company, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.

(h) Annual general meetings

The Company must hold an annual general meeting each year. Such meeting must be held not more than 15 months after the holding of the last preceding annual general meeting, or such longer period as may be authorised by the Stock Exchange at such time and place as may be determined by the Board.

(i) Accounts and audit

The Board shall cause proper books of account to be kept of the sums of money received and expended by the Company, and the matters in respect of which such receipt and expenditure take place, and of the assets and liabilities of the Company and of all other matters required by the Companies Law necessary to give a true and fair view of the state of the Company's affairs and to show and explain its transactions.

The books of accounts of the Company shall be kept at the head office of the Company or at such other place or places as the Board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any account or book or document of the Company except as conferred by the Companies Law or ordered by a court of competent jurisdiction or authorised by the Board or the Company in general meeting.

The Board shall from time to time cause to be prepared and laid before the Company at its annual general meeting balance sheets and profit and loss accounts (including every document required by law to be annexed thereto), together with a copy of the Directors' report and a copy of the auditors' report not less than 21 days before the date of the annual general meeting. Copies of these documents shall be sent to every person entitled to receive notices of general meetings of the Company under the provisions of the Articles together with the notice of annual general meeting, not less than 21 days before the date of the meeting.

Subject to the rules of the stock exchange of the Relevant Territory (as defined in the Articles), the Company may send summarised financial statements to shareholders who has, in accordance with the rules of the stock exchange of the Relevant Territory (as defined in the Articles), consented and elected to receive summarised financial statements instead of the full financial statements. The summarised financial statements must be accompanied by any other documents as may be required under the rules of the stock exchange of the Relevant Territory (as defined in the Articles), and must be sent to the shareholders not less than 21 days before the general meeting to those shareholders that have consented and elected to receive the summarised financial statements.

The Company shall appoint auditor(s) to hold office until the conclusion of the next annual general meeting on such terms and with such duties as may be agreed with the Board. The auditors' remuneration shall be fixed by the Company in general meeting or by the Board if authority is so delegated by the members.

The auditors shall audit the financial statements of the Company in accordance with generally accepted accounting principles of Hong Kong, the International Accounting Standards or such other standards as may be permitted by the Stock Exchange.

(j) Notices of meetings and business to be conducted thereat

An annual general meeting and any extraordinary general meeting at which it is proposed to pass a special resolution must be called by at least 21 days' notice in writing, and any other extraordinary general meeting shall be called by at least 14 days' notice in writing. The notice shall be exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and must specify the time, place and agenda of the meeting, and particulars of the resolution(s) to be considered at that meeting, and, in the case of special business, the general nature of that business.

Except where otherwise expressly stated, any notice or document (including a share certificate) to be given or issued under the Articles shall be in writing, and may be served by the Company on any member either personally or by sending it through the post in a prepaid envelope or wrapper addressed to such member at his registered address as appearing in the Company's register of members or by leaving it at such registered address as aforesaid or (in the case of a notice) by advertisement in the newspapers. Any member whose registered address is outside Hong Kong may notify the Company in writing of an address in Hong Kong which for the purpose of service of notice shall be deemed to be his registered address. Where the registered address of the member is outside Hong Kong, notice, if given through the post, shall be sent by prepaid airmail letter where available. Subject to the Companies Law and the Listing Rules, a notice or document may be served or delivered by the Company to any member by electronic means to such address as may from time to time be authorised by the member concerned or by publishing it on a website and notifying the member concerned that it has been so published.

Although a meeting of the Company may be called by shorter notice than as specified above, such meeting may be deemed to have been duly called if it is so agreed:

(i) in the case of a meeting called as an annual general meeting, by all members of the Company entitled to attend and vote thereat; and

(ii) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting, being a majority together holding not less than 95% in nominal value of the issued shares giving that right.

All business transacted at an extraordinary general meeting shall be deemed special business and all business shall also be deemed special business where it is transacted at an annual general meeting with the exception of the following, which shall be deemed ordinary business:

(aa) the declaration and sanctioning of dividends;

(bb) the consideration and adoption of the accounts and balance sheet and the reports of the directors and the auditors;

(cc) the election of Directors in place of those retiring;

(dd) the appointment of auditors;

(ee) the fixing of the remuneration of the Directors and of the auditors;

(ff) the granting of any mandate or authority to the Board to offer, allot, grant options over, or otherwise dispose of the unissued shares of the Company representing not more than 20% in nominal value of its existing issued share capital (or such other percentage as may from time to time be specified in the rules of the Stock Exchange) and the number of any securities repurchased by the Company since the granting of such mandate; and

(gg) the granting of any mandate or authority to the Board to repurchase securities in the Company.

(k) Transfer of shares

Subject to the Companies Law, all transfers of shares shall be effected by an instrument of transfer in the usual or common form or in such other form as the Board may approve provided always that it shall be in such form prescribed by the Stock Exchange and may be under hand or, if the transferor or transferee is a Clearing House or its nominee(s), under hand or by machine imprinted signature or by such other manner of execution as the Board may approve from time to time.

Execution of the instrument of transfer shall be by or on behalf of the transferor and the transferee provided that the Board may dispense with the execution of the instrument of transfer by the transferor or transferee or accept mechanically executed transfers in any case in which it in its discretion thinks fit to do so, and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members of the Company in respect thereof.

The Board may, in its absolute discretion, at any time and from time to time remove any share on the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

Unless the Board otherwise agrees, no shares on the principal register shall be removed to any branch register nor shall shares on any branch register be removed to the principal register or any other branch register. All removals and other documents of title shall be lodged for registration and registered, in the case of shares on any branch register, at the relevant registration office and, in the case of shares on the principal register, at the place at which the principal register is located.

The Board may, in its absolute discretion, decline to register a transfer of any share (not being a fully paid up share) to a person of whom it does not approve or any share issued under any share option scheme upon which a restriction on transfer imposed thereby still subsists, and it may also refuse to register any transfer of any share to more than four joint holders or any transfer of any share (not being a fully paid up share) on which the Company has a lien.

The Board may decline to recognise any instrument of transfer unless a fee of such maximum sum as the Stock Exchange may determine to be payable or such lesser sum as the Board may from time to time require is paid to the Company in respect thereof, the instrument of transfer is properly stamped (if applicable), is in respect of only one class of share and is lodged at the relevant registration office or the place at which the principal register is located accompanied by the relevant share certificate(s) and such other evidence as the Board may reasonably require to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The register of members may, subject to the Listing Rules (as defined in the Articles), be closed at such time or for such period not exceeding in the whole 30 days in each year as the Board may determine.

Fully paid shares shall be free from any restriction with respect to the right of the holder thereof to transfer such shares (except when permitted by the Stock Exchange) and shall also be free from all liens.

(l) Power of the Company to purchase its own shares

The Company is empowered by the Companies Law and the Articles to purchase its own shares subject to certain restrictions and the Board may only exercise this power on behalf of the Company subject to any applicable requirement imposed from time to time by the Articles, code, rules or regulations issued from time to time by the Stock Exchange and/or the Securities and Futures Commission of Hong Kong.

Where the Company purchases for redemption a redeemable Share, purchases not made through the market or by tender shall be limited to a maximum price, and if purchases are by tender, tenders shall be available to all members alike.

(m) Power of any subsidiary of the Company to own shares in the Company

There are no provisions in the Articles relating to the ownership of shares in the Company by a subsidiary.

(n) Dividends and other methods of distribution

The Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the Board.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide:

(i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect whereof the dividend is paid, although no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share; and

(ii) all dividends shall be apportioned and paid pro rata in accordance with the amount paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. The Board may deduct from any dividend or other monies payable to any member all sums of money (if any) presently payable by him to the Company on account of calls, instalments or otherwise.

Where the Board or the Company in general meeting has resolved that a dividend should be paid or declared on the share capital of the Company, the Board may resolve:

(aa) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the members entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment; or

(bb) that the members entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the Board may think fit.

Upon the recommendation of the Board the Company may by ordinary resolution in respect of any one particular dividend of the Company determine that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to members to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, bonus or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post addressed to the holder at his registered address, but in the case of joint holders, shall be addressed to the holder whose name stands first in the register of members of the Company in respect of the shares at his address as appearing in the register, or addressed to such person and at such address as the holder or joint holders may in writing so direct. Every such cheque or warrant shall be made payable to the order of the person to whom it is sent and shall be sent at the holder's or joint holders' risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other monies payable or property distributable in respect of the shares held by such joint holders.

Whenever the Board or the Company in general meeting has resolved that a dividend be paid or declared, the Board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

The Board may, if it thinks fit, receive from any member willing to advance the same, and either in money or money's worth, all or any part of the money uncalled and unpaid or instalments payable upon any shares held by him, and in respect of all or any of the monies so advanced may pay interest at such rate (if any) not exceeding 20% per annum, as the Board may decide, but a payment in advance of a call shall not entitle the member to receive any dividend or to exercise any other rights or privileges as a member in respect of the share or the due portion of the shares upon which payment has been advanced by such member before it is called up.

All dividends, bonuses or other distributions unclaimed for one year after having been declared may be invested or otherwise made use of by the Board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends, bonuses or other distributions unclaimed for six years after having been declared may be forfeited by the Board and, upon such forfeiture, shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

The Company may exercise the power to cease sending cheques for dividend entitlements or dividend warrants by post if such cheques or warrants remain uncashed on two consecutive occasions or after the first occasion on which such a cheque or warrant is returned undelivered.

(o) Proxies

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and shall be entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy shall be entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise if it were an individual member. On a poll or on a show of hands, votes may be given either personally (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy.

The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing, or if the appointor is a corporation, either under seal or under the hand of an officer or attorney duly authorised. Every instrument of proxy, whether for a specified meeting or otherwise, shall be in such form as the Board may from time to time approve, provided that it shall not preclude the use of the two-way form. Any form issued to a member for use by him for appointing a proxy to attend and vote at an extraordinary general meeting or at an annual general meeting at which any business is to be transacted shall be such as to enable the member, according to his intentions, to instruct the proxy to vote in favour of or against (or, in default of instructions, to exercise his discretion in respect of) each resolution dealing with any such business.

(p) Calls on shares and forfeiture of shares

The Board may from time to time make such calls as it may think fit upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium) and not by the conditions of allotment thereof made payable at fixed times. A call may be made payable either in one sum or by instalments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding 20% per annum as the Board shall fix from the day appointed for the payment thereof to the time of actual payment, but the Board may waive payment of such interest wholly or in part. The Board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the money uncalled and unpaid or instalments payable upon any shares held by him, and in respect of all or any of the monies so advanced the Company may pay interest at such rate (if any) not exceeding 20% per annum as the Board may decide.

If a member fails to pay any call or instalment of a call on the day appointed for payment thereof, the Board may, at any time thereafter during such time as any part of the call or instalment remains unpaid, serve not less than 14 days' notice on him requiring payment of so much of the call or instalment as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment. The notice will name a further day (not earlier than the expiration of 14 days from the date of the notice) on or before which the payment required by the notice is to be made, and it shall also name the place where payment is to be made. The notice shall also state that, in the event of non-payment at or before the time appointed, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the Board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, nevertheless, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect of the shares together with (if the Board shall in its discretion so require) interest thereon from the date of forfeiture until payment at such rate not exceeding 20% per annum as the Board may prescribe.

(q) Inspection of corporate records

Members of the Company have no general right under the Companies Law to inspect or obtain copies of the register of members or corporate records of the Company. However, the members of the Company will have such rights as may be set forth in the Articles. The Articles provide that for so long as any part of the share capital of the Company is listed on the Stock Exchange, any member may inspect any register of members of the Company maintained in Hong Kong (except when the register of member is closed) without charge and require the provision to him of copies or extracts thereof in all respects as if the Company were incorporated under and were subject to the Hong Kong Companies Ordinance.

An exempted company may, subject to the provisions of its articles of association, maintain its principal register of members and any branch registers at such locations, whether within or outside the Cayman Islands, as its directors may, from time to time, think fit.

(r) Quorum for meetings and separate class meetings

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, and continues to be present until the conclusion of the meeting.

The quorum for a general meeting shall be two members present in person (or in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

(s) Rights of minorities in relation to fraud or oppression

There are no provisions in the Articles concerning the rights of minority members in relation to fraud or oppression. However, certain remedies may be available to members of the Company under Cayman Islands law, as summarized in paragraph 3(f) of this Appendix.

(t) Procedures on liquidation

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares:

(i) if the Company shall be wound up and the assets available for distribution amongst the members of the Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, then the excess shall be distributed *pari passu* amongst such members in proportion to the amount paid up on the shares held by them respectively; and

(ii) if the Company shall be wound up and the assets available for distribution amongst the members as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up, on the shares held by them respectively.

In the event that the Company is wound up (whether the liquidation is voluntary or compelled by the court) the liquidator may, with the sanction of a special resolution and any other sanction required by the Companies Law divide among the members in specie or kind the whole or any part of the assets of the Company whether the assets shall consist of property of one kind or shall consist of properties of different kinds and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members and the members within each class. The liquidator may, with the like sanction, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator shall think fit, but so that no member shall be compelled to accept any shares or other property upon which there is a liability.

(u) Untraceable members

The Company may exercise the power to cease sending cheques for dividend entitlements or dividend warrants by post if such cheques or warrants remain uncashed on two consecutive occasions or after the first occasion on which such a cheque or warrant is returned undelivered.

In accordance with the Articles, the Company is entitled to sell any of the shares of a member who is untraceable if:

(i) all cheques or warrants, being not less than three in total number, for any sum payable in cash to the holder of such shares have remained uncashed for a period of 12 years;

(ii) upon the expiry of the 12 years and 3 months period (being the 3 months notice period referred to in sub-paragraph (iii)), the Company has not during that time received any indication of the existence of the member; and

(iii) the Company has caused an advertisement to be published in accordance with the rules of the stock exchange of the Relevant Territory (as defined in the Articles) giving notice of its intention to sell such shares and a period of three months has elapsed since such advertisement and the stock exchange of the Relevant Territory (as defined in the Articles) has been notified of such intention. The net proceeds of any such sale shall belong to the Company and upon receipt by the Company of such net proceeds, it shall become indebted to the former member of the Company for an amount equal to such net proceeds.

(v) Subscription rights reserve

Pursuant to the Articles, provided that it is not prohibited by and is otherwise in compliance with the Companies Law, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of the shares to be issued on the exercise of such warrants, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of such shares.

3. CAYMAN ISLANDS COMPANY LAW

The Company is incorporated in the Cayman Islands subject to the Companies Law and, therefore, operates subject to Cayman law. Set out below is a summary of certain provisions of Cayman company law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of Cayman company law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar:

(a) Operations

As an exempted company, the Company's operations must be conducted mainly outside the Cayman Islands. The Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorised share capital.

(b) Share capital

The Companies Law provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premiums on those shares shall be transferred to an account, to be called the "share premium account". At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangement in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The Companies Law provides that the share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association in (a) paying distributions or dividends to members; (b) paying up unissued shares of the company to be issued to members as fully paid bonus shares; (c) the redemption and repurchase of shares (subject to the provisions of section 37 of the Companies Law); (d) writing-off the preliminary expenses of the company; and (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

No distribution or dividend may be paid to members out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course business.

The Companies Law provides that, subject to confirmation by the Grand Court of the Cayman Islands (the "**Court**"), a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, by special resolution reduce its share capital in any way.

The Articles includes certain protections for holders of special classes of shares, requiring their consent to be obtained before their rights may be varied. The consent of the specified proportions of the holders of the issued shares of that class or the sanction of a resolution passed at a separate meeting of the holders of those shares is required.

(c) Financial assistance to purchase shares of a company or its holding company

Subject to all applicable laws, the Company may give financial assistance to Directors and employees of the Company, its subsidiaries, its holding company or any subsidiary of such holding company in order that they may buy Shares in the Company or shares in any subsidiary or holding company. Further, subject to all applicable laws, the Company may give financial assistance to a trustee for the acquisition of Shares in the Company or shares in any such subsidiary or holding company to be held for the benefit of employees of the Company, its subsidiaries, any holding company of the Company or any subsidiary of any such holding company (including salaried Directors).

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company to another person for the purchase of, or subscription for, its own or its holding company's shares. Accordingly, a company may provide financial assistance if the directors of the company consider, in discharging their duties of care and acting in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. Such assistance should be on an arm's-length basis.

(d) Purchase of shares and warrants by a company and its subsidiaries

Subject to the provisions of the Companies Law, a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a shareholder and the Companies Law expressly provides that it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company's articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares. However, if the articles of association do not authorise the manner and terms of purchase, a company cannot purchase any of its own shares unless the manner and terms of purchase have first been authorised by an ordinary resolution of the company. At no time may a company redeem or purchase its shares unless they are fully paid. A company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. A payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

Shares purchased by a company shall be treated as cancelled unless, subject to the memorandum and articles of association of the company, the directors of the company resolve to hold such shares in the name of the company as treasury shares prior to the purchase. Where shares of a company are held as treasury shares, the company shall be entered in the register of members as holding those shares, however, notwithstanding the foregoing, the company shall not be treated as a member for any purpose and shall not exercise any right in respect of the treasury shares, and any purported exercise of such a right shall be void, and a treasury share shall not be voted, directly or indirectly, at any meeting of the company and shall not be counted in determining the total number of issued shares at any given time, whether for the purposes of the company's articles of association or the Companies Law. Further, no dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made to the company, in respect of a treasury share.

A company is not prohibited from purchasing and may purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. There is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases and the directors of a company may rely upon the general power contained in its memorandum of association to buy and sell and deal in personal property of all kinds.

Under Cayman Islands law, a subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

(e) Dividends and distributions

With the exception of section 34 of the Companies Law, there is no statutory provisions relating to the payment of dividends. Based upon English case law, which is regarded as persuasive in the Cayman Islands, dividends may be paid only out of profits. In addition, section 34 of the Companies Law permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account (see paragraph 2(m) above for further details).

(f) Protection of minorities

The Cayman Islands courts ordinarily would be expected to follow English case law precedents which permit a minority shareholder to commence a representative action against or derivative actions in the name of the company to challenge (a) an act which is ultra vires the company or illegal, (b) an act which constitutes a fraud against the minority and the wrongdoers are themselves in control of the company, and (c) an irregularity in the passing of a resolution which requires a qualified (or special) majority.

In the case of a company (not being a bank) having a share capital divided into shares, the Court may, on the application of members holding not less than one fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the Court shall direct.

Any shareholder of a company may petition the Court which may make a winding up order if the Court is of the opinion that it is just and equitable that the company should be wound up or, as an alternative to a winding up order, (a) an order regulating the conduct of the company's affairs in the future, (b) an order requiring the company to refrain from doing or continuing an act complained of by the shareholder petitioner or to do an act which the shareholder petitioner has complained it has omitted to do, (c) an order authorising civil proceedings to be brought in the name and on behalf of the company by the shareholder petitioner on such terms as the Court may direct, or (d) an order providing for the purchase of the shares of any shareholders of the company by other shareholders or by the company itself and, in the case of a purchase by the company itself, a reduction of the company's capital accordingly.

Generally claims against a company by its shareholders must be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company's memorandum and articles of association.

(g) Management

The Companies Law contains no specific restrictions on the power of directors to dispose of assets of a company. However, as a matter of general law, every officer of a company, which includes a director, managing director and secretary, in exercising his powers and discharging his duties must do so honestly and in good faith with a view to the best interests of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

(h) Accounting and auditing requirements

A company shall cause proper books of account to be kept with respect to (i) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place; (ii) all sales and purchases of goods by the company; and (iii) the assets and liabilities of the company.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

(i) Exchange control

There are no exchange control regulations or currency restrictions in the Cayman Islands.

(j) Taxation

Pursuant to section 6 of the Tax Concessions Law (1999 Revision) of the Cayman Islands, the Company has obtained an undertaking from the Governor-in-Cabinet:

(1) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciation shall apply to the Company or its operations; and

(2) that the aforesaid tax or any tax in the nature of estate duty or inheritance tax shall not be payable on or in respect of the shares, debentures or other obligations of the Company.

The undertaking for the Company is for a period of twenty years from 31 May 2011.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are a party to a double tax treaty entered into with the United Kingdom in 2010 but otherwise is not party to any double tax treaties.

(k) Stamp duty on transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

(l) Loans to directors

There is no express provision in the Companies Law prohibiting the making of loans by a company to any of its directors.

(m) Inspection of corporate records

Members of the Company will have no general right under the Companies Law to inspect or obtain copies of the register of members or corporate records of the Company. They will, however, have such rights as may be set out in the Company's Articles.

An exempted company may maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as the directors may, from time to time, think fit. A branch register shall be kept in the same manner in which a principal register is by the Companies Law required or permitted to be kept. The company shall cause to be kept at the place where the company's principal register is kept a duplicate of any branch register duly entered up from time to time. There is no requirement under the Companies Law for an exempted company to make any returns of members to the Registrar of Companies of the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of members, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law (2009 Revision) of the Cayman Islands.

(n) Winding up

A company may be wound up compulsorily by order of the Court voluntarily; or, under supervision of the Court. The Court has authority to order winding up in a number of specified circumstances including where it is, in the opinion of the Court, just and equitable to do so.

A company may be wound up voluntarily when the members so resolve in general meeting by special resolution, or, in the case of a limited duration company, when the period fixed for the duration of the company by its memorandum or articles expires, or the event occurs on the occurrence of which the memorandum or articles provides that the company is to be dissolved, or, the company does not commence business for a year from its incorporation (or suspends its business for a year), or, the company is unable to pay its debts. In the case of a voluntary winding up, such company is obliged to cease to carry on its business from the time of passing the resolution for voluntary winding up or upon the expiry of the period or the occurrence of the event referred to above.

For the purpose of conducting the proceedings in winding up a company and assisting the Court, there may be appointed one or more than one person to be called an official liquidator or official liquidators; and the Court may appoint to such office such qualified person or persons, either provisionally or otherwise, as it thinks fit, and if more persons than one are appointed to such office, the Court shall declare whether any act hereby required or authorised to be done by the official liquidator is to be done by all or any one or more of such persons. The Court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the Court. A person shall be qualified to accept an appointment as an official liquidator if he is duly qualified in terms of the Insolvency Practitioners Regulations. A foreign practitioner may be appointed to act jointly with a qualified insolvency practitioner.

In the case of a members' voluntary winding up of a company, the company in general meeting must appoint one or more liquidators for the purpose of winding up the affairs of the company and distributing its assets. A declaration of solvency must be signed by all the directors of a company being voluntarily wound up within twenty-eight (28) days of the commencement of the liquidation, failing which, its liquidator must apply to Court for an order that the liquidation continue under the supervision of the Court.

Upon the appointment of a liquidator, the responsibility for the company's affairs rests entirely in his hands and no future executive action may be carried out without his approval. A liquidator's duties are to collect the assets of the company (including the amount (if any) due from the contributories), settle the list of creditors and, subject to the rights of preferred and secured creditors and to any subordination agreements or rights of set-off or netting of claims, discharge the company's liability to them (pari passu if insufficient assets exist to discharge the liabilities in full) and to settle the list of contributories (shareholders) and divide the surplus assets (if any) amongst them in accordance with the rights attaching to the shares.

As soon as the affairs of the company are fully wound up, the liquidator must make up an account of the winding up, showing how the winding up has been conducted and the property of the company has been disposed of, and thereupon call a general meeting of the company for the purposes of laying before it the account and giving an explanation thereof. At least twenty-one (21) days before the final meeting, the liquidator shall send a notice specifying the time, place and object of the meeting to each contributory in any manner authorised by the company's articles of association and published in the Gazette in the Cayman Islands.

(o) Reconstructions

There are statutory provisions which facilitate reconstructions and amalgamations approved by a majority in number representing seventy-five per cent. (75%) in value of shareholders or class of shareholders or creditors, as the case may be, as are present at a meeting called for such purpose and thereafter sanctioned by the Court. Whilst a dissenting shareholder would have the right to express to the Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Court is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management.

(p) Compulsory acquisition

Where an offer is made by a company for the shares of another company and, within four (4) months of the offer, the holders of not less than ninety per cent. (90%) of the shares which are the subject of the offer accept, the offeror may at any time within two (2) months after the expiration of the said four (4) months, by notice in the prescribed manner require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Court within one (1) month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the Court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority shareholders.

(q) Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the court to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

4. GENERAL

Conyers Dill & Pearman, the Company's special legal counsel on Cayman Islands law, have sent to the Company a letter of advice summarising certain aspects of Cayman Islands company law. This letter, together with a copy of the Companies Law, is available for inspection as referred to in the paragraph headed "Documents available for inspection" in Appendix IX. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

A. FURTHER INFORMATION ABOUT THE GROUP

1. Incorporation of the Company

The Company was incorporated under the Companies Law in the Cayman Islands with limited liability on 15 April 2011. The Company was registered as a non-Hong Kong company in Hong Kong on 4 November 2011 under Part XI of the then in force Companies Ordinance (Chapter 32 of the Laws of Hong Kong). As at the date of its incorporation, the Company had an authorised share capital of HK$380,000, divided into 38,000,000 Shares of nominal value of HK$0.01 each. As at the Latest Practicable Date, the Company had an authorised share capital of HK$20,000,000 divided into 2,000,000,000 Shares and issued share capital of HK$3,000,000 divided into 300,000,000 Shares, all fully paid or credited as fully paid.

As at the Latest Practicable Date, the Company's head office and principal place of business in Hong Kong is at Unit 601, 6/F, Exchange Tower, 33 Wang Chiu Road, Kowloon Bay, Hong Kong. Mr. Ho Chi Ling and Mr. Ng Yiu Fai have been appointed as the authorised representatives of the Company for the acceptance of service of process and notices on behalf of the Company at Unit 601, 6/F, Exchange Tower, 33 Wang Chiu Road, Kowloon Bay, Hong Kong.

As the Company was incorporated in the Cayman Islands, it operates in accordance with the relevant laws of the Cayman Islands and its constitutional documents comprising the Memorandum and the Articles. A summary of certain relevant provisions of its constitutional documents and certain relevant aspects of the Cayman Islands company law are set out in Appendix VII to this circular.

2. Changes in share capital of the Company and the Group

The Group holds its interest in the foundation business through its operating subsidiaries. The major equity changes of these subsidiaries are summarised as follows:

(1) Sunley Engineering & Construction (Singapore) Pte. Ltd.

Sunley Engineering & Construction (Singapore) Pte. Ltd. ("**Sunley Singapore**") was incorporated in Singapore on 26 January 2015. Sunley Singapore is principally engaged in the business of investment holdings and foundation works (including micropiling, conventional, piling and underpinning). At the time of incorporation, Sunley Singapore was held as to 100% to One Million International Limited, a direct wholly-owned subsidiary of the Company.

There has been no change in the registered capital of Sunley Singapore since its incorporation.

(2) Sunnic Engineering (Macau) Limited

Sunnic Engineering (Macau) Limited ("**Sunnic Macau**") was incorporated in Macau on 18 July 2014. Sunnic Macau is principally engaged in the foundation business. At the time of incorporation, Sunnic Macau was held as to 96% to Sunnic Engineering Limited, and as to 4% to Full Gain Engineering Limited, both indirect wholly-owned subsidiaries of the Company.

There has been no change in the registered capital of Sunnic Macau since its incorporation.

Save as disclosed above, there has been no alteration in the share capital of the Company and any other member of the Group within the two years immediately preceding the date of this circular.

3. Market Price

The table below sets out the closing prices of the Shares on the Stock Exchange on (i) at the end of each of the calendar month during the period commencing six months immediately preceding the date of the Announcement and ending on the Latest Practicable Date; (ii) the last business day immediately preceding the date of the Announcement; and (iii) the Latest Practicable Date.

Date	**Closing price per Share** *HK$*
November 2014	2.500
December 2014	2.300
January 2015	2.770
February 2015	3.220
March 2015	2.990
April 2015	3.390
May 2015	3.250
June 2015	2.970
July 2015	2.820
August 2015	2.210
22 May 2015 (being the last business day immediately preceding the date of the Announcement)	3.420
22 September 2015 (being the Latest Practicable Date)	2.300

The lowest and highest closing market prices of the Shares recorded on the Stock Exchange during the period commencing on November 2014 (being the six months immediately prior to the date of the Announcement) and ending on the Latest Practicable Date were HK$2.03 per Share (recorded on 26 January 2015 and 23 January 2015) and HK$3.53 per Share (recorded on 20 May 2015), respectively.

B. FURTHER INFORMATION ABOUT THE TARGET GROUP

1. Changes in share capital of the Target Group Companies

The Target Company was incorporated in the BVI on 28 April 2015, and is wholly-owned by New Guotsing Holdco. The Target Group holds its interest in the property projects and conducts property development and construction businesses through its Singapore operating subsidiaries. The major equity changes of these Singapore subsidiaries are summarised as follows:

(1) CNQC (South Pacific)

CNQC (South Pacific) was incorporated in Singapore on 10 August 2012. CNQC (South Pacific) is an investment holding company.

On 10 August 2012, 1 subscription ordinary share in CNQC (South Pacific) was issued and allotted to Guotsing SG.

On 28 December 2012, 25,499,999 ordinary shares in CNQC (South Pacific) were issued and allotted to Guotsing SG.

On 22 September 2015, Guotsing SG transferred 25,500,000 ordinary shares in CNQC (South Pacific) to New Guotsing BVI in consideration of the allotment and issuance of one ordinary share in New Guotsing BVI to New Guotsing Holdco (as directed by Guotsing SG).

(2) Qingjian International

Qingjian International was incorporated in Singapore on 22 February 2010. Qingjian International is a construction company and an investment holding company.

On 22 February 2010, 1 subscription ordinary share in Qingjian International was issued and allotted to Qingjian Group Co, Ltd..

On 19 March 2010, 19,999,999 ordinary shares in Qingjian International were issued and allotted to Qingjian Group Co., Ltd..

On 28 December 2012, Qingjian Group Co., Ltd. transferred 20,000,000 ordinary shares in Qingjian International to CNQC (South Pacific).

(3) Qingdao Construction

Qingdao Construction was incorporated in Singapore on 17 September 1999. Qingdao Construction is a building construction company.

On 17 September 1999, 1 subscription ordinary share in Qingdao Construction was issued and allotted to each of Mr. Zuo Haibin, Mr. Loh Kim Choon, Mr. Zhang Dezhi and Mr. Sang Jian Bo, respectively.

On 20 December 1999, Mr. Sang Jian Bo transferred 1 ordinary share in Qingdao Construction to Mr. Zuo Haibin.

On 25 January 2000, 199,998 ordinary shares in Qingdao Construction were issued and allotted to Mr. Zuo Haibin.

On 22 May 2000, 300,000 ordinary shares in Qingdao Construction were issued and allotted to Mr. Zhang Dezhi.

On 19 March 2009, Mr. Zhang Dezhi and Mr. Zuo Haibin transferred 300,001 and 200,000 ordinary shares in Qingdao Construction respectively to Qingjian Group Co., Ltd..

On 19 January 2010, Mr. Loh Kim Choon transferred 1 ordinary share in Qingdao Construction to Qingjian Group Co., Ltd.

On 27 September 2010, 6,499,998 ordinary shares in Qingdao Construction were issued and allotted to Qingjian Group Co. Ltd.

On 28 December 2012, Qingjian Group Co. Ltd. transferred 7,000,000 ordinary shares in Qingdao Construction to CNQC (South Pacific).

On 4 November 2014, 8,000,000 ordinary shares in Qingdao Construction were issued and allotted to CNQC (South Pacific).

(4) Qingjian Realty

Qingjian Realty was incorporated in Singapore on 3 October 2011. Qingjian Realty is an investment holding company.

On 3 October 2011, 1 subscription ordinary share in Qingjian Realty was issued and allotted to Qingjian Group Co. Ltd.

On 19 March 2012, 1,999,999 ordinary shares in Qingjian Realty was issued and allotted to Qingjian Group Co. Ltd.

On 28 December 2012, Qingjian Group Co. Ltd. transferred 2,000,000 ordinary shares in Qingjian Realty to CNQC (South Pacific).

(5) Max Marine

Max Marine was incorporated in Singapore on 4 November 2010. Max Marine is a value added logistics provider and a trading company.

On 4 November 2010, 1 subscription ordinary share in Max Marine was issued and allotted to each of Qingdao Construction and Qingdao Qingjian Logistics Co., Ltd. respectively.

On 15 July 2011, 479,999 ordinary shares and 519,999 ordinary shares in Max Marine were issued and allotted to Qingdao Construction and Qingdao Qingjian Logistics Co. Ltd., respectively.

On 11 June 2012, Qingdao Qingjian Logistics Co. Ltd. transferred 520,000 ordinary shares in Max Marine to Qingdao Construction.

On 28 December 2012, Qingdao Construction transferred 1,000,000 ordinary shares in Max Marine to CNQC (South Pacific).

On 30 September 2013, 5,000,000 ordinary shares in Max Marine were issued and allotted to CNQC (South Pacific).

(6) Qingjian Holding Pte Ltd

Qingjian Holding Pte Ltd was incorporated in Singapore on 6 August 2013. Qingjian Holding Pte. Ltd. is an investment holding company. At the time of incorporation, Qingjian Holding Pte. Ltd. was held as to 100% by CNQC (South Pacific).

There has been no change in the registered capital of Qingjian Holding Pte. Ltd. since incorporation.

(7) QJ Serangoon

QJ Serangoon was incorporated in Singapore on 22 June 2010. QJ Serangoon is a real estate development company.

On 22 June 2010, 1 subscription ordinary share was issued and allotted to Yongli He Development Pte. Ltd..

On 5 July 2010, 39,999 ordinary shares, 810,000 ordinary shares and 150,000 ordinary shares in QJ Serangoon were issued and allotted to Yongli He Development Pte. Ltd., Qingdao Construction and ZACD (Sennett) Pte. Ltd., respectively.

(8) QJ Punggol

QJ Punggol was incorporated in Singapore on 18 October 2010. QJ Punggol is a real estate development company.

On 18 October 2010, 1 subscription ordinary share was issued and allotted to Yongli He Development Pte. Ltd.

On 28 October 2010, 139,999 ordinary shares, 600,000 ordinary shares, 160,000 ordinary shares and 100,000 ordinary shares in QJ Punggol were issued and allotted to Yongli He Development Pte. Ltd., Qingdao Construction, ZACD (Punggol Drive) Pte. Ltd. and Mr. Zuo Haibin, respectively.

(9) QJ Sengkang

QJ Sengkang was incorporated in Singapore on 10 June 2011. QJ Sengkang is a real estate development company.

On 10 June 2011, 1 subscription ordinary share was issued and allotted to Yongli He Development Pte. Ltd..

On 18 July 2011, 37,999 ordinary shares, 720,000 ordinary shares, 120,000 ordinary shares, 22,000 ordinary shares and 100,000 ordinary shares in QJ Sengkang were issued and allotted to Yongli He Development Pte. Ltd., Qingdao Construction, ZACD (Sengkang) Pte. Ltd., TKS International Investment Pte. Ltd. and Mr. Zuo Haibin, respectively.

On 23 December 2011, Mr. Zuo Haibin transferred 50,000 ordinary shares in QJ Sengkang to Bohai Investments (Sengkang) Pte. Ltd..

(10) QJ Punggol Field

QJ Punggol Field was incorporated in Singapore on 10 October 2011. QJ Punggol Field is an investment holding company. At the time of incorporation, QJ Punggol Field was held as to 100% by Qingjian Realty.

There has been no change in the registered capital of QJ Punggol Field since its incorporation.

(11) QJ Fernvale

QJ Fernvale was incorporated in Singapore on 17 April 2012. QJ Fernvale is an investment holding company. At the time of incorporation, QJ Fernvale was held as to 100% by Qingjian Realty.

There has been no change in the registered capital of QJ Fernvale since its incorporation.

(12) QJ Pasir Ris

QJ Pasir Ris was incorporated in Singapore on 4 July 2012. QJ Pasir Ris is an investment holding company. At the time of incorporation, QJ Pasir Ris was held as to 100% by Qingjian Realty.

There has been no change in the registered capital of QJ Pasir Ris since its incorporation.

(13) QJ Punggol Central

QJ Punggol Central was incorporated in Singapore on 17 November 2011. QJ Punggol Central is a real estate development company.

On 17 November 2011, 1 subscription ordinary share in QJ Punggol Central was issued and allotted to Qingjian Realty.

On 19 January 2012, 849,999 ordinary shares, 100,000 ordinary shares and 50,000 ordinary shares in QJ Punggol Central were issued and allotted to Qingjian Realty, Bohai Investments (Punggol Central) Pte. Ltd. and Mr. Zuo Haibin, respectively.

(14) QJ Punggol Way

QJ Punggol Way was incorporated in Singapore on 13 September 2012. QJ Punggol Way is a real estate development company.

On 13 September 2012, 1 subscription ordinary share in QJ Punggol Way was issued and allotted to Qingjian Realty.

On 15 October 2012, 849,999 ordinary shares, 100,000 ordinary shares and 50,000 ordinary shares in QJ Punggol Way were issued and allotted to Qingjian Realty, Shun Kang Development & Investment Pte. Ltd. and Mr. Zuo Haibin, respectively.

(15) QJ Edgefield Plains

QJ Edgefield Plains was incorporated in Singapore on 12 April 2012. QJ Edgefield Plains is a real estate development company.

On 12 April 2012, 1 subscription ordinary share in QJ Edgefield Plains was issued and allotted to Qingjian Realty.

On 21 June 2012, 849,999 ordinary shares, 100,000 ordinary shares and 50,000 ordinary shares in QJ Edgefield Plains were issued and allotted to Qingjian Realty, Bohai Investments (Punggol Central) Pte. Ltd. and Mr. Zuo Haibin, respectively.

(16) QJ Woodlands

QJ Woodlands was incorporated in Singapore on 23 May 2013. QJ Woodlands is a real estate development company.

On 23 May 2013, 1 subscription ordinary share in QJ Woodlands was issued and allotted to Qingjian Realty.

On 20 June 2013, 649,999 ordinary shares, 100,000 ordinary shares, 100,000 ordinary shares and 150,000 ordinary shares in QJ Woodlands were issued and allotted to Qingjian Realty, Bohai Investments (Sengkang) Pte. Ltd., ZACD (Woodlands3) Pte. Ltd. and Suntec Property Ventures Pte. Ltd., respectively.

(17) QJ Anchorvale

QJ Anchorvale was incorporated in Singapore on 10 June 2013. QJ Anchorvale is a real estate development company.

On 10 June 2013, 10 subscription ordinary shares in QJ Anchorvale were issued and allotted to Qingjian Realty.

On 7 August 2013, 629,990 ordinary shares, 120,000 ordinary shares, 100,000 ordinary shares and 150,000 ordinary shares in QJ Anchorvale were issued and allotted to Qingjian Realty, HLY Investments (Anchorvale), ZACD (Anchorvale) Pte. Ltd. and Suntec Property Ventures Pte. Ltd., respectively.

(18) QJ Tuas Bay

QJ Tuas Bay was incorporated in Singapore on 9 May 2013. QJ Tuas Bay is an investment holding company. At the time of incorporation, QJ Tuas Bay was held as to 100% by Qingjian Realty.

There has been no change in the registered capital of QJ Tuas Bay since its incorporation.

(19) QJ Sembawang

QJ Sembawang was incorporated in Singapore on 24 October 2014. QJ Sembawang is a real estate development company.

On 24 October 2014, 1 subscription ordinary share in QJ Sembawang was issued and allotted to Qingjian Realty (Residential) Pte. Ltd.

On 24 November 2014, 719,999 ordinary shares, 30,000 ordinary shares, 100,000 ordinary shares and 150,000 ordinary shares in QJ Sembawang were issued and allotted to Qingjian Realty (Residential) Pte. Ltd., HLY Investments (Sembawang), ZACD (Canberra) Pte. Ltd., and Suntec Property Ventures Pte. Ltd., respectively.

On 6 August 2015, ZACD (Canberra) Pte. Ltd. transferred 50,000 ordinary shares in QJ Sembawang to Qingjian Realty (Residential) Pte. Ltd..

(20) Creative Engineering International Pte. Ltd.

Creative Engineering International Pte. Ltd. was incorporated in Singapore on 20 January 2011. Creative Engineering International Pte. Ltd. is a construction company.

On 20 January 2011, 1 subscription ordinary share in Creative Engineering International Pte. Ltd. was issued and allotted to each of Max Marine and Creative Engineering Pte. Ltd., respectively.

On 15 December 2011, 50,999 ordinary shares and 48,999 ordinary shares in Creative Engineering International Pte. Ltd. were issued and allotted to Max Marine and Creative Engineering Pte. Ltd., respectively.

(21) Chong Lee Heng

Chong Lee Heng was incorporated in Singapore on 26 April 2007. Chong Lee Heng is a construction company.

On 26 April 2007, 1 subscription ordinary share in Chong Lee Heng was issued and allotted to each of Mr. Zhao Tao, Mr. Gao Shigang, Ms. Li Minghua and Mr. Zhang Zhenlin, respectively.

On 12 October 2007, 50,000 ordinary shares in Chong Lee Heng were issued and allotted to each of Ms. Li Minghua, Mr. Gao Shigang, Mr. Zhao Tao and Mr. Zhang Zhenlin, respectively.

On 30 September 2008, 32,999 ordinary shares, 100,000 ordinary shares, 49,999 ordinary shares, 63,690 ordinary shares, 50,000 ordinary shares, 10,000 ordinary shares, 10,000 ordinary shares, 10,000 ordinary shares, 40,000 ordinary shares, 10,000 ordinary shares, 8,000 ordinary shares, 18,000 ordinary shares, 10,000 ordinary shares and 4,000 ordinary shares in Chong Lee Heng were issued and allotted to Ms. Li Minghua, Mr. Li Peitao, Mr. Gao Shigang, Mr. Tian Yanxin, Mr. Han Shengli, Mr. Zhang Dong, Mr. Zheng Dawei, Mr. Jiang Zhenging, Ms. Zhu Jie, Mr. Yu Chao, Mr. Xu Hongjing, Mr. Chang Hanqin, Mr. Goh Tan Gek and Ms. Yong Mee Tzee, respectively.

On 23 December 2010, 616,692 ordinary shares in Chong Lee Heng collectively held by Mr. Gao Shigang, Mr. Li Peitao, Ms. Li Minghua, Mr. Tian Yanxin, Mr. Zhang Zhenlin, Mr. Zhao Tao, Mr. Han Shengli, Ms. Zhu Jie, Mr. Chang Hanqin, Mr. Zheng Dawei, Mr. Jiang Zhenging, Mr. Goh Tan Gek, Mr. Yu Chao, Mr. Zhang Dong, Mr. Xu Hongjing, Ms. Yong Mee Tzee were transferred to Qingdao Construction.

On 13 June 2012, Qingdao Construction transferred 616,692 ordinary shares in Chong Lee Heng to Max Marine.

(22) Qingjian Construction

Qingjian Construction was incorporated in Singapore on 27 August 2013. Qingjian Construction is a construction company.

On 27 August 2013, 1 subscription ordinary share in Qingjian Construction was issued and allotted to Qingjian Holding Pte. Ltd..

On 19 September 2013, 6,999,999 shares in Qingjian Construction were issued and allotted to Qingjian Holding Pte. Ltd..

(23) Qingjian Realty (Singapore) Pte. Ltd.

Qingjian Realty (Singapore) Pte. Ltd. was incorporated in Singapore on 7 January 2014. Qingjian Realty (Singapore) Pte. Ltd. is an investment holding company. At the time of incorporation, Qingjian Realty (Singapore) Pte. Ltd. was held as to 100% by Qingjian Holding Pte. Ltd..

There has been no change in the registered capital of Qingjian Realty (Singapore) Pte. Ltd. since its incorporation.

(24) Qingjian Realty (Residential) Pte. Ltd.

Qingjian Realty (Residential) Pte. Ltd. was incorporated in Singapore on 7 January 2014. Qingjian Realty (Residential) Pte. Ltd. is an investment holding company. At the time of incorporation, Qingjian Realty (Residential) Pte. Ltd. was held as to 100% by Qingjian Realty (Singapore) Pte. Ltd..

There has been no change in the registered capital of Qingjian Realty (Residential) Pte. Ltd. since its incorporation.

(25) Hilife Interactive Pte. Ltd.

Hilife Interactive Pte. Ltd. was incorporated in Singapore on 13 February 2015. Hilife Interactive Pte. Ltd. is an information technology and computer service company.

On 13 February 2015, 70 subscription ordinary shares, 20 subscription ordinary shares, 5 subscription ordinary shares and 5 subscription ordinary shares in Hilife Interactive Pte. Ltd. were issued and allotted to Qingjian Realty, Li Jun, Ouyang Jing and Ji Chao, respectively.

On 15 May 2015, 69,930 ordinary shares, 19,980 ordinary shares, 4,995 ordinary shares and 4,995 ordinary shares were issued and allotted to Qingjian Realty, Li Jun, Ouyang Jing and Ji Chao, respectively.

2. Intellectual property rights of the Enlarged Group

As at the Latest Practicable Date, the Enlarged Group had registered or had applied for the registration of the following intellectual property rights which are material in relation to its business.

Registered Trademarks owned by the Target Group

As at the Latest Practicable Date, members of the Enlarged Group had registered the following trademarks which are material in relation to the business of the Enlarged Group:

Trademark	Registered Owner	Place of Registration	Class	Registration Number	Date of Registration	Expiry Date
A CNQC B CNQC C CNQC	CNQC International Holdings Limited	Hong Kong	36, 37	303067560	15 July 2014	14 July 2024
MaxMarine	Max Marine International Trading Pte. Ltd.	Singapore	35	T1111497Z	26 January 2012	18 August 2021
cospace	Qingjian Realty (South Pacific) Group Pte. Ltd.	Singapore	36, 37	T1310517Z	2 July 2013	2 July 2023

Trademark applied by the Target Group

As at the Latest Practicable Date, a member of the Enlarged Group had applied for the registration of the following trademark which is material in relation to the business of the Enlarged Group:

Trademark	Applicant	Place of Registration	Class	Trademark Number	Application Date
hiLife by QINGJIAN	HiLife Interactive Pte Ltd	Singapore	09, 36, 37	40201511532U	3 July 2015

Licensed trademarks

Trademarks licensed by Qingjian Group Co., Ltd.

Pursuant to the Trademark Licence Agreement, amongst the other trademarks licensed by Qingjian Group Co., Ltd. Singapore Branch, the Company has been licensed to use the following trademarks:

Trademark	Registered Owner	Place of Registration	Class	Registration Number	Date of Registration	Expiry Date
青建	Qingjian Group Co., Ltd. Singapore Branch	Singapore	36, 37, 39, 42	T1103479H	17 March 2011	17 March 2021

Please refer to "Continuing Connected Transactions — Exempt Continuing Connected Transactions" in this circular for the details of the terms of the Trademark Licence Agreement.

Domain Names

As at the Latest Practicable Date, members of the Enlarged Group had registered the following domain names which are material in relation to the business of the Enlarged Group:

Domain Name	Registrant	Date of Registration	Expiry Date
www.cnqc.com.hk	CNQC International Holdings Limited	12 September 2014	12 September 2017

C. FURTHER INFORMATION RELATING TO THE COMPANY AND THE WHITEWASH WAIVER

As at the Latest Practicable Date:

(a) the Company did not hold, control or have any direction over any shares and any options, warrants, derivatives or convertible securities in respect of the New Guotsing Holdco, and it had not dealt for value in any such securities of the New Guotsing Holdco during the period beginning six months prior to the date of the Announcement and ending on the Latest Practicable Date;

(b) save for the Awards granted under the Management Share Scheme and as disclosed in the paragraph headed "Disclosure of Interests" in this appendix, none of the Directors were interested in the shareholdings in the Company, and they have not dealt for value in any such securities of the Company during the period beginning six months prior to the date of the Announcement and ending on the Latest Practicable Date;

(c) Save for (i) Dr. Du owns 99.5% interest in Shanghai Heliyuan Investment Ltd.; and (ii) Dr. Du, Mr. Zhang Zhihua and Dr. Ding Hongbin who have 3.6%, 1.6% and 3% interest in Qingjian Staff Union which are interested in the Company indirectly through CNQC Development, none of the Directors have any beneficial shareholdings in the Company and Dr. Du and CNQC Development will abstain from voting, on the relevant resolution(s) to be proposed at the EGM to approve, among others, the Acquisition, the Specific Mandate and the Whitewash Waiver;

(d) save for (i) Dr. Du who, through BVI Company 2, BVI Company 1 and BVI Company 5, indirectly controlled 85% of the issued share capital of New Guotsing Holdco; and (ii) Dr. Du, Mr. Zhang Zhihua and Dr. Ding Hongbin who have 3.6%, 1.6% and 3% interest in Qingjian Staff Union which, through Qingdao Qingjian, Qingjian BVI and BVI Company 5, are interested in New Guotsing Holdco, none of the Directors were interested in the shareholdings in the New Guotsing Holdco, and save as disclosed in the section headed "Letter from the Board — Reorganisation", they have not dealt for value in any such securities of New Guotsing Holdco during the period beginning six months prior to the date of the Announcement and ending on the Latest Practicable Date;

(e) save for the CPS to be held by the Trustee at Completion pursuant to the Management Share Scheme, none of the subsidiaries of the Company and none of the pension funds of the Company and/or its subsidiaries, nor any fund managed on a discretionary basis by any fund manager connected with the Company, nor any adviser to the Company as specified in class (2) of the definition of "associate" under the Takeovers Code, owned or controlled any Shares, convertible securities, warrants, options or derivatives of the Company as at the Latest Practicable Date;

(f) no person had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Company, or with any person who is an associate of the Company by virtue of classes (1), (2), (3) and (4) of the definition of "associate" in the Takeovers Code;

(g) none of the Directors or the Company had borrowed or lent any shares, warrants, options, convertible securities or derivatives of the Company or similar rights which are convertible or exchangeable into Shares; and

(h) there was no benefit to be given to any Directors as compensation for loss of office in any member of the Group or otherwise in connection with the Share Purchase Agreement and the transactions contemplated thereunder and the Whitewash Waiver.

D. FURTHER INFORMATION RELATING TO NEW GUOTSING HOLDCO AND THE WHITEWASH WAIVER

1. Principal members of New Guotsing Concert Group

(a) The full name, address and director(s) of each of the members of the New Guotsing Concert Group are as follows:

Name	Address	Director(s)	Ultimate Controlling Shareholder	Director(s) of Ultimate Controlling Shareholder
Guotsing Holding Company Limited (國清控股有限公司)	NovaSage Chambers, P.O. Box 4389, Road Town, Tortola, British Virgin Islands	Dr. Du Bo	Dr. Du Bo	N/A
Bliss Wave Holding Investments Limited (福濤控股投資有限 公司)	NovaSage Chambers, P.O. Box 4389, Road Town, Tortola, British Virgin Islands	Dr. Du Bo	Dr. Du Bo	N/A
Hui Long Enterprises Limited (匯隆企業有限公司)	NovaSage Chambers, P.O. Box 4389, Road Town, Tortola, British Virgin Islands	Dr. Du Bo	Dr. Du Bo	N/A
Sun East Development Limited (尚東發展有限公司)	NovaSage Chambers, P.O. Box 4389, Road Town, Tortola, British Virgin Islands	Dr. Du Bo	Dr. Du Bo	N/A

Name	Address	Director(s)	Ultimate Controlling Shareholder	Director(s) of Ultimate Controlling Shareholder
Hao Bo Investments Limited (浩博投資有限公司)	NovaSage Chambers, P.O. Box 4389, Road Town, Tortola, British Virgin Islands	Dr. Du Bo	Dr. Du Bo	N/A
Top Elate Investments Limited (冠揚投資有限公司)	NovaSage Chambers, P.O. Box 4389, Road Town, Tortola, British Virgin Islands	Dr. Du Bo	Dr. Du Bo	N/A
青島青建控股有限公司	Room 207, Building No. 2, 63 Haier Road, Laoshan District, Qingdao City, Shandong Province, PRC	Dr. Du Bo	青島青建控股有限公司工會持股會	Wang Yuqing (authorised representative)
CNQC Development Limited	P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands	Dr. Du Bo Mr. Zhang Zhihua Dr. Ding Hongbin	Dr. Du Bo	N/A
Dr. Du Bo	Room 12, 14/F, Block K, Telford Garden, 33 Wai Yip Street, Kowloon, Hong Kong	N/A	N/A	N/A

(b) The CPS to be issued to New Guotsing Holdco pursuant to the Share Purchase Agreement will not be transferred, charged or pledged to any other persons.

2. Negative statement

As at the Latest Practicable Date:

(a) no person had irrevocably committed themselves to vote for or against the resolutions to be proposed at the EGM approving the Share Purchase Agreement and the transactions contemplated thereunder, the Specific Mandate and the Whitewash Waiver;

(b) save for 224,145,000 Shares held by CNQC Development and the Awards granted under the Management Share Scheme, New Guotsing Holdco and its concert parties and the sole director of New Guotsing Holdco did not hold any other interests in the securities, shares, options, warrants, derivatives or convertible securities of the Company; and they have not dealt for value in any securities of the Company during the period beginning six months prior to the date of the Announcement and ending on the Latest Practicable Date;

(c) none of New Guotsing Holdco or its concert parties has borrowed or lent any Shares, convertible securities, warrants, options or derivatives in the Company or similar right which are convertible or exchangeable into Shares from/to any person;

(d) New Guotsing Holdco or its concert parties did not have any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with any other persons;

(e) save for the Awards granted under the Management Share Scheme, there was no agreement, arrangement or understanding (including compensation arrangement) (i) between New Guotsing Holdco or its concert parties and any Directors, recent Directors, Shareholders or recent Shareholders having any connection with or dependence upon the Share Purchase Agreement and the transactions contemplated thereunder and the Whitewash Waiver; and (ii) between any Directors and any other persons which is conditional on or dependent upon the outcome of the Share Purchase Agreement and the transactions contemplated thereunder and the Whitewash Waiver; and

(f) save for the Non-Competition Deed, there is no material contract entered into by New Guotsing Holdco in which any Director has a material personal interest.

3. Intentions of New Guotsing Holdco regarding the Enlarged Group

New Guotsing Holdco intends to continue the existing business of the Enlarged Group immediately following Completion. However, New Guotsing Holdco also intends to review the operations, business activities and management of the Enlarged Group after Completion to formulate a long-term business strategy for the Enlarged Group. New Guotsing Holdco has no intention to redeploy the fixed assets of the Enlarged Group.

Save as in connection with the New Guotsing Holdco's intention regarding the Enlarged Group as set out above, New Guotsing Holdco has no plan to terminate the employment of any other employees or other personnel of the Enlarged Group.

E. DISCLOSURE OF INTERESTS

1. Interests of Directors

As at the Latest Practicable Date and immediately after Completion, the interests or short positions of the Directors and chief executive of the Company 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) which are (i) required to be 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 he/she is taken or was deemed to have under such provisions of the SFO); (ii) required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange, were as follows:

Long position(s) in the Shares and underlying shares

		As at the Latest Practicable Date		Immediately after Completion	
Name of Director	**Capacity**	**Total interests in Underlying Shares**	**Approx. % of total issued Shares**	**Total interests in Underlying Shares**	**Approx. % of total issued Shares**
Du Bo	Beneficiary of a trust *(Note 2)*	—	—	114,224,727	38.07%
	Interest of controlled corporation *(Note 3)*	—	—	647,273,454	215.76%
	Interest of controlled corporation *(Note 4)*	224,145,000	74.72	224,145,000	74.72
Cheng Wing On, Michael	Beneficial owner *(Note 1)*	3,000,000	1.00%	3,000,000	1.00%
Zhang Yuqiang	Beneficial owner *(Note 1)*	2,400,000	0.80%	2,400,000	0.80%
Ho Chi Ling	Beneficial owner *(Note 1)*	2,400,000	0.80%	2,400,000	0.80%
Zhang Zhihua	Beneficial owner *(Note 1)*	3,000,000	1.00%	3,000,000	1.00%
	Beneficiary of a trust *(Note 2)*	—	—	44,801,476	14.93%
Ding Hongbin	Beneficial owner *(Note 1)*				
	Beneficiary of a trust *(Note 2)*	—	—	12,691,636	4.23%

Notes:

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

2. This represents long position in the underlying CPS under the Awards granted under the Management Share Scheme. Please refer to the paragraph headed "Appendix VIII — Statutory and General Information — J. Share Option Schemes — Management Share Scheme" in this circular for more details.

3. This represents the long position in the 647,273,454 CPS to be allotted and issued to New Guotsing Holdco at Completion of which Du Bo is deemed to be interested in as he controls indirectly more than one-third of the voting power at general meetings of New Guotsing Holdco.

4. The 224,145,000 Shares were held by CNQC Development as at the Latest Practicable Date. CNQC Development is indirectly wholly-owned by Guotsing PRC which, in turn, is controlled by Guotsing PRC Controlling Shareholders pursuant to a concert party agreement dated 22 September 2015 entered into amongst the Guotsing PRC Controlling Shareholders. Dr. Du owns 99.5% interest in Shanghai Heliyuan Investment Ltd., being a member of the Guotsing PRC Controlling Shareholders. Please refer to the section headed "Relationship with Controlling Shareholders — Controlling Shareholders" for further details of the concert party agreement.

Long position(s) in the shares of associated companies

			As at the Latest Practicable Date		Immediately after Completion	
Name of Director	**Name of associated company**	**Capacity**	**Number of shares**	**Approximately percentage of the issued share capital (%)**	**Number of shares**	**Approximately percentage of the issued share capital (%)**
Dr. Du Bo *(note)*	Guotsing PRC	Interest in controlled corporation *(note)*	90,000,000	30%	90,000,000	30%

Note: Dr. Du owns 99.5% interest in Shanghai Heliyuan Investment Ltd., which in turn holds 30% interest in Guotsing PRC

Save for those disclosed above, as at the Latest Practicable Date and immediately after Completion, none of the Directors or 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) which are (i) required to be 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 he/she is taken or was deemed to have under such provisions of the SFO); (ii) required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

2. Interests of substantial shareholders

So far as it is known to the Directors of the Company, as at the Latest Practicable Date and immediately after Completion, the following persons (not being a Director or chief executive of the Company) had an interest or short position in the Shares or the underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Enlarged Group:

(a) Long position(s) in the Shares and underlying shares

		As at the Latest Practicable Date		Immediately after Completion	
Name of substantial Shareholder	**Capacity**	**Total interests in Underlying Shares**	**Approx. % of total issued Shares**	**Total interests in Underlying Shares**	**Approx. % of total issued Shares**
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 *(Note 1)*	—	—	647,273,454	215.76
	Interest in controlled corporation *(Note 2)*	224,145,000	74.72	224,145,000	74.72
Shanghai Heliyuan Investment Co Ltd	Interest in controlled corporation *(Note 2)*	224,145,000	74.72	224,145,000	74.72
Qingdao Bohai Construction Group. Co Ltd	Interest in controlled corporation *(Note 2)*	224,145,000	74.72	224,145,000	74.72
Qingdao Qingjian Holdings Co	Interest in controlled corporation *(Note 1)*	—	—	647,273,454	215.76
	Interest in controlled corporation *(Note 2)*	224,145,000	74.72	224,145,000	74.72
Guotsing Holding Group Co., Ltd.	Interest in controlled corporation *(Note 2)*	224,145,000	74.72	224,145,000	74.72
Guotsing Holding (South Pacific) Investment Pte. Ltd.	Interest in controlled corporation *(Note 2)*	224,145,000	74.72	224,145,000	74.72
Hyday (South Pacific) Investment Pte. Ltd.	Interest in controlled corporation *(Note 2)*	224,145,000	74.72	224,145,000	74.72

		As at the Latest Practicable Date		Immediately after Completion	
Name of substantial Shareholder	**Capacity**	**Total interests in Underlying Shares**	**Approx. % of total issued Shares**	**Total interests in Underlying Shares**	**Approx. % of total issued Shares**
Guotsing Group (HK) Limited	Interest in controlled corporation *(Note 2)*	224,145,000	74.72	224,145,000	74.72
CNQC Development Limited	Beneficial owner *(Note 2)*	224,145,000	74.72	224,145,000	74.72

Note:

(1) Upon Completion, New Guotsing Holdco will hold 647,273,454 CPS. New Guotsing Holdco is held as to 85% by BVI Company 5, and is in turn held as to 48.547% by Qingjian BVI, a wholly-owned subsidiary of Qingdao Qingjian and as to 51.453% by BVI Company 1, a company held as to 74.533% by BVI Company 2.

(2) The 224,145,000 Shares were held by CNQC Development Limited ("**CNQC**") as at the Latest Practicable Date. CNQC is indirectly wholly-owned by Guotsing PRC through Guotsing Holding (South Pacific) Investment Pte. Ltd., Hyday (South Pacific) Investment Pte Ltd. and Guotsing Group (HK) Limited. Guotsing PRC is, in turn, controlled by Guotsing PRC Controlling Shareholders pursuant to a concert party agreement dated 22 September 2015 entered into amongst the Guotsing PRC Controlling Shareholders. Please refer to the section headed "Relationship with Controlling Shareholders — Controlling Shareholders" for further details of the concert party agreement.

(b) Persons who will be interested in 10% or more in any other member of the Enlarged Group immediately after Completion

Name of the member of the Enlarged Group	Name of shareholder	Immediately after Completion Approximately percentage of the issued share capital (%)
Qingjian Realty (Punggol Central) Pte. Ltd.	Bohai Investments (Punggol Central) Pte. Ltd.	10%
Qingjian Realty (Edgefield Plains) Pte. Ltd.	Bohai Investments (Punggol Central) Pte. Ltd.	10%
Qingjian Realty (Punggol Way) Pte. Ltd.	Shun Kang Development & Investment Pte. Ltd.	10%
Qingjian Realty (Anchorvale) Pte Ltd.	HLY Investments (Anchorvale) Pte. Ltd.	12%
	ZACD (Anchorvale) Pte. Ltd.	10%
	Suntec Property Ventures Pte. Ltd.	15%
Qingjian Realty (Woodlands) Pte. Ltd.	Suntec Property Ventures Pte. Ltd.	15%
	Bohai Investments (Sengkang) Pte. Ltd.	10%
	ZACD (Woodlands) Pte. Ltd.	10%
Qingjian Realty (Sengkang) Pte. Ltd.	ZACD (Sengkang) Pte. Ltd.	12%
Qingjian Realty (Serangoon) Pte. Ltd.	ZACD (Sennett) Pte. Ltd.	15%
Qingjian Realty (Punggol) Pte. Ltd.	ZACD (Punggol Drive) Pte Ltd.	16%
	Yong Li He Development Pte Ltd.	14%
	Zuo Haibin	10%
Qingjian Realty (Sembawang) Pte. Ltd.	Suntec Property Ventures Pte. Ltd.	15%
	ZACD (Canberra) Pte. Ltd.	10%
Creative Engineering International Pte. Ltd.	Creative Engineering Pte. Ltd.	49%
Hilife Interactive Pte Ltd.	Li Jun	20%

Save as disclosed above, the Directors of the Company were not aware, as at the Latest Practicable Date and immediately after Completion, of any person (not being a Director or chief executive of the Company) who had an interest (or long position) or short position in the Shares or underlying shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Enlarged Group.

3. Directors' remuneration

The aggregate remunerations (including fees, salaries, allowances and benefits in kind and pension scheme contribution) paid to the Directors by the Group for the two years ended 31 March 2013 and 2014 and the nine months ended 31 December 2014 was approximately HK$3.7 million, HK$4.5 million and HK$11.7 million, respectively.

Except as disclosed above, no other payments have been paid or are payable, and no benefits in kind have been granted, in respect of the two years ended 31 March 2013 and 2014 and nine months ended 31 December 2014, by the Group to the Directors.

Under the remuneration packages currently in force, the Company estimates that the aggregate remuneration payable to, and benefits in kind receivable by, the Directors from the Group in respect of the year ending 31 December 2015 is HK$12.8 million.

4. Employees' remuneration

The remuneration policy and package of the Group's employees were periodically reviewed. Apart from mandatory 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 two years ended 31 March 2013 and 2014 and nine months ended 31 December 2014 was approximately HK$91.8 million, HK$142.1 million and HK$137.8 million, respectively.

Please refer to the section headed "Business of the Target Group — Employees" in this circular for further details of the emoluments of the employees of the Target Group.

5. Employee retirement benefits

The Group is enrolled in a Mandatory Provident Fund Scheme (the "**MPF Scheme**") for employees who are eligible to participate in the MPF Scheme in Hong Kong. The assets (if any) of the MPF Scheme are held separately from those of the Group, in funds under the control of trustees. The Group contributes 5% of the employees' relevant income to the MPF Scheme subject to a monthly relevant income cap of HK$30,000, and this contribution is matched by the employees.

The Target Group contributes to the Central Provident Fund in Singapore (the "**CPF Plan**"), which is a compulsory comprehensive savings plan for working Singapore citizens and Singapore permanent residents, primarily to fund their retirement, healthcare and housing needs. It is administered by the Central Provident Fund Board, a statutory board. Contributions made under the CPF Plan are applicable to the entire remuneration package of the employee up to prescribe limits, and are divided into two contributions, being (i) contribution from the employee up to a prescribed limit, and (ii) contribution from the employer up to a prescribed limit, each such contribution amount being a percentage of the employee's monthly salary.

The Group has no other obligation for the payment of post-retirement benefits beyond the contributions described above.

F. SUMMARY OF MATERIAL CONTRACTS

The following contracts (not being contracts entered into in the ordinary course of business) were entered into by the Company or any member of the Enlarged Group within two years preceding the date of the Announcement and this circular and are or may be material:

(a) the Share Purchase Agreement dated 23 May 2015 entered into between the Company and Guotsing SG in relation to the Acquisition;

(b) the Non-Competition Deed dated 22 September 2015 and executed by each of Guotsing PRC, New Guotsing Holdco and Dr. Du in favour of the Company, incidental to the Acquisition;

(c) the Call Option Deed dated 22 September 2015 entered into between the Company and Qingdao Bohai, relating to the sale and purchase of the entire issued share capital of Welltech; and

(d) the sponsor agreement dated 24 September 2015 entered into, among others, the Company and the Sole Sponsor in relation to their rights and obligations in connection with the new listing application of the Company.

G. LEGAL PROCEEDINGS OF THE ENLARGED GROUP

As at the Latest Practicable Date, save as disclosed in the paragraph headed "Business of the Target Group — Legal Proceedings" in this circular, no member of the Enlarged Group was engaged in any litigation, arbitration or claim of material importance, and no litigation, arbitration or claim of material importance was known to the Directors to be pending or threatened against any member of the Enlarged Group.

H. CONSENTS AND QUALIFICATIONS OF EXPERTS

Each of HSBC Corporate Finance (Hong Kong) Limited, Altus Capital Limited, Conyers Dill & Pearman, DTZ, Jingtian & Gongcheng, KhattarWong LLP, Knight Frank Pte Ltd, Norton Rose Fulbright (Asia) LLP, PricewaterhouseCoopers and Rider Levett Bucknall LLP has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its report(s) and/or letter(s) and/or valuation certificates and/or opinion(s) and the references to their names included herein in the form and context in which it is respectively included.

The qualifications of the experts who have given an opinion or advice in this circular are as follows:

Name	Qualifications
HSBC Corporate Finance (Hong Kong) Limited	Licensed to conduct type 6 (advising on corporate finance) regulated activities under the SFO
Altus Capital Limited	Licensed to type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities as defined under the SFO
Conyers Dill & Pearman	Cayman Islands attorneys-at-law
PricewaterhouseCoopers	Certified Public Accountants
DTZ	Independent property valuer
Norton Rose Fulbright (Asia) LLP	Legal adviser of our Company as to Singapore Laws
KhattarWong LLP	Legal adviser of our Company as to Singapore real property Laws
Jingtian & Gongcheng	Legal adviser of our Company as to PRC laws
Knight Frank Pte Ltd	Industry consultant
Rider Levett Bucknall LLP	Industry consultant

I. SERVICE CONTRACTS

As at the Latest Practicable Date, each of the Directors has entered into a service contract with the Company. The terms and conditions of each of such service contracts are similar in all material respects. As at the Latest Practicable Date, no Director has entered into any service agreement with any member of our Enlarged Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)) nor has any of the Directors entered into any service contract with any member of the Enlarged Group or associated companies which are in force and are fixed term contracts and which have more than 12 months to run irrespective of the notice period or which are continuous contracts with a notice period of 12 months or more, or which has been entered into or amended within six months prior to the date of the Announcement.

J. SHARE OPTION SCHEMES

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 a share option scheme (the "**Share Option Scheme**"). Particulars of the Listco Share Option Scheme are set out in Appendix V to the prospectus dated 27 September 2012 in relation to the Company's initial public offering and placing.

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**") under 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.

As at the Latest Practicable Date, save as disclosed above, there are no options outstanding under the Share Option Scheme.

Management Share Scheme

As described in the section headed "Letter from the Board — Management Share Scheme", CNQC (South Pacific) had granted Rights under the Pre-existing Management Scheme to certain senior management and employees of the Guotsing Group ("**Selected Participants**") to subscribe at a subscription price of SGD2.43 per share (which was calculated based on the net asset value of CNQC (South Pacific) as at 31 December 2012) ("**Original Exercise Price**") for up to 12,000,000 shares of CNQC (South Pacific), representing 32% of the enlarged issued share capital of CNQC (South Pacific) as at the date of this circular. As the Rights shall vest over 5 years commencing from 1 April 2016, no selected Participant has exercised any of the Rights as at the Latest Practicable Date. The purpose of the Pre-existing Management Scheme was to reward the Selected Participants who have made contributions to the development of the Guotsing Group over the years.

Pursuant to the terms of the Share Purchase Agreement, the Trust will be adopted on or before the Completion Date pursuant to which Awards will be conditionally granted to 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. The Management Share Scheme and the Awards shall become effective immediately upon Completion, and shall replace and supersede the Pre-existing Management Scheme and the Rights. The CPS held by the Trustee shall not be converted into Shares prior to any transfers to the Selected Participants.

Subject to Completion, the Awards shall vest over 5 years at a rate of 20% each year commencing from 1 April 2016 and shall entitle the relevant Selected Participant to purchase from the Trust certain number of CPS at the Original Exercise Price converted into an exercise price per CPS based on the same conversion ratio for calculating the number of Consideration Shares in the Share Purchase Agreement at any time up to 1 April 2021 provided that all of the 647,273,454 CPS issued and allotted to New Guotsing Holdco at Completion shall have been converted into Shares and all other terms and conditions of the Management Share Scheme and the Award shall have been satisfied. The Trustee may upon vesting of the Awards transfer the CPS to the Selected Participants or a company to be established by the Selected Participants for this purpose.

As at the Latest Practicable Date, it has been resolved that Awards will be conditionally granted to 46 Selected Participants, entitling them to purchase from the Trust an aggregate of 304,599,273 CPS subject to the terms and conditions of the Management Share Scheme.

Below is a list of the Selected Participants who will be conditionally granted Awards under the Management Share Scheme:

Name	Position	Address	Number of CPS under the Award granted	Approximate percentage of shareholding immediately following Completion assuming all the CPS are converted into Shares at a conversion ratio of 1:1
Du Bo (杜波)	Chairman of the board of directors of Guotsing PRC; Chairman of the Board and executive Director of the Company; Non-executive director of CNQC (South Pacific)	Room 12, 14/F, Block K, Telford Garden, 33 Wai Yip Street, Kowloon, Hong Kong	114,224,727	9.12%
Zhang Zhihua (張志華)	Chief executive officer and director of Guotsing PRC; Non-executive Director of the Company; Non-executive director of CNQC (South Pacific)	Room 601, Unit 1, Block 13, 239 Hong Kong East Road, Qingdao City, Shandong Province, PRC	38,074,909	3.04%
Ding Hongbin (丁洪斌)	Director and president of Guotsing PRC; Non-executive Director of the Company	Room 602, Unit 2, Block 13, 239 Hong Kong East Road, Qingdao City, Shandong Province, PRC	12,691,636	1.01%
Wang Congyuan (王從遠)	Executive vice-president of Guotsing PRC	Room 602, Unit 3, No. 58 Fenghua Road, Shinan District, Qingdao City, Shandong Province, PRC	3,807,491	0.30%

Name	Position	Address	Number of CPS under the Award granted	Approximate percentage of shareholding immediately following Completion assuming all the CPS are converted into Shares at a conversion ratio of 1:1
Shang Yongle (尚永樂)	President of Guotsing PRC	Room 19, No. 32 Pingyin Road, Shibei District, Qingdao City, Shandong Province, PRC	3,807,491	0.30%
Song Xiuyi (宋修義)	Executive director of Guotsing PRC; Chairman of the board of CNQC (South Pacific)	Room 503, Unit 3, Yongle Road 9, Sifang District, Qingdao City, Shandong Province	25,383,273	2.03%
Liu Zhouxue (劉周學)	Executive president of Human Resources Department of Guotsing PRC	Room 402, Unit 3, No. 13 Jiamusi Road, Shibei District, Qingdao City, Shandong Province, PRC	2,538,327	0.20%
Wang Xianmao (王賢茂)	Executive president of Guotsing PRC	No. 11 Tangyi Road, Shibei District, Qingdao City, Shandong Province, PRC	3,807,491	0.30%
Xu Bin (徐濱)	Executive president of Guotsing PRC	Room 402, Unit 1, No. 78 Yichun Road, Shibei District, Qingdao City, Shandong Province, PRC	3,807,491	0.30%

Name	Position	Address	Number of CPS under the Award granted	Approximate percentage of shareholding immediately following Completion assuming all the CPS are converted into Shares at a conversion ratio of 1:1
Wan Qingdong (萬擎東)	Vice-president of Guotsing PRC	Room 402, Unit 1, No. 14 Dongtinghu Road, Shinan District, Qingdao City, Shandong Province, PRC	6,345,818	0.51%
Wang Linxuan (王林宣)	Executive director of CNQC (South Pacific)	6 Keng Chin Road #17-05 Singapore 258709	10,153,309	0.81%
Lin Chunsheng (林春生)	Finance director of Financial Business Department, Guotsing PRC	Room 601, Unit 1, No. 12A Taiqing Road, Shibei District, Qingdao City, Shandong Province, PRC	558,432	0.04%
Zhao Shunting (趙順廷)	Executive president, Guotsing PRC	No. 11 Tangyi Road, Shibei District, Qingdao City, Shandong Province, PRC	279,216	0.02%
Wang Yuqing (王育青)	Assistant to the president, Guotsing PRC	Room 502, Unit 3, Building No. 6, No. 2 Nantong Road, Shinan District, Qingdao City, Shandong Province, PRC	558,432	0.04%

Name	Position	Address	Number of CPS under the Award granted	Approximate percentage of shareholding immediately following Completion assuming all the CPS are converted into Shares at a conversion ratio of 1:1
Ge Hao (葛浩)	Assistant to president, Guotsing PRC	Room 101, Unit 3, Building No. 8, No. 136 Aomen Road, Shinan District, Qingdao City, Shandong Province, PRC	558,432	0.04%
Jia Jianping (賈建平)	Assistant to president, Guotsing PRC	No. 11 Tangyi Road, Shibei District, Qingdao City, Shandong Province, PRC	558,432	0.04%
Wang Qi (王琦)	Deputy Chief Accountant, Guotsing PRC	Room 602, Unit 1, No. 9 Dayaoer Road, Shinan District, Qingdao City, Shandong Province, PRC	558,432	0.04%
Lin Li (林麗)	General Manager of Human Resources Department, Guotsing PRC	Room 401, Building No. 2, No. 3 Xintai Road, Shinan District, Qingdao City, Shandong Province, PRC	558,432	0.04%

Name	Position	Address	Number of CPS under the Award granted	Approximate percentage of shareholding immediately following Completion assuming all the CPS are converted into Shares at a conversion ratio of 1:1
Zhai Lu (翟璐)	Joint General Manager of Strategic Investment Department, Guotsing PRC	Room 501, Unit 1, Building No. 6, No.17 Xianggangxi Road, Shinan District, Qingdao City, Shandong Province, PRC	558,432	0.04%
Liu Hua (劉華)	General Manager of Information Center, Guotsing PRC	Room 229, Building No. 2, Guoshan Road, Shuangluan District, Chengde City, Hebei Province, PRC	558,432	0.04%
Liu Yuzheng (劉玉珍)	Vice-President of General Contracting Business Department, Qingjian Group Co Ltd	No .7, No. 69 Guizhou Road, Shinan District, Qingdao City, Shandong Province, PRC	279,216	0.02%
Chen Baosheng (陳寶勝)	Assistant to president, Guotsing PRC	No. 63 Luopu Road, Anting Town, Jiading District, Shanghai City, PRC	558,432	0.04%
Yu Ruizhe (于瑞澤)	Vice-President of Financial Business Department, Guotsing PRC	Room 502, Unit 3, Building No. 5, No. 35 Jiangxi Road, Shinan District, Qingdao City,	558,432	0.04%

Name	Position	Address	Number of CPS under the Award granted	Approximate percentage of shareholding immediately following Completion assuming all the CPS are converted into Shares at a conversion ratio of 1:1
Li Jia (李佳)	Supervisor of the secretarial office of Guotsing PRC	No. 11 Tangyi Road, Shibei District, Qingdao City, Shandong Province, PRC	1,269,164	0.10%
Li Jun (李軍)	Assistant to the president of Guotsing PRC	Shangqing Road 23, Qingdao City, Shandong Province	3,172,909	0.25%
Sun Yong (孫湧)	General manager of Qingjian International	85 Pheng Geck Avenue #08-18 Singapore 348271	4,442,073	0.35%
Gao Shigang (高士剛)	General manager of Qingdao Construction	Apt Blk 234 Ang Mo Kio Avenue 3 #04-1138 Singapore 560234	5,076,654	0.41%
Li Jun (李俊)	General manager of Qingjian Realty	1 Jln Taman #06-05 Singapore 329022	4,442,073	0.35%
Yeong Chen Seng (楊振聲)	Chief Financial Officer of Guotsing SG	85 Tai Keng Gardens Singapore 535366	1,269,164	0.10%
Jia Mingjun (賈明軍)	Vice general manager of Qingjian International	47 kallang pudding road #12-01 crescent kallang,S349318, Singapore	1,269,164	0.10%

Name	Position	Address	Number of CPS under the Award granted	Approximate percentage of shareholding immediately following Completion assuming all the CPS are converted into Shares at a conversion ratio of 1:1
Gu Qunce (古群策)	Person in charge of the financial department of Qingdao Construction	78 Hougang Avenue 7 #14-25 Singapore 534260	2,538,327	0.20%
Zhao Tao (趙濤)	Vice general manager of Qingjian International	Blk 984C Buangkok Link #13-43 Singapore 533984	1,269,164	0.10%
Chan Yew Cheong (陳耀宗)	Project manager of Qingjian International	63 Bishan Street 21 #10-04, Singapore 574045	1,269,164	0.10%
Loy Hui Shan (黎維銓)	Assistant to general manager of Qingjian International	Apt Blk 30 Cassia Crescent #14-04, Singapore 391030	1,269,164	0.10%
Chang Hanqin (昌漢欽)	Person in charge of the financial department of Qingjian International	Blk 985A Buangkok Crescent #11-10, Singapore 531985	1,522,996	0.12%
Qu Jinmin (瞿金敏)	Vice general manager Qingjian International	Blk 87 Yishun Street 81 #11-02, Singapore 768448	1,269,164	0.10%
Toh Chee Siang (卓志祥)	Vice general manager of Qingdao Construction	Apt Blk 1048 Ang Mo Kio Street 11 #02-65, Singapore Singapore 561104	1,269,163	0.10%

Name	Position	Address	Number of CPS under the Award granted	Approximate percentage of shareholding immediately following Completion assuming all the CPS are converted into Shares at a conversion ratio of 1:1
Zhang Zhenlin (張震林)	Executive director of Chong Lee Heng	6 Bishan St 25 #07-15 Singapore 573975	634,582	0.05%
Xu Zhengpeng (徐正鵬)	Manager of investment department of CNQC (South Pacific)	18 Ang Mo Kio Central 3 #06-31 Singapore 567749	4,822,822	0.39%
Du Hongmei (杜紅梅)	Deputy Manager of Auditing Department, CNQC (South Pacific)	25 Rosewood Drive, #10–14, Singapore 737919	291,908	0.02%
Qu Shushen (曲樹森)	Secretary of the Board, Integrated Management Manager, CNQC (South Pacific)	BI SHAN ST 23 BLK207 #16–397 S570207	291,907	0.02%
Zhang Jinyun (張金運)	Assistant to the president of Guotsing SG	Tangyi Road 11, Shibei District, Qingdao City, Shandong Province	1,522,996	0.12%
Song Shangfeng (宋尚峰)	Vice president of Guotsing SG	Tangyi Road 11, Shibei District, Qingdao City, Shandong Province	3,553,658	0.28%
Zhang Dong (張棟)	Assistant to president of Guotsing SG	Blk 870 Tampines Street 83 #10-163,Singapore, 520870	1,522,996	0.12%

Name	Position	Address	Number of CPS under the Award granted	Approximate percentage of shareholding immediately following Completion assuming all the CPS are converted into Shares at a conversion ratio of 1:1
Zuo Haibin (左海濱)	Former senior management of Guotsing Group	6 Bishan Street 25#35-09 Singapore 573975	25,383,273	2.03%
Li Minghua (李明華)	Former senior management of Guotsing Group	6 Bishan Street 25#35-09 Singapore 573975	4,442,073	0.35%
			304,599,273	24.33%

The grant of the Awards under the Management Share Scheme will have an impact on the profit and loss accounts of the Company for the six financial years ending 31 December 2020. Please refer to the paragraph headed "Risk Factors — Risks relating to the business of the Target Group — There may be dilative effect on year shareholdings in the Company, the earnings per Share and on the Enlarged Group's future earnings associated with the Management Share Scheme" in this circular for further details.

K. SOLE SPONSOR AND FINANCIAL ADVISER

A listing application on behalf of the Company has been submitted to the Stock Exchange by the Sole Sponsor on 8 June 2015. The Sole Sponsor satisfies the independence criteria applicable to sponsors as set out in Rule 3A.07 of the Listing Rules. The Sole Sponsor's fees are approximately HK$15.5 million, payable by the Company. The Hongkong and Shanghai Banking Corporation Limited is the Financial Adviser of the Company in connection with the Acquisition.

L. TOTAL EXPENSES

The aggregate fees, together with the Stock Exchange listing fee, legal and other professional fees, printing and other expenses relating to the Acquisition, are estimated to be approximately HK$43 million, payable by the Company.

M. ESTATE DUTY

The Directors have been advised that no material liability for estate duty is likely to fall on any member of the Enlarged Group in the Cayman Islands, the BVI, Hong Kong, Singapore, Macau and other jurisdictions in which the companies comprising the Enlarged Group are incorporated.

N. SHARE REPURCHASE

Share repurchase by the Company on the Stock Exchange, if any, is subject to certain restrictions, the more important of which are summarised below:

(i) Shareholders' approval

All proposed repurchases of shares (which must be fully paid up) by a company with a primary listing on the Stock Exchange must be approved in advance by an ordinary resolution of the shareholders in general meeting, either by way of general mandate or by specific approval of a particular transaction. By the resolutions of the Shareholders passed in the annual general meeting of the Company held on 28 April 2015, the Directors have been granted the Repurchase Mandate (as defined in the section headed "Share Capital" of this circular) to repurchase, on the Stock Exchange, or on any other stock exchange on which the Shares may be listed, the Shares with an aggregate nominal value not exceeding 10% of the aggregate nominal value of the share capital of the Company then in issue.

(ii) Funding of repurchase

Repurchases must be funded out of funds legally available for the purpose in accordance with our Articles and the applicable laws and regulations of the Cayman Islands. A listed company may not repurchase its own securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange.

(iii) Trading restrictions

The Company may not make a new issue of Shares or announce a proposed new issue of Shares for a period of 30 days after any purchase by it of Shares, whether on the Stock Exchange or otherwise (other than an issue of securities pursuant to the exercise of warrants, share options or similar instruments requiring the issuer to issue securities, which were outstanding prior to that purchase of its own securities), without the prior approval of the Stock Exchange. Furthermore, the Company is prohibited from repurchasing Shares on the Stock Exchange if the purchase price is 5% or more than the average closing market price for the five preceding trading days on which the Shares were traded on the Stock Exchange.

(iv) General

If, as a result of any repurchase of Shares, a shareholder's proportionate interest in the voting rights of the Company is increased, such increase will be treated as an acquisition for the purposes of the Takeovers Code. Save as aforesaid, the Directors are not aware of any consequences which would arise under the Takeovers Code as a consequence of any repurchases pursuant to the Repurchase Mandate. Any repurchase of Shares which results in the number of Shares held by the public being reduced to less than the prescribed minimum percentage required by the Stock Exchange is prohibited unless otherwise waived by the Stock Exchange.

O. STAMP DUTY

Dealings in the Shares will be subject to Hong Kong stamp duty. An ad valorem stamp duty will be charged on the sale and purchase of Shares, at the current rate of 0.2% of the consideration for, or (if greater) the value of, the Shares being sold or purchased, whether or not the sale or purchase is on or off the Stock Exchange. In addition, a fixed duty of HK$5.0 is currently payable on any instrument of transfer of Shares.

Shareholders and potential investors in the Shares of the Company are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of, and dealing in the Shares. None of the Company, the Sole Sponsor, the Financial Adviser, the Independent Financial Adviser, any of their respective directors, agents, employees or other advisers or parties involved in the Acquisition accepts responsibility for any tax effects on, or liabilities of, any person resulting from the subscription, purchase, holding or disposal of, dealing in, the Shares.

P. PROMOTER

The Company has no promoter for the purpose of the Listing Rules.

Q. MISCELLANEOUS

Save as disclosed in this circular:

(a) within the two years immediately preceding the date of this circular:

(i) no share or loan capital of the Company or any member of the Enlarged Group has been issued or agreed to be issued fully or partly paid either for cash or for a consideration other than cash;

(ii) no share or loan capital of the Company or any member of the Enlarged Group is under option or is agreed conditionally or unconditionally to be put under option;

(iii) neither the Company nor any member of the Enlarged Group has issued or agreed to issue any founder shares, management shares or deferred shares;

(iv) no commissions, discounts, brokerage or other special terms have been granted in connection with the issue or sale of any shares or loan capital of any member of the Enlarged Group;

(v) the Company has no outstanding convertible debt securities or debentures;

(vi) none of the Directors nor any of the persons whose names are listed in the paragraph headed "Consents and Qualifications of Experts" in this appendix is interested in the promotion of the Company or in any assets which have been within the two years immediately preceding the Latest Practicable Date acquired or disposed of by or leased to any member of the Enlarged Group, or are proposed to be acquired or disposed of by or leased to any member of the Enlarged Group;

(vii) none of the Directors is materially interested in any contract or arrangement subsisting at the Latest Practicable Date which is significant in relation to the business of the Enlarged Group;

(viii) no cash, securities or other benefit has been paid, allotted or given within the two years preceding the Latest Practicable Date to any promoter of the Company nor is any such cash, securities or benefit proposed to be paid, allotted or given to any promoter; and

(ix) save as disclosed in the paragraph headed "E. Disclosure of Interests" in Appendix VIII of this circular, so far as is known to the Directors, none of the Directors, their respective associates or the Shareholders who are interested in 5% or more of the issued share capital of the Company or have any interest in the five largest customers or the five largest suppliers of the Enlarged Group.

(b) none of the persons whose names are listed in the paragraph headed "Consents and Qualifications of Experts" in this appendix has any shareholding in any member of the Enlarged Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Enlarged Group;

(c) the Shares are accepted as eligible securities of CCASS established and operated by HKSCC;

(d) other than the Shares listed on the Stock Exchange, none of the equity or debt securities of the Company is currently listed on or dealt in on any other stock exchange or trading system, and no such listing or permission to list on any other stock exchange is currently being or agreed to be sought;

(e) there is no arrangement under which future dividends declared by the Company have been waived or agreed to be waived; and

(f) there has not been any interruption in the business of the Enlarged Group which may have or has had a significant effect on the financial position of the Enlarged Group in the twelve months immediately preceding the date of this circular.

The English text of this circular shall prevail over the Chinese text.

Copies of the following documents are available for inspection at the office of the Company at Room 601, 6/F, Exchange Tower, 33 Wang Chiu Road, Kowloon Bay, Hong Kong during normal business hours from 9:30 a.m. to 5:30 p.m., Monday to Friday (other than public holidays) and also on the website of the SFC at www.sfc.hk and the website of the Company at www.cnqc.com.hk from the date of this circular up to and including the date of the EGM:

(a) the Memorandum and the Articles of the Company and New Guotsing Holdco;

(b) the letter from the Board, the text of which is set out in the section headed "Letter from the Board" in this circular;

(c) the letter of recommendation from the Independent Board Committee to the Independent Shareholders, the text of which is set out in the section headed "Letter from the Independent Board Committee" in this circular;

(d) the letter of advice from Altus Capital Limited to the Independent Board Committee and the Independent Shareholders, the text of which is set out in the section headed "Letter from the Independent Financial Adviser" in this circular;

(e) the annual reports of the Company for each of the years ended 31 March 2013 and 2014 and the nine months ended 31 December 2014;

(f) the interim report of the Company for the six months ended 30 June 2015;

(g) the accountant's report from PricewaterhouseCoopers in respect of historical financial information of the Target Group, the text of which is set out in Appendix III to this circular;

(h) the auditor's report issued by PricewaterhouseCoopers in respect of the Consolidated Financial Statements of the Group for each of the years ended 31 March 2013 and 2014 and the nine months ended 31 December 2014, the texts of which are set out in Appendix IV to this circular;

(i) the report on the Unaudited Pro Forma Financial Information of the Enlarged Group from PricewaterhouseCoopers, the text of which is set out in Appendix V to this circular;

(j) the Property Valuation Report of the Target Group prepared by DTZ, the text of which is set out in Appendix VI to this circular;

(k) the market report prepared by Knight Frank Pte. Ltd., the text of which is set out in Appendix 1A of the circular;

(l) the market report prepared by Rider Levett Bucknall LLP, the text of which is set out in Appendix 1B of this circular;

(m) the letter summarising certain aspects of the Cayman Islands company law prepared by Conyers Dill & Pearman, referred to in Appendix VII to this circular;

(n) a copy of each of the material contracts set out in the section headed "Summary of material contracts" in Appendix VIII to this circular;

(o) the written consents referred to in the section headed "Consents and qualifications of experts" in Appendix VIII to this circular;

(p) the Singapore legal opinions issued by Norton Rose Fulbright (Asia) LLP and KhattarWong LLP, the Singapore legal advisers to the Company;

(q) the PRC legal opinion issued by Jingtian & Gongcheng, the PRC legal adviser to the Company;

(r) the Companies Law of the Cayman Islands; and

(s) a copy of this circular.

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

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 01240)

NOTICE OF THE EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting ("**EGM**") of CNQC International Holdings Limited (the "**Company**") will be held at Room Peony & Narcissus, 2/F, The Royal Garden, 69 Mody Road, Tsimshatsui East, Kowloon, Hong Kong on Wednesday, 14 October 2015 at 11:30 a.m., for the purpose of considering and, if thought fit, passing, with or without modifications, the following resolution nos. 1 to 6 as ordinary resolutions of the Company. Capitalised terms defined in the circular dated 25 September 2015 issued by the Company (the "**Circular**") shall have the same meanings when used herein unless otherwise specified.

ORDINARY RESOLUTIONS

Resolution in relation to the Acquisition

1. "**THAT**

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

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

Resolution in relation to the grant of specific mandate for the allotment and issue of the Consideration Shares and the Conversion Shares

2. "**THAT** subject to the passing of ordinary resolutions nos. 1, 3 and 4 and conditional upon the Listing Committee of the Stock Exchange granting the listing of, and the permission to deal in, the Conversion Shares:

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

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

Resolution in relation to the Whitewash Waiver

3. "**THAT** subject to the passing of ordinary resolution nos. 1, 2 and 3 the waiver (the "**Whitewash Waiver**") granted or to be granted by the Executive Director of the Corporate Finance Division of the Securities and Futures Commission pursuant to note 1 on dispensations for Rule 26 of the Hong Kong Code on Takeovers and Mergers waiving any obligation of New Guotsing Holdco to make a mandatory general offer to acquire the shares of the Company and all other securities of the Company in issue not already owned or agreed to be acquired by the New Guotsing Concert Group which would arise as a result of the issuance and allotment of 647,273,454 Conversion Shares upon full conversion of the 647,273,454 CPS to be issued and allotted by the Company to New Guotsing Holdco at completion of the Share Purchase Agreement be and is hereby approved and any Directors be and are hereby authorised for and on behalf of the Company to sign, seal, execute and deliver all such documents and deeds, and do all such acts, matters and things as they may in their discretion consider necessary or desirable relating to, or incidental to, the Whitewash Waiver."

Resolution in relation to increase in authorised share capital of the Company and creation of the CPS

4. "**THAT** subject to the passing of ordinary resolution nos. 1, 2 and 3:

(a) the authorised share capital of the Company be and is hereby increased from HK$20,000,000 divided into 2,000,000,000 ordinary shares of par value of HK$0.01 each (the "**Shares**") to HK$70,000,000 divided into (i) 6,000,000,000 Shares and (ii) 1,000,000,000 non-redeemable convertible preference shares of HK$0.01 each (the "**CPS**") by the creation of 4,000,000,000 Shares and 1,000,000,000 CPS, such CPS having the rights and restrictions as set out in Schedule 4 to the Share Purchase Agreement (a copy of which has been produced to the meeting and marked "A" and initialled by the chairman of the meeting for the purpose of identification); and

(b) the Directors be and are hereby authorised to do all such acts and things and to sign and execute all such documents, instruments and agreements for and on behalf of the Company as they may consider necessary, appropriate, desirable or expedient to give effect to or in connection with this resolution no. 4."

Resolution in relation to the Qingjian Precast Master Service Agreement

5. "**THAT** subject to the passing of ordinary resolution nos. 1:

(a) the non-exempt continuing connected transaction under the Qingjian Precast Master Service Agreement be and are hereby approved; and

(b) the Directors be and are hereby authorised to do all such acts and things and to sign and execute all such documents, instruments and agreements for and on behalf of the Company as they may consider necessary, appropriate, desirable or expedient to give effect to or in connection with this resolution no. 5."

Resolution in relation to the grant of the Specific Placing Mandate

6. "**THAT** subject to the passing of ordinary resolution nos. 1, 2, 3 and 4:

(a) the grant of the Specific Placing Mandate for the Directors to allot and issue not more than 215 million new Shares at a price of no less than HK$2.40 per Share and at a discount of not more than 20% to the higher of:

(i) the closing price of the Shares as quoted on the Stock Exchange on the date of signing of the relevant placing agreement; and

(ii) the average closing price of the Shares as quoted on the Stock Exchange for five trading days immediately prior to the earlier of:

(A) the date of announcement of the Possible Placing;

(B) the date of the relevant placing agreement; and

(C) the date on which the placing price of the Possible Placing is fixed; and

For the period from the passing of this resolution at the EGM up to the earlier of (i) the date falling three months after the date of passing of this resolution at the EGM; or (ii) the revocation or variation of the authority given under this resolution at the EGM by ordinary resolution(s) of the Shareholders in a general meeting of the Company.

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

By Order of the Board
CNQC International Holdings Limited
Dr. Du Bo
Chairman

Hong Kong, 25 September 2015

Notes:

1. The register of members of the Company will be closed for registration of transfer of Shares from Monday, 12 October 2015 to Wednesday, 14 October 2015, both days inclusive. In order to qualify for attending and voting at the EGM, all transfer documents should be lodged for registration with Tricor Investor Services Limited, the Company's branch share registrar and transfer office in Hong Kong, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong on or before 4:30 p.m., Monday, 12 October 2015.

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

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

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

5. As at the date of this notice, the Board comprises Dr. Du Bo (Chairman), Mr. Cheng Wing On, Michael, Mr. Ho Chi Ling, and Mr. Zhang Yuqiang; (ii) two non-executive Directors, namely Mr. Zhang Zhihua, and Dr. Ding Hongbin; (iii) and three independent non-executive Directors, namely Mr. Chuck Winston Calptor, Mr. Ching Kwok Hoo, Pedro and Mr. Tam Tak Kei, Raymond.