CNQC INTERNATIONAL HOLDINGS LIMITED
青建國際控股有限公司
(incorporated in the Cayman Islands with limited liability)
(Stock code: 1240)

FINAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2016

The board (the "Board") of directors (the "Directors") of CNQC International Holdings Limited (the "Company" and its subsidiaries, collectively the "Group") is pleased to present the Group's audited consolidated results for the year ended 31 December 2016 (the "Reporting Period"), together with the comparative figures for the year ended 31 December 2015 as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2016

	Note	2016 HK$'000	2015 HK$'000
Revenue	3, 4	**8,605,716**	11,053,456
Cost of sales	5	**(7,317,561)**	(9,247,614)
Gross profit		**1,288,155**	1,805,842
Other income		**14,417**	9,598
Other gains — net	6	**55,633**	4,228
Selling and marketing expenses	5	**(98,231)**	(165,624)
General and administrative expenses	5	**(354,435)**	(552,981)
Operating profit		**905,539**	1,101,063
Finance income		**17,503**	5,681
Finance costs		**(91,745)**	(124,247)
Finance costs — net	7	**(74,242)**	(118,566)
Share of losses of associated companies		**(4,752)**	(833)
Share of profit of joint ventures		**371**	–

	Note	2016 HK$'000	2015 HK$'000
Profit before income tax		**826,916**	981,664
Income tax expense	*8*	**(157,776)**	(240,945)
Profit for the year		**669,140**	740,719
Other comprehensive (loss)/income			
Items that may be reclassified to profit or loss			
— Currency translation differences		**(59,454)**	(24,901)
— Fair value gains on available-for sale financial assets		**56,667**	–
		(2,787)	(24,901)
Total comprehensive income for the year		**666,353**	715,818
Profit for the year attributable to:			
Owners of the Company		**585,385**	577,317
Non-controlling interests		**83,755**	163,402
		669,140	740,719
Total comprehensive income for the year attributable to:			
Owners of the Company		**589,646**	556,973
Non-controlling interests		**76,707**	158,845
		666,353	715,818
Earnings per share for profit attributable to owners of the Company	*9*		
— Basic (HK$)		**0.404**	0.461
— Diluted (HK$)		**0.404**	0.461

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2016

	Note	**2016** **HK$'000**	2015 *HK$'000*
ASSETS			
Non-current assets			
Property, plant and equipment		**441,715**	498,787
Investment properties under development		**426,723**	–
Goodwill		**561,954**	282,933
Intangible assets		**54,340**	5,367
Prepayments and other receivables	*11*	**344,878**	127,219
Investments in associated companies		**19,682**	1,150
Investments in joint ventures		**355**	–
Available-for-sale financial assets		**92,329**	1,095
Derivative financial instruments		**12,600**	–
Deferred income tax assets		**75,530**	93,031
		2,030,106	1,009,582
Current assets			
Cash and cash equivalents		**1,792,639**	1,625,816
Pledged bank deposits		**223,696**	273,850
Derivative financial instruments		**20,343**	–
Trade and other receivables, prepayments and deposits	*11*	**1,870,489**	2,817,877
Amounts due from customers for contract work		**65,240**	60,970
Development properties for sale	*12*	**8,758,473**	9,137,882
Tax recoverable		**10,686**	695
		12,741,566	13,917,090
Total assets		**14,771,672**	14,926,672
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital — ordinary shares	*14*	**14,294**	3,000
Share capital — convertible preference shares	*14*	**2,437**	9,519
Share premium		**3,317,938**	2,227,382
Other reserves		**(1,235,529)**	(1,287,205)
Retained earnings		**881,275**	547,890
		2,980,415	1,500,586
Non-controlling interests		**81,658**	(19,793)
Total equity		**3,062,073**	1,480,793

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 GENERAL INFORMATION

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

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

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

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

2 BASIS OF PREPARATION

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

The preparation of the consolidated financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies.

(a) Going concern assumptions

The Group entered into a conditional sale and purchase agreement on 19 May 2016 with approximately 81% of the owners of a residential estate in Singapore known as Shunfu Ville (the "Shunfu Project") to acquire all properties therein at a consideration of SGD638 million (equivalent to approximately HK$3,509 million) for redevelopment purpose, the completion of which is subject to several conditions including, but not limited to, the approvals from various government authorities in Singapore and the acceptance of the Group's offer by all property owners who have not yet agreed to sell their units under the collective sale arrangement. In January 2017, the High Court of Singapore approved the collective purchase of Shunfu Ville. In February 2017, two property owners filed an appeal and the hearing of the appeal will be held in April 2017. The Directors are of the opinion that the appeal would be turned down by the Court of Appeal of Singapore and the transaction would proceed. The construction of the Shunfu Project is expected to be completed by 2022.

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

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

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

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

(b) New standards and amendments to standards adopted by the Group

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

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

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

The following are new standards and amendments to existing standards that have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2016, but have not been early adopted by the Group:

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

3 SEGMENT INFORMATION

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

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

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

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

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

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

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

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

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

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

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

	2016 *HK$'000*	2015 *HK$'000*
Adjusted segment profit for reportable segments	**934,802**	1,235,189
Unallocated expenses *(Note)*	**(70,897)**	(238,733)
Elimination	**34,423**	104,607
Finance income	**17,503**	5,681
Finance costs	**(91,745)**	(124,247)
Fair value gain on previously held interests in an associated company as a result of business combination *(Note 15)*	**7,211**	–
Share of losses of associated companies	**(4,752)**	(833)
Share of profit of joint ventures	**371**	–
Profit before income tax	**826,916**	981,664

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

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

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

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

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

4 REVENUE AND GEOGRAPHICAL SEGMENT INFORMATION

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

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

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

5 EXPENSES BY NATURE

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

6 OTHER GAINS — NET

	2016	2015
	HK$'000	*HK$'000*
Gain on disposal of property, plant and equipment	**2,143**	4,383
Written off of property, plant and equipment	**–**	(191)
Foreign exchange forward contracts		
— fair value gains	**21,290**	–
— gains on settlement	**11,758**	–
Cross currency swap contracts		
— fair value gains	**13,187**	–
Fair value gain on previously held interest in an associated company as a result of business combination *(Note 15)*	**7,211**	–
Others	**44**	36
Other gains — net	**55,633**	4,228

7 FINANCE COSTS — NET

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

8 INCOME TAX EXPENSE

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

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

9 EARNINGS PER SHARE

Basic

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

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

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

Diluted

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

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

10 DIVIDENDS

A final dividend in respect of the year ended 31 December 2016 of HK$0.11 per share, amounting to a total dividend of approximately HK$184,038,000, is to be proposed at the 2017 annual general meeting. These financial statements do not reflect this final dividend payable but will be reflected as an appropriation of retained earnings for the year ending 31 December 2017 once approved at the annual general meeting.

	2016	2015
	HK$'000	*HK$'000*
Interim dividend of HK$0.05 per ordinary share and per CPS	**78,704**	–
Proposed final dividend of HK$0.11 (2015: HK$0.12) per ordinary share and per CPS	**184,038**	161,085

11 TRADE AND OTHER RECEIVABLES

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

	2016 *HK$'000*	2015 *HK$'000*
Non-current		
Loans to		
— Associated companies *(Note (e))*	**153,152**	94,220
— Other related parties *(Note (e))*	**–**	20,559
	153,152	114,779
Prepayment for land costs	**176,666**	–
Other prepayments	**15,060**	12,440
	344,878	127,219

Notes:

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

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

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

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

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

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

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

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

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

12 DEVELOPMENT PROPERTIES FOR SALE

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

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

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

13 TRADE AND OTHER PAYABLES

	2016	2015
	HK$'000	*HK$'000*
Current		
Trade payables to:		
— A fellow subsidiary	–	46,509
— Other related parties	**79,993**	50,725
— Third parties	**1,699,234**	1,530,474
	1,779,227	1,627,708
Non-trade payables to:		
— Holding companies	–	8,198
— Fellow subsidiaries	–	902
— Non-controlling shareholders of subsidiaries	**99,761**	166,720
— Other related parties	**24,487**	425
— Third parties	**33,907**	53,065
— Goods and services tax payable	**14,706**	4,932
	172,861	234,242
Accruals for operating expenses	**250,077**	274,600
Accruals for construction costs	**39,202**	97,279
Advanced proceeds received from customers	**2,481,499**	3,024,284
Put option exercisable by non-controlling shareholder of subsidiaries *(Note)*	**11,703**	–
	2,782,481	3,396,163
Total trade and other payables	**4,734,569**	5,258,113

Note:

On 20 December 2016, the Group entered into shareholders' agreements which granted the non-controlling shareholder of the subsidiaries the right to sell its interest in the subsidiaries to the Group at a pre-determined price. The put option is exercisable during the period from 30 March 2021 to 29 April 2021.

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

The aging analysis of trade payables (including amounts due to related parties and a fellow subsidiary of trading in nature) based on invoice date was as follows:

	2016	2015
	HK$'000	*HK$'000*
1-30 days	**1,636,973**	1,597,136
31-60 days	**89,741**	21,744
61-90 days	**43,064**	1,513
Over 90 days	**9,449**	7,315
	1,779,227	1,627,708

The amounts due to holding companies, fellow subsidiaries, non-controlling shareholders of subsidiaries and other related parties were unsecured, interest-free and repayable on demand. The carrying amounts of trade and other payables approximated their fair values.

14 SHARE CAPITAL

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

Note:

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

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

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

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

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

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

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

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

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

(c) On 12 January 2016, 28 June 2016, 13 July 2016 and 15 November 2016, 270,000,000, 330,000,000, 47,273,454 and 60,919,852 CPS were converted into ordinary shares by Guotsing Holding Company Limited, a CPS holder. The new ordinary shares rank pari passu with the then existing ordinary shares.

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

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

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

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

(iv) On 23 December 2016, the Company entered into subscription agreements whereby the Company agreed to allot and issue, 87,000,000 new ordinary shares of the Company to Great Wall Pan Asia International Investment Company Limited and 12,000,000 new ordinary shares to Cinda International Holdings Limited at a price of HK$2.55 per share. The subscription was completed on 30 December 2016.

(e) On 13 July 2016, the Group completed the acquisition of New Chic International Limited ("New Chic") by allotment and issue of 100,000,000 ordinary shares as part of the consideration. The share issued ranked pari passu with the existing ordinary shares in issue in all respects. The details of the acquisition are set out in Note 15.

15 ACQUISITION OF SUBSIDIARIES

On 26 May 2016, the Company entered into a sale and purchase agreement to acquire 100% equity interests in New Chic (the "Acquisition") by allotment and issue of 100,000,000 ordinary shares and cash payment of SGD51,000,000. The Acquisition is expected to create synergy from combining the capabilities of the Group and New Chic in providing construction services in Singapore. The transaction was completed on 13 July 2016 and has been accounted for using the acquisition method of accounting.

The following table summarises the consideration paid, the fair value of assets acquired, liabilities assumed and the non-controlling interests at the acquisition date.

	HK$'000
Consideration:	
— Cash	297,228
— Equity instruments (100,000,000 ordinary shares) *(Note (a))*	300,672
Total consideration transferred	597,900
Fair value of previously held interest in BH-ZACD (Tuas Bay) Development Pte Ltd. ("Tuas Bay") *(Note (b))*	7,211
Total consideration	605,111
Cash and cash equivalents	147,305
Property, plant and equipment	4,675
Intangible assets	82,375
Available-for-sale financial assets	82,463
Investment in associated companies	13,511
Development properties for sale	743,616
Trade and other receivables	242,495
Loans to other related parties	195,385
Amounts due from customers for contract work	19,278
Trade and other payables	(572,660)
Borrowings	(523,701)
Finance lease liabilities	(273)
Current income tax liabilities	(22,199)
Deferred tax liabilities	(37,743)
Total identifiable net assets of New Chic (including Tuas Bay) *(Note (b))*	374,527
Non-controlling interests *(Note (c))*	(48,437)
	326,090
Goodwill	279,021
Net cash outflow arising from the Acquisition	
Cash consideration	(297,228)
Less: Cash and cash equivalents acquired	147,305
	(149,923)

Notes:

(a) The fair value of the 100,000,000 ordinary shares issued as part of the consideration paid for New Chic (HK$300,672,000) was based on the published share price on 13 July 2016.

(b) Prior to the completion of the Acquisition, each of the Group and New Chic held 30% equity interests in Tuas Bay, a company incorporated in Singapore which is engaged in property development. After the completion of the Acquisition, Tuas Bay became a subsidiary of the Group and therefore, its assets and liabilities are consolidated with the Group. The net identifiable assets of Tuas Bay are included in the table above. As a result, the Group recognised a gain of HK$7,211,000 from measuring at fair value its 30% equity interest in Tuas Bay. The gain is included in "Other gains-net" in the Group's profit or loss for the year ended 31 December 2016.

(c) The non-controlling interests were recognised at the non-controlling interests' proportionate share (40%) of the recognised amounts of Tuas Bay's identifiable net assets.

16 CONTINGENT LIABILITIES

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

	2016	2015
	HK$'000	*HK$'000*
Guarantees on performance bonds in respect of construction contracts	**107,548**	205,640

Subsidiaries of the Group also issued corporate guarantees to banks for borrowings of the Group's associated companies and related companies in which subsidiaries of the Company are non-controlling shareholders. As at 31 December 2016, these bank borrowings amounted to HK$333,859,000 (2015: HK$329,093,000).

(b) Pending litigation

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

FINAL DIVIDEND

The Board recommends the payment of a final dividend of HK$0.11 per ordinary share and CPS in respect of the year ended 31 December 2016 (2015: HK$0.12 per ordinary share and CPS). Subject to the passing of the relevant resolution at the annual general meeting of the Company to be held on 9 May 2017, the final dividend will be payable on or about 8 June 2017 to the Shareholders whose names appear on the register of members of the Company on 18 May 2017 and the holders of the CPS.

For the purpose of ascertaining the Shareholders' entitlement to attend and vote at the forthcoming annual general meeting, the register of members of the Company will be closed from 4 May 2017 to 9 May 2017, both days inclusive, during which period no transfer of Shares will be registered. In order to qualify for attending and voting at the forthcoming annual general meeting, all transfers accompanied by the relevant share certificates must be lodged with the branch share registrar, Tricor Investor Services Limited, at 22/F, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on 2 May 2017. For the purpose of ascertaining the Shareholders' entitlement to the proposed final dividend, the register of members of the Company will be closed from 16 May 2017 to 18 May 2017, both days inclusive, during which period no transfer of Shares will be registered. In order to qualify for the proposed final dividend, all transfers accompanied by the relevant share certificates must be lodged with the branch share registrar, Tricor Investor Services Limited, at 22/F, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on 15 May 2017.

MANAGEMENT DISCUSSION AND ANALYSIS

Singapore Property Market Review

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

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

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

Singapore Construction Market Review

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

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

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

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

Hong Kong Construction Market Review

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

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

Business review

Property Development Business

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

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

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

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

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

Bellewoods

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

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

Bellewaters

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

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

The Visionaire

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

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

Bukit Batok project

The total maximum gross floor area (GFA) of the site is 44,091 square metres including approximately 6,000 square metres of commercial area and approximately 37,591 square metres of residential area. This project is the first mixed development project to be undertaken by the Group in Singapore.

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

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

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

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

Land Bank

The Group entered into a sales and purchase agreement with 81% of the owners of Shunfu Ville for a collective sale at a total consideration of approximately HK$3.59 billion. Shunfu Ville covers a land area of approximately 38,000 sq.m. The plot has an estimated gross floor area (GFA) of over 100,000 sq.m. with an expected plot ratio of 2.8. As at the date of this announcement, there remains two owners who objected to the sales committee regarding the collective sale and initiated legal proceedings against the sales committee, the final judgment of such legal proceedings from the Singapore court is expected to be handed down in April 2017.

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

Construction Business

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

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

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

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

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

Financial Review

Revenue

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

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

Gross Profit Margin

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

Selling and Marketing Expenses

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

General and Administrative Expenses

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

Net Profit

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

Non-Competition Deed

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

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

Prospects

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

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

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

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

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

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

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

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

Debts and Charge on Assets

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

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

Liquidity, Financial Resources and Capital Structure

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

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

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

Foreign Exchange

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

Significant Investment, Material Acquisition and Disposal of Subsidiaries and Associated Companies

On 26 May 2016, the Company entered into a share purchase agreement (the "Agreement") pursuant to which the Company conditionally agreed to acquire, and Sino Concord Ventures Limited and Rally Tech Investments Limited conditionally agreed to sell or procure to be sold the entire issued share capital of New Chic on the terms and subject to the conditions set out in the Agreement, at a consideration of SGD101,000,000 (equivalent to approximately HK$567,620,000) to be satisfied by the issuance and allotment of 100,000,000 consideration shares at the issue price of HK$2.80 by the Company and cash payment of SGD51,000,000 (equivalent to approximately HK$286,620,000) (the "Acquisition"). The Acquisition was completed on 13 July 2016.

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

Capital Commitments

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

Contingent Liabilities

Save as disclosed in note 16 to the financial information in this announcement, the Group had no other contingent liabilities as at 31 December 2016 and 31 December 2015.

Event After the Reporting Period

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

Employees and Remuneration Policy

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

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

Share Options

Share Option Scheme

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

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

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

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

Management Share Scheme

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

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

Purchase, Sale and Redemption of the Company's Securities

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

Corporate Governance

Corporate Governance Code

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

Code of Conduct Regarding Directors' Securities Transactions

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

Audit Committee and Review of Financial Information

The audit committee of the Company has reviewed the Company's management accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters related to the preparation of the consolidated financial statements for the Reporting Period. It has also reviewed the audited consolidated financial statements for the Reporting Period and recommended them to the Board for approval.

Scope of work of PricewaterhouseCoopers

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of comprehensive income, and the related notes thereto for the year ended 31 December 2016 as set out in the preliminary announcement have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance.

By Order of the Board
CNQC International Holdings Limited
Mr. Cheng Wing On, Michael
Chairman

Hong Kong, 28 March 2017

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