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CNQC INTERNATIONAL HOLDINGS LIMITED

青建國際控股有限公司

(於開曼群島註冊成立之有限公司)

(股份代號：1240)

海外監管公告

本公告乃青建國際控股有限公司(「本公司」)根據香港聯合交易所有限公司證券上市規則第13.10(B)條而作出。

本公司已於二零一七年十月二十六日在新加坡證券交易所有限公司發表隨附本公告之文件。

承董事會命
青建國際控股有限公司
主席
鄭永安先生

香港，二零一七年十月二十七日

於本公告日期，董事會包括(i)五名執行董事，分別為鄭永安先生(主席)、王從遠先生、何智凌先生、張玉強先生及王林宣先生；(ii)兩名非執行董事，分別為孫輝業博士及王賢茂先生；及(iii)四名獨立非執行董事，分別為卓育賢先生、程國灝先生、譚德機先生及陳覺忠先生。



CNQC INTERNATIONAL HOLDINGS LIMITED

青建國際控股有限公司

(incorporated in the Cayman Islands with limited liability)

U.S.\$500,000,000

Medium Term Note and Perpetual Securities Programme (the “Programme”)

unconditionally and irrevocably guaranteed by the Subsidiary Guarantors

Under the U.S.\$500,000,000 Programme described in this Offering Circular, CNQC International Holdings Limited 青建國際控股有限公司 (the “**Issuer**”), subject to compliance with all relevant laws, regulations and directives, may from time to time issue notes (the “**Notes**”) and perpetual securities (the “**Securities**”) and together with the Notes, the “**Instruments**”) under the Programme. The Instruments will be unconditionally and irrevocably guaranteed (the “**Guarantee of the Instruments**”) by Rich Prospect Holdings Limited 豐景控股有限公司, One Million International Limited, Wang Bao Development Limited 旺寶發展有限公司, New Chic International Limited, CNQC (South Pacific) Holding Pte. Ltd. and CNQC Engineering & Construction Pte. Ltd. (together, the “**Subsidiary Guarantors**” and each, a “**Subsidiary Guarantor**”).

The aggregate nominal amount of Instruments outstanding will not at any time exceed U.S.\$500,000,000 (or its equivalent in other currencies), subject to increase as described herein. The Instruments may be issued to any Dealer appointed under the Programme from time to time by the Issuer and each of the Subsidiary Guarantors (each a “**Dealer**” and together the “**Dealers**”), which appointment may be for a specific issue or on an ongoing basis. References in this Offering Circular to the “**Relevant Dealer**” shall, in the case of an issue of Instruments being (or intended to be) subscribed by more than one Dealer, be to all Dealers agreeing to subscribe such Instruments.

The Instruments will be constituted by a trust deed to be dated 25 October 2017 (the “**Trust Deed**”) made between the Issuer, the Subsidiary Guarantors and DB Trustees (Hong Kong) Limited (the “**Trustee**”). The Instruments will constitute direct, general, unsubordinated, unconditional and unsecured obligations of the Issuer which will at all times rank pari passu among themselves and at least pari passu with all other present and future unsecured and unsubordinated obligations of the Issuer, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application.

The obligations of the Subsidiary Guarantors under the Guarantee of the Instruments constitute direct, general, unsubordinated, unconditional and unsecured obligations of each of the Subsidiary Guarantors which will at all times rank at least pari passu with all other present and future unsecured and unsubordinated obligations of the Subsidiary Guarantors, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application.

Notice of the aggregate nominal amount of the Instruments, interest or, as the case may be, distribution (if any) payable in respect of the Instruments, the issue price of the Instruments and any other terms and conditions not contained herein which are applicable to each Series (as defined in the Conditions (as defined herein)) of the Instruments will be set out in a pricing supplement (the “**Pricing Supplement**”). This Offering Circular may not be used to consummate sales of the Instruments, unless accompanied by a Pricing Supplement.

The Programme provides that Instruments may be listed or admitted to trading, as the case may be, on such other or further stock exchange(s) or market(s) as may be agreed between the Issuer and the relevant Dealer. The Issuer may also issue unlisted Instruments and/or Instruments not admitted to trading on any market. The relevant Pricing Supplement in respect of the issue of any Instruments will specify whether or not such Instruments will be listed on the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”) or any other stock exchange.

The Instruments and the Guarantee of the Instruments have not been and will not be registered under the United States Securities Act of 1933, as amended (the “**Securities Act**”) or with any securities regulatory authority of any state of the United States, and the Notes may include Bearer Notes (as defined herein) that are subject to U.S. tax law requirements. The Instruments may not be offered, sold, or, in the case of Bearer Notes, delivered within the United States except in accordance with Regulation S under the Securities Act or pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Any Series of Instruments may be subject to additional selling restrictions. The relevant Pricing Supplement in respect of such Series of Instruments will specify any such restrictions. See “**Subscription and Sale**” and the relevant Pricing Supplement. Registered Instruments are subject to certain restrictions on transfer as described in “**Subscription and Sale**”.

The Notes of each Series issued in bearer form (“**Bearer Notes**”) will be represented on issue by a temporary global note in bearer form (each a “**Temporary Global Note**”) or a permanent global note in bearer form (each a “**Permanent Global Note**”) and together with the Temporary Global Note, the “**Global Notes**”) and will be sold in an “**offshore transaction**” within the meaning of Regulation S under the Securities Act. Interests in Temporary Global Notes generally will be exchangeable for interests in Permanent Global Notes, or if so stated in the relevant Pricing Supplement, definitive Notes (“**Definitive Notes**”), after the date falling 40 days after the later of the commencement of the offering and the relevant issue date of such Series, upon certification as to non-U.S. beneficial ownership. Interests in Permanent Global Notes will be exchangeable for Definitive Notes in whole but not in part in accordance with its terms. Instruments in registered form (“**Registered Instruments**”) will be represented by a global certificate in registered form (each a “**Global Certificate**”), one Global Certificate being issued in respect of each Noteholder’s and/or Securityholder’s entire holding of Instruments in registered form of one Series. Global Notes and Global Certificates may be deposited on the relevant issue date (a) in the case of a Series intended to be cleared through Euroclear Bank SA/NV (“**Euroclear**”) and/or Clearstream Banking S.A. (“**Clearstream**”), with a common depository on behalf of Euroclear and/or Clearstream or, (b) in the case of a Series intended to be cleared through the Central Money Markets Unit Service, operated by the Hong Kong Monetary Authority (the “**CMU Service**”), with a sub-custodian for the CMU Service or, (c) in the case of a Series intended to be cleared through a clearing system other than, or in addition to, Euroclear and/or Clearstream and/or the CMU Service or delivered outside a clearing system, as agreed between the Issuer and the relevant Dealer. The provisions governing the exchange of interests in Global Notes for other Global Notes or Definitive Notes or Global Certificates for Individual Certificates are described in “**Summary of Provisions Relating to the Instruments while in Global Form**”.

Investing in Instruments issued under the Programme involves certain risks and may not be suitable for all investors. Investors should have sufficient knowledge and experience in financial and business matters to evaluate the information contained in this Offering Circular and in the relevant Pricing Supplement and the merits and risks of investing in a particular issue of Instruments in the context of their financial position and particular circumstances. Investors also should have the financial capacity to bear the risks associated with an investment in Instruments. Investors should not purchase Instruments unless they understand and are able to bear risks associated with Instruments. Prospective investors should have regard to the factors described under the section headed “**Risk Factors**” in this Offering Circular.

If the Pricing Supplement in respect of any Instruments includes a legend entitled “**Prohibition of Sales to EEA Retail Investors**”, the Instruments are not intended, from 1 January 2018, to be offered, sold or otherwise made available to and, with effect from such date, should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (“**EEA**”). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (“**MiFID II**”); (ii) a customer within the meaning of Directive 2002/92/EC (“**IMD**”), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in Directive 2003/71/EC (as amended, the “**Prospectus Directive**”). Consequently no key information document required by Regulation (EU) No 1286/2014 (the “**PRIIPs Regulation**”) for offering or selling the Instruments or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Instruments or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

Approval in-principle has been received from the SGX-ST for permission to deal in, and the quotation of, any Instruments that may be issued pursuant to the Programme and which are agreed at or prior to the time of issue thereof to be so listed on the Official List of the SGX-ST. In addition, at the relevant time of issue of the Instruments which are agreed at or prior to the time of issue to be listed on the Official List of the SGX-ST, a separate application will be made to the SGX-ST for the permission to deal in, and quotation of, such Instruments on the Official List of the SGX-ST. Such permission will be granted when the Instruments have been admitted to the Official List of the SGX-ST. There is no assurance that the application to the SGX-ST for permission to deal in, and quotation of, the Instruments of any Series (as defined herein) will be approved. The SGX-ST assumes no responsibility for the correctness of any of the statements made, opinions expressed or reports contained in this Offering Circular. The approval in-principle from, and admission to the Official List of, the SGX-ST is not to be taken as an indication of the merits of the Issuer, the Subsidiary Guarantors, the Group (as defined herein), the Programme and/or the Instruments.

Arrangers

BOC International

DBS Bank Ltd.

Dealers

BOC International

DBS Bank Ltd.

The date of this Offering Circular is 25 October 2017

IMPORTANT NOTICE

The Issuer and each of the Subsidiary Guarantors having made all reasonable enquiries, confirms that (i) this Offering Circular contains all information with respect to the Issuer, each of the Subsidiary Guarantors, and their respective subsidiaries taken as a whole (the “**Group**”, “**we**” or “**us**”), the Programme and the Instruments which is material in the context of the Programme, the issue, offering, sale, marketing or distribution of the Instruments, (ii) the statements contained in it relating to the Issuer, each of the Subsidiary Guarantors and the Group are in every material respect true and accurate and not misleading, and there are no other facts in relation to the Issuer, any of the Subsidiary Guarantors, the Group, the Programme and the Instruments the omission of which would, in the context of the Programme, and the issue, offering, sale, marketing or distribution of the Instruments, make any statement in this Offering Circular misleading, (iii) the statements of intention, opinion, belief or expectation contained in this Offering Circular are honestly and reasonably made or held and have been reached after considering all relevant circumstances and based on reasonable assumptions, (iv) all reasonable enquiries have been made by the Issuer and each of the Subsidiary Guarantors to ascertain such facts and to verify the accuracy of all such information and statements, (v) all descriptions of contracts or other material documents described in this Offering Circular are accurate in all material respects and fairly summarise the contents of such contracts or documents. The Issuer and each of the Subsidiary Guarantors accept full responsibility for the information contained in this Offering Circular.

Each Tranche (as defined in “*Definitions*”) of Notes will be issued on the terms set out herein under “*Terms and Conditions of the Notes*” (the “**Note Conditions**”) and each Tranche of Securities will be issued on the terms set out herein under “*Terms and Conditions of the Securities*” (the “**Security Conditions**” and together with the Note Conditions, the “**Conditions**”) as amended and/or supplemented by a document specific to such Tranche by a Pricing Supplement. This Offering Circular and any Pricing Supplement must be read and construed together with any amendments or supplements hereto and with any information incorporated by reference herein and, in relation to any Tranche of Instruments, must be read and construed together with the relevant Pricing Supplement. This Offering Circular and any Pricing Supplement shall be read and construed on the basis that such documents are incorporated in and form part of this Offering Circular.

Important — EEA Retail Investors: In addition, if the Pricing Supplement in respect of any Instruments includes a legend entitled “Prohibition of Sales to EEA Retail Investors”, the Instruments are not intended, from 1 January 2018, to be offered, sold or otherwise made available to and, with effect from such date, should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (“**EEA**”). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (“**MiFID II**”); (ii) a customer within the meaning of Directive 2002/92/EC (“**IMD**”), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in Directive 2003/71/EC (as amended, the “**Prospectus Directive**”). Consequently no key information document required by Regulation (EU) No 1286/2014 (the “**PRIIPs Regulation**”) for offering or selling the Instruments or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Instruments or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

The distribution of this Offering Circular and any Pricing Supplement and the offering of the Instruments in certain jurisdictions may be restricted by law. Persons into whose possession this Offering Circular and any Pricing Supplement comes are required by the Issuer, each of the Subsidiary Guarantors, the Arrangers and the Dealers to inform themselves about and to observe any such restrictions. No action is being taken to permit a public offering of the Instruments or the distribution of this Offering Circular and any Pricing Supplement in any jurisdiction where action would be required for such purposes. There are restrictions on the offer and sale of the Instruments and the circulation of documents relating thereto, in certain jurisdictions including the United States, the United Kingdom, Hong Kong, Singapore, the British Virgin Islands and the Cayman Islands, and to persons connected therewith. For a description of certain further restrictions on offers, sales and resales of the Instruments and distribution of this Offering Circular and any Pricing Supplement, see “*Subscription and Sale*”.

No person has been or is authorised to give any information or to make any representation concerning the Issuer, any of the Subsidiary Guarantors, the Group or the Instruments, other than as contained herein and, if given or made, any such other information or representation should not be relied upon as having been authorised by the Issuer, any of the Subsidiary Guarantors, the Arrangers, the Dealers, the Trustee (as defined herein) or the Principal Paying Agent (as defined herein), Paying Agent (as defined herein), Transfer Agent (as defined herein), Principal Registrar (as defined herein), CMU

Registrar (as defined herein) and CMU Lodging and Paying Agent (as defined herein) (collectively, the “**Agents**”). Neither the delivery of this Offering Circular and any Pricing Supplement nor any offering, sale or delivery made in connection with the issue of the Instruments shall, under any circumstances, constitute a representation that there has been no change or development reasonably likely to involve a change in the affairs of the Issuer, any of the Subsidiary Guarantors, the Group or any of them since the date hereof or create any implication that the information contained herein is correct as at any date subsequent to the date hereof. Neither this Offering Circular nor any Pricing Supplement constitutes an offer of, or an invitation by or on behalf of the Issuer, any of the Subsidiary Guarantors, the Arrangers, the Dealers, the Trustee or the Agents to subscribe for or purchase any of the Instruments and may not be used for the purpose of an offer to, or a solicitation by, anyone in any jurisdiction or in any circumstances in which such offer or solicitation is not authorised or is unlawful.

No representation or warranty, express or implied, is made or given by the Arrangers, the Dealers, the Trustee or the Agents (or any of their respective affiliates, directors, officers, employees, representatives, agents and each person who controls any of them) as to the accuracy, completeness or sufficiency of the information contained in this Offering Circular, and nothing contained in this Offering Circular is, or shall be relied upon as, a promise, representation or warranty by the Arrangers, the Dealers, the Trustee or the Agents. None of the Arrangers, the Dealers, the Trustee and the Agents has independently verified any of the information contained in this Offering Circular and can give assurance that this information is accurate, truthful or complete. This Offering Circular is not intended to provide the basis of any credit or other evaluation nor should it be considered as a recommendation by any of the Issuer, the Subsidiary Guarantors, the Arrangers, the Dealers, the Trustee or the Agents that any recipient of this Offering Circular should purchase the Instruments. Each potential purchaser of the Instruments should determine for itself the relevance of the information contained in this Offering Circular and its purchase of the Instruments should be based upon such investigations with its own tax, legal and business advisers as it deems necessary.

To the fullest extent permitted by law, none of the Arrangers, the Dealers, the Trustee or the Agents or any of their respective affiliates, directors or advisers accepts any responsibility for the contents of this Offering Circular. Each of the Arrangers, the Dealers, the Trustee and the Agents and their respective affiliates, directors or advisers accordingly disclaims all and any liability, whether arising in tort or contract or otherwise, which it might otherwise have in respect of this Offering Circular or any such statement. None of the Arrangers, the Dealers, the Trustee or the Agents or any of their respective affiliates, directors or advisers undertakes to review the results of operations, financial condition or affairs of the Issuer, any of the Subsidiary Guarantors or the Group during the life of the arrangements contemplated by this Offering Circular nor to advise any investor or potential investor in the Instruments of any information coming to the attention of the Arrangers, the Dealers, the Trustee or the Agents.

IN CONNECTION WITH THE ISSUE OF ANY TRANCHE OF INSTRUMENTS, THE ARRANGER AND DEALERS DESIGNATED AS THE STABILISING MANAGER (OR PERSONS ACTING ON BEHALF OF THEM (THE “STABILISING MANAGERS”) IN THE RELEVANT PRICING SUPPLEMENT MAY OVER-ALLOT INSTRUMENTS OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE PRICE OF THE INSTRUMENTS AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL FOR A LIMITED PERIOD AFTER THE RELEVANT ISSUE DATE. HOWEVER, THERE IS NO OBLIGATION ON SUCH STABILISING MANAGERS TO DO THIS. SUCH STABILISING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME, AND MUST BE BROUGHT TO AN END AFTER A LIMITED PERIOD. SUCH STABILISING SHALL BE IN COMPLIANCE WITH ALL APPLICABLE LAWS, REGULATIONS AND RULES.

In making an investment decision, investors must rely on their own examination of the Issuer and the terms of the offering, including the merits and risks involved. See “*Risk Factors*” for a discussion of certain factors to be considered in connection with an investment in the Instruments.

Each person receiving this Offering Circular and any Pricing Supplement acknowledges that such person has not relied on the Arrangers, the Dealers, the Trustee or the Agents or any person affiliated with the Arrangers, the Dealers, the Trustee or the Agents in connection with its investigation of the accuracy of such information or its investment decision.

The Issuer's consolidated financial statements as at and for the years ended 31 December 2015 and 2016, which are included elsewhere in this Offering Circular, have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") audited by PricewaterhouseCoopers. The consolidated financial statements as at and for the six month periods ended 30 June 2017 which are included elsewhere in this Offering Circular, have been reviewed by PricewaterhouseCoopers, Certified Public Accountants, 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 Hong Kong Institute of Certified Public Accountants ("HKICPA") as stated in their report appearing herein.

The consolidated financial information as at and for the six months ended 30 June 2016 included in this Offering Circular has neither been audited nor reviewed by PricewaterhouseCoopers. The consolidated interim financial information as at and for six months ended 30 June 2017 included in this Offering Circular have been reviewed by PricewaterhouseCoopers but are not audited. Consequently, such financial information should not be relied upon by potential investors to provide the same type or quality of information associated with information that has been subject to an audit or (as the case may be) a review. Accordingly, potential investors must exercise caution when using such data to evaluate the Group's financial position, results of operations and cash flows. Such unaudited condensed consolidated interim financial information as at and for the six months ended 30 June 2017 should not be taken as an indication of the expected financial condition, results of operations and cash flows of the Group for the full financial year ended 31 December 2017.

Unless otherwise indicated, all references in this Offering Circular to "China" or the "PRC" are to the People's Republic of China and, for the purpose of this Offering Circular only, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan, all references to "Hong Kong" are to the Hong Kong Special Administrative Region of China. References herein to the "US", "U.S." or the "United States" are to the United States of America, its territories and possessions, any state of the United States and the District of Columbia.

Unless otherwise specified or the context requires, references herein to "Renminbi", "RMB" or "CNY" are to the lawful currency of the PRC, references herein to "Hong Kong dollars", "HK dollars", "HK" or "HKD" are to the lawful currency of Hong Kong, references here to "Singapore dollars", "SGD" or "S\$" are to the lawful currency of Singapore and references herein to "U.S. dollars", "U.S.\$" or "USD" are to the lawful currency of the United States.

This Offering Circular contains translations of certain HK dollar amounts into U.S. dollar amounts at specified rates. Unless indicated otherwise, the translation of HK dollar amounts into U.S. dollar amounts has been made at the rate of HK\$7.75 to U.S.\$1.00. These translations should not be construed as representations that the HK dollar amounts could be converted into such U.S. dollar amounts at the rates indicated or at all.

Market data and certain industry forecasts and statistics in this Offering Circular have been obtained from both public and private sources, including market research, publicly available information and industry publications. Although this information is believed to be reliable, it has not been independently verified by the Issuer, any of the Subsidiary Guarantors, the Arrangers, the Dealers, the Trustee, the Agents or their respective directors and advisers, and none of the Issuer, any of the Subsidiary Guarantors, the Arrangers, the Dealers, the Trustee, the Agents and their respective directors and advisers makes any representation as to the accuracy or completeness of that information. In addition, third party information providers may have obtained information from market participants and such information may not have been independently verified.

In this Offering Circular, where information has been presented in thousands or millions of units, amounts may have been rounded. Accordingly, totals of columns or rows of numbers in tables may not be equal to the apparent total of the individual items and the actual numbers may differ from those contained herein due to rounding. References to information in billions of units are to the equivalent of a thousand million units.

SUPPLEMENTAL OFFERING CIRCULAR

The Issuer and each of the Subsidiary Guarantors have given an undertaking to the effect that, unless the Issuer has notified the Dealers in writing that it has no intention to issue Instruments under the Programme for the time being, the Issuer and each of the Subsidiary Guarantors shall update or amend this Offering Circular (following consultation with the Arrangers which will consult with the Dealers) by the publication of a supplement thereto or a new Offering Circular in a form approved by the Dealers on or before each anniversary of the date of the Offering Circular and in the event that a significant new factor, material mistake or inaccuracy relating to the information included in this Offering Circular arises or is noted which is capable of affecting an assessment of any Instruments which may be issued under the Programme.

This Offering Circular contains certain EBITDA figures. EBITDA is not a measure of the financial performance leverage or liquidity under Hong Kong Financial Reporting Standards (“**HKFRS**”) and should not be considered as representing net cash flows from operating activities or any other performance measure derived in accordance with HKFRS or an alternative to cash flow from operations or a measure of liquidity. The computation of EBITDA may not be comparable to similarly titled measures of other companies.

SPECIAL NOTE ON FORWARD-LOOKING STATEMENTS

The Issuer has made forward-looking statements in this Offering Circular regarding, among other things, the financial conditions, future expansion plans and business strategy of the Group. These forward-looking statements are based on the Company's current expectations about future events, and are based on numerous assumptions regarding its present and future business strategies and the environment in which the Company will operate in the future. Although the Issuer believes that these expectations and projections are reasonable, such forward-looking statements are inherently subject to risks, uncertainties and assumptions, including, among other things:

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

The words "anticipate", "believe", "estimate", "expect", "intend", "plan" and similar expressions are intended to identify a number of these forward-looking statements. However, these words are not the exclusive means of identifying forward-looking statements. Additional factors that could cause actual performance or achievements to differ materially include, but are not limited to, those discussed under "*Risk Factors*" and elsewhere in this Offering Circular. The Issuer undertakes no obligation to update or revise any forward-looking statements whether as a result of new information, future events or otherwise. In light of these risks, uncertainties and assumptions, the forward-looking events discussed in this Offering Circular might not occur and the Group's actual results could differ materially from those anticipated in these forward-looking statements. Accordingly, investors are cautioned not to place undue reliance on these forward-looking statements.

These forward-looking statements speak only as at the date of this Offering Circular. The Issuer expressly disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statement contained herein to reflect any change in the Group's expectations with regard thereto or any change of events, conditions or circumstances, on which any such statement was based. All forward-looking statements contained in this Offering Circular are qualified by reference to the cautionary statements in this section.

INFORMATION INCORPORATED BY REFERENCE AND FINANCIAL INFORMATION

This Offering Circular should be read and construed in conjunction with:

- (i) each relevant Pricing Supplement;
- (ii) all amendments and supplements from time to time to this Offering Circular; and
- (iii) any annual or interim financial statements (whether audited or unaudited) of the Issuer that are published subsequent to the date of this Offering Circular as amended and supplemented from time to time,

which shall be deemed to be incorporated in, and to form part of, this Offering Circular and which shall be deemed to modify or supersede the contents of this Offering Circular.

Any statement contained in this Offering Circular or in a document incorporated by reference into this Offering Circular will be deemed to be modified or superseded for purposes of this Offering Circular to the extent that a statement contained in any such subsequent document modifies or supersedes that statement. Any statement that is modified or superseded in this manner will no longer be a part of this Offering Circular, except as modified or superseded.

Any unaudited financial statements should not be relied upon to provide the same quality of information associated with information that has been subject to an audit nor taken as an indication of the expected financial condition and results of operations of the Issuer for the relevant full financial year. Potential investors must exercise caution when using such data to evaluate the Issuer's or any of the Subsidiary Guarantors' financial condition, results of operations and results.

DEFINITIONS

In this Offering Circular, unless the context indicates otherwise, the following terms have the respective meanings set forth below.

“ Alternative Clearing System ”	Any clearing system other than Euroclear, Clearstream and Luxembourg and the CMU
“ BCA ”	The Building & Construction Authority of Singapore
“ Board ”	The Board of Directors
“ China ” or “ PRC ”	the People’s Republic of China, which shall, for the purposes of this Offering Circular, exclude Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“ CNQC Engineering & Construction ”	CNQC Engineering & Construction Pte. Ltd., (formerly known as Qingdao Construction (Singapore) Pte. Ltd) a company incorporated in Singapore with limited liability
“ Companies Law ”	The Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands
“ Company ” or “ Issuer ”	CNQC International Holdings Limited (青建國際控股有限公司), 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)
“ CPS ”	the non-redeemable convertible preference shares of HK\$0.01 each
“ CRS ”	the Contractors Registration System
“ Director(s) ”	director(s) of the Company
“ Full Gain ”	Full Gain Engineering Limited (廣盈工程有限公司), a company incorporated in Hong Kong with limited liability
“ Group ”	the Company and its subsidiaries
“ Guotsing PRC ”	國清控股集團有限公司 (Guotsing Holding Group Co Ltd.*), a company incorporated in the PRC with limited liability
“ HDB ”	Housing & Development Board, the Singapore’s public housing authority
“ HK\$ ”	Hong Kong dollars, the lawful currency of Hong Kong
“ Hong Kong ”	the Hong Kong Special Administrative Region of the PRC
“ Listing Rules ”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“ MOM ”	Ministry of Manpower of Singapore
“ Qingjian International ”	Qingjian International (South Pacific) Group Development Co. Pte. Ltd., a company incorporated in Singapore with limited liability
“ Qingjian Realty ”	Qingjian Realty (South Pacific) Group Pte. Ltd., a company incorporated in Singapore with limited liability
“ SGD ” or “ S\$ ”	Singapore Dollar, the lawful currency of Singapore

“Share(s)”	ordinary shares of HK\$0.01 each in the share capital of the Company
“Shareholders”	the holders of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Sunley”	Sunley Engineering & Construction Company Limited (新利地基工程有限公司), a company incorporated in Hong Kong with limited liability
“Sunnic”	Sunnic Engineering Limited (實力工程有限公司), a company incorporated in Hong Kong with limited liability
“URA”	Urban Redevelopment Authority, Singapore’s land use planning and conservation authority
“Welltech”	Welltech Construction Pte. Ltd, a company incorporated in Singapore with limited liability
“WSH”	Workplace Safety and Health
“%”	per cent.

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 Offering 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.*

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SUMMARY OF THE GROUP

The summary below is only intended to provide a limited overview of information described in more detail elsewhere in this Offering Circular. As it is a summary, it does not contain all of the information that may be important to investors and terms defined elsewhere in this Offering Circular shall have the same meanings when used in this summary. Prospective investors should therefore read this Offering Circular in its entirety.

OVERVIEW

The Company was incorporated under the Companies Law in the Cayman Islands with limited liability on 15 April 2011 and was listed on the Hong Kong Stock Exchange on 18 October 2012. On 15 October 2015, the Company completed the acquisition of the property development and construction business in Singapore held by Wang Bao Development Limited and its subsidiaries for the consideration of HK\$2,617,650,000, the transaction of which constituted a very substantial acquisition and a deemed new listing of the Singapore property and construction business. The Group is principally engaged in the construction and real estate development businesses in Singapore and the foundation and construction business in Hong Kong and Macau.

As at 24 October 2017, the market capitalisation of the Company was approximately HK\$4,045 million. Guotsing Holding Company Limited is the controlling shareholder of the Company and holds approximately 65.23% of the issued share capital of the Company as at the date of this Offering Circular. Guotsing Holding Company Limited is under the common control of the ultimate beneficial owners of 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. A number of renowned investors, including the affiliates of Great Wall Asset Management Group, Huarong Asset Management Group and Cinda Asset Management Group also subscribed shares in the Company, representing approximately 9.93%, 4.69% and 0.84% of the issued share capital of the Company respectively.

As at the date of this Offering Circular, the Company had an authorised share capital of HK\$60 million divided into 6,000,000,000 ordinary shares of HK\$0.01 each and HK\$10 million divided into 1,000,000,000 CPS of HK\$0.01 each with an issued and fully paid-up share capital of HK\$14.29 million consisting of 1,429,395,806 ordinary shares of HK\$0.01 each and HK\$2.44 million consisting of 243,679,421 CPS of HK\$0.01 each.

The Company currently operates in the following three main business segments:

- *Property development in Singapore:* mainly focuses on the development and sale of quality condominiums and executive condominiums in Singapore;
- *Construction in Singapore:* provides construction services as a main contractor in construction projects of governmental authorities such as HDB and private property developers; and
- *Foundation and Construction in Hong Kong and Macau:* mainly responsible for foundation works and ancillary services with particular specialisation in piling works and superstructure construction.

COMPETITIVE STRENGTHS

The Company believes that the principal competitive strengths of the Group include the following:

- integrated and complementary dual capabilities as both a property developer and contractor that ensures optimal quality and efficiency;
- established track record and reputation in construction and strategic focus on participation in HDB construction projects;
- established reputation in Singapore property development and Hong Kong foundation industry;
- in-depth market knowledge to identify and acquire development sites with growth potential;
- prudent financial management policies; and
- experienced, professional and dedicated management team.

BUSINESS STRATEGIES

The Company intends to implement the following business strategies:

- leverage on synergy created by the dual capabilities to enhance its market presence in property development markets;
- continue to build upon the established track record with the local governmental authorities in Singapore and to diversify the revenue stream for the construction business segment in Singapore;
- continue to enhance the reputation of the Group, innovate and improve project designs with value-added features; and
- attract, retain and develop a talented workforce through continual training and attractive remuneration packages.

RECENT DEVELOPMENTS

Shunfu Ville Enbloc Project

The Group entered into the sale and purchase agreement in May 2016 with approximately 81% owners of Shunfu Ville for a collective sale at a total consideration of S\$638 million. This is the first collective sale of the Group and is one of the largest collective sales in Singapore's history. The site covers an area of approximately 38,000 sq.m. with an estimated gross floor area of over 117,000 sq.m. The Company intends it to be developed as private condominiums with around 1,200 apartments. The completion of the collective sale of Shunfu Ville took place in July 2017. The contracted property sales are expected to commence in 2018 with the construction of the project expected to be completed by 2021.

On 16 May 2017, CNQC International Asset Management Limited (a direct wholly-owned subsidiary of the Company) entered into a limited partnership agreement with, among others, Great Wall International Investment I Limited, Guotsing Asset Management Limited and the Great Wall and CNQC B&R Industrial Development Fund Management Limited (as general partner) for the formation of a fund for the purpose of, among other things, investment into the development of Shunfu Ville Enbloc Project. Subject to completion, the respective commitment of CNQC International Asset Management Limited, Great Wall International Investment I Limited and Guotsing Asset Management Limited are U.S.\$90 million, U.S.\$184 million and U.S.\$6 million respectively. The completion of the formation of the fund took place on 17 August 2017.

Smart Home Projects of the Group

On 22 February 2017, the Company's wholly owned subsidiaries, Qingjian Realty and HiLife Interactive Pte. Ltd., entered into a memorandum of understanding with Singapore Telecommunications Limited to jointly develop smart home technology for the Group's property development projects in Singapore for a term of 12 months. HiLife Interactive Pte. Ltd. is a subsidiary of Qingjian Realty, focusing on providing support for condominium homeowners. Its flagship product, HiLife mobile application is a smart lifestyle portal that helps condominium developers and property management office to extend their relationship with homebuyers and residents beyond sales transaction of the properties. Singtel Telecommunications Limited is a company whose shares are listed on the Singapore Stock Exchange and is Asia's leading communications group providing a portfolio of services including voice and data solutions over fixed, wireless and Internet platforms as well as infocomm technology and pay TV. The Company considers that internet-ready smart home development in Singapore will be the trend in next generation home which goes in line with the business development of the Group at a strategic level and the entering into of the memorandum of understanding will provide mutual benefits for all parties involved.

GENERAL INFORMATION

The registered office of the Issuer is Clifton House, 75 Fort Street, PO Box 1350, Grand Cayman, KY1-1108, Cayman Islands. The head office and principal place of business of the Issuer in Hong Kong is Room 601, 6/F, Exchange Tower, 33 Wang Chiu Road, Kowloon Bay, Hong Kong. The Issuer's website is located at www.cnqc.com.hk.

SUMMARY OF THE PROGRAMME

The following summary is a brief summary of the programme. For a more detailed description of the terms of the Notes and the Securities, see “Terms and Conditions of the Notes” and “Terms and Conditions of the Securities (as applicable). Capitalised terms used herein and not defined have the meanings given to them in “Terms and Conditions of the Notes” and “Terms and Conditions of the Securities” (as applicable). Reference to Note Condition and Security Condition in the following summary refers to the corresponding conditions in the Terms and Conditions of the Notes and the Terms and Conditions of the Securities respectively.

Issuer:	CNQC International Holdings Limited 青建國際控股有限公司.
Subsidiary Guarantors:	Rich Prospect Holdings Limited (豐景控股有限公司), One Million International Limited, Wang Bao Development Limited (旺寶發展有限公司), New Chic International Limited, CNQC (South Pacific) Holding Pte. Ltd. and CNQC Engineering & Construction Pte. Ltd.
Description:	Medium Term Note and Perpetual Securities Programme.
Size:	Up to U.S.\$500,000,000 (or the equivalent in other currencies at the date of issue) aggregate nominal amount of Instruments outstanding at any one time. The Issuer and each of the Subsidiary Guarantors may increase the aggregate nominal amount of the Programme in accordance with the terms of the Dealer Agreement.
Risk Factors:	Investing in Instruments under the Programme involves certain risks. The principal risk factors that may affect the abilities of the Issuer and the Subsidiary Guarantors to fulfil the obligations in respect of the Instruments or the Trust Deed are discussed under the section “ <i>Risk Factors</i> ” below.
Arrangers:	BOCI Asia Limited and DBS Bank Ltd.
Dealers:	BOCI Asia Limited and DBS Bank Ltd. and any other Dealer appointed from time to time by the Issuer and each of the Subsidiary Guarantors either generally in respect of the Programme or in relation to a particular Tranche of Instruments. References in this Offering Circular to “ Dealers ” are to all persons appointed as a dealer in respect of one or more Tranches or the Programme.
Certain Restrictions:	For a description of certain restrictions on offers, sales and deliveries of Instruments and the distribution of offering material relating to the Instruments, see the section on “ <i>Subscription and Sale</i> ” below. Further restrictions may apply in connection with any particular Series or Tranche of Instruments.
Trustee:	DB Trustees (Hong Kong) Limited
Principal Paying Agent, Principal Registrar and Transfer Agent:	Deutsche Bank AG, Hong Kong Branch
CMU Registrar and CMU Lodging and Paying Agent: . .	Deutsche Bank AG, Hong Kong Branch
Method of Issue:	The Instruments may be issued on a syndicated or non-syndicated basis. The Instruments will be issued in series (each a “ Series ”) and each Series may be issued in tranches (each a “ Tranche ”) on the same or different issue dates. The specific terms of each Tranche (which will be completed, where necessary, with the relevant terms and conditions and, save in respect of the issue date, issue price, first payment date of interest or as the case may be, distribution and nominal amount of the Tranche, will be identical to the terms of other Tranches of the same Series) will be completed in the Pricing Supplement.

Issue Price:	Instruments may be issued at their nominal amount or at a discount or premium to their nominal amount. Partly Paid Notes may be issued, the issue price of which will be payable in two or more instalments.
Clearing Systems:	Clearstream, Euroclear and the CMU Service and in relation to any Tranche, such other clearing system as may be agreed between the Issuer, the Trustee and the Relevant Dealer(s).
Currencies:	Subject to compliance with all relevant laws, regulations and directives, Instruments may be issued in any currency agreed between the Issuers, each of the Subsidiary Guarantors and the Relevant Dealer(s).
Specified Denomination:	Instruments will be issued in such denominations as may be agreed between the Issuer, each of the Subsidiary Guarantors, and the Relevant Dealer(s) save that the minimum denomination of each Instruments will be such as may be allowed or required from time to time by the central banks (or equivalent body) or any laws or regulations applicable to the relevant currency (see “ <i>Certain Restrictions</i> ” above).
Withholding Tax:	All payments of principal, premium (if applicable), distribution and interest in respect of the Instruments or under the Guarantee will be made free and clear of withholding taxes of the Cayman Islands the British Virgin Islands or Singapore, unless the withholding is required by law. In that event, the Issuer or, as the case may be, the relevant Subsidiary Guarantor(s) shall (subject to the Note Conditions and Security Conditions, as applicable) pay such additional amounts as will result in the holders of the relevant Instruments receiving such amounts as they would have received in respect of such Instruments had no such withholding been required.
Governing Law:	The Instruments and the Trust Deed and all non-contractual obligations arising out of or in connection with the Instruments and the Trust Deed are governed by English law.
Listing and Admission to Trading:	Approval in-principle has been received from the SGX-ST for permission to deal in, and the quotation for, any Instruments that may be issued pursuant to the Programme and which are agreed at or prior to the time of issue thereof to be so listed on the Official List of the SGX-ST. In addition, at the relevant time of issue of the Instruments which are agreed at or prior to the time of issue to be listed on the Official List of the SGX-ST, a separate application will be made to the SGX-ST for the permission to deal in and quotation of such Instruments on the Official List of the SGX-ST. Such permission will be granted when such Instruments have been admitted to the Official List of the SGX-ST. There is no assurance that the application to the Official List of the SGX-ST will be approved. The approval in-principle from, and admission to the Official List of the SGX-ST and quotation of any Instruments on the SGX-ST is not to be taken as an indication of the merits of the Issuer, the Subsidiary Guarantors, the Group, the Programme and/or such Instruments. The SGX-ST assumes no responsibility for the correctness of any of the statements made, opinions expressed or reports contained herein. If the application to the SGX-ST to list a particular series of Instruments is approved, such Instruments listed on the SGX-ST will be traded on the SGX-ST in a board lot size of at least S\$200,000 (or its equivalent in other currencies).

The Instruments may also be listed on such other or further stock exchange(s) as may be agreed between the Issuer and the Relevant Dealer(s) in relation to each Series of Instruments. The Pricing Supplement relating to each Series of Instruments will state whether or not the Instruments of such Series will be initially listed on any stock exchange(s) and, if so, on which stock exchange(s) the Instruments are to be initially listed. Unlisted Series of Instruments may also be issued pursuant to the Programme.

Initial Delivery of the Instruments:

On or before the issue date for each Tranche, the Global Note representing Bearer Notes or the Global Certificate representing Registered Instruments may be deposited (a) in the case of a Tranche intended to be cleared through Euroclear and/or Clearstream, with a common depositary on behalf of Euroclear and/or Clearstream or, (b) in the case of a Tranche intended to be cleared through the CMU Service, with a sub-custodian for the CMU Service or, (c) in the case of a Tranche intended to be cleared through a clearing system other than, or in addition to, Euroclear and/or Clearstream and/or the CMU Service or delivered outside a clearing system, as agreed between the Issuer and the Relevant Dealer(s).

THE NOTES

Status of Notes:

The Notes constitute direct, general, unsubordinated, unconditional and (subject to Note Condition 5(a)) unsecured obligations of the Issuer which will at all times rank *pari passu* among themselves and at least *pari passu* with all other present and future unsecured and unsubordinated obligations of the Issuer, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application. See “*Terms and Conditions of the Notes — Status of the Notes*”.

Status of the Guarantee of the Notes:

Each of the Subsidiary Guarantors have in the Trust Deed unconditionally and irrevocably guaranteed the due and punctual payment of all sums from time to time payable by the Issuer in respect of the Notes. The Guarantee of the Notes constitutes direct, general, unsubordinated, unconditional and unsecured obligations of each of the Subsidiary Guarantors which will at all times rank at least *pari passu* with all other present and future unsecured and unsubordinated obligations of the Subsidiary Guarantors, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application. See “*Status of the Guarantee of the Notes*”.

Maturities:

Subject to compliance with all relevant laws, regulations and directives, any maturity as may be agreed between the Issuer, the Subsidiary Guarantors and the Relevant Dealers.

Form of Notes:

The Notes will be issued in bearer or registered form as described in “*Form of the Pricing Supplement in relation to the Notes*”. Registered Notes will not be exchangeable for Bearer Notes and *vice versa*.

Each Tranche of Bearer Notes will initially be represented by a Temporary Global Note or a Permanent Global Note as specified in the relevant Pricing Supplement, which, in each case, may be deposited on the Issue Date with a common depository for Euroclear, Clearstream or any other agreed clearing system compatible with Euroclear and Clearstream or, in respect of Notes intended to be cleared through the CMU Service, a sub-custodian for the CMU Service. Each Temporary Global Note will be exchangeable for a Permanent Global Note or, if so specified in the relevant Pricing Supplement, for Definitive Notes. Each Permanent Global Note will be exchangeable for Definitive Notes in accordance with its terms. Definitive Notes will, if interest-bearing, have Coupons attached and, if appropriate, a Talon for further Coupons. Any interest in a Temporary Global Note or a Permanent Global Note will be transferable only in accordance with the rules and procedures or the time being of Euroclear, Clearstream, the CMU Service and/or any other agreed clearing system, as appropriate.

Bearer Notes will be issued in compliance with applicable U.S. tax rules. Bearer Notes will be issued in compliance with rules in substantially the same form as U.S. Treasury Regulations §1.163-5(c)(2)(i)(D) for purposes of Section 4701 of the U.S. Internal Revenue Code (the “**TEFRA D Rules**”) unless (i) the relevant Pricing Supplement states that the Bearer Notes are issued in compliance with rules in substantially the same form as U.S. Treasury Regulation §1.163-5(c)(2)(i)(C) for purposes of Section 4701 of the U.S. Internal Revenue Code (the “**TEFRA C Rules**”) or (ii) the Bearer Notes are issued other than in compliance with the TEFRA D Rules or the TEFRA C Rules but in circumstance in which the Notes will not constitute “registration required obligations” for U.S. federal income tax purposes, which circumstance will be referred to in the relevant Pricing Supplement. If the TEFRA D Rules are specified in the relevant Pricing Supplement as applicable, certification as to non-U.S. beneficial ownership will be a condition precedent to any exchange of an interest in a Temporary Global Note or receipt of any payment of interest in respect of a Temporary Global Note.

Each Tranche of Registered Notes will, unless specified in the relevant Pricing Supplement, be represented by a Global Certificate (as defined in the “*Form of the Instruments*”), which will be deposited on or about its issue date with a common depository for, and registered in the name of a nominee of, Euroclear and Clearstream or any other agreed clearing system compatible with Euroclear and Clearstream or in respect of Notes intended to be cleared through the CMU Service, the Global Certificate will be lodged with a sub-custodian for the CMU Service operated by the HKMA and registered in the name of the HKMA. With respect to all offers or sales by a Dealer of an unsold allotment or subscription, beneficial interests in a Global Certificate of such Tranche may be held only through Euroclear or Clearstream or the CMU Service.

Application will be made to have Global Notes or Global Certificates of any Tranche accepted for clearance and settlement through the facilities of Euroclear, Clearstream and/or the CMU Service or any other agreed clearing system compatible with Euroclear and Clearstream, as appropriate.

Fixed Rate Notes: Fixed interest will be payable in arrear on such date or dates as may be agreed between the Issuer, the Subsidiary Guarantors and the Relevant Dealer(s) and on redemption and will be calculated on the basis of such Day Count Fraction as specified in the relevant pricing supplement.

Floating Rate Notes: Floating Rate Notes will bear interest payable in arrear and determined separately for each Series as follows:

- (i) on the same basis as the floating rate under a notional interest rate swap transaction in the relevant Specified Currency governed by an agreement incorporating the 2006 ISDA Definitions (as published by the International Swaps and Derivatives Association, Inc. and as amended and updated as at the Issue Date of the first Tranche of the Notes of the relevant Series); or
- (ii) by reference to LIBOR, EURIBOR or HIBOR (or such other benchmark as may be specified in the relevant Pricing Supplement) as adjusted for any applicable margin; or
- (iii) on such other basis as may be agreed between the Issuer, the Subsidiary Guarantors and the Relevant Dealer(s).

Interest periods will be specified in the relevant Pricing Supplement.

Zero Coupon Notes: Zero Coupon Notes (as defined in “*Terms and Conditions of the Notes*”) may be issued at their nominal amount or at a discount to it and will not bear interest.

Dual Currency Notes: Payments (whether in respect of principal or interest and whether at maturity or otherwise) in respect of Dual Currency Notes (as defined in “*Terms and Conditions of the Notes*”) will be made in such currencies, and based on such rates of exchange as the Issuer, the Subsidiary Guarantors and the Relevant Dealer(s) may agree and as may be specified in the relevant Pricing Supplement.

Interest Periods and Interest Rates: The length of the interest periods for the Notes and the applicable interest rate or its method of calculation may differ from time to time or be constant for any Series. Floating Rate Notes may also have a maximum interest rate, a minimum interest rate, or both. The use of interest accrual periods permits the Notes to bear interest at different rates in the same interest period. All such information will be set out in the relevant Pricing Supplement.

Partly Paid Notes: In the case of Partly Paid Notes (other than Partly Paid Notes which are Zero Coupon Notes), interest will accrue as aforesaid on the paid-up nominal amount of such Notes and otherwise as specified in the relevant Pricing Supplement.

Redemption: The relevant Pricing Supplement will indicate either that the relevant Notes cannot be redeemed prior to their stated maturity (other than in specified instalments, if applicable, or for taxation reasons or following an Event of Default) or that such Notes will be redeemable at the option of the Issuer and/or the Noteholders upon giving notice to the Noteholders or the Issuer, as the case may be, on a date or dates specified prior to such stated maturity and at a price or prices and on such other terms as may be agreed between the Issuer, the Subsidiary Guarantors and the Relevant Dealer(s). The relevant Pricing Supplement may provide that Notes may be redeemable in two or more instalments of such amounts and on such dates as are indicated in the relevant Pricing Supplement.

Notes having a maturity of less than one year are subject to certain restrictions on their denomination and distribution.

Optional Redemption: Notes may be redeemed before their stated maturity at the option of the Issuer (either in whole or in part) and/or the Noteholders to the extent (if at all) specified in the relevant Pricing Supplement and subject to Note Condition 9.

Tax Redemption: Notes will be redeemable at the Issuer’s option prior to maturity for tax reasons as described in Note Condition 9.

Redemption for Relevant Event: At any time following the occurrence of a Relevant Event, each Noteholder will have the right, at such Noteholder’s option, to require the Issuer to redeem all, but not some only, of that Noteholder’s Notes on the Relevant Event Put Date at a price equal to the Early Redemption Amount (Relevant Event), together with interest accrued (if any) to the Relevant Event Put Date.

“Relevant Event” means:

- (a) the occurrence of a Change of Control; or
- (b) when the ordinary shares of the Issuer cease to be listed or admitted to trading on the Hong Kong Stock Exchange;

Redemption at the option of the Issuer: If the Call Option is specified in the relevant Pricing Supplement as being applicable, the Notes may be redeemed at the option of the Issuer in whole or, if so specified in the relevant Pricing Supplement, in part on any Optional Redemption Date (Call) at the relevant Optional Redemption Amount (Call) plus accrued interest (if any) to such date.

Redemption at the option of Noteholders: If the Put Option is specified in the relevant Pricing Supplement as being applicable, the Issuer shall, at the option of the Noteholder of any Note redeem such Note on the Optional Redemption Date (Put) specified in the relevant Put Option Notice at the relevant Optional Redemption Amount (Put) together with interest (if any) accrued to such date.

Covenants: The Notes will contain a covenants provision, each as described in Note Condition 5

, which includes:

- (a) Negative pledge;
- (b) Provision of information;
- (c) Limitation on Indebtedness and preferred stock;
- (d) Limitation on asset sales; and
- (e) Consolidation, merger and sale of assets;

Cross-default: The Note Conditions will contain a cross-default provision as described in Note Condition 13.

THE SECURITIES

Status of the Securities: The Securities constitute direct, general, unsubordinated, unconditional and unsecured obligations of the Issuer which will at all times rank *pari passu* among themselves and at least *pari passu* with all other present and future unsecured and unsubordinated obligations of the Issuer, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application.

Status of the Guarantee of the Securities: Each of the Subsidiary Guarantors have in the Trust Deed unconditionally and irrevocably guaranteed the due and punctual payment of all sums from time to time payable by the Issuer in respect of the Securities. The Guarantee of the Securities constitutes direct, general, unsubordinated, unconditional and unsecured obligations of each of the Subsidiary Guarantors which will at all times rank at least *pari passu* with all other present and future unsecured and unsubordinated obligations of the Subsidiary Guarantors, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application.

Maturity Date: The Securities are perpetual securities in respect of which there is no maturity date.

Form of Securities: The Securities will be issued in registered form only.

Distribution Basis: Subject to Security Condition 6(e), the Securities confer a right to receive distribution (each a “**Distribution**”) from the Distribution Commencement Date at the Distribution Rate payable in arrear on each Distribution Payment Date in accordance with Security Condition 6.

Distribution Deferral: The Issuer may, at its sole discretion, elect to defer, in whole or in part, any Distribution (including any Arrears of Distribution and any Additional Distribution Amount) which is otherwise scheduled to be paid on a Distribution Payment Date to the next Distribution Payment Date by giving notice to the Securityholders, the Trustee and the Principal Paying Agent in writing, and provided that if Dividend Pusher is specified as applicable in the relevant Pricing Supplement, a Compulsory Distribution Payment Event has not occurred.

Compulsory Distribution

Payment Event:

If a Dividend Pusher is specified as being applicable in the relevant Pricing Supplement, during the three-month period ending on the day before the relevant Distribution Payment Date, a Compulsory Distribution Payment Event occurs if either or both of the following have occurred:

- (a) a discretionary dividend, discretionary distribution or other discretionary payment has been declared or paid by the Issuer, any of the Subsidiary Guarantors, or any of their respective Subsidiaries on or in respect of any Parity Obligations or Junior Obligations of the Issuer or any of the Subsidiary Guarantors (except (i) in relation to the Parity Obligations of the Issuer or (as the case may be) the relevant Subsidiary Guarantor(s) on a *pro-rata* basis, or (ii) in connection with any employee benefit plan or similar arrangements with or for the benefit of employees, officers, directors or consultants, or (iii) for the issue of dividends to the Issuer or to any intermediate holding company); or
- (b) the Issuer, any of the Subsidiary Guarantors, or any of their respective Subsidiaries has at its discretion redeemed, reduced, cancelled, bought back or otherwise acquired any Parity Obligations or Junior Obligations of the Issuer or any of the Subsidiary Guarantors (except (i) in relation to the Parity Obligations of the Issuer or (as the case may be) the relevant Subsidiary Guarantor on a *pro-rata* basis, (ii) in connection with any employee benefit plan or similar arrangements with or for the benefit of employees, officers, directors or consultants or (iii) as a result of the exchange or conversion of such Parity Obligations for Junior Obligations of the Issuer or (as the case may be) the relevant Subsidiary Guarantor);

No Obligation to Pay:

The Issuer shall have no obligation to pay any Distribution (including any Arrears of Distribution and any Additional Distribution Amount) on any Distribution Payment Date if it validly elects not to do so in accordance with Security Condition 6(e)(i) and any failure to pay any Distribution, in whole or in part, shall not constitute a default of the Issuer in respect of the Securities.

Cumulative Deferral:

Any distribution deferred pursuant to Security Condition 6(e) shall constitute “**Arrears of Distribution**”. The Issuer may, at its sole discretion, elect to further defer (in whole or in part) any Arrears of Distribution by complying with the relevant notice requirement applicable to any deferral of Distribution. The Issuer is not subject to any limit as to the number of times Distribution and Arrears of Distribution can be deferred pursuant to Security Condition 6(e).

Each amount of Arrears of Distribution shall accrue distribution as if it constituted the principal of the Securities at the prevailing Distribution Rate and the amount of such additional distribution (the “**Additional Distribution Amount**”) with respect to Arrears of Distribution shall be due and payable pursuant to Security Condition 6 and shall be calculated by applying the applicable Distribution Rate to the amount of the Arrears of Distribution and otherwise *mutatis mutandis* as provided in Security Condition 6. The Additional Distribution Amount accrued up to any Distribution Payment Date shall be added, for the purpose of calculating the Additional Distribution Amount accruing thereafter, to the amount of Arrears of Distribution remaining unpaid on such Distribution Payment Date so that it will itself become Arrears of Distribution.

**Satisfaction of Arrears of
Distribution by payment:**

The Issuer:

- (A) may satisfy any Arrears of Distribution and any Additional Distribution Amount (in whole or in part) at any time by giving notice of such election to the Securityholders (in accordance with Security Condition 17), the Trustee and the Principal Paying Agent in writing not less than 5 nor more than 20 Business Days prior to the proposed payment date specified in such notice (which notice shall be irrevocable and shall oblige the Issuer to pay the relevant Arrears of Distribution and Additional Distribution Amounts, on the payment date specified in such notice); and
- (B) in any event shall satisfy any outstanding Arrears of Distribution and Additional Distribution Amount (in whole but not in part) on the earliest of:
 - (1) the date of redemption of the Securities in accordance with the redemption events set out in Security Condition 7 with respect to the amount for redemption;
 - (2) the next Distribution Payment Date falling immediately after a breach of Security Condition 6(e)(v) or the occurrence of a Compulsory Distribution Payment Event;
 - (3) a Winding-Up of the Issuer or any of the Subsidiary Guarantors (in the case of Subsidiary Guarantors, on a voluntary basis); and
 - (4) the date of any substitution or variation in accordance with Security Condition 14(e).

**Restrictions in the case of
Deferral:**

If Dividend Stopper is specified in the relevant Pricing Supplement as being applicable and if on any Distribution Payment Date, payment of all Distribution payments (including any Arrears of Distribution and any Additional Distribution Amount) scheduled to be made on such date is not made in full by reason of Security Condition 6, each of the Issuer and the Subsidiary Guarantors undertakes, and undertakes to procure their respective Subsidiaries:

- (A) not to declare or pay any discretionary dividend, discretionary distribution or any other discretionary payment, and will procure that no discretionary dividend, discretionary distribution or other discretionary payment is made, in each case, on or in respect of any of its Parity Obligations or Junior Obligations (except (1) in relation to the Parity Obligations on a *pro-rata* basis, or (2) in connection with any employee benefit plan or similar arrangements with or for the benefit of employees, officers, directors or consultants), or (3) for the issue of dividends to the Issuer or to any intermediate holding company; and
- (B) not, at its discretion redeem, reduce, cancel, buy-back or otherwise acquire for any consideration any of its Parity Obligations or Junior Obligations (except (1) in relation to the Parity Obligations on a *pro-rata* basis, (2) in connection with any employee benefit plan or similar arrangements with or for the benefit of employees, officers, directors or consultants, or (3) as a result of the exchange or conversion of such Parity Obligations for Junior Obligations,

in each case, unless and until the Issuer (failing whom, the Subsidiary Guarantors) (i) has satisfied in full all outstanding Arrears of Distribution and any Additional Distribution Amounts or (ii) is permitted to do so by an Extraordinary Resolution and/or otherwise specified in the relevant Pricing Supplement.

Limited Rights to Institute Proceedings:

The right of the Trustee or any Securityholder to institute proceedings for Winding-Up of the Issuer or any of the Subsidiary Guarantors is limited to circumstances where payment has become due and is unpaid. In the case of any Distribution, such Distribution will not be due if the Issuer has elected to defer that Distribution in accordance with Security Condition 6(e). This shall not in any way restrict or limit any rights of the Trustee or any of its directors, officers, employees or agents to claim from or to otherwise take any action against the Issuer or the Subsidiary Guarantors, in respect of any costs, charges, fees or expenses properly incurred or liabilities incurred by such party pursuant to or in connection with the Trust Deed or the Securities.

Redemption for tax reasons: . . .

The Securities may be redeemable at the Issuer’s option in whole, but not in part, at any time, at their Early Redemption Amount (Tax), together with Distribution accrued (if any) to the date fixed for redemption (including any Arrears of Distribution and any Additional Distribution Amount) as described in Security Condition 7(b).

Redemption at the Option of the Issuer:

If the Call Option (Issuer) is specified in the relevant Pricing Supplement as being applicable, the Securities may be redeemed at the option of the Issuer in whole or, if so specified in the relevant Pricing Supplement, in part, as described in Security Condition 7(c), on the First Call Date or on any Distribution Payment Date after the First Call Date, at their Optional Redemption Amount (Issuer) together with Distribution accrued (if any) to the date fixed for redemption (including any Arrears of Distribution and any Additional Distribution Amount).

Redemption for accounting reasons:

If the Accounting Event Redemption is specified in the relevant Pricing Supplement as being applicable, the Securities may be redeemed at the option of the Issuer in whole, but not in part, as described in Security Condition 7(d), if an Accounting Event occurs, at:

- (A) their Early Redemption Amount (Accounting Event) together with Distribution accrued (if any) to the date fixed for redemption (including any Arrears of Distribution and any Additional Distribution Amount), at any time before the First Call Date; or
- (B) their principal amount, together with Distribution accrued (if any) to the date fixed for redemption (including any Arrears of Distribution and any Additional Distribution Amount), at any time on or after the First Call Date.

Redemption for Relevant Event:

If Relevant Event Redemption is specified in the relevant Pricing Supplement as being applicable, the Securities may be redeemed at the option of the Issuer in whole, but not in part, at any time, as described in Security Condition 7(e) if a Relevant Event occurs, at:

- (A) their Early Redemption Amount (Relevant Event) together with Distribution accrued (if any) to the date fixed for redemption (including any Arrears of Distribution and any Additional Distribution Amount), at any time before the First Call Date; or
- (B) their principal amount, together with Distribution accrued (if any) to the date fixed for redemption (including any Arrears of Distribution and any Additional Distribution Amount), at any time on or after the First Call Date.

“Relevant Event” means:

- (a) the occurrence of a Change of Control; or
- (b) when the ordinary shares of the Issuer cease to be listed or admitted to trading on the Hong Kong Stock Exchange;

Redemption for a Breach of Covenant Event:

If Breach of Covenant Redemption is specified in the relevant Pricing Supplement as being applicable, the Securities may be redeemed at the option of the Issuer in whole, but not in part, at any time, as described in Security Condition 7(f) upon the occurrence of a Breach of Covenant Event, at their Early Redemption Amount (Breach of Covenant Event) together with Distribution accrued (if any) to the date fixed for redemption (including any Arrears of Distribution and any Additional Distribution Amount).

Redemption for a Relevant Indebtedness Default Event:

If a Relevant Indebtedness Default Event Redemption is specified in the relevant Pricing Supplement as being applicable, the Securities may be redeemed at the option of the Issuer in whole, but not in part, at any time, as described in Security Condition 7(g) upon the occurrence of a Relevant Indebtedness Default Event, at their Early Redemption Amount (Relevant Indebtedness Default Event) together with Distribution accrued (if any) to the date fixed for redemption (including any Arrears of Distribution and any Additional Distribution Amount).

Redemption in the case of minimal outstanding amount:

The Securities may be redeemed at the option of the Issuer in whole, but not in part, at any time, as described in Security Condition 7(h) if prior to the date fixed for redemption at least 90 per cent. in principal amount of the Securities originally issued has been redeemed or purchased and cancelled, at their Optional Redemption Amount (Minimum Outstanding Amount) together with Distribution accrued (if any) to the date fixed for redemption (including any Arrears of Distribution and any Additional Distribution Amount).

Right of Securityholders:

No Securityholders shall be entitled to proceed directly against the Issuer or any of the Subsidiary Guarantors or to institute proceedings for the Winding-Up of the Issuer or any of the Subsidiary Guarantors or to claim in the liquidation of the Issuer or any of the Subsidiary Guarantors or to prove in such Winding-Up unless the Trustee, having become so bound to proceed or being able to prove in such Winding-Up or claim in such liquidation, fails to do so within a reasonable period and such failure shall be continuing, in which case the Securityholder shall have only such rights against the Issuer and the Subsidiary Guarantors as those which the Trustee is entitled to exercise as set out in Security Condition 10.

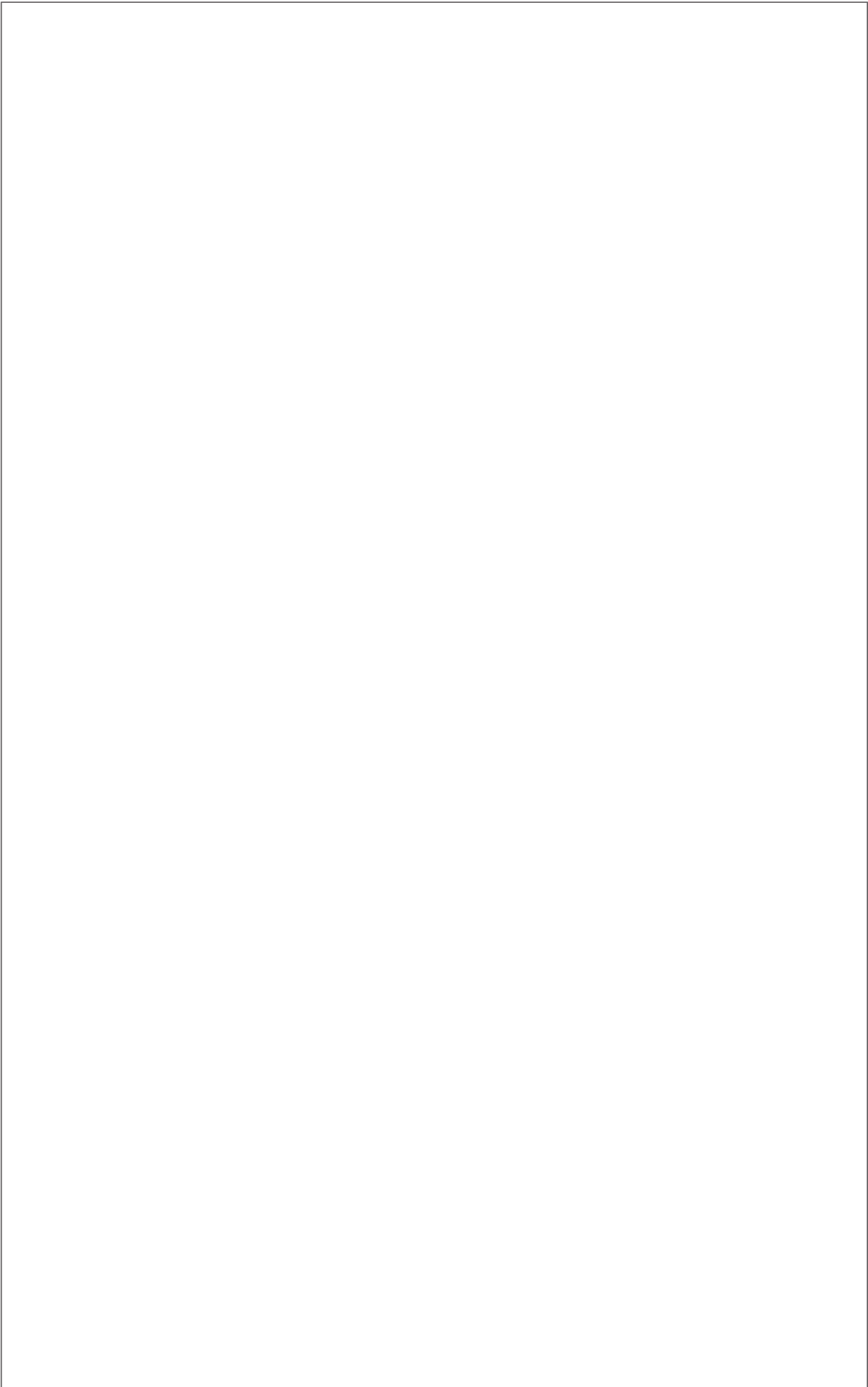
Proceedings for Winding-Up: . . .

If (i) there is a Winding-Up of the Issuer or any of the Subsidiary Guarantors (in the case of Subsidiary Guarantors, on a voluntary basis) or (ii) the Issuer or any of the Subsidiary Guarantors shall not make payment in respect of the Securities or under the Trust Deed for a period of ten days or more after the date on which such payment is due, the Issuer and/or the Subsidiary Guarantors shall be deemed to be in default under the Trust Deed, the Securities and, as the case may be, the Guarantee of the Securities and the Trustee may, subject to the provisions of Security Condition 10(d), institute proceedings for the Winding-Up of the Issuer, the Subsidiary Guarantors or any combination of them and/or prove in the Winding-Up of the Issuer, the Subsidiary Guarantors or any combination of them and/or claim in the liquidation of the Issuer, the Subsidiary Guarantors or any combination of them for such payment, as provided in the Trust Deed.

Covenants:

The Securities will limit the ability of the Issuer, any Subsidiary Guarantor and its Subsidiary to, among other things:

- incur additional indebtedness and issue disqualified or preferred stock;
- sell assets;
- effect a consolidation, merger or sale of assets.



SUMMARY FINANCIAL INFORMATION

The following tables set forth the summary consolidated financial information of the Group as at and for the periods indicated.

The summary consolidated financial information as at and for the years ended 31 December 2014, 2015 and 2016 set forth below have been derived from the audited consolidated financial statements of the Group for the years ended 31 December 2015 and 2016 which have been audited by PricewaterhouseCoopers, Certified Public Accountants, and should be read in conjunction with the audited consolidated financial statements of the Group for the years ended 31 December 2015 and 2016, including the notes thereto, which are included elsewhere in this Offering Circular.

The summary consolidated financial information as at and for the six months ended 30 June 2016 and 2017 set forth below has been derived from the unaudited consolidated interim financial statements of the Group for the six months ended 30 June 2017 which have been reviewed by PricewaterhouseCoopers, Certified Public Accountants, 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 and should be read in conjunction with the unaudited consolidated interim financial statements of the Group for the six months ended 30 June 2017, including the notes thereto, which are included elsewhere in this Offering Circular. The consolidated financial information as at and for the six months ended 30 June 2016 included in this Offering Circular has neither been audited nor reviewed by PricewaterhouseCoopers. The consolidated interim financial information as at and for six months ended 30 June 2017 included in this Offering Circular have been reviewed by PricewaterhouseCoopers but are not audited. Consequently, such financial information should not be relied upon by potential investors to provide the same type or quality of information associated with information that has been subject to an audit or (as the case may be) a review. Accordingly, potential investors must exercise caution when using such data to evaluate the Group’s financial position, results of operations and cash flows. Such unaudited condensed consolidated interim financial information as at and for the six months ended 30 June 2017 should not be taken as an indication of the expected financial condition, results of operations and cash flows of the Group for the full financial year ended 31 December 2017.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Year ended 31 December			Six months ended 30 June	
	2014	2015	2016	2016	2017
	HK\$’000 (restated ⁽¹⁾)	HK\$’000 (audited)	HK\$’000 (audited)	HK\$’000 (unaudited)	HK\$’000 (unaudited)
Revenue	7,302,293	11,053,456	8,605,716	4,061,280	7,711,221
Cost of sales	(6,227,767)	(9,247,614)	(7,317,561)	(3,531,332)	(6,621,514)
Gross profit	1,074,526	1,805,842	1,288,155	529,948	1,089,707
Other income	3,763	9,598	14,417	1,440	44,020
Other gains/(losses) — net	1,504	4,228	55,633	2,235	(30,714)
Selling and marketing expenses	(123,375)	(165,624)	(98,231)	(52,915)	(160,822)
General and administrative expenses	(389,389)	(552,981)	(354,435)	(158,352)	(186,324)
Operating profit	567,029	1,101,063	905,539	322,356	755,867
Finance income	20,847	5,681	17,503	9,213	37,048
Finance costs	(100,143)	(124,247)	(91,745)	(14,060)	(21,599)
Finance (costs)/income — net	(79,296)	(118,566)	(74,242)	(4,847)	15,449
Share of profits/(losses) of associated companies	37	(833)	(4,752)	(865)	(14,626)
Share of profit of joint ventures	—	—	371	—	291
Profit before income tax	487,770	981,664	826,916	316,644	756,981
Income tax expense	(77,087)	(240,945)	(157,776)	(58,722)	(131,787)
Profit for the period	410,683	740,719	669,140	257,922	625,194

	Year ended 31 December			Six months ended 30 June	
	2014	2015	2016	2016	2017
	HK\$'000 (restated ⁽¹⁾)	HK\$'000 (audited)	HK\$'000 (audited)	HK\$'000 (unaudited)	HK\$'000 (unaudited)
Other comprehensive (loss)/income					
<i>Items that may be reclassified to profit or loss</i>					
— Fair value gain/(loss) on available-for-sale financial assets	—	—	56,667	19,039	(22,226)
— Currency translation differences	(1,014)	(24,901)	(59,454)	36,074	89,833
	(1,014)	(24,901)	(2,787)	55,113	67,607
Total comprehensive income for the year	409,669	715,818	666,353	313,035	692,801
Profit for the period attributable to:					
Owners of the Company	276,299	577,317	585,385	237,186	459,362
Non-controlling interests	134,384	163,402	83,755	20,736	165,832
	410,683	740,719	669,140	257,922	625,194
Total comprehensive income for the period attributable to:					
Owners of the Company	275,285	556,973	589,646	289,112	517,185
Non-controlling interests	134,384	158,845	76,707	23,923	175,616
	409,669	715,818	666,353	313,035	692,801

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	As at 31 December			As at
	2014	2015	2016	30 June 2017
	HK\$'000 (restated ⁽¹⁾)	HK\$'000 (audited)	HK\$'000 (audited)	HK\$'000 (unaudited)
ASSETS				
Non-current assets				
Property, plant and equipment	560,403	498,787	441,715	426,514
Investment properties under development	—	—	426,723	466,675
Goodwill	282,933	282,933	561,954	561,954
Other intangible assets	11,628	5,367	54,340	44,851
Prepayments and other receivables	108,674	127,219	344,878	656,748
Investments in associated companies	574	1,150	19,682	1,320
Investments in joint ventures	—	—	355	670
Available-for-sale financial assets	1,171	1,095	92,329	74,620
Derivative financial instruments	—	—	12,600	42
Deferred income tax assets	123,687	93,031	75,530	42,626
	1,089,070	1,009,582	2,030,106	2,276,020
Current assets				
Cash and cash equivalents	906,948	1,625,816	1,792,639	2,286,699
Pledged bank deposits	—	273,850	223,696	242,410
Derivative financial instruments	—	—	20,343	5,345
Trade and other receivables, prepayments and deposits	2,097,074	2,817,877	1,870,489	3,535,193
Amounts due from customers for contract work	77,934	60,970	65,240	49,694
Development properties for sale	12,044,327	9,137,882	8,758,473	4,452,133
Tax recoverable	560	695	10,686	17,188
	15,126,843	13,917,090	12,741,566	10,588,662
Total assets	16,215,913	14,926,672	14,771,672	12,864,682
EQUITY AND LIABILITIES				
Equity attributable to owners of the Company				
Share capital — ordinary shares	3,000	3,000	14,294	14,294
Share capital — convertible preference shares	—	9,519	2,437	2,437
Share premium	—	2,227,382	3,317,938	3,317,938
Other reserves	774,708	(1,287,205)	(1,235,529)	(1,160,181)
(Accumulated losses)/retained earnings	(29,427)	547,890	881,275	1,156,599
	748,281	1,500,586	2,980,415	3,331,087
Non-controlling interests	28,072	(19,793)	81,658	239,325
Total equity	776,353	1,480,793	3,062,073	3,570,412

RISK FACTORS

Prior to making any investment decision, prospective investors should consider carefully all of the information in this Offering Circular, including the risks and uncertainties described below. The business, financial condition or results of operations of the Group could be materially adversely affected by any of these risks. The Issuer, each of the Subsidiary Guarantors and the Group believe that the following factors may affect their ability to fulfil their obligations under the Instruments issued under the Programme. All of these factors are contingencies which may or may not occur and the Issuer, each of the Subsidiary Guarantors, and the Group are not in a position to express a view on the likelihood of any such contingency occurring. Factors which the Issuer, each of the Subsidiary Guarantors, and the Group believe may be material for the purpose of assessing the market risks associated with the Instruments issued under the Programme are also described below.

The Issuer, each of the Subsidiary Guarantors, and the Group believe that the factors described below represent the principal risks inherent in investing in Instruments issued under the Programme, but the inability of the Issuer or any of the Subsidiary Guarantors to pay principal, interest (if any), distribution (if any) or other amounts or fulfil other obligations on or in connection with any Instruments may occur for other reasons and the Issuer, each of the Subsidiary Guarantors and the Group do not represent that the statements below regarding the risks of holding the Instruments are exhaustive. Additional risks and uncertainties of which the Group is not aware or that the Group currently believes are immaterial may also adversely affect the business, financial condition and results of operations of the Group.

RISKS RELATING TO THE GROUP'S BUSINESS

The 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 Group

The Group intends to maintain a balanced approach towards developing both its property development business and property construction business. For the property development segment, the 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 in Singapore, the Group intends to continue to build upon their established track record and reputation in the 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. For the property construction segment in Hong Kong, the Group aims to maintain the existing work scale, which includes public projects granted by the Hong Kong Government and private projects, by exploring new business opportunities along with the chain of construction cycle, despite the keen competition among contractors in tendering new projects.

Property development projects typically require substantial capital investment during the land acquisition and construction phases. The 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 Group. Due to the nature of construction works, the construction projects of the Group may include unforeseen obstacles, including difficult sub-soil conditions and increase in labour or other material costs, which may not have been anticipated during the tendering stage and would lead to additional works being done by the Group. Further, for the property construction segment in Hong Kong in particular, since the Group receives payments from the customers by way of progress payments based on the works done, the approval and certification of which are subject to decision from external parties including the architects or quantity surveyors employed by the customers.

There can be no assurance that any or all of the current or future property development projects in which the 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 Group cannot assure 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 Group's business, financial condition and results of operations.

Moreover, due to the above uncertainties which are beyond the Group's control, the profit margins and income of the Group's property construction projects may fluctuate and the historical revenue from the construction projects may not be indicative of the future revenue of the Group.

The sale of properties of the Group is affected by a number of factors including the 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 Group to fluctuate

The 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 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 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 Group's results of operations and cash flow positions may not be indicative of the 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 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 Group, which may in turn adversely affect the revenue recognition and consequently the cash flow and results of operations of the Group.

The Group may not always be able to obtain sites that are suitable for property development strategy of the 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 Group through the tendering process, which may restrict and impact on its expansion, business and financial performance

To maintain its business growth strategy, the 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 Group's ability to acquire suitable sites is subject to a number of factors, including the shortage of land supply, which are beyond its control. The business, financial condition and results of operations of the Group may be adversely affected if it is unable to obtain suitable land sites or acquire land sites for development at prices that allow the Group to achieve reasonable returns upon the sale or lease of developed properties to its customers. Changes in government policies that reduce the land supply or limit the Group's ability to tender for land may also materially and adversely affect the Group's business and financial condition. The Group may not always be able to obtain sites that are suitable for property development strategy of the Group.

Similarly, in order to maintain a steady stream of revenue from the property construction business, it is crucial for the Group to secure construction projects through the tendering process. Due to the potential competition from other construction companies tendering for the same project, the Group may not always be able to successfully secure all property construction projects that are sought after by the Group. The business, financial condition and results of operations of the Group may also be adversely affected if it is unable to secure the construction projects that are sought after by the Group through tendering.

Accidents or injuries to workers or other health, safety or environmental issues may cause delay in the completion of the Group's property development and construction projects and result in fines or other penalties being imposed on the Group

Due to the nature of works in the construction industry, risks of accidents or injuries to workers are inherent and cannot be completely eliminated. In its ordinary course of business, the Group has been subject to claims due to personal injuries suffered by its employees in accidents arising out of and in the course of their employment. Since January 2016, a fatal accident occurred in relation to the Group's construction project Tampines N6C2A involving an employee of CNQC Engineering & Construction, a fatal accident occurred in relation to the property project, the Visionaire, involving an employee of a subcontractor of CNQC Engineering & Construction and a fatal accident was alleged to have occurred in relation to the Visionaire involving an employee of a subcontractor of the Group. As a result of these incidents, CNQC Engineering & Construction has been placed into the Business Under Surveillance Programme (the "BUS Programme") and it is uncertain when it will cease to be under such programme. During the period CNQC Engineering & Construction is under the BUS Programme, although it is still eligible for tendering for new construction projects of the governmental authorities in Singapore, the relevant accident may be taken into consideration by the governmental authorities during the tender process, which may potentially affect the tender success rate of CNQC Engineering & Construction. CNQC Engineering & Construction has also been given a total of 34 demerit points from MOM as a result of these incidents, which resulted in the prohibition of CNQC Engineering & Construction from hiring new foreign workers for three months until 19 October 2017. These regulatory actions, as well as any fines or penalties the Group may be subject to as a result of future accidents or injuries to works, could impair the Group's ability to obtain new contracts and cause delays in the completion of property development projects and construction projects. The occurrence of fatal or other serious accidents or injuries to workers could also result in damages to the reputation of the Group and adversely affect the business operations of the Group. While the Group seeks to implement improved safety standards on its construction sites, there can be no assurance that accidents or injuries to workers will not occur in the future.

In addition, due to the nature of the Group's business, the Group is required to comply with laws, rules and regulations in respect of, amongst other things, health, safety and environmental aspects of the business. There can be no assurance that the regulatory environment under which the Group's business is operated will not become more stringent in the future. The 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 Group could be adversely affected.

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

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. Currency risk arises within the Group when transactions are denominated in currencies other than the functional currencies of the respective members of the Group. As at 30 June 2017, the Group had cash and cash equivalents of approximately HK\$2.29 billion of which approximately 64.1% was held in Singapore Dollar, 18.4% was held in Hong Kong dollar, 16.4% was held in US Dollars and the remaining was mainly held in Macau Patacas, Indonesian Rupiah and Vietnamese Dong. As such, fluctuations in the currency exchange rates between these currencies would affect the Group's profitability and could result in significant currency exchange losses.

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

The 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 Group are selected based on their ability to provide timely delivery, the quality of materials provided, previous working experience with the Group as well as the competitiveness of their quotation given. Completion of the construction projects of the Group is subject to the satisfactory performance by these third-party subcontractors of their contractual obligations, including their compliance to the 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 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 Group's property developments may be disrupted or delayed. The Group may incur additional costs in respect of remedial actions, 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 Group.

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

The Group maintains a certain level of indebtedness, which is guaranteed by either a related company or by the shareholders of the relevant subsidiaries; or secured by mortgages over the Group's development properties. As at 30 June 2017, the Group's current and non-current borrowings amounted to approximately HK\$6,292.0 million. The property development business is capital intensive, and typically requires substantial capital contribution for land acquisition and property development.

The 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 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 Group's pre-sale or sale activities and any other matter adversely impacting the net cash inflow of the Group could significantly affect its cash flow position. There can be no assurance that the Group will always be able to raise the necessary funding to finance its current liabilities and capital commitments.

The Group had borrowings and advances from financial institutions and the 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 Group

The property development business is capital intensive and typically requires substantial capital contribution for land acquisition and property development. The Group financed its property projects mainly through borrowings and cash generated from operations. There is no assurance that the Group will be able to obtain bank loans, or renew existing credit facilities in the future on acceptable terms or at all. The Group's ability to do so will depend on a number of factors, many of which are beyond its control. The 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 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 Group's bank borrowings may have adverse effect on its financial condition and results of operations. The level of the 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 Group's business and results of operations.

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

The 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. The 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.

There is no assurance that adequate insurance coverage against risks of the 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 Group's insurers fail to fulfill their obligations in relation to the sum insured, the Group could suffer loss, including loss of rent or future revenue, and/or may be required to pay compensation to third parties. The 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 Group's business, financial condition, results of operations and prospects.

The 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 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 Group, there can be no assurance that the land and/or building administrative authorities in regions where the Group operates will grant the 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 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 regions where the Group operates, which could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

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

The property construction business of the 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 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 Group is subject to compliance with the relevant regulations. Any non-renewal in the existing BCA permits and licences will result in the Group not being qualified to tender or participate in certain projects, therefore reducing the number of project opportunities for the Group, and this may have an adverse impact on the Group's operations and financial performance.

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

As for the property construction business of the Group in Hong Kong, as a minimum requirement for undertaking foundation projects, a contractor is required to be registered under the Buildings Ordinance (Cap.123) of Hong Kong as a Registered Specialist Contractor in the foundation category. In addition, a contractor must be included in the Specialist List to undertake public sector foundation works, and admitted to the Housing Authority List of Piling Contractors (Large Diameter Bored Piling Category) to undertake large diameter bored piling works of the Housing Authority. Contractors registered with the Works Branch are subject to a regulatory regime which is put in place to ensure that standards of financial capability, expertise, management and safety are maintained by contractors carrying out Hong Kong government works.

Hong Kong government authorities may, in certain circumstances, remove a contractor from their lists or take other disciplinary actions against a contractor such as suspension, downgrading to probationary status, or demotion to a lower group in respect of all or any work category, if the performance or tendering record of the contractor is found to be unsatisfactory. In the event of a

withdrawal, revocation or downgrading of the Group's registrations in any work category or if any of the Group's registrations are not renewed upon expiry, the Group's financial position and ability to obtain future contracts would be adversely affected.

As for Macau, Decree-Law No. 79/85/M stipulates the administrative regulations of project review, filing of approval, and license issuance and inspection in conducting civil engineering. No construction of new building, reconstruction, repair, maintenance, alteration or expansion to the existing buildings, demolition of building, and any project or work resulting in topographical change shall be conducted without the approval of the Land, Public Work and Transport Bureau (the "Bureau") approval on the related project and its issuance of relevant license. There can be no assurance that the Group would be able to obtain the relevant approval and/or license for the related project in a timely manner or at all. If the Group fails to do so, the Group may be required to suspend the relevant operations, which would have a material adverse effect on the business and operating results of the Group.

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

The Group estimates time and costs in order to determine the tender price for construction projects in Hong Kong. However, the actual implementation of a project may not be in accordance with such estimation due to cost overruns and other construction risks related to the project

Construction contracts are normally awarded through competitive tendering process. The Group needs to estimate the construction time and costs in order to determine the tender price. There is no assurance that the actual construction time and costs would not exceed the Group's estimation during the actual implementation of the project, which usually takes less than 12 months to complete. The Group currently generates, and expect to continue to generate, a substantial portion of the Group's revenues from fixed-price contracts. The terms in these contracts require the Group to complete a project for a fixed price and therefore expose the Group to cost overruns. Cost overruns, whether due to inefficiency, inaccurate estimates or other factors, result in lower profit or a loss on a project. As a result, the Group will only realise profits on these contracts if the Group successfully estimates the project costs and technical difficulties and avoid cost overruns.

The time taken and the cost actually involved in completing construction projects undertaken by the Group may be adversely affected by many factors, including shortage and cost escalation of materials and labour, difficult geological condition, adverse weather conditions, additional variations to the construction plans requested by the customers or because of technical construction needs, disputes with subcontractors, accidents, changes in the Hong Kong government's priorities and unforeseen problems and circumstances. Any of these can give rise to delays in completion of construction works or cost overruns or even unilateral termination of projects by customers.

All of the contracts are subject to specific completion schedule requirements and the customer may charge the Group liquidated damages if the Group does not meet the schedules. Liquidated damages are typically levied at an agreed rate for each day of delay that is deemed to be the Group's responsibility. Any failure to meet the schedule requirements of the contracts could cause the Group to pay significant liquidated damages, which would reduce or eliminate the profit on the relevant contracts.

Delays in the process of obtaining any specific permits, approvals from relevant agencies or authorities of the Hong Kong government in carrying out any particular construction project can also increase the cost or delay the progress of a project. Failure to complete construction according to specifications and quality standards on a timely basis may result in disputes, contract termination, liabilities and/or lower returns than anticipated on the construction project concerned. Such delays or failure to complete and/or unilateral termination of a project by customers may cause the revenue or profitability to be lower than what the Group has expected. There is no guarantee that the Group will not encounter cost overruns or delays on the current and future construction projects. If such cost overrun or delays occur, the Group could experience an increase in costs exceeding the budget or be required to pay liquidated damages with a consequent reduction in, or elimination of, the profits on the contracts.

The Group normally receives progress payment from the customers, either from the main contractor when the Group acts as a subcontractor, or the employer where the Group acts as a main contractor, on a monthly basis by referring to the value of works done, and a portion of contract value, normally up to 10%, is usually withheld by the customers as retention money. There can be no assurance that progress payment would be paid to the Group on time and in full, or the retention money or any future retention money will be remitted by the customers to the Group on a timely basis and in full. Any failure by the customers to make remittance on time and in full may have an adverse effect on the Group's future liquidity position.

In addition, from time to time, the Group may act as a subcontractor in some of the projects. Under such circumstances, the main contractor will normally be paid by the employer directly. Payment from the main contractor to the Group may be affected by the progress of the whole project and the creditworthiness of the main contractor. There is no assurance that the main contractor will receive the contracting fees from the employer, and in turn pay the Group subcontracting fees on time or at all. In the event the Group is unable to recover the subcontracting fees, the cash flow and financial performance in the future will be adversely affected.

On the other hand, the Group may also act as a main contractor whereby the Group is directly responsible to the employer, such as Hong Kong government departments and private property developers, for the whole project. Under such circumstances, the employer will pay the Group the contract fees directly. Payment from the employer may be affected by the progress of the whole project

and the creditworthiness of the employer. There is no assurance that the employer will pay such fees to the Group on time or at all. In the event the Group is unable to recover the contract fees, the cash flow and financial performance in the future will be adversely affected.

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

To date, the Group develops all of its properties in cooperation with other third parties. Any serious dispute with the Group's joint venture partners or project development partners could adversely affect the Group's business, financial condition and results of operations. Should a situation arise in which the Group cannot complete a project which is being jointly developed with its joint venture partners or project 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 Group encounters any of the foregoing problems with respect to its joint venture partners or project development partners, the Group's business operations, profitability and prospects may be adversely affected.

The 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 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 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 Group's business, affect the Group's operations and future prospects and inhibit the ability to grow.

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

The Group may be involved in disputes arising from the Group's business operations, which may lead to legal and arbitration proceedings. Disputes may arise due to material delay preventing the Group from completing the obligations under a contract in accordance with its terms and the Group may as a result face claims for liquidated damages (which are 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 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.

The Group faces certain risks associated with the overseas expansion of its business

As part of its business strategies, the Group will explore the opportunity to expand its business to other countries in Southeast Asia, which may include new countries including Indonesia, Vietnam, Malaysia, Sri Lanka, through formation of joint ventures with reputable and well-established property developers, and participate in local property development or construction projects. However, the Group may face certain risks associated with its efforts to expand and maintain its business in overseas markets, including:

- changes in the political, regulatory, or economic conditions in a foreign country or region;
- cultural differences and other difficulties in staffing and managing international operations;

- inherent difficulties and delays in contract enforcement and collection of receivables through the use of foreign legal systems;
- volatility in currency exchange rates;
- the risk that foreign countries may impose withholding taxes (or otherwise tax its foreign income or place restrictions on repatriation of profit);
- the risk of barriers, such as anti-dumping and other tariffs or other restrictions being imposed on foreign trade;
- market entry barriers such as strong local competitors that may have a proximity advantage and local connections, which may prevent the Group from competing effectively in new markets;
- social unrest, acts of terrorism, war or other armed conflict of the foreign country; and
- the burden of complying with foreign laws and regulations.

If any of the risks described above materializes, or if the Group is unable to manage these risks effectively, its ability to maintain or expand its overseas business would be impaired, which may in turn materially and adversely affect the Group's business, financial condition, results of operations and prospects.

The incorporation of smart home technologies in the Group's property projects depends on its ability to develop and enhance the smartphone application in a timely and cost-effective manner that addresses advancements in technology.

The Group aims to incorporate smart home technologies in upcoming property projects and will continue to allocate more resources in smart home technologies. On 22 February 2017, the Group entered into a memorandum of understanding with Singapore Telecommunications 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 the "HiLife" smartphone application. However, to remain competitive and stimulate customer demand, the Group needs to continually enhance existing products and services to meet the advances in technology. This demands investments in research and development of technologies, products and services for smart home technologies, including the smartphone application that has been developed by the Group. There can be no assurance that the Group will succeed in focusing its research and development efforts on technologies that eventually become widely accepted which leads to a competitive market. In addition, there can be no assurance that the Group will be able to keep pace with technological changes in the marketplace and continue to develop new technologies and products in a timely and cost-effective manner.

RISKS RELATING TO THE GROUP'S INDUSTRY

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

The Singapore property construction business of the 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 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 Group. In the event that the level of spending on public housing is reduced and the Group fails to secure business from the private sector, the business and profitability of the Group could be adversely affected.

The 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 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 Group's property development properties may be materially affected. Conversely, if the supply of land for property development is

limited, the Group would face keen competition in land tenders and may restrict the number of projects to be undertaken by the Group. In both scenarios, the business, results of operations and financial condition of the Group may be adversely affected.

The Group's Hong Kong construction business is subject to various laws and regulations in Hong Kong which require government permits, some of which may take longer to obtain than others. From time to time, the Hong Kong governmental authorities may impose new laws and regulations on construction companies and property developers which may affect the projects which the Group undertakes and the Group may be required to obtain additional approvals and licences from the relevant authorities. In such event, the Group may incur additional costs for the compliance of such new requirements. There can be no assurance that such approvals or licences will be granted to the Group promptly or at all which may affect the tendering of new projects by the Group and this may in turn affect the Group's operations and financial performance.

The Group faces the risk of a shortage in supply of foreign workers in Singapore for the property construction projects and may be affected by changes in manpower policies and regulations

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, Taiwan and the Republic of Korea. For the property construction business in Singapore, all of the 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 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 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 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 Group's operations and in turn the business and financial performance. Any changes in the policies on the foreign workers including increase in foreign worker levy will increase the Group's operating expenses and will affect the 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 the operations of the Group 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 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 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 Group.

The Group faces intense competition from other property developers and contractors

The property development and property construction markets are highly competitive which the 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 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 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 Group and further restrict the Group's ability to generate revenue.

The foundation industry in Hong Kong has a number of participants and is competitive. For instance, there were 152 Registered Specialist Contractors (Foundation Works) according to data from the Buildings Department as at October 2017. Occasionally, new participants may wish to enter the industry if they have the appropriate skills, local experience, necessary machinery and equipment, capital and are granted the requisite licences by the relevant regulatory bodies. The Group faces competition from other contractors in the tendering for construction contracts. Increased competition may result in lower operating margins and loss of market share, resulting in an adverse impact on the profitability and operating results of the Group.

Any of the above factors may adversely affect the Group's business, financial position and results of operations.

The Group's business is subject to the performance of the property market in Singapore and the market conditions and trends in the construction industry in Hong Kong

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

The Group's construction business in Hong Kong is subject to the market conditions and trends in the construction industry in Hong Kong. The future growth and level of profitability of the foundation industry in Hong Kong are likely to depend primarily upon the continued availability of major construction projects. The nature, extent and timing of such projects will, however, be determined by the interplay of a variety of factors, in particular, the Hong Kong government's spending patterns on the construction industry in Hong Kong, the investment of property developers and the general conditions and prospects of Hong Kong's economy. These factors may affect the availability of foundation projects from the public sector, private sector or institutional bodies. Apart from the public spending of the Hong Kong government, there are numerous factors affecting the foundation industry, including cyclical trends in the economy as a whole, fluctuations in interest rates and the availability of new projects in the private sector. Should there be a recurrence of recession in Hong Kong, deflation or any changes in Hong Kong's currency policy, or should the demand for foundation works in Hong Kong deteriorate, the operations and profits of the Group could be adversely affected.

The Group's property development projects are subject to uncertainties

The performance of the Group is dependent on the 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 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 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 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 Group's control. Should the Group fail to identify profitable property development projects and complete them profitably, the profitability and financial performance of the Group will be adversely affected.

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

The 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 construction and foundation industry depends heavily on the level of building and construction activities in the Hong Kong and Singapore property and infrastructure markets in both the public and private sectors. Such activities are in turn influenced by the policies of the Hong Kong government and the Singapore government. The foundation industry in Hong Kong to a large extent depends on the level of public spending of the Hong Kong government on public housing and infrastructure projects. The 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 Group.

The Group's business in Macau is subject to economic and political risks in Macau

Conducting business in Macau involves certain additional risks including risks relating to changes in Macau's and China's political, economic and social conditions, changes in Macau governmental policies, changes in Macau laws or regulations or their interpretation, changes in regulatory requirements in relation to subcontracting construction works, tightening of regulations on foreign subcontractors, changes in exchange control regulations, change in interest rate and change in rates or method of taxation.

The Group's operations in Macau are exposed to the risk of changes in laws and policies that govern companies that operate in Macau, specifically construction subcontractors carrying out works in Macau. In addition, the legal and judicial system adopted in Macau is substantially different from that in Hong Kong and Singapore, and rights and protection under Hong Kong laws and Singapore laws that companies in Hong Kong and Singapore expect may not exist in Macau. Furthermore, in the event that the aforementioned project in Macau does not proceed for reasons such as termination by the customer and/or the developer, or government measure which halts the project, the Group may lose the potential future income to be derived from this project.

Natural disasters, public health and public security hazards in Singapore may severely disrupt the 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 Group. In addition, if employees are affected by a severe communicable disease, the 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 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 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 Group.

RISKS RELATING TO THE INSTRUMENTS ISSUED UNDER THE PROGRAMME

The Issuer and the Subsidiary Guarantors are holding companies and will be dependent upon payments from their respective subsidiaries to provide them with funds to meet their obligations under the Instruments

The Issuer and the Subsidiary Guarantors are holding companies and have no material business operations of their own. The Issuer and Subsidiary Guarantors substantially depend upon dividends and other distributions and payments from their respective subsidiaries for their cash flow. In addition, substantially all of the Issuer's and the Subsidiary Guarantors' assets are held by these entities. The Issuer's and the Subsidiary Guarantors' ability to meet their respective obligations under the Instruments is largely dependent upon the flow of funds from and among their respective subsidiaries. The ability of these companies to pay dividends or other distributions will depend on their respective distributable

earnings, cash flow conditions, restrictions that may be contained in their respective debt instruments, applicable law and other arrangements. Further, outstanding bank loans of certain subsidiaries of the Issuer may contain provisions which prohibit such subsidiary from declaring dividends or making distribution to its shareholders without the prior written consent from the respective lender. There is no assurance that such companies will be able to make dividend payments and other distributions and payments in an amount sufficient to meet the Issuer's and the Subsidiary Guarantors' cash requirements or to enable them to meet their respective payment obligations under the Instruments.

The Instruments may not be a suitable investment for all investors

Each potential investor in any Instruments must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

- have sufficient knowledge and experience to make a meaningful evaluation of the relevant Instruments, the merits and risks of investing in the relevant Instruments and the information contained or incorporated by reference in this Offering Circular, any applicable supplement to the Offering Circular or any Pricing Supplement;
- have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the relevant Instruments and the impact such investment will have on its overall investment portfolio;
- have sufficient financial resources and liquidity to bear all of the risks of an investment in the relevant Instruments, including where principal or interest is payable in one or more currencies, or where the currency for principal or interest payments is different from the potential investor's currency;
- understand thoroughly the terms of the relevant Instruments and be familiar with the behaviour of any relevant indices and financial markets; and
- be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

Some Instruments may be complex financial products and such products may be purchased as a way to reduce risk or enhance yield with an understood, measured, appropriate addition of risk to the purchaser's overall portfolios. A potential investor should not invest in Instruments which are complex financial products unless it has the expertise (either alone or with the help of a financial adviser) to evaluate how the Instruments will perform under changing conditions, the resulting effects on the value of such Instruments and the impact this investment will have on the potential investor's overall investment portfolio.

Legal investment considerations may restrict certain investments

The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (1) the Instruments are legal investments for it, (2) the Instruments can be used as collateral for various types of borrowing, and (3) other restrictions apply to its purchase of any Instruments. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of the Instruments under any applicable risk-based capital or similar rules.

Modification and waivers are binding on all holders of Instruments

The Conditions contain provisions for calling meetings of Noteholders and Securityholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Noteholders and Securityholders including Noteholders and Securityholders who did not attend and vote at the relevant meeting(s) and Noteholders and Securityholders who voted in a manner contrary to the majority.

The Conditions also provide that the Trustee may, without the consent of Noteholders and Securityholders, Receiptholders or Couponholders, agree to (i) any modification of, or to the waiver or authorisation of any breach or proposed breach of, any of the Note Conditions or Security Conditions or

any of the provisions of the Trust Deed and the Agency Agreement, or determine, without any such consent as aforesaid, that any Event of Default, Potential Event of Default or Enforcement Event (as defined in the Trust Deed) shall not be treated as such (provided that, in any such case, it is not, in the opinion of the Trustee, materially prejudicial to interests of the relevant Noteholders or Securityholders, as the case may be) or (ii) any modification which, in the opinion of the Trustee, is of a formal, minor or technical nature or is to correct a manifest error.

The Notes may be represented by Global Notes or Global Certificates, the Securities may be represented by Global Certificates and holders of a beneficial interest in a Global Note or Global Certificate must rely on the procedures of the relevant Clearing System(s)

Notes issued under the Programme may be represented by one or more Global Notes (in the case of Bearer Notes) or Global Certificates (in the case of Registered Notes). Securities issued under the Programme will be in registered form and represented by one or more Global Certificates. Such Global Notes and Global Certificates will be deposited with a common depository for Euroclear and Clearstream or a sub-custodian for the CMU Service (each of Euroclear, Clearstream and the CMU Service, a “**Clearing System**”), as the case may be. Except in the circumstances described in the relevant Global Note or Global Certificate, investors will not be entitled to receive definitive or individual Instruments. The relevant Clearing System(s) will maintain records of the beneficial interests in the Global Notes or Global Certificates. While the Instruments are represented by one or more Global Notes or Global Certificates, investors will be able to trade their beneficial interests only through the Clearing Systems.

While the Instruments are represented by one or more Global Notes or Global Certificates, the Issuer will discharge its payment obligations under the Instruments by making payments to the relevant Clearing System for distribution to their account holders or, in the case of the CMU Service, to the persons for whose account(s) interests in such Global Note or Global Certificate are credited as being held in the CMU Service in accordance with the CMU Rules as notified by the CMU Service to the Issuer in a relevant CMU Instrument Position Report or any other notification by the CMU Service.

A holder of a beneficial interest in a Global Note or Global Certificate must rely on the procedures of the relevant Clearing System(s) to receive payments under the relevant Instruments. The Issuer and the Subsidiary Guarantors have no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in the Global Notes or Global Certificates.

Holders of beneficial interests in the Global Notes or Global Certificates will not have a direct right to vote in respect of the relevant Instruments. Instead, such holders will be permitted to act only to the extent that they are enabled by the relevant Clearing System(s) to appoint appropriate proxies. Similarly, holders of beneficial interests in the Global Notes or Global Certificates will not have a direct right under the respective Global Notes or Global Certificates to take enforcement action against the Issuer or any of the Subsidiary Guarantors in the event of a default under the relevant Instruments but will have to rely upon their rights under the Trust Deed.

Holders of Instruments should be aware that definitive Instruments which have a denomination that is not an integral multiple of the minimum Specified Denomination may be illiquid and difficult to trade

In relation to any issue of Instruments which have a denomination consisting of a minimum Specified Denomination (as defined in the applicable Conditions) plus a higher integral multiple of another smaller amount, it is possible that the Instruments may be traded in amounts in excess of the minimum Specified Denomination that are not integral multiples of such minimum Specified Denomination. In such a case a Holder of Instruments who, as a result of trading such amounts, holds a principal amount of less than the minimum Specified Denomination will not receive a definitive Instrument in respect of such holding (should definitive Instruments be printed) and would need to purchase a principal amount of Instruments such that it holds an amount equal to one or more Specified Denominations. If definitive Instruments are issued, holders should be aware that definitive Instruments which have a denomination that is not an integral multiple of the minimum Specified Denomination may be illiquid and difficult to trade.

The Trustee may request that the Noteholders and Securityholders provide an indemnity and/or security and/or pre-funding to its satisfaction

In certain circumstances, the Trustee may (at its sole discretion) request the Noteholders or the Securityholders to provide an indemnity and/or security and/or pre-funding to its satisfaction before it takes actions on behalf of Noteholders or Securityholders. The Trustee shall not be obliged to take any such actions if not indemnified and/or secured and/or pre-funded to its satisfaction. Negotiating and agreeing to any indemnity and/or security and/or pre-funding can be a lengthy process and may impact on when such actions can be taken. The Trustee may not be able to take actions notwithstanding the provision of an indemnity and/or security or pre-funding to it, in breach of the terms of the Trust Deed constituting the relevant Instruments and in circumstances where there is uncertainty or dispute as to the applicable laws or regulations and, to the extent permitted by the agreements and the applicable law, it will be for the Noteholders or Securityholders to take such actions directly.

The Instruments are unsecured obligations

As the Instruments are unsecured obligations, the repayment of the Instruments may be adversely affected if:

- the Issuer or any of the Subsidiary Guarantors enters into bankruptcy, liquidation, reorganisation or other winding-up proceedings;
- there is a default in payment under the Issuer's or any Subsidiary Guarantors' future secured indebtedness or other unsecured indebtedness; or there is an acceleration of any of the Issuer's or any Subsidiary Guarantors' indebtedness.

If any of these events were to occur, the Issuer's or any Subsidiary Guarantors' assets may not be sufficient to pay amounts due on the Instruments.

The liquidity and price of the Instruments following each offering may be volatile

The price and trading volume of the Instruments may be highly volatile. Factors such as variations in the Issuer's or any of the Subsidiary Guarantors revenues, earnings and cash flows and proposals of new investments, strategic alliances and/or acquisitions, interest rates and fluctuations in prices for comparable companies could cause the price of the Instruments to change. Any such developments may result in large and sudden changes in the volume and price at which the Instruments will trade. There is no assurance that these developments will not occur in the future.

The insolvency laws of the Cayman Islands, Singapore, the British Virgin Islands and other local insolvency laws may differ from those of another jurisdiction with which the Noteholders and Securityholders are familiar

As the Issuer is incorporated under the laws of the Cayman Islands, and the Subsidiary Guarantors under the laws of Singapore or the British Virgin Islands, as the case may be, any insolvency proceeding are incorporated relating to the Issuer or any of the Subsidiary Guarantors, even if brought in other jurisdictions, would likely involve the Cayman Islands, Singapore and/or British Virgin Islands insolvency laws, the procedural and substantive provisions of which may differ from comparable provisions of the local insolvency laws of jurisdictions with which the Noteholders or the Securityholders are familiar.

If the Issuer or any of the Subsidiary Guarantors is unable to comply with the restrictions and covenants in its debt agreements, there could be a default under the terms of these agreements or the Notes, which could cause repayment of its debt to be accelerated

If the Issuer or any of the Subsidiary Guarantors is unable to comply with its current or future debt obligations and other agreements, there could be a default under the terms of these agreements. In the event of a default under these agreements, the holders of the debt could terminate their commitments to lend to the Issuer or the relevant Subsidiary Guarantor(s), accelerate repayment of the debt and declare all outstanding amounts due and payable or terminate the agreements, as the case may be. Furthermore, some of the Issuer's and the Subsidiary Guarantors' debt agreements, and the Notes, contain cross-acceleration or cross-default provisions. As a result, the Issuer's or a Subsidiary Guarantor's default under one debt agreement may cause the acceleration of repayment of not only such debt but also other debt, including the Notes, or result in a default under the Issuer's or a Subsidiary Guarantor's other debt

agreements, including the Notes. If any of these events occur, the Issuer and the Subsidiary Guarantors cannot assure Noteholders that its assets and cash flows would be sufficient to repay in full all of its indebtedness, or that the Issuer and the Subsidiary Guarantors would be able to find alternative financing. Even if the Issuer and the Subsidiary Guarantors could obtain alternative financing, it cannot assure holders that it would be on terms that are favourable or acceptable to them.

Noteholders are exposed to risks relating to Singapore taxation.

Some of the Notes to be issued might be intended to be “qualifying debt securities” for the purposes of the Income Tax Act, Chapter 134 of Singapore (the “ITA”), subject to the fulfillment of certain conditions more particularly described in the section “Taxation — Singapore”. However, there is no assurance that such Notes will continue to be “qualifying debt securities” or that the tax concessions in connection therewith will apply throughout the tenure of the Notes should the relevant tax laws, administrative guidelines or circulars be amended or revoked at any time.

RISKS RELATING TO THE MARKET FOR THE INSTRUMENTS GENERALLY

Set out below is a brief description of certain market risks, including liquidity risk, exchange rate risk, interest rate risk and credit risk:

Instruments issued under the Programme have no current active trading market and may trade at a discount to their initial offering price and/or with limited liquidity

Instruments issued under the Programme will be new securities which may not be widely distributed and for which there is currently no active trading market (unless in the case of any particular Tranche, such Tranche is to be consolidated with and form a single series with a Tranche of Instruments which is already issued). If the Instruments are traded after their initial issuance, they may trade at a discount to their initial offering price, depending upon prevailing interest rates, the market for similar securities, general economic conditions and the financial condition of the Issuer. If the Instruments are trading at a discount, investors may not be able to receive a favourable price for their Instruments, and in some circumstances investors may not be able to sell their Instruments at all or at their fair market value. Although an application will be made for the Instruments issued under the Programme to be admitted to listing on the SGX-ST, there is no assurance that such application will be accepted, that any particular Tranche of Instruments will be so admitted or that an active trading market will develop. Accordingly, there is no assurance as to the development or liquidity of any trading market, or that disruptions will not occur, for any particular Tranche of Instruments.

This is particularly the case for Instruments that are especially sensitive to interest rate, currency or market risks, designed for specific investment objectives or strategies or have been structured to meet the investment requirements of limited categories of investors. These types of Instruments generally would have a more limited secondary market and more price volatility than conventional debt securities. Illiquidity may have an adverse effect on the market value of the Instruments.

Exchange rate risks and exchange controls may result in investors receiving less interest or principal than expected

The Issuer and each of the Subsidiary Guarantors will pay principal, distribution (if applicable) and interest (if applicable) on the Instruments in the currency specified in the relevant Pricing Supplement (the “**Specified Currency**”). This presents certain risks relating to currency conversions if an investor’s financial activities are denominated principally in a currency or currency unit (the “**Investor’s Currency**”) other than the Specified Currency. These include the risk that exchange rates may significantly change (including changes due to devaluation of the Specified Currency or revaluation of the Investor’s Currency) and the risk that authorities with jurisdiction over the Investor’s Currency may impose or modify exchange controls. An appreciation in the value of the Investor’s Currency relative to the Specified Currency would decrease (i) the Investor’s Currency equivalent yield on the Instruments, (ii) the Investor’s Currency equivalent value of the principal payable on the Instruments and (iii) the Investor’s Currency equivalent market value of the Instruments.

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate. As a result, investors may receive no or less interest (if applicable), distribution (if applicable) or principal than expected.

RISKS RELATING TO THE SECURITIES

Securities issued under the Programme may have features which contain particular risks for potential investors. Set out below is a description of certain such features.

Securities may be issued for which investors have no right to require redemption

The Securities are perpetual and have no fixed final maturity date. Securityholders have no right to require the Issuer to redeem Securities at any time, and an investor who acquires Securities may only dispose of such Securities by sale. Securityholders who wish to sell their Securities may be unable to do so at a price at or above the amount they have paid for them, or at all. Therefore, holders of Securities should be aware that they may be required to bear the financial risks of an investment in Securities for an indefinite period of time.

Securityholders may not receive Distribution payments if the Issuer elects to defer Distribution payments under the Security Conditions

The Issuer may, at its sole discretion and subject to certain conditions as set out in the Security Conditions and, where applicable, specified in the relevant Pricing Supplement, elect to defer any scheduled Distribution on the Securities for any period of time. Subject to the Dividend Pusher (if applicable), the Issuer is subject to certain restrictions in relation to the payment of dividends on its Junior Obligations or its Parity Obligations, the redemption and repurchase on its Parity Obligations prior to their stated maturity or Junior Obligations until any outstanding Arrears of Distribution and Additional Distribution Amount are satisfied or save in certain specified situations as further described in the Terms and Conditions of the Securities. The Issuer is not subject to any limits as to the number of times Distributions can be deferred pursuant to the Security Conditions, subject to compliance with certain restrictions. Although, following a deferral, Arrears of Distributions are cumulative, subject to the Security Conditions, the Issuer may defer their payment for an indefinite period of time by delivering the relevant deferral notices to the Securityholders. Any such deferral of Distribution shall not constitute a default for any purpose.

Any deferral of Distribution will likely have an adverse effect on the market price of the Securities. In addition, as a result of the Distribution deferral provision of the Securities, the market price of the Securities may be more volatile than the market prices of other debt securities on which original issue discount or interest accrues that are not subject to such deferrals and may be more sensitive generally to adverse changes in the Group's financial condition.

The Securities may be redeemed at the Issuer's option on the date(s) specified in the relevant Pricing Supplement or on the occurrence of certain other events

The Securities will be redeemable at the option of the Issuer on certain dates as specified in the relevant Pricing Supplement. The date(s) on which the Issuer elects to redeem the Securities may not accord with the preference of individual Securityholders. This may be disadvantageous to the Securityholders in light of market conditions or the individual circumstances of the Securityholders. In addition, an investor may not be able to reinvest the redemption proceeds in comparable securities at an effective distribution rate at the same level as that of the Securities.

There are limited remedies for default or for a Winding-Up of a Subsidiary Guarantor under the Securities

Any scheduled Distribution will not be due if, as provided for in the relevant Pricing Supplement, the Issuer elects not to pay all or a part of that Distribution pursuant to the Security Conditions. Notwithstanding any of the provisions relating to non-payment defaults, the right to institute Winding-Up proceedings is limited to circumstances where a Winding-Up proceeding has been initiated against the Issuer or a Subsidiary Guarantor has been wound up on a voluntary basis or where payment under the Securities has become due and the Issuer or any of the Subsidiary Guarantors fails to make the payment when due. The only remedy against the Issuer and the Subsidiary Guarantors available to any Securityholder for recovery of amounts in respect of the Securities following the occurrence of a payment default after any sum becomes due in respect of the Securities will be proving in such Winding-Up and/or claiming in the liquidation of the Issuer and/or the Subsidiary Guarantors or any combination of them in respect of the Securities.

Remedies under the Securities upon a Winding-Up of a Subsidiary Guarantor are limited. In the case where there is Winding-Up of a Subsidiary Guarantor on an involuntary basis such as a creditors Winding-Up, no payments will be due and payable under the Securities. In such case, Holders do not have the right to institute winding-up proceedings against the Issuer or any other Subsidiary Guarantor or prove in the Winding-Up and/or claim in the liquidation of the relevant Subsidiary Guarantor.

The Securities confer Securityholders with limited rights upon the occurrence of a Relevant Event, Breach of Covenants Event or a Relevant Indebtedness Default Event

The Securities confer Securityholders with limited rights upon the occurrence of a Relevant Event, Breach of Covenants Event or a Relevant Indebtedness Default Event. The Issuer may, at any time, on giving irrevocable notice to the Trustee, the Agents and the Securityholders, redeem in whole, but not in part, the Securities if any of such events occurs. The Issuer is, however, not obliged to redeem the Securities upon the occurrence of any of such events under the Securities. If the Issuer elects not to redeem the Securities upon the occurrence of such events, the Distribution Rate will increase by a certain percentage per annum pursuant to Condition 6(f) of the Terms and Conditions of the Securities. However, the occurrence of a Breach of Covenants Event or a Relevant Indebtedness Default Event may result in certain of the Issuer's and the Subsidiary Guarantors' other capital markets indebtedness becoming immediately due and payable upon certain steps being taken by the relevant holders and/or their representatives. In the case of the occurrence of a Relevant Event, the holders of certain other capital markets indebtedness of the Issuer and the Subsidiary Guarantors may be entitled to require the Issuer and the Subsidiary Guarantors to redeem such other indebtedness whereas the Securityholders do not have such entitlement under the Securities. There can be no assurance that, after discharge of the Issuer's and the Subsidiary Guarantors' obligations under such other capital markets indebtedness, the Issuer and the Subsidiary Guarantors would have sufficient liquidity to ensure timely payment of any amounts payable in respect of the Securities.

The Issuer and the Subsidiary Guarantors may raise or redeem other capital which affects the price of the Securities

The Issuer and the Subsidiary Guarantors may raise additional capital through the issue of other securities or other means. There is no restriction, contractual or otherwise, on the amount or type of securities or other liabilities which the Issuer and the Subsidiary Guarantors may issue or incur and which rank senior to, or *pari passu* with, the Securities. The issue of any such securities or the incurrence of any such other liabilities may reduce the amount (if any) recoverable by Securityholders on a Winding-Up or may increase the likelihood of a deferral of Distributions under the Securities. The issue of any such securities or the incurrence of any such other liabilities might also have an adverse impact on the trading price of the Securities and/or the ability of Securityholders to sell their Securities.

Additional Distribution Amounts or accrued distribution

In addition, subject to the limit on the aggregate principal amount of Securities that can be issued under the Programme (which can be amended from time to time by the Issuer and the Subsidiary Guarantors without the consent of the Securityholders), there is no restriction on the amount of unsubordinated securities or other liabilities which the Issuer and the Subsidiary Guarantors may issue or incur and which rank senior to, or *pari passu* with, the Securities. The issue of any such securities or the incurrence of any such other liabilities may reduce the amount (if any) recoverable by holders of Securities on a winding-up of the Issuer and the Subsidiary Guarantors and/or may increase the likelihood of a non-payment under the Securities.

Legal investment considerations may restrict certain investments

The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (i) the Securities are legal investments for it, (ii) the Securities can be used as collateral for various types of borrowing and (iii) other restrictions apply to its purchase or pledge of any Securities. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of the Securities under any applicable risk-based capital or similar rules.

Singapore tax treatment of Securities may be unclear

It is not clear whether any particular tranche of the Securities (the “**Relevant Tranche of the Securities**”) will be regarded as debt securities by the Inland Revenue Authority of Singapore (“**IRAS**”) for the purposes of the ITA or that distribution payments made under the Relevant Tranche of the Securities will be regarded as interest payable on indebtedness and whether the tax concessions available for qualifying debt securities under the qualifying debt securities scheme (as set out in the section “Taxation — Singapore”) would apply to the Relevant Tranche of the Securities.

If the Relevant Tranche of the Securities is not regarded as debt securities for the purposes of the ITA or the distribution payments made under such Relevant Tranche of the Securities are not regarded as interest payable on indebtedness and holders thereof are not eligible for the tax concessions under the qualifying debt securities scheme, the tax treatment to holders may differ. No assurance, warranty or guarantee is given on the tax treatment to investors and holders of the Relevant Tranche of the Securities in respect of the distributions payable to them (including Arrears of Distribution and any Additional Distribution Amounts). Investors and holders of the Relevant Tranche of the Securities should consult their own accounting and tax advisers regarding the Singapore income tax consequences of their acquisition, holding and disposal of the Relevant Tranche of the Securities.

For further details on the tax treatment of the Securities, see “Taxation — Singapore”.

RISKS RELATING TO THE STRUCTURE OF A PARTICULAR ISSUE OF NOTES UNDER THE PROGRAMME

A wide range of Notes may be issued under the Programme. A number of these Notes may have features which contain particular risks for potential investors. Set out below is a description of certain such features:

Dual Currency Notes have features which are different from single currency issues

The Issuer may issue Notes with principal or interest payable in one or more currencies which may be different from the currency in which the Notes are denominated. Potential investors should be aware that:

- the market price of such Notes may be volatile;
- they may receive no interest;
- payment of principal or interest may occur at a different time or in a different currency than expected; and
- the amount of principal payable at redemption may be less than the nominal amount of such Notes or even zero.

Failure by an investor to pay a subsequent instalment of partly-paid Notes may result in an investor losing all of its investment

The Issuer may issue Notes where the issue price is payable in more than one instalment. Failure to pay any subsequent instalments could result in an investor losing all of its investment.

The market price of variable rate Notes with a multiplier or other leverage factor may be volatile

Notes with variable interest rates can be volatile securities. If they are structured to include multipliers or other leverage factors, or caps or floors, or any combination of those features or other similar related features, their market values may be even more volatile than those for securities that do not include such features.

Notes carrying an interest rate which may be converted from fixed to floating interest rates, and vice versa, may have lower market values than other Notes

Fixed Rate Notes and Floating Rate Notes (as defined in the Note Conditions) may bear interest at a rate that the Issuer may elect to convert from a fixed rate to a floating rate, or from a floating rate to a fixed rate.

The Issuer's ability to convert the interest rate will affect the secondary market and the market value of such Notes since the Issuer may be expected to convert the rate when it is likely to produce a lower overall cost of borrowing. If the Issuer converts from a fixed rate to a floating rate, the spread on the Fixed Rate Notes may be less favourable than then prevailing spreads on comparable Floating Rate Notes tied to the same reference rate. In addition, the new floating rate at any time may be lower than the rates on other Notes. If the Issuer converts from a floating rate to a fixed rate, the fixed rate may be lower than then prevailing rates on its Notes.

The market prices of Notes issued at a substantial discount or premium tend to fluctuate more in relation to general changes in interest rates than do prices for conventional interest-bearing securities

The market values of Notes issued at a substantial discount or premium to their nominal amount tend to fluctuate more in relation to general changes in interest rates than do prices for conventional interest bearing securities. Generally, the longer the remaining term of the securities, the greater the price volatility as compared to conventional interest-bearing securities with comparable maturities.

Notes subject to optional redemption by the Issuer may have a lower market value than Notes that cannot be redeemed

An optional redemption feature is likely to limit the market value of Notes. During any period when the Issuer may elect to redeem Notes, the market value of those Notes generally will not rise substantially above the price at which they can be redeemed. This may also be true prior to any redemption period. The Issuer may be expected to redeem Notes when its cost of borrowing is lower than the interest rate on the Notes. At such times, an investor generally would not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Notes being redeemed and may only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in light of other investments available at that time.

RISKS RELATED TO RENMINBI DENOMINATED INSTRUMENTS

A description of risks which may be relevant to an investor in Instruments denominated in Renminbi (“**Renminbi Instruments**”) are set out below.

Renminbi is not freely convertible and there are significant restrictions on the remittance of Renminbi into and out of the PRC which may adversely affect the liquidity of Renminbi Instruments

Renminbi is not freely convertible at present. The PRC Government continues to regulate conversion between Renminbi and foreign currencies. However, there has been significant reduction in control by the PRC Government in recent years, particularly over trade transactions involving import and export of goods and services as well as other frequent routine foreign exchange transactions. These transactions are known as current account items.

On the other hand, remittance of Renminbi by foreign investors into the PRC for the settlement of capital account items, such as capital contributions, is generally only permitted upon obtaining specific approvals from, or completing specific registrations or filings with, the relevant authorities on a case-by-case basis and is subject to a strict monitoring system. Regulations in the PRC on the remittance of Renminbi into the PRC for settlement of capital account items are being developed.

Although starting from 1 October 2016, the Renminbi will be added to the Special Drawing Rights basket created by the International Monetary Fund, there is no assurance that the PRC Government will continue to gradually liberalise control over cross-border remittance of Renminbi in the future, that the schemes for Renminbi cross-border utilisation will not be discontinued or that new regulations in the PRC will not be promulgated in the future which have the effect of restricting or eliminating the remittance of Renminbi into or out of the PRC. In the event that funds cannot be repatriated out of the PRC in Renminbi, this may affect the overall availability of Renminbi outside the PRC and the ability of the Issuer and the Subsidiary Guarantors to source Renminbi to finance its obligations under Instruments denominated in Renminbi.

There is only limited availability of Renminbi outside the PRC, which may affect the liquidity of the Renminbi Instruments and the Issuer's and the Subsidiary Guarantors' ability to source Renminbi outside the PRC to service Renminbi Instruments

As a result of the restrictions by the PRC Government on cross-border Renminbi fund flows, the availability of Renminbi outside the PRC is limited. While PBOC has entered into agreements on the clearing of Renminbi business with financial institutions in a number of financial centres and cities (the “**Renminbi Clearing Banks**”), including but not limited to Hong Kong and are in the process of establishing Renminbi clearing and settlement mechanisms in several other jurisdictions (the “**Settlement Arrangements**”), the current size of Renminbi denominated financial assets outside the PRC is limited.

There are restrictions imposed by PBOC on Renminbi business participating banks in respect of cross-border Renminbi settlement, such as those relating to direct transactions with PRC enterprises. Furthermore, Renminbi business participating banks do not have direct Renminbi liquidity support from PBOC. The Renminbi Clearing Banks only have access to onshore liquidity support from PBOC for the purpose of squaring open positions of participating banks for limited types of transactions and are not obliged to square for participating banks any open positions resulting from other foreign exchange transactions or conversion services. In such cases, the participating banks will need to source Renminbi from outside the PRC to square such open positions.

Although it is expected that the offshore Renminbi market will continue to grow in depth and size, its growth is subject to many constraints as a result of PRC laws and regulations on foreign exchange. There is no assurance that new PRC regulations will not be promulgated or the Settlement Arrangements will not be terminated or amended in the future which will have the effect of restricting availability of Renminbi outside the PRC. The limited availability of Renminbi outside the PRC may affect the liquidity of the Renminbi Instruments. To the extent the Issuer and the Subsidiary Guarantors are required to source Renminbi in the offshore market to service its Renminbi Instruments, there is no assurance that the Issuer and the Subsidiary Guarantors will be able to source such Renminbi on satisfactory terms, if at all.

Investment in the Renminbi Instruments is subject to exchange rate risks

The value of Renminbi against other foreign currencies fluctuates from time to time and is affected by changes in the PRC and international political and economic conditions as well as many other factors. Recently, the PBOC implemented changes to the way it calculates the Renminbi's daily mid-point against the U.S. dollar to take into account market-maker quotes before announcing such daily mid-point. This change, and others that may be implemented, may increase the volatility in the value of the Renminbi against foreign currencies. All payments of interest and principal will be made in Renminbi with respect to Renminbi Instruments unless otherwise specified. As a result, the value of these Renminbi payments may vary with the changes in the prevailing exchange rates in the marketplace. If the value of Renminbi depreciates against another foreign currency, the value of the investment made by a holder of the Renminbi Instruments in that foreign currency will decline. Depreciation of the Renminbi against such currency could cause a decrease in the effective yield of the Renminbi Instruments below their stated coupon rates and could result in a loss when the return on the Renminbi Instruments is translated into such currency. In addition, there may be tax consequences for investors as a result of any foreign currency gains resulting from any investment in Renminbi Instruments.

Payments with respect to the Renminbi Instruments may be made only in the manner designated in the Renminbi Instruments

All payments to investors in respect of the Renminbi Instruments will be made solely for so long as the Renminbi Instruments are represented by global notes or global certificates held with the common depository for Euroclear and Clearstream or any alternative clearing system, by transfer to a Renminbi bank account maintained in Hong Kong or a financial centre in which a Renminbi Clearing Bank clears and settles Renminbi, if so specified in the Pricing Supplement or for so long as the Renminbi Instruments are in definitive form, by transfer to a Renminbi bank account maintained in Hong Kong or a financial centre in which a Renminbi Clearing Bank clears and settles Renminbi, if so specified in the Pricing Supplement in accordance with prevailing rules and regulations. The Issuer and the Subsidiary Guarantors cannot be required to make payment by any other means (including in any other currency or by transfer to a bank account in the PRC).

Gains on the transfer of the Renminbi Instruments may become subject to income taxes under PRC tax laws

Under the *PRC Enterprise Income Tax Law*, the *PRC Individual Income Tax Law* and the relevant implementing rules, as amended from time to time, any gain realised on the transfer of Renminbi Instruments by non-PRC resident enterprise or individual Holders may be subject to PRC enterprise income tax (“EIT”) or PRC individual income tax (“IIT”) if such gain is regarded as income derived from sources within the PRC. The *PRC Enterprise Income Tax Law* levies EIT at the rate of 20 per cent. of the gains derived by such non-PRC resident enterprise or individual Holder from the transfer of Renminbi Instruments but its implementation rules have reduced the enterprise income tax rate to 10 per cent. The *PRC Individual Income Tax Law* levies IIT at a rate of 20 per cent. of the gains derived by such non-PRC resident or individual Holder from the transfer of Renminbi Instruments.

However, uncertainty remains as to whether the gain realised from the transfer of Renminbi Instruments by non-PRC resident enterprise or individual Holders would be treated as income derived from sources within the PRC and become subject to the EIT or IIT. This will depend on how the PRC tax authorities interpret, apply or enforce the *PRC Enterprise Income Tax Law*, the *PRC Individual Income Tax Law* and the relevant implementing rules. According to the arrangement between the PRC and Hong Kong, for avoidance of double taxation, Holders who are residents of Hong Kong, including enterprise Holders and individual Holders, will not be subject to EIT or IIT on capital gains derived from a sale or exchange of the Instruments.

Therefore, if non-PRC enterprise or individual resident Holders are required to pay PRC income tax on gains derived from the transfer of Renminbi Instruments, unless there is an applicable tax treaty between PRC and the jurisdiction in which such non-PRC enterprise or individual resident holders of Renminbi Instruments reside that reduces or exempts the relevant EIT or IIT, the value of their investment in Renminbi Instruments may be materially and adversely affected.

Remittance of proceeds in Renminbi into or out of the PRC

In the event that the Issuer decides to remit some or all of the proceeds into the PRC in Renminbi, its ability to do so will be subject to obtaining all necessary approvals from, and/or registration or filing with, the relevant PRC Government authorities. However, there is no assurance that the necessary approvals from, and/or registration or filing with, the relevant PRC Government authorities will be obtained at all or, if obtained, they will not be revoked or amended in the future.

There is no assurance that the PRC Government will continue to gradually liberalise the control over cross-border Renminbi remittances in the future, that the pilot schemes introduced will not be discontinued or that new PRC regulations will not be promulgated in the future which have the effect of restricting or eliminating the remittance of Renminbi into or outside the PRC. In the event that the Issuer does remit some or all of the proceeds into the PRC in Renminbi and the Issuer subsequently is not able to repatriate funds out of the PRC in Renminbi, it will need to source Renminbi outside the PRC to finance its obligations under the Renminbi Instruments, and its ability to do so will be subject to the overall availability of Renminbi outside the PRC.

TERMS AND CONDITIONS OF THE NOTES

The following (other than the words in italics) is the text of the terms and conditions of the Notes which, as completed by the relevant Pricing Supplement, will be endorsed on each Note in definitive form issued under the Programme.

The terms and conditions applicable to any Note in global form will differ from those terms and conditions which would apply to the Note were it in definitive form to the extent described under “Summary of Provisions Relating to the Instruments while in Global Form” below.

1. Introduction

- (a) *Programme:* CNQC International Holdings Limited 青建國際控股有限公司 (the “**Issuer**”) and Rich Prospect Holdings Limited 豐景控股有限公司, One Million International Limited, Wang Bao Development Limited 旺寶發展有限公司, New Chic International Limited, CNQC (South Pacific) Holding Pte. Ltd. and CNQC Engineering & Construction Pte. Ltd. (together, the “**Subsidiary Guarantors**” and each, a “**Subsidiary Guarantor**”) have established a Medium Term Note and Perpetual Securities Programme (the “**Programme**”) for the issuance of up to U.S.\$500,000,000 in aggregate principal amount of notes (the “**Notes**”) and perpetual securities (the “**Securities**”) guaranteed by the Subsidiary Guarantors. These terms and conditions relate to Notes issued under the Programme.
- (b) *Pricing Supplement:* Notes issued under the Programme are issued in series (each a “**Series**”) and each Series may comprise one or more tranches (each a “**Tranche**”) of Notes. Each Tranche is the subject of a pricing supplement (the “**Pricing Supplement**”) which supplements these terms and conditions (the “**Conditions**”). The terms and conditions applicable to any particular Tranche of Notes are these Conditions as supplemented, amended and/or replaced by the relevant Pricing Supplement. In the event of any inconsistency between these Conditions and the relevant Pricing Supplement, the relevant Pricing Supplement shall prevail.
- (c) *Trust Deed:* The Notes are constituted by, are subject to, and have the benefit of, a trust deed dated 25 October 2017 (as amended or supplemented from time to time, the “**Trust Deed**”) between the Issuer, each of the Subsidiary Guarantors and DB Trustees (Hong Kong) Limited as trustee (the “**Trustee**”, which expression includes all persons for the time being trustee or trustees appointed under the Trust Deed).
- (d) *Agency Agreement:* The Notes are the subject of an issue and paying agency agreement dated 25 October 2017 (the “**Agency Agreement**”) between the Issuer, each of the Subsidiary Guarantors and Deutsche Bank AG, Hong Kong Branch as principal paying agent (the “**Principal Paying Agent**”, which expression includes any successor principal paying agent appointed from time to time in connection with the Notes), Deutsche Bank AG, Hong Kong Branch as CMU lodging and paying agent and CMU registrar (the “**CMU Lodging and Paying Agent**” and the “**CMU Registrar**”, respectively, which expression includes any successor CMU lodging and paying agent and CMU registrar appointed from time to time in connection with Notes cleared through the CMU Service), Deutsche Bank AG, Hong Kong Branch as principal registrar (the “**Principal Registrar**”, which expression includes any successor principal registrar appointed from time to time in connection with Notes cleared through a clearing system other than the CMU Service, and together with the CMU Registrar, the “**Registrars**” and each, a “**relevant Registrar**”), the paying agents named therein (together with the Principal Paying Agent, the “**Paying Agents**”, which expression includes any successor or additional paying agents appointed from time to time in connection with the Notes), the transfer agents named therein (together with the Registrars, the “**Transfer Agents**”, which expression includes any successor or additional transfer agents appointed from time to time in connection with the Notes) and the Trustee. In these Conditions references to the “**Agents**” are to the Paying Agents and the Transfer Agents and any reference to an “**Agent**” is to any one of them. For the purposes of these Conditions, all references (other than in relation to the determination of interest and other amounts payable in respect of the Notes) to the Principal Paying Agent or the Principal Registrar shall, with respect to a Series of Notes to be held in the CMU Service, be deemed to be a reference to the CMU Lodging and Paying Agent or the CMU Registrar, as the case may be, and all such references shall be construed accordingly.

- (e) *The Notes*: The Notes may be issued in bearer form (“**Bearer Notes**”), or in registered form (“**Registered Notes**”). All subsequent references in these Conditions to “Notes” are to the Notes which are the subject of the relevant Pricing Supplement. Copies of the relevant Pricing Supplement are available for viewing during normal business hours upon prior written request and proof of holding, and copies may be obtained from, the Specified Office of each of the Paying Agents and Transfer Agents.
- (f) *Summaries*: Certain provisions of these Conditions are summaries of the Trust Deed and the Agency Agreement and are subject to their detailed provisions. Noteholders (as defined below) and the holders of the related interest coupons, if any, (the “**Couponholders**” and the “**Coupons**”, respectively) are bound by, and are deemed to have notice of, all the provisions of the Trust Deed and the Agency Agreement applicable to them. Copies of the Trust Deed and the Agency Agreement are available for inspection by Noteholders during normal business hours at the Specified Offices of each of the Agents with reasonable prior written notification.

2. Interpretation

- (a) *Definitions*: In these Conditions the following expressions have the following meanings:

“**Accrual Yield**” has the meaning given in the relevant Pricing Supplement;

“**Additional Business Centre(s)**” means the city or cities specified as such in the relevant Pricing Supplement;

“**Additional Financial Centre(s)**” means the city or cities specified as such in the relevant Pricing Supplement;

“**Audited Financial Reports**” means the annual audited consolidated statement of comprehensive income, consolidated statement of financial position, consolidated statement of changes in equity and consolidated statement of cash flows of the Issuer and its Subsidiaries together with any statements, reports (including any directors’ and auditors’ reports) and notes attached to or intended to be read with any of them;

“**Business Day**” means:

- (a) in relation to any sum payable in euro, a TARGET Settlement Day and a day on which commercial banks and foreign exchange markets settle payments generally in each (if any) Additional Business Centre;
- (b) in relation to any sum payable in Renminbi, a day (other than a Sunday or a Saturday) on which commercial banks and foreign exchange markets are open for business and settle Renminbi payments in Hong Kong and are not authorised or obligated by law or executive order to be closed; and
- (c) in relation to any sum payable in a currency other than euro and Renminbi, a day (other than a Sunday or a Saturday) on which commercial banks and foreign exchange markets settle payments generally in the Principal Financial Centre of the relevant currency and in each (if any) Additional Business Centre;

“**Business Day Convention**”, in relation to any particular date, has the meaning given in the relevant Pricing Supplement and, if so specified in the relevant Pricing Supplement, may have different meanings in relation to different dates and, in this context, the following expressions shall have the following meanings:

- (a) “**Following Business Day Convention**” means that the relevant date shall be postponed to the first following day that is a Business Day;
- (b) “**Modified Following Business Day Convention**” or “**Modified Business Day Convention**” means that the relevant date shall be postponed to the first following day that is a Business Day unless that day falls in the next calendar month in which case that date will be the first preceding day that is a Business Day;

- (c) **“Preceding Business Day Convention”** means that the relevant date shall be brought forward to the first preceding day that is a Business Day;
- (d) **“FRN Convention”, “Floating Rate Convention” or “Eurodollar Convention”** means that each relevant date shall be the date which numerically corresponds to the preceding such date in the calendar month which is the number of months specified in the relevant Pricing Supplement as the Specified Period after the calendar month in which the preceding such date occurred **provided, however, that:**
- (i) if there is no such numerically corresponding day in the calendar month in which any such date should occur, then such date will be the last day which is a Business Day in that calendar month;
 - (ii) if any such date would otherwise fall on a day which is not a Business Day, then such date will be the first following day which is a Business Day unless that day falls in the next calendar month, in which case it will be the first preceding day which is a Business Day; and
 - (iii) if the preceding such date occurred on the last day in a calendar month which was a Business Day, then all subsequent such dates will be the last day which is a Business Day in the calendar month which is the specified number of months after the calendar month in which the preceding such date occurred; and
- (e) **“No Adjustment”** means that the relevant date shall not be adjusted in accordance with any Business Day Convention;

“Calculation Agent” means the Principal Paying Agent or such other Person specified in the relevant Pricing Supplement as the party responsible for calculating the Rate(s) of Interest and Interest Amount(s) and/or such other amount(s) as may be specified in the relevant Pricing Supplement;

“Calculation Amount” has the meaning given in the relevant Pricing Supplement;

a **“Change of Control”** occurs when:

- (a) the Permitted Holders together cease to (i) hold, directly or indirectly, more than 50 per cent. of the voting rights of the issued share capital of the Issuer or (ii) have the right to appoint and/or remove more than 50 per cent. of the members of the Issuer’s board of directors or other governing body, whether obtained directly or indirectly, and whether obtained by ownership of share capital, the possession of voting rights, contract or otherwise;
- (b) any Person or Persons, other than the Permitted Holders, acting together acquires Control of the Issuer if such Person or Persons does not or do not have, and would not be deemed to have, Control of the Issuer on the date of issue of the first Tranche of Notes; or
- (c) the Issuer consolidates with or merges into or sells or transfers all or substantially all of its assets to any other Person, unless the consolidation, merger, sale or transfer will not result in the other Person or Persons acquiring majority control over the Issuer or the successor entity;

“CMU Service” means the Central Moneymarkets Unit Service, operated by the Hong Kong Monetary Authority;

“Control” means (a) the acquisition or control of more than 30 per cent. of the voting rights of the issued share capital of the Issuer or (b) the right to appoint and/or remove at least 30 per cent. of the members of the Issuer’s board of directors or other governing body, whether obtained directly or indirectly, and whether obtained by ownership of share capital, the possession of voting rights, contract or otherwise;

“Coupon Sheet” means, in respect of a Note, a coupon sheet relating to the Note;

“**Day Count Fraction**” means, in respect of the calculation of an amount for any period of time (the “**Calculation Period**”), such day count fraction as may be specified in these Conditions or the relevant Pricing Supplement and:

- (a) if “**Actual/Actual (ICMA)**” is so specified, means:
- (i) where the Calculation Period is equal to or shorter than the Regular Period during which it falls, the actual number of days in the Calculation Period divided by the product of (A) the actual number of days in such Regular Period and (B) the number of Regular Periods in any year; and
 - (ii) where the Calculation Period is longer than one Regular Period, the sum of:
 - (A) the actual number of days in such Calculation Period falling in the Regular Period in which it begins divided by the product of (1) the actual number of days in such Regular Period and (2) the number of Regular Periods in any year; and
 - (B) the actual number of days in such Calculation Period falling in the next Regular Period divided by the product of (1) the actual number of days in such Regular Period and (2) the number of Regular Periods in any year;
- (b) if “**Actual/Actual (ISDA)**” is so specified, means the actual number of days in the Calculation Period divided by 365 (or, if any portion of the Calculation Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Calculation Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Calculation Period falling in a non-leap year divided by 365);
- (c) if “**Actual/365 (Fixed)**” is so specified, means the actual number of days in the Calculation Period divided by 365;
- (d) if “**Actual/360**” is so specified, means the actual number of days in the Calculation Period divided by 360;
- (e) if “**30/360**” is so specified, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360x(Y_2 - Y_1)] + [30x(M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

“**Y1**” is the year, expressed as a number, in which the first day of the Calculation Period falls;

“**Y2**” is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“**M1**” is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

“**M2**” is the calendar month, expressed as number, in which the day immediately following the last day included in the Calculation Period falls;

“**D1**” is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D1 will be 30; and

“**D2**” is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31 and D1 is greater than 29, in which case D2 will be 30”;

- (f) if “**30E/360**” or “**Eurobond Basis**” is so specified, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360x(Y_2 - Y_1)] + [30x(M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

“**Y1**” is the year, expressed as a number, in which the first day of the Calculation Period falls;

“**Y2**” is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“**M1**” is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

“**M2**” is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“**D1**” is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D1 will be 30; and

“**D2**” is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31, in which case D2 will be 30; and

- (g) if “**30E/360 (ISDA)**” is so specified, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360x(Y_2 - Y_1)] + [30x(M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

“**Y1**” is the year, expressed as a number, in which the first day of the Calculation Period falls;

“**Y2**” is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“**M1**” is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

“**M2**” is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“**D1**” is the first calendar day, expressed as a number, of the Calculation Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case D1 will be 30; and

“**D2**” is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless (i) that day is the last day of February but not the Maturity Date or (ii) such number would be 31, in which case D2 will be 30,

provided, however, that in each such case the number of days in the Calculation Period is calculated from and including the first day of the Calculation Period to but excluding the last day of the Calculation Period;

“**Early Redemption Amount (Relevant Event)**” means, in respect of any Note, 101 per cent. of its principal amount or such other amount as may be specified in, or determined in accordance with, the relevant Pricing Supplement;

“**Early Redemption Amount (Tax)**” means, in respect of any Note, its principal amount or such other amount as may be specified in, or determined in accordance with, the relevant Pricing Supplement;

“**Early Termination Amount**” means, in respect of any Note, its principal amount or such other amount as may be specified in these Conditions, or determined in accordance with, the relevant Pricing Supplement;

“**Event of Default**” has the meaning given in Condition 13 (*Events of Default*);

“**Extraordinary Resolution**” has the meaning given in the Trust Deed;

“**Final Redemption Amount**” means, in respect of any Note, its principal amount or such other amount as may be specified in, or determined in accordance with, the relevant Pricing Supplement;

“**First Interest Payment Date**” means the date specified in the relevant Pricing Supplement;

“**Fixed Coupon Amount**” has the meaning given in the relevant Pricing Supplement;

“**Group**” means the Issuer and its Subsidiaries, taken as a whole;

“**guarantee**” means any obligation, contingent or otherwise, of any Person directly or indirectly guaranteeing any Indebtedness or other obligation of any other Person and, without limiting the generality of the foregoing, any obligation, direct or indirect, contingent or otherwise, of such Person (1) to purchase or pay (or advance or supply funds for the purchase or payment of) such Indebtedness or other obligation of such other Person (whether arising by virtue of partnership arrangements, or by agreements to keep-well, to purchase assets, goods, securities or services, to take-or-pay, or to maintain financial statement conditions or otherwise) or (2) entered into for purposes of assuring in any other manner the obligee of such Indebtedness or other obligation of the payment thereof or to protect such obligee against loss in respect thereof (in whole or in part); *provided that* the term “guarantee” shall not include endorsements for collection or deposit in the ordinary course of business. The term “guarantee” used as a verb has a corresponding meaning;

“**Guarantee of the Notes**” or “**Subsidiary Guarantee**” means the guarantee of the Notes given by the Subsidiary Guarantors in the Trust Deed;

“**HKFRS**” means the Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants. All ratios and computations contained or referred to in the Trust Deed shall be computed in conformity with HKFRS applied on a consistent basis;

“**Holder**”, in the case of Bearer Notes, has the meaning given in Condition 3(b) (*Form, Denomination, Title and Transfer — Title to Bearer Notes*) and, in the case of Registered Notes, has the meaning given in Condition 3(d) (*Form, Denomination, Title and Transfer — Title to Registered Notes*);

“**Hong Kong**” means the Hong Kong Special Administrative Region of the People’s Republic of China;

“**Hong Kong Stock Exchange**” means The Stock Exchange of Hong Kong Limited;

“**immediate family member**” has the meaning given in Rule 14A.12(1)(a) of the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange;

“**Indebtedness**” means, with respect to any Person at any date of determination (without duplication):

- (a) all indebtedness of such Person for borrowed money;
- (b) all obligations of such Person evidenced by bonds, debentures, notes or other similar instruments (excluding cash collateralised notes payable as described in the Issuer’s financial statements);
- (c) all obligations of such Person in respect of letters of credit, bankers’ acceptances or other similar instruments;
- (d) all obligations of such Person to pay the deferred and unpaid purchase price of property or services, except Trade Payables;
- (e) all Capitalised Lease Obligations and Attributable Indebtedness;
- (f) all Indebtedness of other Persons secured by a Lien on any asset of such Person, whether or not such Indebtedness is assumed by such Person; *provided that* the amount of such Indebtedness shall be the lesser of (A) the Fair Market Value of such asset at such date of determination and (B) the amount of such Indebtedness;
- (g) all Indebtedness of other Persons guaranteed by such Person to the extent that such Indebtedness is guaranteed by such Person;
- (h) to the extent not otherwise included in this definition, Hedging Obligations; and
- (i) all Disqualified Stock issued by such Person valued at the greater of its voluntary or involuntary liquidation preference and its maximum fixed repurchase price plus accrued dividends.

For the purposes of Condition 5 (*Covenants*), all perpetual securities shall constitute Indebtedness.

The amount of Indebtedness of any Person at any time shall be the outstanding balance at such time of all unconditional obligations as described above and, with respect to contingent obligations, the maximum liability upon the occurrence of the contingency giving rise to the obligation; *provided that*:

- (A) the amount outstanding at any time of any Indebtedness issued with original issue discount is the face amount of such Indebtedness less the remaining unamortised portion of the original issue discount of such Indebtedness at such time as determined in conformity with HKFRS;
- (B) money borrowed and set aside at the time of the Incurrence of any Indebtedness in order to prefund the payment of the interest on such Indebtedness shall not be deemed to be “Indebtedness” so long as such money is held to secure the payment of such interest; and
- (c) the amount of, or the principal amount of Indebtedness with respect to any Hedging Obligation shall be equal to zero if Incurred pursuant to clause (ii)(E) of the Condition 5(c) (*Limitation on Indebtedness and Preferred Stock*); *provided that* such amount shall be equal to the net amount payable if such Hedging Obligation terminated at or prior to that time due to a default by such Person;

“**Interest Amount**” means, in relation to a Note and an Interest Period, the amount of interest payable in respect of that Note for that Interest Period;

“**Interest Commencement Date**” means the Issue Date of the Notes or such other date as may be specified as the Interest Commencement Date in the relevant Pricing Supplement;

“**Interest Determination Date**” has the meaning given in the relevant Pricing Supplement;

“**Interest Payment Date**” means the First Interest Payment Date and any other date or dates specified as such in, or determined in accordance with the provisions of, the relevant Pricing Supplement and, if a Business Day Convention is specified in the relevant Pricing Supplement:

- (a) as the same may be adjusted in accordance with the relevant Business Day Convention; or
- (b) if the Business Day Convention is the FRN Convention, Floating Rate Convention or Eurodollar Convention and an interval of a number of calendar months is specified in the relevant Pricing Supplement as being the Specified Period, each of such dates as may occur in accordance with the FRN Convention, Floating Rate Convention or Eurodollar Convention at such Specified Period of calendar months following the Interest Commencement Date (in the case of the first Interest Payment Date) or the previous Interest Payment Date (in any other case);

“**Interest Period**” means each period beginning on (and including) the Interest Commencement Date or any Interest Payment Date and ending on (but excluding) the next Interest Payment Date;

“**Interim Financial Reports**” means the interim consolidated statement of comprehensive income, consolidated statement of financial position, consolidated statement of changes in equity and consolidated statement of cash flows of the Issuer and its Subsidiaries together with any statements, reports (including any directors’ and auditors’ review reports, if any) and notes attached to or intended to be read with any of them;

“**ISDA Definitions**” means the 2006 ISDA Definitions (as amended and updated as at the date of issue of the first Tranche of the Notes of the relevant Series (as specified in the relevant Pricing Supplement) as published by the International Swaps and Derivatives Association, Inc.);

“**Issue Date**” has the meaning given in the relevant Pricing Supplement;

“**Margin**” has the meaning given in the relevant Pricing Supplement;

“**Maturity Date**” has the meaning given in the relevant Pricing Supplement;

“**Maximum Redemption Amount**” has the meaning given in the relevant Pricing Supplement;

“**Minimum Redemption Amount**” has the meaning given in the relevant Pricing Supplement;

“**Noteholder**”, in the case of Bearer Notes, has the meaning given in Condition 3(b) (*Form, Denomination, Title and Transfer — Title to Bearer Notes*) and, in the case of Registered Notes, has the meaning given in Condition 3(d) (*Form, Denomination, Title and Transfer — Title to Registered Notes*);

“**Optional Redemption Amount (Call)**” means, in respect of any Note, its principal amount or such other amount as may be specified in, or determined in accordance with, the relevant Pricing Supplement;

“**Optional Redemption Amount (Put)**” means, in respect of any Note, its principal amount or such other amount as may be specified in, or determined in accordance with, the relevant Pricing Supplement;

“**Optional Redemption Date (Call)**” has the meaning given in the relevant Pricing Supplement;

“**Optional Redemption Date (Put)**” has the meaning given in the relevant Pricing Supplement;

“**Payment Business Day**” means:

- (a) if the currency of payment is euro, any day which is:
 - (i) a day on which (A) banks in the relevant place of presentation are open for presentation and payment of bearer debt securities and for dealings in foreign currencies and (B) a day on which commercial banks are open for general business (including dealings in foreign currencies) in the city where the Principal Paying Agent or the CMU Lodging and Paying Agent (as the case may be) has its Specified Office; and
 - (ii) in the case of payment by transfer to an account, a TARGET Settlement Day and a day on which dealings in foreign currencies may be carried on in each (if any) Additional Financial Centre; or
- (b) if the currency of payment is not euro, any day which is:
 - (i) a day on which (A) banks in the relevant place of presentation are open for presentation and payment of bearer debt securities and for dealings in foreign currencies and (B) a day on which commercial banks are open for general business (including dealings in foreign currencies) in the city where the Principal Paying Agent or (as the case may be) the CMU Lodging and Paying Agent has its Specified Office; and
 - (ii) in the case of payment by transfer to an account, a day on which dealings in foreign currencies (including, in the case of Notes denominated in Renminbi, settlement of Renminbi payments) may be carried on in the Principal Financial Centre of the currency of payment and in each (if any) Additional Financial Centre;

“**Permitted Holders**” means Dr. Du Bo (“**Dr. Du**”) and:

- (a) any heir, estate, lineal descendent (or spouse thereof), spouse, parent or immediate family member of Dr. Du; or
- (b) any trust, corporation, partnership or other entity, of which the direct or indirect beneficiaries, equity holders, partners, owners or Persons beneficially holding a majority (or more) controlling interest of which are Dr. Du and/or such other Persons referred to in paragraph (a) above;

“**Person**” means any individual, company, corporation, firm, partnership, joint venture, association, organisation, state or agency of a state or other entity, whether or not having separate legal personality;

“**Potential Event of Default**” means an event or circumstance which could, with the giving of notice, lapse of time, the issuing of a certificate and/or fulfilment of any other requirement provided for in Condition 13 (*Events of Default*), become an Event of Default;

“Principal Financial Centre” means, in relation to any currency, the principal financial centre for that currency **provided, however, that:**

- (a) in relation to euro, it means the principal financial centre of such Member State of the European Communities as is selected (in the case of a payment) by the payee or (in the case of a calculation) by the Calculation Agent;
- (b) in relation to New Zealand dollars, it means either Wellington or Auckland as is selected (in the case of a payment) by the payee or (in the case of a calculation) by the Calculation Agent; and
- (c) in relation to Renminbi, it means Hong Kong or the Principal Financial Centre as is specified in the relevant Pricing Supplement;

“Principal Subsidiary” means any Subsidiary of the Issuer:

- (a) whose revenue or (in the case of a Subsidiary which itself has Subsidiaries) consolidated revenue, as shown by its latest audited income statement are at least 5 per cent. of the consolidated revenue as shown by the latest published audited consolidated income statement of the Issuer and its Subsidiaries including, for the avoidance of doubt, the Issuer and its consolidated Subsidiaries’ share of profits of Subsidiaries not consolidated and of jointly controlled entities and after adjustments for minority interests; or
- (b) whose profit before income tax or (in the case of a Subsidiary which itself has Subsidiaries) consolidated profit before income tax, as shown by its latest audited income statement are at least 5 per cent. of the consolidated profit before income tax as shown by the latest published audited consolidated income statement of the Issuer and its Subsidiaries including, for the avoidance of doubt, the Issuer and its consolidated Subsidiaries’ share of profits of Subsidiaries not consolidated and of jointly controlled entities and after adjustments for minority interests; or
- (c) whose total assets or (in the case of a Subsidiary which itself has Subsidiaries) consolidated total assets, as shown by its latest audited balance sheet are at least 5 per cent. of the amount which equals the amount included in the consolidated total assets of the Issuer and its Subsidiaries as shown by the latest published audited consolidated balance sheet of the Issuer and its Subsidiaries, including the investment of the Issuer and its consolidated Subsidiaries in each Subsidiary whose accounts are not consolidated with the consolidated audited accounts of the Issuer and of jointly controlled entities and after adjustment for minority interests; or
- (d) to which is transferred the whole or substantially the whole of the assets of a Subsidiary which immediately prior to such transfer was a Principal Subsidiary, *provided that* the Principal Subsidiary which so transfers its assets shall forthwith upon such transfer cease to be a Principal Subsidiary and the Subsidiary to which the assets are so transferred shall cease to be a Principal Subsidiary at the date on which the first published audited accounts (consolidated, if appropriate), of the Issuer prepared as of a date later than such transfer are issued unless such Subsidiary would continue to be a Principal Subsidiary on the basis of such accounts by virtue of the provisions of paragraphs (a), (b) or (c) above of this definition,

provided that, in relation to paragraphs (a), (b) or (c) above of this definition:

- (i) in the case of a corporation or other business entity becoming a Subsidiary after the end of the financial period to which the latest consolidated audited accounts of the Issuer relate, the reference to the then latest consolidated audited accounts of the Issuer for the purposes of the calculation above shall, until consolidated audited accounts of the Issuer for the financial period in which the relevant corporation or other business entity becomes a Subsidiary are published be deemed to be a reference to the then latest consolidated

audited accounts of the Issuer adjusted to consolidate the latest audited accounts (consolidated in the case of a Subsidiary which itself has Subsidiaries) of such Subsidiary in such accounts;

- (ii) if at any relevant time in relation to the Issuer or any Subsidiary which itself has Subsidiaries no consolidated accounts are prepared and audited, revenue, profit before income tax or total assets of the Issuer and/or any such Subsidiary shall be determined on the basis of pro forma consolidated accounts prepared for this purpose by the Issuer;
- (iii) if at any relevant time in relation to any Subsidiary, no accounts are audited, its revenue, profit before income tax or total assets (consolidated, if appropriate) shall be determined on the basis of pro forma accounts (consolidated, if appropriate) of the relevant Subsidiary prepared for this purpose by the Issuer; and
- (iv) if the accounts of any Subsidiary (not being a Subsidiary referred to in proviso (i) above) are not consolidated with those of the Issuer, then the determination of whether or not such Subsidiary is a Principal Subsidiary shall be based on a pro forma consolidation of its accounts (consolidated, if appropriate) with the consolidated accounts (determined on the basis of the foregoing) of the Issuer.

In addition, any Subsidiary which is not itself a Principal Subsidiary shall nevertheless be treated as a Principal Subsidiary if the revenue (or consolidated revenue if the Subsidiary itself has subsidiaries), profit before income tax (or consolidated profit before income tax if the Subsidiary itself has subsidiaries) or total assets (or consolidated total assets if the Subsidiary itself has Subsidiaries) attributable to such Subsidiary when aggregated with the revenue (or consolidated revenue if appropriate), profit before income tax (or consolidated profit before income tax if appropriate) or total assets (or consolidated total assets if appropriate) attributable to any other Subsidiary which is not itself a Principal Subsidiary and with respect to which any of the events referred to in Condition 13 has occurred on or after the date of issue of the first Tranche of Notes, exceeds 5 per cent. of the consolidated revenue, consolidated profit before income tax or consolidated total assets of the Issuer and its Subsidiaries as shown in the latest published audited financial statements;

“Put Option Notice” means a notice which must be delivered to a Paying Agent by any Noteholder wanting to exercise a right to redeem a Note at the option of the Noteholder;

“Put Option Receipt” means a receipt issued by a Paying Agent to a depositing Noteholder upon deposit of a Note with such Paying Agent by any Noteholder wanting to exercise a right to redeem a Note at the option of the Noteholder;

“Rate of Interest” means the rate or rates (expressed as a percentage per annum) of interest payable in respect of the Notes specified in the relevant Pricing Supplement or calculated or determined in accordance with the provisions of these Conditions and/or the relevant Pricing Supplement;

“Redemption Amount” means, as appropriate, the Final Redemption Amount, the Early Redemption Amount (Relevant Event), the Early Redemption Amount (Tax), the Optional Redemption Amount (Call), the Optional Redemption Amount (Put), the Early Termination Amount or such other amount in the nature of a redemption amount as may be specified in the relevant Pricing Supplement;

“Reference Banks” has the meaning given in the relevant Pricing Supplement or, if none, four major banks selected by the Calculation Agent in the market that is most closely connected with the Reference Rate;

“Reference Price” has the meaning given in the relevant Pricing Supplement;

“**Reference Rate**” has the meaning given in the relevant Pricing Supplement in respect of the currency and period specified in the relevant Pricing Supplement;

“**Regular Period**” means:

- (a) in the case of Notes where interest is scheduled to be paid only by means of regular payments, each period from and including the Interest Commencement Date to but excluding the first Interest Payment Date and each successive period from and including one Interest Payment Date to but excluding the next Interest Payment Date;
- (b) in the case of Notes where, apart from the first Interest Period, interest is scheduled to be paid only by means of regular payments, each period from and including a Regular Date falling in any year to but excluding the next Regular Date, where “Regular Date” means the day and month (but not the year) on which any Interest Payment Date falls; and
- (c) in the case of Notes where, apart from one Interest Period other than the first Interest Period, interest is scheduled to be paid only by means of regular payments, each period from and including a Regular Date falling in any year to but excluding the next Regular Date, where “**Regular Date**” means the day and month (but not the year) on which any Interest Payment Date falls other than the Interest Payment Date falling at the end of the irregular Interest Period.

“**Relevant Date**” means, in relation to any payment, whichever is the later of (a) the date on which the payment in question first becomes due and (b) if the full amount payable has not been received by the Principal Paying Agent or the Trustee on or prior to such due date, the date on which (the full amount having been so received) notice to that effect has been given to the Noteholders;

“**Relevant Event**” means:

- (a) the occurrence of a Change of Control; or
- (b) when the ordinary shares of the Issuer cease to be listed or admitted to trading on the Hong Kong Stock Exchange;

“**Relevant Financial Centre**” has the meaning given in the relevant Pricing Supplement;

“**Relevant Indebtedness**” means any Indebtedness which is in the form of or represented by any bond, note, debenture, debenture stock, loan stock, certificate or other instrument which is, or is capable of being, listed, quoted or traded on any stock exchange or in any securities market (including, without limitation, any over-the-counter market) having an original maturity of more than one year from its date of issue;

“**Relevant Screen Page**” means the page, section or other part of a particular information service (including, without limitation, Reuters) specified as the Relevant Screen Page in the relevant Pricing Supplement, or such other page, section or other part as may replace it on that information service or such other information service, in each case, as may be nominated by the Person providing or sponsoring the information appearing there for the purpose of displaying rates or prices comparable to the Reference Rate;

“**Relevant Time**” has the meaning given in the relevant Pricing Supplement;

“**Reserved Matter**” means any proposal to change any date fixed for payment of principal or interest in respect of the Notes, to reduce the amount of principal or interest payable on any date in respect of the Notes, to modify Condition 5 (*Covenants*), to alter the method of calculating the amount of any payment in

respect of the Notes or the date for any such payment, to change the currency of any payment under the Notes or to change the quorum requirements relating to meetings or the majority required to pass an Extraordinary Resolution;

“**Security Interest**” means any mortgage, charge, pledge, lien or other security interest including, without limitation, anything analogous to any of the foregoing under the laws of any jurisdiction;

“**Specified Currency**” has the meaning given in the relevant Pricing Supplement;

“**Specified Denomination(s)**” has the meaning given in the relevant Pricing Supplement;

“**Specified Office**” has the meaning given in the Agency Agreement;

“**Specified Period**” has the meaning given in the relevant Pricing Supplement;

“**Subsidiary**” means, in relation to any Person (the “**first Person**”) at any particular time, any other Person (the “**second Person**”):

- (a) whose affairs and policies the first Person controls or has the power to control, whether by ownership of share capital, contract, the power to appoint or remove members of the governing body of the second Person or otherwise; or
- (b) whose financial statements are, in accordance with applicable law and generally accepted accounting principles, consolidated with those of the first Person;

“**Talon**” means a talon for further Coupons;

“**TARGET2**” means the Trans-European Automated Real-Time Gross Settlement Express Transfer payment system which utilises a single shared platform and which was launched on 19 November 2007;

“**TARGET Settlement Day**” means any day on which TARGET2 is open for the settlement of payments in euro;

“**Trading Day**” means a day on which the Hong Kong Stock Exchange is open for dealing business;

“**Treaty**” means the Treaty on the Functioning of the European Union, as amended; and

“**Zero Coupon Note**” means a Note specified as such in the relevant Pricing Supplement.

(b) *Interpretation:* In these Conditions:

- (i) if the Notes are Zero Coupon Notes, references to Coupons and Couponholders are not applicable;
- (ii) if Talons are specified in the relevant Pricing Supplement as being attached to the Notes at the time of issue, references to Coupons shall be deemed to include references to Talons;
- (iii) if Talons are not specified in the relevant Pricing Supplement as being attached to the Notes at the time of issue, references to Talons are not applicable;
- (iv) any reference to principal shall be deemed to include the Redemption Amount, any additional amounts in respect of principal which may be payable under Condition 12 (*Taxation*), any premium payable in respect of a Note and any other amount in the nature of principal payable pursuant to these Conditions;

- (v) any reference to interest shall be deemed to include any additional amounts in respect of interest which may be payable under Condition 12 (*Taxation*) and any other amount in the nature of interest payable pursuant to these Conditions;
- (vi) references to Notes being “outstanding” shall be construed in accordance with the Trust Deed;
- (vii) if an expression is stated in Condition 2(a) (*Definitions*) to have the meaning given in the relevant Pricing Supplement, but the relevant Pricing Supplement gives no such meaning or specifies that such expression is “not applicable” then such expression is not applicable to the Notes; and
- (viii) any reference to the Trust Deed or the Agency Agreement shall be construed as a reference to the Trust Deed or the Agency Agreement, as the case may be, as amended and/or supplemented up to and including the Issue Date of the Notes.

3. Form, Denomination, Title and Transfer

- (a) *Bearer Notes*: Bearer Notes are in the Specified Denomination(s) with Coupons and, if specified in the relevant Pricing Supplement, Talons attached at the time of issue. In the case of a Series of Bearer Notes with more than one Specified Denomination, Bearer Notes of one Specified Denomination will not be exchangeable for Bearer Notes of another Specified Denomination.
- (b) *Title to Bearer Notes*: Title to Bearer Notes and the Coupons will pass by delivery. In the case of Bearer Notes, “**Holder**” means the holder of such Bearer Note and “**Noteholder**” and “**Couponholder**” shall be construed accordingly.
- (c) *Registered Notes*: Registered Notes are in the Specified Denomination(s), which may include a minimum denomination specified in the relevant Pricing Supplement and higher integral multiples of a smaller amount specified in the relevant Pricing Supplement.
- (d) *Title to Registered Notes*: The relevant Registrar will maintain a register (the “**Register**”) in accordance with the provisions of the Agency Agreement. A certificate (each, a “**Note Certificate**”) will be issued to each Holder of Registered Notes in respect of its registered holding. Each Note Certificate will be numbered serially with an identifying number which will be recorded in the Register. In the case of Registered Notes, “**Holder**” means the person in whose name such Registered Note is for the time being registered in the Register (or, in the case of a joint holding, the first named thereof) and “**Noteholder**” shall be construed accordingly.
- (e) *Ownership*: The Holder of any Note or Coupon shall (except as otherwise required by law) be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any other interest therein, any writing thereon or, in the case of Registered Notes, on the Note Certificate relating thereto (other than the endorsed form of transfer) or any notice of any previous loss or theft thereof) and no Person shall be liable for so treating such Holder. No person shall have any right to enforce any term or condition of any Note under the Contracts (Rights of Third Parties) Act 1999.
- (f) *Transfers of Registered Notes*: Subject to paragraphs (i) (*Closed periods*) and (j) (*Regulations concerning transfers and registration*) below, a Registered Note may be transferred upon surrender of the relevant Note Certificate, with the endorsed form of transfer duly completed, at the Specified Office of the relevant Registrar or any Transfer Agent, together with such evidence as the relevant Registrar or (as the case may be) such Transfer Agent may reasonably require to prove the title of the transferor and the authority of the individuals who have executed the form of transfer; **provided, however, that** a Registered Note may not be transferred unless the principal amount of Registered Notes transferred and (where not all of the Registered Notes held by a Holder are being transferred) the principal amount of the balance of Registered Notes not transferred are Specified Denominations. Where not all the Registered Notes represented by the surrendered Note Certificate are the subject of the transfer, a new Note Certificate in respect of the balance of the Registered Notes will be issued to the transferor.

- (g) *Registration and delivery of Note Certificates:* Within five business days of the surrender of a Note Certificate in accordance with paragraph (f) (*Transfers of Registered Notes*) above, the relevant Registrar will register the transfer in question and deliver a new Note Certificate of a like principal amount to the Registered Notes transferred to each relevant Holder at its Specified Office or (as the case may be) the Specified Office of any Transfer Agent or (at the request and risk of any such relevant Holder) by uninsured first class mail (airmail if overseas) to the address specified for the purpose by such relevant Holder. In this paragraph, “**business day**” means a day on which commercial banks are open for general business (including dealings in foreign currencies) in the city where the relevant Registrar or (as the case may be) the relevant Transfer Agent has its Specified Office.
- (h) *No charge:* The transfer of a Registered Note will be effected without charge by or on behalf of the Issuer or the relevant Registrar or any Transfer Agent but against such payment or indemnity as the Issuer, the relevant Registrar or (as the case may be) such Transfer Agent may require in respect of (i) any costs or expenses of delivery other than by regular uninsured mail, or (ii) any stamp duty, tax, other duty or governmental charge of whatsoever nature which may be levied or imposed in connection with such transfer and registration thereof.
- (i) *Closed periods:* Noteholders may not require transfers to be registered during the period of 15 days ending on (and including) (i) any Record Date for any payment of principal or interest, (ii) the due date for redemption of the Notes, or (iii) any date on which the Notes may be called for redemption by the Issuer at its option pursuant to Condition 9(b) (*Redemption for tax reasons*) or Condition 9(d) (*Redemption at the option of the Issuer*).
- (j) *Regulations concerning transfers and registration:* All transfers of Registered Notes and entries on the Register are subject to the detailed regulations concerning the transfer of Registered Notes scheduled to the Agency Agreement. The regulations may be changed by the Issuer with the prior written approval of the relevant Registrar and the Trustee or by the relevant Registrar, with the prior written approval of the Trustee. A copy of the current regulations will be made available by the relevant Registrar to any Noteholder upon prior written request and proof of holding.

4. Status of the Notes and Guarantee of the Notes

- (a) *Status of the Notes:* The Notes constitute direct, general, unsubordinated, unconditional and (subject to Condition 5(a) (*Negative Pledge*) below) unsecured obligations of the Issuer which will at all times rank *pari passu* among themselves and at least *pari passu* with all other present and future unsecured and unsubordinated obligations of the Issuer, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application.
- (b) *Guarantee of the Notes:* Each of the Subsidiary Guarantors has in the Trust Deed unconditionally and irrevocably guaranteed the due and punctual payment of all sums from time to time payable by the Issuer in respect of the Notes. The Guarantee of the Notes constitutes direct, general, unsubordinated, unconditional and unsecured obligations of each of the Subsidiary Guarantors which will at all times rank at least *pari passu* with all other present and future unsecured and unsubordinated obligations of the Subsidiary Guarantors, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application.

5. Covenants

- (a) *Negative Pledge:* So long as any Note remains outstanding, the Issuer and each of the Subsidiary Guarantors shall not, and the Issuer and each Subsidiary Guarantor shall procure that none of their respective Subsidiaries will, create or permit to subsist any Security Interest upon the whole or any part of its present or future undertaking, assets or revenues (including uncalled capital) to secure any Relevant Indebtedness or guarantee of Relevant Indebtedness without at the same time or prior thereto according to the Notes (i) equally and rateably the same Security Interest as is created or subsisting to secure any such Relevant Indebtedness, guarantee of Relevant Indebtedness or indemnity or (ii) such other Security Interest as shall be approved by an Extraordinary Resolution of Noteholders.

- (b) *Provision of Information:* So long as any Note remains outstanding, the Issuer shall send to the Trustee:
- (i) (A) a copy of the Audited Financial Reports in English within 120 days from the end of each financial year prepared in accordance with HKFRS (audited by an internationally recognised firm of independent accountants) and (B) a copy of the Interim Financial Reports in English within 90 days from the end of each first half financial year prepared on a basis consistent with the Audited Financial Reports; *provided that* if at any time the shares of the Issuer are listed for trading on a recognised stock exchange, the Issuer may make available to the Trustee, as soon as they are available but in any event not more than 10 days after any financial or other reports of the Issuer are filed with the exchange on which the Issuer's shares are at such time listed for trading, true and correct copies of any financial or other report filed with such exchange in lieu of the reports identified in paragraph (i)(A) and (i)(B) above; and
 - (ii) at the same time the Issuer provides the Audited Financial Reports or Interim Financial Reports pursuant to Condition 5(b)(i), and, at any other time, within 14 days of a request by the Trustee in writing, a certificate in English of the Issuer signed by two directors of the Issuer which shall be substantially in the form provided in the Trust Deed (on which the Trustee may rely conclusively as to such compliance and shall not be held liable to any Noteholder or any other person for such reliance), stating that as of the end of the latest financial year of the Issuer, (A) no Event of Default, Potential Event of Default or Relevant Event had occurred since the certification date of the last such certificate or (if there has been no such certificate previously) the Issue Date, or, if such an event had occurred, giving details of it and the action which the Issuer proposes to take with respect thereto and (B) the Issuer has complied with all of the covenants that it is bound by under the Conditions, the Trust Deed and the Agency Agreement.
- (c) *Limitation on Indebtedness and Preferred Stock:*
- (i) The Issuer will not, and will not permit any Subsidiary to, Incur any Indebtedness (including Acquired Indebtedness) and the Issuer will not permit any Subsidiary to issue any Preferred Stock; *provided that* (i) the Issuer or a Subsidiary Guarantor may Incur Indebtedness (including Acquired Indebtedness) and (ii) any Subsidiary which is not a Subsidiary Guarantor may Incur Permitted Subsidiary Indebtedness, in each case, if, after giving effect to the Incurrence of such Indebtedness and the receipt and application of the proceeds therefrom, (x) no Default has occurred and is continuing and (y) the Fixed Charge Coverage Ratio would be not less than 2.75 to 1.0. Notwithstanding the foregoing, the Issuer will not permit any Subsidiary to Incur any Disqualified Stock (other than Disqualified Stock held by the Issuer or a Subsidiary Guarantor, so long as it is so held).
 - (ii) Notwithstanding the foregoing, the Issuer and, to the extent provided below, any Subsidiary, may Incur each and all of the following ("**Permitted Indebtedness**"):
 - (A) Indebtedness of the Issuer or any Subsidiary in an aggregate principal amount outstanding at any time (together with refinancings thereof) not to exceed U.S.\$15 million (or the Dollar Equivalent thereof);
 - (B) Indebtedness of the Issuer or any Subsidiary outstanding on the Issue Date, excluding Indebtedness permitted under clause (ii)(C) of this Condition 5(c);
 - (C) Indebtedness of the Issuer or any Subsidiary owed to the Issuer or any Subsidiary; *provided that* (x) any event which results in any such Subsidiary to which such Indebtedness is owed ceasing to be a Subsidiary or any subsequent transfer of such Indebtedness (other than to the Issuer or any Subsidiary) shall be deemed, in each case, to constitute an Incurrence of such Indebtedness not permitted by this clause (ii)(C) and (y) if the Issuer or any Subsidiary Guarantor is an obligor of such Indebtedness, such Indebtedness must be unsecured and be subordinated in right of payment to the Notes in the case of the Issuer, or the Subsidiary Guarantee of such Subsidiary Guarantor in the case of a Subsidiary Guarantor;

- (D) Indebtedness (“**Permitted Refinancing Indebtedness**”) issued in exchange for, or the net proceeds of which are used to refinance, refund, replace or repay then outstanding Indebtedness Incurred under clause (i) above or clause (ii)(A), (ii)(B), this clause (ii)(D), clause (ii)(F) or (ii)(N) of this Condition 5(c); *provided that*: (1) the aggregate principal amount (or accreted value, if applicable, or, if issued with original issue discount, aggregate issue price) of such Permitted Refinancing Indebtedness does not exceed the principal amount (or accreted value, if applicable, or, if issued with original issue discount, aggregate issue price) of the Indebtedness renewed, refunded, refinanced, replaced, exchanged, defeased or discharged (plus all accrued interest on the Indebtedness and the amount of all fees and expenses, including premiums, incurred in connection therewith); (2) Indebtedness, the proceeds of which are used to refinance or refund the Notes or Indebtedness that is *pari passu* with, or subordinated in right of payment to, the Notes or a Subsidiary Guarantee shall only be permitted under this clause (ii)(D) if (x) in case the Notes are refinanced in part or the Indebtedness to be refinanced is *pari passu* with the Notes or a Subsidiary Guarantee, such new Indebtedness, by its terms or by the terms of any agreement or instrument pursuant to which such new Indebtedness is issued or remains outstanding, is expressly made *pari passu* with, or subordinate in right of payment to, the remaining Notes or such Subsidiary Guarantee or (y) in case the Indebtedness to be refinanced is subordinated in right of payment to the Notes or a Subsidiary Guarantee, such new Indebtedness, by its terms or by the terms of any agreement or instrument pursuant to which such new Indebtedness is issued or remains outstanding, is expressly made subordinate in right of payment to the Notes or such Subsidiary Guarantee at least to the extent that the Indebtedness to be refinanced is subordinated to the Notes or such Subsidiary Guarantee; (3) such new Indebtedness, determined as of the date of Incurrence of such new Indebtedness, does not mature prior to the Stated Maturity of the Indebtedness to be refinanced or refunded, and the Average Life of such new Indebtedness is at least equal to the remaining Average Life of the Indebtedness to be refinanced or refunded; and (4) in no event may Indebtedness of the Issuer or any Subsidiary Guarantor be refinanced pursuant to this clause (ii)(D) by means of any Indebtedness of any Subsidiary that is not a Subsidiary Guarantor;
- (E) Indebtedness Incurred by the Issuer or any Subsidiary pursuant to Hedging Obligations entered into in the ordinary course of business and designed solely to protect the Issuer or any Subsidiary from fluctuations in interest rates, currencies or the price of commodities and not for speculation;
- (F) Indebtedness Incurred by the Issuer or any Subsidiary for the purpose of financing (A) all or any part of the purchase price (including any adjustment of purchase price or similar obligations) of assets, real or personal property, Capitalised Lease Obligations or equipment to be used in the ordinary course of business by the Issuer or a Subsidiary in the Permitted Business, including any such purchase through the acquisition of Capital Stock of any Person that owns such assets, real or personal property, Capitalised Lease Obligations or equipment which will, upon such acquisition, become a Subsidiary or (B) all or any part of the purchase price (including any adjustment of purchase price or similar obligations) or the cost of development, construction or improvement of assets, real or personal property, Capitalised Lease Obligations or equipment to be used in the ordinary course of business by the Issuer or such Subsidiary in the Permitted Business; *provided, however, that* in each case; (1) the aggregate principal amount of such Indebtedness shall not exceed such purchase price or cost; (2) such Indebtedness shall be Incurred no later than 180 days after the acquisition of such assets, property, Capitalised Lease Obligations or equipment or completion of such development, construction or improvement; and (3) on the date of the Incurrence of such Indebtedness and after giving effect thereto, the sum of (x) the aggregate principal amount outstanding of all such Indebtedness permitted by this clause (ii)(F) (together with any refinancings thereof) plus (y) the aggregate principal amount outstanding of all such Indebtedness Incurred pursuant to clause (ii)(N) below (together with any refinancings thereof) does not exceed an amount equal to 20% of Total Assets;

- (G) Indebtedness Incurred by the Issuer or any Subsidiary constituting reimbursement obligations with respect to workers' compensation claims or self-insurance obligations or bid, performance or surety bonds (in each case other than for an obligation for borrowed money);
 - (H) Indebtedness Incurred by the Issuer or any Subsidiary constituting reimbursement obligations with respect to letters of credit or trade guarantees issued in the ordinary course of business to the extent that such letters of credit or trade guarantees are not drawn upon or, if drawn upon, to the extent that such drawing is reimbursed no later than 30 days following receipt by the Issuer or such Subsidiary, as applicable, of a demand for reimbursement;
 - (I) Indebtedness arising from agreements providing for indemnification, adjustment of purchase price or similar obligations, or from guarantees or letters of credit, surety bonds or performance bonds securing any obligation of the Issuer or any Subsidiary pursuant to such agreements, in any case, Incurred in connection with the disposition of any business, assets or Subsidiary (other than guarantees of Indebtedness Incurred by any Person acquiring all or any portion of such business, assets or Subsidiary for the purpose of financing such acquisition); *provided that* the maximum aggregate liability in respect of all such Indebtedness shall at no time exceed the gross proceeds actually received by the Issuer or any Subsidiary from the disposition of such business, assets or Subsidiary;
 - (J) Indebtedness arising from the honouring by a bank or other financial institution of a check, draft or similar instrument drawn against insufficient funds in the ordinary course of business; *provided, however, that* such Indebtedness is extinguished within five Business Days of Incurrence;
 - (K) (1) guarantees by the Issuer or any Subsidiary Guarantor of Indebtedness of the Issuer or any Subsidiary that was permitted to be Incurred by another clause of this Condition 5(c) or (2) guarantees by any Subsidiary of Indebtedness of another Subsidiary that was permitted to be Incurred under clause (ii)(E) or (ii)(F) above or clause (ii)(L) below of this Condition 5(c);
 - (L) Indebtedness of the Issuer or any Subsidiary with a maturity of one year or less used by the Issuer or any Subsidiary for working capital; *provided that* the aggregate principal amount of Indebtedness permitted by this clause (ii)(L) at any time outstanding does not exceed U.S.\$20 million (or the Dollar Equivalent thereof);
 - (M) the issuance of Preferred Stock by any Subsidiary to the Issuer or to any other Subsidiary that is a direct or indirect parent of the issuing Subsidiary, *provided, however, that* any issuance, sale or transfer that results in any such Preferred Stock being held by a Person other than the Issuer or a Subsidiary that is such a parent will be deemed to constitute an issuance of such Preferred Stock that was not permitted by this clause (M); and
 - (N) Bank Deposit Secured Indebtedness or Cross Border Secured Indebtedness Incurred by the Issuer or any Subsidiary; *provided that* on the date of the Incurrence of such Indebtedness and after giving effect thereto, the sum of (x) the aggregate principal amount outstanding of all such Indebtedness Incurred pursuant to this clause (ii)(N) (together with any refinancings thereof), plus (y) the aggregate principal amount outstanding of all such Indebtedness Incurred pursuant to clause (ii)(F) above (together with any refinancings thereof), does not exceed an amount equal to 20% of Total Assets.
- (iii) For purposes of determining compliance with this Condition 5(c), in the event that an item of Indebtedness meets the criteria of more than one of the types of Indebtedness described above, including under the proviso in the clause (i) of this Condition 5(c), the Issuer, in its sole discretion, shall classify, and from time to time may reclassify, such item of Indebtedness. Notwithstanding any other clauses in this Condition 5(c), the

maximum amount of Indebtedness that may be Incurred pursuant to this covenant will not be deemed to be exceeded with respect to any outstanding Indebtedness due solely to the result of fluctuations in the exchange rates of currencies.

- (iv) For purposes of determining compliance with any US dollar-denominated restriction on the Incurrence of Indebtedness, the US dollar-equivalent principal amount of Indebtedness denominated in a foreign currency shall be calculated based on the relevant currency exchange rate in effect on the date such Indebtedness was Incurred, in the case of term Indebtedness, or first committed, in the case of revolving credit Indebtedness; *provided that* if such Indebtedness is Incurred to refinance other Indebtedness denominated in a foreign currency, and such refinancing would cause the applicable US dollar-denominated restriction to be exceeded if calculated at the relevant currency exchange rate in effect on the date of such refinancing, such US dollar-denominated restriction shall be deemed not to have been exceeded so long as the principal amount of such refinancing Indebtedness does not exceed the principal amount of such Indebtedness being refinanced. The principal amount of any Indebtedness Incurred to refinance other Indebtedness, if Incurred in a different currency from the Indebtedness being refinanced, shall be calculated based on the currency exchange rate applicable to the currencies in which such refinancing Indebtedness is denominated that is in effect on the date of such refinancing.

(d) *Limitation on Asset Sales:*

- (i) The Issuer will not, and will not permit any Subsidiary to, consummate any Asset Sale, unless:
 - (A) no Default shall have occurred and be continuing or would occur as a result of such Asset Sale;
 - (B) the consideration received by the Issuer or such Subsidiary, as the case may be, is at least equal to the Fair Market Value of the assets sold or disposed of;
 - (C) in the case of an Asset Sale that constitutes an Asset Disposition, the Issuer could Incur, at the time of signing a definitive agreement in connection with such Asset Disposition and after giving pro forma effect to such Asset Disposition (including pro forma application of any proceeds to reduce Indebtedness), at least U.S.\$1.00 of Indebtedness under Condition 5(c)(i); and
 - (D) at least 75% of the consideration received consists of cash, Temporary Cash Investments or Replacement Assets; *provided that*, in the case of an Asset Sale in which the Issuer or such Subsidiary receives Replacement Assets involving aggregate consideration in excess of U.S.\$10.0 million (or the Dollar Equivalent thereof), the Issuer shall deliver to the Trustee an opinion as to the fairness to the Issuer or such Subsidiary of such Asset Sale from a financial point of view issued by an accounting, appraisal or investment banking firm of recognised international standing. For purposes of this provision, each of the following will be deemed to be cash:
 - (1) any liabilities, as shown on the Issuer's most recent consolidated balance sheet, of the Issuer or any Subsidiary (other than contingent liabilities and liabilities that are by their terms subordinated to the Notes or any Subsidiary Guarantee) that are assumed by the transferee of any such assets pursuant to a customary assumption, assignment, novation or similar agreement that releases the Issuer or such Subsidiary from further liability; and
 - (2) any securities, notes or other obligations received by the Issuer or any Subsidiary from such transferee that are promptly, but in any event within 30 days of closing, converted by the Issuer or such Subsidiary into cash, to the extent of the cash received in that conversion.

- (ii) Within 360 days after the receipt of any Net Cash Proceeds from an Asset Sale, the Issuer (or the applicable Subsidiary, as the case may be) may apply such Net Cash Proceeds to:
 - (A) repurchase, repay, prepay or redeem unsubordinated Indebtedness of the Issuer or a Subsidiary Guarantor or Indebtedness of a Subsidiary that is not a Subsidiary Guarantor (and, if such Indebtedness repaid is revolving credit Indebtedness, to correspondingly reduce commitments with respect thereto) in each case owing to a Person other than the Issuer or a Subsidiary; or
 - (B) acquire properties and assets that replace the properties and assets that were the subject of such Asset Sale or in properties or assets that will be used in the Permitted Business (“**Replacement Assets**”).
 - (iii) Any Net Cash Proceeds from Asset Sales that are not applied or invested as provided in Condition 5(d)(ii) will constitute “**Excess Proceeds**”. Excess proceeds of less than U.S.\$10.0 million (or the Dollar Equivalent thereof) will be carried forward and accumulated. When accumulated Excess Proceeds equal to or exceed U.S.\$10.0 million (or the Dollar Equivalent thereof), within 10 days thereof, the Issuer must make an Offer to Purchase Notes having a principal amount equal to:
 - (A) accumulated Excess Proceeds, multiplied by
 - (B) a fraction (x) the numerator of which is equal to the outstanding principal amount of the Notes and (y) the denominator of which is equal to the outstanding principal amount of the Notes and all *pari passu* Indebtedness similarly required to be repaid, redeemed or tendered for in connection with the Asset Sale, rounded down to the nearest U.S.\$1,000.
 - (iv) The offer price in any Offer to Purchase will be equal to 100% of the principal amount plus accrued and unpaid interest to the date of purchase, and will be payable in cash.
 - (v) If any Excess Proceeds remain after consummation of an Offer to Purchase, the Issuer may use such Excess Proceeds for any purpose not otherwise prohibited by the Trust Deed. If the aggregate principal amount of Notes and any other *pari passu* Indebtedness tendered into (or required to be prepaid or redeemed in connection with) such Offer to Purchase exceeds the amount of Excess Proceeds, the Notes and such other *pari passu* Indebtedness will be purchased on a pro rata basis based on the principal amount of Notes and such other *pari passu* Indebtedness tendered (or required to be prepaid or redeemed). Upon completion of each Offer to Purchase, the amount of Excess Proceeds will be reset at zero.
- (e) *Consolidation, Merger and Sale of Assets:*
- (i) The Issuer will not consolidate with, merge with or into another Person, permit any Person to merge with or into it, or sell, convey, transfer, lease or otherwise dispose of all or substantially all of its and its Subsidiaries’ properties and assets taken as a whole (as an entirety or substantially an entirety in one transaction or a series of related transactions), unless:
 - (A) the Issuer shall be the continuing Person, or the Person (if other than it) formed by such consolidation or merger or that acquired or leased such property and assets (the “**Surviving Person**”) shall be a corporation organised and validly existing under the laws of the Cayman Islands, the British Virgin Islands, Bermuda, Singapore, Macau or Hong Kong and shall expressly assume, by a supplement to the Trust Deed, executed and delivered to the Trustee, all the obligations of the Issuer under the Trust Deed and the Notes, including the obligation to pay Additional Amounts (as defined in Condition 12 (*Taxation*)) with respect to any jurisdiction in which it is organised or resident for tax purposes, or from or through which payment is made, and the Trust Deed and the Notes shall remain in full force and effect;

- (B) immediately after giving effect to such transaction, no Default shall have occurred and be continuing;
 - (C) immediately after giving effect to such transaction on a pro forma basis, the Issuer or the Surviving Person, as the case may be, shall have either (a) a Consolidated Net Worth equal to or greater than the Consolidated Net Worth of the Issuer immediately prior to such transaction or (b) a Fair Market Value equal to or greater than the Fair Market Value of the Issuer prior to such transaction;
 - (D) immediately after giving effect to such transaction on a pro forma basis, the Issuer or the Surviving Person, as the case may be, could Incur at least U.S.\$1.00 of Indebtedness under the proviso of Condition 5(c)(i);
 - (E) the Issuer delivers to the Trustee an Officers' Certificate (attaching the arithmetic computations to demonstrate compliance with Conditions 5(c)(ii)(B) and (C) and an Opinion of Counsel, in each case stating that such consolidation, merger or transfer and such supplemental trust deed complies with this provision and that all conditions precedent provided for in the Trust Deed relating to such transaction have been complied with; and
 - (F) each Subsidiary Guarantor, unless such Subsidiary Guarantor is the Person with which the Issuer has entered into a transaction described under this covenant, shall execute and deliver a supplemental trust deed to the Trust Deed confirming that its Subsidiary Guarantee shall apply to the obligations of the Issuer or the Surviving Person in accordance with the Notes and the Trust Deed.
- (ii) No Subsidiary Guarantor will consolidate with, or merge with or into another Person, permit any Person to merge with or into it, or sell, convey, transfer, lease or otherwise dispose of all or substantially all of its and its Subsidiaries' properties and assets taken as a whole (as an entirety or substantially an entirety in one transaction or a series of related transactions) to another Person (other than the Issuer or another Subsidiary Guarantor), unless:
- (A) such Subsidiary Guarantor shall be the continuing Person, or the Person (if other than it) formed by such consolidation or merger or that acquired or leased such property and assets shall be the Issuer, another Subsidiary Guarantor or shall become a Subsidiary Guarantor concurrently with the transaction;
 - (B) immediately after giving effect to such transaction, no Default shall have occurred and be continuing;
 - (C) immediately after giving effect to such transaction on a pro forma basis, the Issuer shall have either (1) a Consolidated Net Worth equal to or greater than the Consolidated Net Worth of the Issuer immediately prior to such transaction or (2) a Fair Market Value equal to or greater than the Fair Market Value of the Issuer prior to such transaction;
 - (D) immediately after giving effect to such transaction on a pro forma basis, the Issuer could Incur at least U.S.\$1.00 of Indebtedness under the proviso Condition 5(c)(i); and
 - (E) the Issuer delivers to the Trustee (1) an Officers' Certificate (attaching the arithmetic computations to demonstrate compliance with Conditions 5(c)(ii)(B) and(C)) and (2) an Opinion of Counsel, in each case stating that such consolidation, merger or transfer and the relevant supplemental trust deed complies with this provision and that all conditions precedent provided for in the Trust Deed relating to such transaction have been complied with.

(f) *Definitions: In this Condition 5 (Covenants):*

“**Acquired Indebtedness**” means Indebtedness of a Person existing at the time such Person becomes a Subsidiary or Indebtedness of a Subsidiary assumed in connection with an Asset Acquisition by such Subsidiary, whether or not Incurred in connection with, or in contemplation of, the Person merging with or into or becoming a Subsidiary;

“**Assets**” means any undertaking, assets or revenues (including any uncalled capital);

“**Asset Acquisition**” means (1) an Investment by the Issuer or any Subsidiary in any other Person pursuant to which such Person shall become a Subsidiary or shall be merged into or consolidated with the Issuer or any Subsidiary or (2) an acquisition by the Issuer or any Subsidiary of the property and assets of any Person other than the Issuer or any Subsidiary that constitute substantially all of a division or line of business of such Person;

“**Asset Disposition**” means (a) for the purposes of Condition 5(d) (*Limitation on Asset Sales*) the sale or other disposition by the Issuer or any Subsidiary (other than to the Issuer or another Subsidiary) of all or substantially all of the assets that constitute a division or line of business of the Issuer and (b) for all other purposes, the sale or other disposition by the Issuer or any Subsidiary (other than to the Issuer or another Subsidiary) of (1) all or substantially all of the Capital Stock of any Subsidiary or (2) all or substantially all of the assets that constitute a division or line of business of the Issuer or any Subsidiary;

“**Asset Sale**” means any sale, transfer or other disposition of any of its property or assets (including any sale of Capital Stock of a Subsidiary or issuance of Capital Stock of a Subsidiary) in one transaction or a series of related transactions by the Issuer or any Subsidiary to any Person; *provided that*, “Asset Sale” shall not include:

- (a) sales or other dispositions of inventory, receivables and other current assets in the ordinary course of business;
- (b) sales, transfers or other dispositions of assets with a Fair Market Value not in excess of U.S.\$1 million (or the Dollar Equivalent thereof) in any transaction or series of related transactions;
- (c) any sale, transfer, assignment or other disposition of any property or equipment that has become damaged, worn out, obsolete or otherwise unsuitable for use in connection with the business of the Issuer or its Subsidiaries;
- (d) a transaction covered by Condition 5(e) (*Consolidation, Merger and Sale of Assets*); and
- (e) a sale, transfer or other disposition to the Issuer or a Subsidiary, including, without limitation, an issuance of Capital Stock by a Subsidiary to the Issuer or to another Subsidiary;

“**Attributable Indebtedness**” means, in respect of a sale and leaseback transaction, at the time of determination, the present value, discounted at the interest rate implicit in such sale and leaseback transaction, of the total obligations of the lessee for rental payments during the remaining term of the lease in such sale and leaseback transaction, including any period for which such lease has been extended or may, at the option of the lessor, be extended;

“**Average Life**” means, at any date of determination with respect to any Indebtedness, the quotient obtained by dividing (1) the sum of the products of (a) the number of years from such date of determination to the dates of each successive scheduled principal payment of such Indebtedness and (b) the amount of such principal payment by (2) the sum of all such principal payments;

“**Bank Deposit Secured Indebtedness**” means Indebtedness of the Issuer or any Subsidiary that is secured by a pledge of one or more bank accounts of the Issuer or a Subsidiary and is used by the Issuer and its Subsidiaries to, in effect, exchange currency;

“**Board of Directors**” means the board of directors elected or appointed by the stockholders of the Issuer to manage the business of the Issuer or any committee of such board duly authorised to take the action purported to be taken by such committee;

“**Business Day**” means any day which is not a Saturday, Sunday, legal holiday or other day on which banking institutions in The City of New York, London, Singapore or Hong Kong (or in any other place in which payments on the Notes are to be made) are authorised by law or governmental regulation to close;

“**Capital Stock**” means, with respect to any Person, any and all shares, interests, participations or other equivalents (however designated, whether voting or non-voting) in equity of such Person, whether outstanding on the Issue Date or issued thereafter, including, without limitation, all Common Stock and Preferred Stock, but excluding debt securities convertible into such equity;

“**Capitalised Lease**” means, with respect to any Person, any lease of any property (whether real, personal or mixed) which, in conformity with HKFRS, is required to be capitalised on the balance sheet of such Person;

“**Capitalised Lease Obligations**” means the discounted present value of the rental obligations under a Capitalised Lease;

“**Commodity Agreement**” means any forward contract, commodity swap agreement, commodity option agreement or other similar agreement or arrangement designed to protect against fluctuations in commodity prices;

“**Common Stock**” means, with respect to any Person, any and all shares, interests or other participations in, and other equivalents (however designated and whether voting or non-voting) of such Person’s common stock or ordinary shares, whether or not outstanding on the Issue Date, and include, without limitation, all series and classes of such common stock or ordinary shares;

“**Consolidated EBITDA**” means, for any period, Consolidated Net Income for such period plus, to the extent such amount was deducted in calculating such Consolidated Net Income:

- (a) Consolidated Interest Expense;
- (b) income taxes (other than income taxes attributable to extraordinary and non-recurring gains or losses or sales of assets); and
- (c) depreciation expense, amortization expense and all other non-cash items reducing Consolidated Net Income (other than non-cash items in a period which reflect cash expenses paid or to be paid in another period), less all non-cash items increasing Consolidated Net Income, all as determined on a consolidated basis for the Issuer and its Subsidiaries in conformity with HKFRS;

provided that (i) if any Subsidiary is not a Wholly-Owned Subsidiary, Consolidated EBITDA shall be reduced (to the extent not otherwise reduced in accordance with HKFRS) by an amount equal to (A) the amount of the Consolidated Net Income attributable to such Subsidiary multiplied by (B) the percentage ownership interest in the income of such Subsidiary not owned on the last day of such period by the Issuer or any Subsidiary;

“**Consolidated Fixed Charges**” means, for any period, the sum (without duplication) of (i) Consolidated Interest Expense for such period and (ii) the product of (a) all dividend payments on any series of Disqualified Stock of the Issuer or any Preferred Stock of any Subsidiary (other than any such Disqualified Stock or any Preferred Stock held by the Issuer or a Wholly-Owned Subsidiary or to the extent paid in Capital Stock (other than Disqualified Stock)) multiplied by (b) a fraction, the numerator of which is one and the denominator of which is one minus the then current combined federal, state and local statutory tax rate of the Issuer and its Subsidiaries, expressed as a decimal;

“**Consolidated Interest Expense**” means, for any period, the amount that would be included in gross interest expense on a consolidated income statement prepared in accordance with HKFRS for such period of the Issuer and its Subsidiaries, plus, to the extent not included in such gross interest expense, and to the extent incurred, accrued or payable during such period by the Issuer and its Subsidiaries, without duplication, (i) interest expense attributable to Capitalised Lease Obligations and imputed interest with respect to Attributable Indebtedness, (ii) amortization of debt issuance costs and original issue discount expense and non-cash interest payments in respect of any Indebtedness, (iii) the interest portion of any deferred payment obligation, (iv) all commissions, discounts and other fees and charges with respect to letters of credit or similar instruments issued for financing purposes or in respect of any Indebtedness, (v) the net costs associated with Hedging Obligations (including the amortization of fees), (vi) interest accruing on Indebtedness of any other Person that is guaranteed by the Issuer or any Subsidiary proportionate to the extent that such Indebtedness is guaranteed or secured by a Lien on assets of the Issuer or any Subsidiary, (vii) any capitalised interest and (viii) all other non-cash interest expense; *provided that* interest expense attributable to interest on any Indebtedness bearing a floating interest rate will be computed on a pro forma basis as if the rate in effect on the date of determination had been the applicable rate for the entire relevant period;

“**Consolidated Net Income**” means, with respect to any specified Person for any period, the aggregate of the net income (or loss) of such Person and its Subsidiaries for such period, on a consolidated basis, determined in conformity with HKFRS; *provided that* the following items shall be excluded in computing Consolidated Net Income (without duplication):

- (a) the net income (or loss) of any Person that is not a Subsidiary or that is accounted for by the equity method of accounting, except to the extent of the amount of net income actually paid in cash to, or the amount of loss actually funded in cash by, the specified Person or a Subsidiary of the Person during such period;
- (b) the net income (or loss) of any Person accrued prior to the date it becomes a Subsidiary or is merged into or consolidated with the Issuer or any Subsidiary or all or substantially all of the property and assets of such Person are acquired by the Issuer or any Subsidiary;
- (c) the net income (but not loss) of any Subsidiary to the extent that the declaration or payment of dividends or similar distributions by such Subsidiary of such net income is not at the time permitted by the operation of the terms of its charter, articles of association or other similar constitutive documents, or any agreement, instrument, judgment, decree, order, statute, rule or governmental regulation applicable to such Subsidiary;
- (d) the cumulative effect of a change in accounting principles;
- (e) any net after-tax gains realised on the sale or other disposition of (A) any property or assets of the Issuer or any Subsidiary which is not sold in the ordinary course of business or (B) any Capital Stock of any Person (including any gains by the Issuer realised on sales of Capital Stock of the Issuer or any Subsidiary);
- (f) any translation gains or losses due solely to fluctuations in currency values and related tax effects; and
- (g) any net after-tax extraordinary or non-recurring gains;

“**Consolidated Net Worth**” means, at any date of determination, stockholders’ equity as set forth on the most recently available semi-annual or annual consolidated balance sheet of the Issuer and its Subsidiaries, plus, to the extent not included, any Preferred Stock of the Issuer, less any amounts attributable to Disqualified Stock or any equity security convertible into or exchangeable for Indebtedness, the cost of treasury stock and the principal amount of any promissory notes receivable from the sale of the Capital Stock of the Issuer or any Subsidiary, each item to be determined in accordance with HKFRS;

“**Cross Border Secured Indebtedness**” means (i) Indebtedness the proceeds of which are disbursed in one jurisdiction but which Indebtedness or credit support therefor is guaranteed by a guarantor located in another jurisdiction, or secured by Liens over assets located in another jurisdiction, whereby the main purpose of the transaction is to exchange currency or transfer funds from one jurisdiction to another jurisdiction and (ii) any guarantees for Indebtedness (including reimbursement obligations in respect of credit support) related to the Indebtedness referred to in clause (i);

“**Currency Agreement**” means any foreign exchange forward contract, currency swap agreement, currency hedge agreement, currency option agreement or other similar agreement or arrangement designed to protect against fluctuations in foreign exchange rates;

“**Default**” means an event or circumstance which could, with the giving of notice, lapse of time, the issuing of a certificate and/or fulfilment of any other requirement provided for in Condition 13 (*Events of Default*), become an Event of Default;

“**Disqualified Stock**” means any class or series of Capital Stock of any Person that by its terms or otherwise is (1) required to be redeemed prior to the date that is 183 days after the Stated Maturity of the Notes, (2) redeemable at the option of the holder of such class or series of Capital Stock at any time prior to the Stated Maturity of the Notes or (3) convertible into or exchangeable for Capital Stock referred to in clause (1) or (2) above or Indebtedness having a scheduled maturity prior to the date that is 183 days after the Stated Maturity of the Notes; *provided that* any Capital Stock that would not constitute Disqualified Stock but for provisions thereof giving holders thereof the right to require such Person to repurchase or redeem such Capital Stock upon the occurrence of an “asset sale” or “change of control” occurring prior to the date that is one year after the Stated Maturity of the Notes shall not constitute Disqualified Stock if the “asset sale” or “change of control” provisions applicable to such Capital Stock are no more favourable to the holders of such Capital Stock than the provisions contained in the Conditions 5(d) (*Limitation on Asset Sales*) and 9(c) (*Redemption for Relevant Event*) and such Capital Stock specifically provides that such Person will not repurchase or redeem any such stock pursuant to such provision prior to the Issuer’s repurchase of the Notes as are required to be repurchased pursuant to the Conditions 5(d) (*Limitation on Asset Sales*) and 9(c) (*Redemption for Relevant Event*);

“**Dollar Equivalent**” means, with respect to any monetary amount in a currency other than US dollars, at any time for the determination thereof, the amount of US dollars obtained by converting such foreign currency involved in such computation into US dollars at the base rate for the purchase of US dollars with the applicable foreign currency as quoted by the Federal Reserve Bank of New York on the date of determination;

“**Fair Market Value**” means, with respect to any asset or property, the price which could be negotiated in an arm’s length transaction, for cash, between a willing seller and a willing and able buyer, neither of whom is under undue pressure or compulsion to complete the transaction. Fair Market Value will be determined in good faith by the Board of Directors or any person(s) authorised by the Board of Directors, whose determination will be conclusive and evidenced by a certificate from the same;

“**Fixed Charge Coverage Ratio**” means, on any Transaction Date, the ratio of (1) the aggregate amount of Consolidated EBITDA for the then most recent two semi-annual fiscal periods prior to such Transaction Date for which consolidated financial statements of the Issuer (which the Issuer shall use its reasonable best efforts to compile in a timely manner) are available and have been provided to the Trustee (the “**Two Semi-annual Period**”) to (2) the aggregate Consolidated Fixed Charges during such Two Semi-annual Period. In making the foregoing calculation:

- (a) pro forma effect shall be given to any Indebtedness or Preferred Stock Incurred, repaid or redeemed during the period (the “**Reference Period**”) commencing on and including the first day of the Two Semi-annual Period and ending on and including the Transaction Date (other than Indebtedness Incurred or repaid under a revolving credit or similar arrangement (or under any predecessor revolving credit or similar arrangement) in effect on the last day of such Two Semi-annual Period), in each case as if such Indebtedness or Preferred Stock had been Incurred, repaid or redeemed on the first day of such Reference Period; *provided that* in the event of any such repayment or

redemption, Consolidated EBITDA for such Two Semi-annual Period shall not include any interest income actually earned by the Issuer or such Subsidiary during such Two Semi-annual Period in respect of the funds used to repay or redeem such Indebtedness or Preferred Stock;

- (b) Consolidated Interest Expense attributable to interest on any Indebtedness (whether existing or being Incurred) computed on a pro forma basis and bearing a floating interest rate shall be computed as if the rate in effect on the Transaction Date (taking into account any Interest Rate Agreement applicable to such Indebtedness if such Interest Rate Agreement has a remaining term in excess of 12 months or, if shorter, at least equal to the remaining term of such Indebtedness) had been the applicable rate for the entire period;
- (c) pro forma effect shall be given to Asset Dispositions and Asset Acquisitions (including giving pro forma effect to the application of proceeds of any Asset Disposition) that occur during such Reference Period as if they had occurred and such proceeds had been applied on the first day of such Reference Period; and
- (d) pro forma effect shall be given to asset dispositions and asset acquisitions (including giving pro forma effect to the application of proceeds of any asset disposition) that have been made by any Person that has become a Subsidiary or has been merged with or into the Issuer or any Subsidiary during such Reference Period and that would have constituted Asset Dispositions or Asset Acquisitions had such transactions occurred when such Person was a Subsidiary as if such asset dispositions or asset acquisitions were Asset Dispositions or Asset Acquisitions that occurred on the first day of such Reference Period;

provided that to the extent that clause (c) or (d) of this paragraph requires that pro forma effect be given to an Asset Acquisition or Asset Disposition (or asset acquisition or asset disposition), such pro forma calculation shall be based upon the two full semi-annual fiscal periods immediately preceding the Transaction Date of the Person, or division or line of business of the Person, that is acquired or disposed for which financial information is available;

“**Hedging Obligation**” of any Person means the obligations of such Person pursuant to any Commodity Agreement, Currency Agreement or Interest Rate Agreement;

“**Incur**” means, with respect to any Indebtedness or Capital Stock, to incur, create, issue, assume, guarantee or otherwise become liable for or with respect to, or become responsible for, the payment of, contingently or otherwise, such Indebtedness or Capital Stock; *provided that* (1) any Indebtedness and Capital Stock of a Person existing at the time such Person becomes a Subsidiary will be deemed to be Incurred by such Subsidiary at the time it becomes a Subsidiary and (2) the accretion of original issue discount shall not be considered an Incurrence of Indebtedness. The terms “**Incurrence**”, “**Incurred**” and “**Incurring**” shall have meanings correlative with the foregoing;

“**Interest Rate Agreement**” means any interest rate protection agreement, interest rate future agreement, interest rate option agreement, interest rate swap agreement, interest rate cap agreement, interest rate collar agreement, interest rate hedge agreement, option or future contract or other similar agreement or arrangement designed to protect against fluctuations in interest rates;

“**Investment**” means:

- (a) any direct or indirect advance, loan or other extension of credit to another Person,
- (b) any capital contribution to another Person (by means of any transfer of cash or other property to others or any payment for property or services for the account or use of others),
- (c) any purchase or acquisition of Capital Stock, Indebtedness, bonds, notes, debentures or other similar instruments or securities issued by another Person, or

- (d) any guarantee of any obligation of another Person to the extent such obligation is outstanding and to the extent guaranteed by such Person;

“**Lien**” means any mortgage, pledge, security interest, encumbrance, lien or charge of any kind (including, without limitation, any conditional sale or other title retention agreement or lease in the nature thereof or any agreement to create any mortgage, pledge, security interest, lien, charge, easement or encumbrance of any kind);

“**Moody’s**” means Moody’s Investors Service and its affiliates;

“**Net Cash Proceeds**” means:

- (a) with respect to any Asset Sale, the proceeds of such Asset Sale in the form of cash or Temporary Cash Investments, including payments in respect of deferred payment obligations (to the extent corresponding to the principal, but not interest, component thereof) when received in the form of cash or Temporary Cash Investments and proceeds from the conversion of other property received when converted to cash or Temporary Cash Investments, net of:
- (i) brokerage commissions and other fees and expenses (including fees and expenses of counsel and financial or other professional advisors) related to such Asset Sale;
 - (ii) provisions for all taxes (whether or not such taxes will actually be paid or are payable) as a result of such Asset Sale without regard to the consolidated results of operations of the Issuer and its Subsidiaries, taken as a whole;
 - (iii) payments made to repay Indebtedness or any other obligation outstanding at the time of such Asset Sale that either (x) is secured by a Lien on the property or assets sold or (y) is required to be paid as a result of such sale; and
 - (iv) appropriate amounts to be provided by the Issuer or any Subsidiary as a reserve against any liabilities associated with such Asset Sale, including, without limitation, pension and other post-employment benefit liabilities, liabilities related to environmental matters and liabilities under any indemnification obligations associated with such Asset Sale, all as determined in conformity with HKFRS; and
- (b) with respect to any issuance or sale of Capital Stock, the proceeds of such issuance or sale in the form of cash or Temporary Cash Investments, including payments in respect of deferred payment obligations (to the extent corresponding to the principal, but not interest, component thereof) when received in the form of cash or Temporary Cash Investments and proceeds from the conversion of other property received when converted to cash or Temporary Cash Investments, net of attorneys’ fees, accountants’ fees, underwriters’ or placement agents’ fees, discounts or commissions and brokerage, consultant and other fees incurred in connection with such issuance or sale and net of taxes paid or payable as a result thereof;

“**Offer to Purchase**” means an offer to purchase the Notes by the Issuer from the Holders commenced by mailing a notice by first class mail, postage prepaid, to the Trustee and each Holder at its last address appearing in the Note register stating:

- (a) the provision of the Trust Deed pursuant to which the offer is being made and that all Notes validly tendered will be accepted for payment on a *pro rata* basis;
- (b) the purchase price and the date of purchase (which shall be a Business Day no earlier than 30 days nor later than 60 days from the date such notice is mailed) (the “**Offer to Purchase Payment Date**”);
- (c) that any Note not tendered will continue to accrue interest pursuant to its terms;
- (d) that, unless the Issuer defaults in the payment of the purchase price, any Note accepted for payment pursuant to the Offer to Purchase shall cease to accrue interest on and after the Offer to Purchase Payment Date;

- (e) that Holders electing to have a Note purchased pursuant to the Offer to Purchase will be required to surrender the Note, together with the form entitled “Option of the Holder to Elect Purchase” on the reverse side of the Note completed, to the Paying Agent at the address specified in the notice prior to the close of business on the Business Day immediately preceding the Offer to Purchase Payment Date;
- (f) that Holders will be entitled to withdraw their election if the Paying Agent receives, not later than the close of business on the third Business Day immediately preceding the Offer to Purchase Payment Date, a facsimile transmission or letter setting forth the name of such Holder, the principal amount of Notes delivered for purchase and a statement that such Holder is withdrawing his election to have such Notes purchased; and
- (g) that Holders whose Notes are being purchased only in part will be issued new Notes equal in principal amount to the unpurchased portion of the Notes surrendered; *provided that* each Note purchased and each new Note issued shall have a minimum denomination specified in the relevant Pricing Supplement.

One Business Day prior to the Offer to Purchase Payment Date, the Issuer shall deposit with the Paying Agent money sufficient to pay the purchase price of all Notes or portions thereof to be accepted by the Issuer for payment on the Offer to Purchase Payment Date. On the Offer to Purchase Payment Date, the Issuer shall (a) accept for payment on a pro rata basis Notes or portions thereof tendered pursuant to an Offer to Purchase; and (b) deliver, or cause to be delivered, to the Trustee all Notes or portions thereof so accepted together with an Officers’ Certificate specifying the Notes or portions thereof accepted for payment by the Issuer. The Paying Agent shall promptly mail to the Holders of Notes so accepted payment in an amount equal to the purchase price, and the Trustee shall promptly authenticate and mail to such Holders a new Note equal in principal amount to any unpurchased portion of the Note surrendered; *provided that* each Note purchased and each new Note issued shall be in Specified Denominations. The Issuer will publicly announce the results of an Offer to Purchase as soon as practicable after the Offer to Purchase Payment Date. The Issuer will comply with any securities laws and regulations to the extent that such laws and regulations are applicable, in the event that the Issuer is required to repurchase Notes pursuant to an Offer to Purchase.

The materials used in connection with an Offer to Purchase are required to contain or incorporate by reference information concerning the business of the Issuer and its Subsidiaries which the Issuer in good faith believes will assist such Holders to make an informed decision with respect to the Offer to Purchase, including a brief description of the events requiring the Issuer to make the Offer to Purchase, and any other information required by applicable law to be included therein. The offer is required to contain all instructions and materials necessary to enable such Holders to tender Notes pursuant to the Offer to Purchase;

“**Officer**” means one of the executive officers of the Issuer or, in the case of a Subsidiary, one of the directors or executive officers of such Subsidiary.

“**Officers’ Certificate**” means a certificate signed by two Officers;

“**Opinion of Counsel**” means a written opinion from legal counsel which is addressed to the Trustee, is in form and substance reasonably acceptable to the Trustee, and meets the requirements of the Trust Deed. The counsel may be an employee of or counsel to the Issuer;

“**Permitted Business**” means (i) any business, services or activities engaged in by the Issuer and its Subsidiaries on the Issue Date and (ii) any business, services or activities engaged in by the Issuer or any of its Subsidiaries that are complementary, incidental or ancillary to any of the foregoing, or are extensions of any thereof;

“Permitted Subsidiary Indebtedness” means Indebtedness of any Subsidiary that is not a Subsidiary Guarantor; *provided* that, on the date of Incurrence of such Indebtedness, and after giving effect thereto and the application of the proceeds thereof, the aggregate principal amount outstanding of all such Indebtedness (excluding any Indebtedness of any Subsidiary that is not a Subsidiary Guarantor permitted under clause 5(c)(ii)(C), (ii)(E) or (ii)(K) of Condition 5(c) (*Limitation on Indebtedness and Preferred Stock*)) does not exceed an amount equal to 15% of Total Assets (or the Dollar Equivalent thereof);

“Preferred Stock”, as applied to the Capital Stock of any Person, means Capital Stock of any class or classes that by its term is preferred as to the payment of dividends, or as to the distribution of assets upon any voluntary or involuntary liquidation or dissolution of such Person, over any other class of Capital Stock of such Person;

“Stated Maturity” means (1) with respect to any Indebtedness, the date specified in such debt security as the fixed date on which the final instalment of principal of such Indebtedness is due and payable as set forth in the documentation governing such Indebtedness and (2) with respect to any scheduled instalment of principal of or interest on any Indebtedness, the date specified as the fixed date on which such instalment is due and payable as set forth in the documentation governing such Indebtedness;

“Subordinated Indebtedness” means any Indebtedness of the Issuer or any Subsidiary Guarantor which is contractually subordinated or junior in right of payment to the Notes or any Subsidiary Guarantee, as applicable, pursuant to a written agreement to such effect;

“Temporary Cash Investment” means any of the following:

- (a) direct obligations of the United States of America, any state of the European Economic Area, the PRC and Hong Kong or any agency of the foregoing or obligations fully and unconditionally guaranteed by the United States of America, any state of the European Economic Area, the PRC and Hong Kong or any agency of the foregoing, in each case maturing within one year;
- (b) time deposit accounts, certificates of deposit and money market deposits maturing within 180 days of the date of acquisition thereof issued by a bank or trust company which is organised under the laws of the United States of America or any state thereof, any state of the European Economic Area, Hong Kong, the PRC (to the extent that such amounts are permitted under current laws of the PRC to be freely remitted out of the PRC), Canada or Australia and which bank or trust company has capital, surplus and undivided profits aggregating in excess of U.S.\$100.0 million (or the Dollar Equivalent thereof) and has outstanding debt which is rated “A” (or such similar equivalent rating) or higher by at least one nationally recognised statistical rating organization (as defined in Section 3(a)(62) of the Exchange Act) or any money market fund sponsored by a registered broker dealer or mutual fund distributor;
- (c) repurchase obligations with a term of not more than 30 days for underlying securities of the types described in clause (a) above entered into with a bank or trust company meeting the qualifications described in clause (b) above;
- (d) commercial paper, maturing within 180 days of the date of acquisition thereof, issued by a corporation (other than an affiliate of the Issuer) organised and in existence under the laws of the United States of America, any state thereof or any foreign country, including Hong Kong, with a rating at the time as of which any investment therein is made of “P-1” (or higher) according to Moody’s or “A-1” (or higher) according to S&P;
- (e) securities, maturing within one year of the date of acquisition thereof, issued or fully and unconditionally guaranteed by any state, commonwealth or territory of the United States of America, or by any political subdivision or taxing authority thereof and rated at least “A” by S&P or Moody’s;
- (f) any mutual fund that has at least 95% of its assets continuously invested in investments of the types described in clauses (a) through (e) above; and

- (g) time deposit accounts, certificates of deposit, overnight or call deposits and money market deposits with (i) Agricultural Bank of China, Bank of China, Bank of Communications, China Construction Bank, China Development Bank, China Citic Bank, China Minsheng Bank, The Hongkong and Shanghai Banking Corporation, Industrial and Commercial Bank of China and Shanghai Pudong Development Bank, (ii) any other bank or trust company organised under the laws of the PRC or Hong Kong, whose long-term debt rating by Moody's or S&P is as high or higher than any of those banks listed in clause (a) of this paragraph, (iii) any other commercial bank whose long-term rating is "Baa1" (or higher) according to Moody's or "BBB+" (or higher) according to S&P; *provided that*, in the case of each of clause (iii) above, such deposits do not exceed U.S.\$50.0 million (or the Dollar Equivalent thereof) in the aggregate on any date of determination;

"Total Assets" means, as of any date, the total consolidated assets of the Issuer and its Subsidiaries measured in accordance with HKFRS as of the last day of the most recent semi-annual fiscal period for which consolidated financial statements of the Issuer (which the Issuer shall use its best efforts to compile in a timely manner) are available and have been provided to the Trustee;

"Trade Payables" means, with respect to any Person, any accounts payable or any other indebtedness or monetary obligation to trade creditors created, assumed or guaranteed by such Person or any of its Subsidiaries arising in the ordinary course of business in connection with the acquisition of goods or services and payable within 90 days;

"Transaction Date" means, with respect to the Incurrence of any Indebtedness, the date such Indebtedness is to be Incurred;

"Voting Stock" means, with respect to any Person, Capital Stock of any class or kind ordinarily having the power to vote for the election of directors, managers or other voting members of the governing body of such Person; and

"Wholly-Owned" means, with respect to any Subsidiary of any Person, the ownership of 100% of the outstanding Capital Stock of such Subsidiary (other than any director's qualifying shares or Investments by foreign nationals mandated by applicable law or a minimum number of shares owned by a second shareholder as mandated by applicable law) by such Person or one or more Wholly-Owned Subsidiaries of such Person.

6. Fixed Rate Note Provisions

- (a) *Application:* This Condition 6 (*Fixed Rate Note Provisions*) is applicable to the Notes only if the Fixed Rate Note Provisions are specified in the relevant Pricing Supplement as being applicable.
- (b) *Accrual of interest:* The Notes bear interest from the Interest Commencement Date at the Rate of Interest payable in arrear on each Interest Payment Date, subject as provided in Condition 10 (*Payments — Bearer Notes*) and Condition 11 (*Payments — Registered Notes*). Each Note will cease to bear interest from the due date for final redemption unless, upon due presentation, payment of the Redemption Amount is improperly withheld or refused, in which case it will continue to bear interest in accordance with this Condition 6 (as well after as before judgment) until whichever is the earlier of (i) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Noteholder and (ii) the day which is seven days after the Principal Paying Agent or the Trustee has notified the Noteholders that it has received all sums due in respect of the Notes up to such seventh day (except to the extent that there is any subsequent default in payment).
- (c) *Fixed Coupon Amount:* The amount of interest payable in respect of each Note for any Interest Period shall be the relevant Fixed Coupon Amount and, if the Notes are in more than one Specified Denomination, shall be the relevant Fixed Coupon Amount in respect of the relevant Specified Denomination.

- (d) *Calculation of interest amount:* The amount of interest payable in respect of each Note for any period for which a Fixed Coupon Amount is not specified shall be calculated by applying the Rate of Interest to the Calculation Amount, multiplying the product by the relevant Day Count Fraction, rounding the resulting figure to the nearest sub-unit of the Specified Currency (half a sub-unit being rounded upwards) and multiplying such rounded figure by a fraction equal to the Specified Denomination of such Note divided by the Calculation Amount. For this purpose a “**sub-unit**” means, in the case of any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, in the case of euro, means one cent.
- (e) *Notes accruing interest otherwise than a Fixed Coupon Amount:* This Condition 6(e) shall apply to Notes which are Fixed Rate Notes only where the Pricing Supplement for such Notes specify that the Interest Payment Dates are subject to adjustment in accordance with the Business Day Convention specified therein. The relevant amount of interest payable in respect of each Note for any Interest Period for such Notes shall be calculated by the Calculation Agent by multiplying the product of the Rate of Interest and the Calculation Amount by the relevant Day Count Fraction and rounding the resultant figure to the nearest sub-unit of the Specified Currency (half a sub-unit being rounded upwards). The Calculation Agent shall cause the relevant amount of interest and the relevant Interest Payment Date to be notified to the Issuer, the Paying Agents, the relevant Registrar (in the case of Registered Notes) and the Noteholders in accordance with Condition 20 (*Notices*) and, if the Notes are listed on a stock exchange and the rules of such exchange so requires, such exchange as soon as possible after their determination or calculation but in no event later than the fourth Business Day thereafter or, if earlier in the case of notification to the stock exchange, the time required by the rules of the relevant stock exchange.

7. Floating Rate Note Provisions

- (a) *Application:* This Condition 7 (*Floating Rate Note Provisions*) is applicable to the Notes only if the Floating Rate Note Provisions are specified in the relevant Pricing Supplement as being applicable.
- (b) *Accrual of interest:* The Notes bear interest from the Interest Commencement Date at the Rate of Interest payable in arrear on each Interest Payment Date, subject as provided in Condition 10 (*Payments — Bearer Notes*) and Condition 11 (*Payments — Registered Notes*). Each Note will cease to bear interest from the due date for final redemption unless, upon due presentation, payment of the Redemption Amount is improperly withheld or refused, in which case it will continue to bear interest in accordance with this Condition (as well after as before judgment) until whichever is the earlier of (i) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Noteholder and (ii) the day which is seven days after the Principal Paying Agent has notified the Noteholders that it has received all sums due in respect of the Notes up to such seventh day (except to the extent that there is any subsequent default in payment).
- (c) *Screen Rate Determination:* If Screen Rate Determination is specified in the relevant Pricing Supplement as the manner in which the Rate(s) of Interest is/are to be determined, the Rate of Interest applicable to the Notes for each Interest Period will be determined by the Calculation Agent on the following basis:
 - (i) if the Reference Rate is a composite quotation or customarily supplied by one entity, the Calculation Agent will determine the Reference Rate which appears on the Relevant Screen Page as of the Relevant Time on the relevant Interest Determination Date;
 - (ii) if Linear Interpolation is specified as applicable in respect of an Interest Period in the relevant Pricing Supplement, the Rate of Interest for such Interest Period shall be calculated by the Calculation Agent by straight-line linear interpolation by reference to two rates which appear on the Relevant Screen Page as of the Relevant Time on the relevant Interest Determination Date, where:
 - (A) one rate shall be determined as if the relevant Interest Period were the period of time for which rates are available next shorter than the length of the relevant Interest Period; and

- (B) the other rate shall be determined as if the relevant Interest Period were the period of time for which rates are available next longer than the length of the relevant Interest Period;

provided, however, that if no rate is available for a period of time next shorter or, as the case may be, next longer than the length of the relevant Interest Period, then the Calculation Agent shall determine such rate at such time and by reference to such sources as it determines appropriate;

- (iii) in any other case, the Calculation Agent will determine the arithmetic mean of the Reference Rates which appear on the Relevant Screen Page as of the Relevant Time on the relevant Interest Determination Date;

- (iv) if, in the case of (i) above, such rate does not appear on that page or, in the case of (iii) above, fewer than two such rates appear on that page or if, in either case, the Relevant Screen Page is unavailable, the Calculation Agent will:

- (A) request the principal Relevant Financial Centre office of each of the Reference Banks to provide a quotation of the Reference Rate at approximately the Relevant Time on the Interest Determination Date to prime banks in the Relevant Financial Centre interbank market in an amount that is representative for a single transaction in that market at that time; and

- (B) determine the arithmetic mean of such quotations; and

- (v) if fewer than two such quotations are provided as requested, the Calculation Agent will determine the arithmetic mean of the rates (being the nearest to the Reference Rate, as determined by the Calculation Agent) quoted by major banks in the Principal Financial Centre of the Specified Currency, selected by the Calculation Agent, at approximately 11.00 a.m. (local time in the Principal Financial Centre of the Specified Currency) on the first day of the relevant Interest Period for loans in the Specified Currency to leading international banks for a period equal to the relevant Interest Period and in an amount that is representative for a single transaction in that market at that time,

and the Rate of Interest for such Interest Period shall be the sum of the Margin and the rate or (as the case may be) the arithmetic mean so determined; **provided, however, that** if the Calculation Agent is unable to determine a rate or (as the case may be) an arithmetic mean in accordance with the above provisions in relation to any Interest Period, the Rate of Interest applicable to the Notes during such Interest Period will be the sum of the Margin and the rate or (as the case may be) the arithmetic mean last determined in relation to the Notes in respect of a preceding Interest Period.

- (d) *ISDA Determination:* If ISDA Determination is specified in the relevant Pricing Supplement as the manner in which the Rate(s) of Interest is/are to be determined, the Rate of Interest applicable to the Notes for each Interest Period will be the sum of the Margin and the relevant ISDA Rate where “ISDA Rate” in relation to any Interest Period means a rate equal to the Floating Rate (as defined in the ISDA Definitions) that would be determined by the Calculation Agent under an interest rate swap transaction if the Calculation Agent were acting as Calculation Agent for that interest rate swap transaction under the terms of an agreement incorporating the ISDA Definitions and under which:

- (i) the Floating Rate Option (as defined in the ISDA Definitions) is as specified in the relevant Pricing Supplement;
- (ii) the Designated Maturity (as defined in the ISDA Definitions) is a period specified in the relevant Pricing Supplement;
- (iii) the relevant Reset Date (as defined in the ISDA Definitions) is either (A) if the relevant Floating Rate Option is based on LIBOR for a currency, the first day of that Interest Period or (B) in any other case, as specified in the relevant Pricing Supplement; and

- (iv) if Linear Interpolation is specified as applicable in respect of an Interest Period in the relevant Pricing Supplement, the Rate of Interest for such Interest Period shall be calculated by the Calculation Agent by straight-line linear interpolation by reference to two rates based on the relevant Floating Rate Option, where:
- (v) one rate shall be determined as if the Designated Maturity were the period of time for which rates are available next shorter than the length of the relevant Interest Period; and
- (vi) the other rate shall be determined as if the Designated Maturity were the period of time for which rates are available next longer than the length of the relevant Interest Period,

provided, however, that if there is no rate available for a period of time next shorter than the length of the relevant Interest Period or, as the case may be, next longer than the length of the relevant Interest Period, then the Calculation Agent shall determine such rate at such time and by reference to such sources as it determines appropriate.

- (e) *Maximum or Minimum Rate of Interest:* If any Maximum Rate of Interest or Minimum Rate of Interest is specified in the relevant Pricing Supplement, then the Rate of Interest shall in no event be greater than the maximum or be less than the minimum so specified.
- (f) *Calculation of Interest Amount:* The Calculation Agent will, as soon as practicable after the time at which the Rate of Interest is to be determined in relation to each Interest Period, calculate the Interest Amount payable in respect of each Note for such Interest Period. The Interest Amount will be calculated by applying the Rate of Interest for such Interest Period to the Calculation Amount, multiplying the product by the relevant Day Count Fraction, rounding the resulting figure to the nearest sub-unit of the Specified Currency (half a sub-unit being rounded upwards) and multiplying such rounded figure by a fraction equal to the Specified Denomination of the relevant Note divided by the Calculation Amount. For this purpose a “**sub-unit**” means, in the case of any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, in the case of euro, means one cent.
- (g) *Publication:* The Calculation Agent will cause each Rate of Interest and Interest Amount determined by it, together with the relevant Interest Payment Date, and any other amount(s) required to be determined by it together with any relevant payment date(s) to be notified to the Paying Agents and each competent authority, stock exchange and/or quotation system (if any) by which the Notes have then been admitted to listing, trading and/or quotation as soon as practicable after such determination but (in the case of each Rate of Interest, Interest Amount and Interest Payment Date) in any event not later than the first day of the relevant Interest Period. Notice thereof shall also promptly be given by the Issuer to the Noteholders. The Issuer, the Trustee and the Calculation Agent will be entitled to recalculate any Interest Amount (on the basis of the foregoing provisions) without notice in the event of an extension or shortening of the relevant Interest Period. If the Calculation Amount is less than the minimum Specified Denomination the Calculation Agent shall not be obliged to publish each Interest Amount but instead may publish only the Calculation Amount and the Interest Amount in respect of a Note having the minimum Specified Denomination.
- (h) *Notifications etc:* All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition by the Calculation Agent will (in the absence of manifest error) be binding on the Issuer, each of the Subsidiary Guarantors, the Paying Agents, the Noteholders and the Couponholders and (subject as aforesaid) no liability to any such Person will attach to the Calculation Agent in connection with the exercise or non-exercise by it of its powers, duties and discretions for such purposes.

8. Zero Coupon Note Provisions

- (a) *Application:* This Condition 8 (*Zero Coupon Note Provisions*) is applicable to the Notes only if the Zero Coupon Note Provisions are specified in the relevant Pricing Supplement as being applicable.

- (b) *Late payment on Zero Coupon Notes:* If the Redemption Amount payable in respect of any Zero Coupon Note is improperly withheld or refused, the Redemption Amount shall thereafter be an amount equal to the sum of:
 - (i) the Reference Price; and
 - (ii) the product of the Accrual Yield (compounded annually) being applied to the Reference Price on the basis of the relevant Day Count Fraction from (and including) the Issue Date to (but excluding) whichever is the earlier of (A) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Noteholder and (B) the day which is seven days after the Principal Paying Agent has notified the Noteholders that it has received all sums due in respect of the Notes up to such seventh day (except to the extent that there is any subsequent default in payment).

9. Redemption and Purchase

- (a) *Scheduled redemption:* Unless previously redeemed, or purchased and cancelled, the Notes will be redeemed at their Final Redemption Amount on the Maturity Date, subject as provided in Condition 10 (*Payments — Bearer Notes*) and Condition 11 (*Payments — Registered Notes*).
- (b) *Redemption for tax reasons:* The Notes may be redeemed at the option of the Issuer in whole, but not in part:
 - (i) at any time (unless the Floating Rate Note Provisions are specified in the relevant Pricing Supplement as being applicable); or
 - (ii) on any Interest Payment Date (if the Floating Rate Note Provisions are specified in the relevant Pricing Supplement as being applicable),

on the Issuer's giving not less than 30 nor more than 60 days' notice to the Noteholders, or such other period(s) as may be specified in the relevant Pricing Supplement, (which notice shall be irrevocable), at their Early Redemption Amount (Tax), together with interest accrued (if any) to the date fixed for redemption, if, immediately before giving such notice, the Issuer satisfies the Trustee that:

- (A) (1) the Issuer has or will become obliged to pay Additional Amounts (as defined in Condition 12 (*Taxation*)) as provided or referred to in Condition 12 (*Taxation*) as a result of any change in, or amendment to, the laws or regulations of the Cayman Islands or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations (including a holding by a court of competent jurisdiction), which change or amendment becomes effective on or after the date of issue of the first Tranche of the Notes; and (2) such obligation cannot be avoided by the Issuer taking reasonable measures available to it; or
- (B) (1) any of the Subsidiary Guarantors has or (if a demand was made under the Guarantee of the Notes) would become obliged to pay Additional Amounts as provided or referred to in Condition 12 (*Taxation*) as a result of any change in, or amendment to, the laws or regulations of Singapore, the British Virgin Islands or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations (including a holding by a court of competent jurisdiction), which change or amendment becomes effective on or after the date of issue of the first Tranche of the Notes, and (2) such obligation cannot be avoided by the relevant Subsidiary Guarantor taking reasonable measures available to it,

provided, however, that no such notice of redemption shall be given earlier than:

- (1) where the Notes may be redeemed at any time, 90 days (or such other period as may be specified in the relevant Pricing Supplement) prior to the earliest date on which the Issuer or the relevant Subsidiary Guarantor would be obliged to pay

such Additional Amounts if a payment in respect of the Notes were then due or (as the case may be) a demand under the Guarantee of the Notes were then made; or

- (2) where the Notes may be redeemed only on an Interest Payment Date, 60 days (or such other period as may be specified in the relevant Pricing Supplement) prior to the Interest Payment Date occurring immediately before the earliest date on which the Issuer or the relevant Subsidiary Guarantor would be obliged to pay such Additional Amounts if a payment in respect of the Notes were then due or (as the case may be) a demand under the Guarantee of the Notes were then made.

Prior to the publication of any notice of redemption pursuant to this paragraph, the Issuer shall deliver or procure that there is delivered to the Trustee (x) a certificate signed by two directors of the Issuer stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred of and (y) an opinion of independent legal advisers of recognised standing to the effect that the Issuer or (as the case may be) the relevant Subsidiary Guarantor has or will become obliged to pay such Additional Amounts as a result of such change or amendment.

The Trustee shall be entitled to accept and rely upon such certificate and opinion as sufficient evidence of the satisfaction of the circumstances set out above, in which event they shall be conclusive and binding on the Noteholders.

Upon the expiry of any such notice as is referred to in this Condition 9(b), the Issuer shall be bound to redeem the Notes in accordance with this Condition 9(b).

- (c) *Redemption for Relevant Event*: At any time following the occurrence of a Relevant Event, the holder of any Note will have the right (unless prior to the giving of the relevant Relevant Event Put Exercise Notice (as defined below) the Issuer has given notice of redemption under Condition 9(b) (*Redemption for tax reasons*) or Condition 9(d) (*Redemption at the option of the Issuer*)), at such holder's option, to require the Issuer to redeem all, but not some only, of that holder's Notes on the Relevant Event Put Date at a price equal to the Early Redemption Amount (Relevant Event), together with interest accrued (if any) to the Relevant Event Put Date. To exercise such right, the holder of the relevant Note must deposit at the Specified Office of any Paying Agent a duly completed and signed notice of redemption, in the form for the time being current, obtainable from the Specified Office of any Paying Agent (a "**Relevant Event Put Exercise Notice**"), together with a certificate evidencing the Notes to be redeemed, by not later than 30 days following a Relevant Event, or, if later, 30 days following the date upon which notice thereof is given to Noteholders by the Issuer in accordance with Condition 20 (*Notices*). The "**Relevant Event Put Date**" shall be the fourteenth day after the expiry of such period of 30 days as referred to above in this Condition 9(c).

A Relevant Event Put Exercise Notice, once delivered, shall be irrevocable and the Issuer shall redeem the Notes which are the subject of Relevant Event Put Exercise Notices delivered as aforesaid on the Relevant Event Put Date.

The Issuer shall give notice to Noteholders (in accordance with Condition 20 (*Notices*)) and the Trustee by not later than 14 days following the first day on which it becomes aware of the occurrence of a Relevant Event, which notice shall specify the procedure for exercise by holders of their rights to require redemption of the Notes pursuant to this Condition 9(c).

Neither the Trustee nor the Agents shall be required to monitor whether a Relevant Event or any event which could lead to the occurrence of a Relevant Event has occurred and shall not be liable to Noteholders or any other person for not doing so.

- (d) *Redemption at the option of the Issuer*: If the Call Option is specified in the relevant Pricing Supplement as being applicable, the Notes may be redeemed at the option of the Issuer in whole or, if so specified in the relevant Pricing Supplement, in part on any Optional Redemption Date (Call) at the relevant Optional Redemption Amount (Call) on the Issuer's giving not less than 30 nor more than 60 days' notice to the Noteholders, or such other period(s) as may be specified in the relevant Pricing Supplement (which notice shall be

irrevocable and shall oblige the Issuer to redeem the Notes or, as the case may be, the Notes specified in such notice on the relevant Optional Redemption Date (Call) at the Optional Redemption Amount (Call) plus accrued interest (if any) to such date).

- (e) *Partial redemption:* If the Notes are to be redeemed in part only on any date in accordance with Condition 9(d) (*Redemption at the option of the Issuer*), in the case of Bearer Notes, the Notes to be redeemed shall be selected by the drawing of lots in such place as the Principal Paying Agent approves and in such manner as the Principal Paying Agent considers appropriate, subject to compliance with applicable law, the rules of each competent authority, stock exchange and/or quotation system (if any) by which the Notes have then been admitted to listing, trading and/or quotation and the notice to Noteholders referred to in Condition 9(d) (*Redemption at the option of the Issuer*) shall specify the serial numbers of the Notes so to be redeemed, and, in the case of Registered Notes, each Note shall be redeemed in part in the proportion which the aggregate principal amount of the outstanding Notes to be redeemed on the relevant Optional Redemption Date (Call) bears to the aggregate principal amount of outstanding Notes on such date. If any Maximum Redemption Amount or Minimum Redemption Amount is specified in the relevant Pricing Supplement, then the Optional Redemption Amount (Call) shall in no event be greater than the maximum or be less than the minimum so specified.
- (f) *Redemption at the option of Noteholders:* If the Put Option is specified in the relevant Pricing Supplement as being applicable, the Issuer shall, at the option of the Holder of any Note redeem such Note on the Optional Redemption Date (Put) specified in the relevant Put Option Notice at the relevant Optional Redemption Amount (Put) together with interest (if any) accrued to such date. In order to exercise the option contained in this Condition 9(f), the Holder of a Note must, not less than 30 nor more than 60 days before the relevant Optional Redemption Date (Put) (or such other period(s) as may be specified in the relevant Pricing Supplement), deposit with any Paying Agent such Note together with all unmatured Coupons relating thereto and a duly completed Put Option Notice in the form obtainable from any Paying Agent. The Paying Agent with which a Note is so deposited shall deliver a duly completed Put Option Receipt to the depositing Noteholder. No Note, once deposited with a duly completed Put Option Notice in accordance with this Condition 9(f), may be withdrawn; **provided, however, that** if, prior to the relevant Optional Redemption Date (Put), any such Note becomes immediately due and payable or, upon due presentation of any such Note on the relevant Optional Redemption Date (Put), payment of the redemption moneys is improperly withheld or refused, the relevant Paying Agent shall mail notification thereof to the depositing Noteholder at such address as may have been given by such Noteholder in the relevant Put Option Notice and shall hold such Note at its Specified Office for collection by the depositing Noteholder against surrender of the relevant Put Option Receipt. For so long as any outstanding Note is held by a Paying Agent in accordance with this Condition 9(f), the depositor of such Note and not such Paying Agent shall be deemed to be the Holder of such Note for all purposes.
- (g) *No other redemption:* The Issuer shall not be entitled to redeem the Notes otherwise than as provided in paragraphs (a) to (f) above.
- (h) *Early redemption of Zero Coupon Notes:* Unless otherwise specified in the relevant Pricing Supplement, the Redemption Amount payable on redemption of a Zero Coupon Note at any time before the Maturity Date shall be an amount equal to the sum of:
- (i) the Reference Price; and
 - (ii) the product of the Accrual Yield (compounded annually) being applied to the Reference Price from (and including) the Issue Date to (but excluding) the date fixed for redemption or (as the case may be) the date upon which the Note becomes due and payable.

Where such calculation is to be made for a period which is not a whole number of years, the calculation in respect of the period of less than a full year shall be made on the basis of such Day Count Fraction as may be specified in the Pricing Supplement for the purposes of this Condition 9(h) or, if none is so specified, a Day Count Fraction of 30E/360.

- (i) *Purchase*: The Issuer, the Subsidiary Guarantors or any of their respective Subsidiaries may at any time purchase Notes in the open market or otherwise and at any price, **provided that** all unmatured Coupons are purchased therewith.
- (j) *Cancellation*: All Notes so redeemed or purchased by the Issuer, any of the Subsidiary Guarantors, or any of their respective Subsidiaries and any unmatured Coupons attached to or surrendered with them shall be cancelled and may not be reissued or resold and the obligations of the Issuer and the Subsidiary Guarantors in respect of any such Notes shall be discharged.
- (k) *Calculations*: Neither the Trustee nor any of the Agents (other than the Calculation Agent and solely in respect of its functions as an appointed Calculation Agent of the Issuer) shall be responsible for calculating or verifying the calculations of any amount under any notice of redemption and shall not be liable to the Noteholders or any other person for not doing so.
- (l) *Notices of redemption*: If there is more than one notice of redemption given in respect of any Note (which shall include any notice given by the Issuer pursuant to Condition 9(b) (*Redemption for tax reasons*) or Condition 9(d) (*Redemption at the option of the Issuer*) and any Relevant Event Put Exercise Notice given by a Noteholder pursuant to Condition 9(c) (*Redemption for Relevant Event*) or any Put Option Notice given pursuant to Condition 9(f) (*Redemption at the option of Noteholders*)), the notice given first in time shall prevail and in the event of two notices being given on the same date, the first to be given shall prevail.

10. Payments — Bearer Notes

This Condition 10 is only applicable to Bearer Notes.

- (a) *Principal*: Payments of principal shall be made only against presentation and (**provided that** payment is made in full) surrender of Bearer Notes at the Specified Office of any Paying Agent outside the United States (i) in the case of a currency other than Renminbi by cheque drawn in the currency in which the payment is due on, or by transfer to an account denominated in that currency (or, if that currency is euro, any other account to which euro may be credited or transferred) and maintained by the payee with, a bank in the Principal Financial Centre of that currency, and (ii) in the case of Renminbi, by transfer to an account denominated in Renminbi and maintained by the payee with a bank in Hong Kong.
- (b) *Interest*: Payments of interest shall, subject to paragraph (h) below, be made only against presentation and (**provided that** payment is made in full) surrender of the appropriate Coupons at the Specified Office of any Paying Agent outside the United States in the manner described in paragraph (a) above.
- (c) *Payments in New York City*: Payments of principal or interest may be made at the Specified Office of a Paying Agent in New York City if (i) the Issuer has appointed Paying Agents outside the United States with the reasonable expectation that such Paying Agents will be able to make payment of the full amount of the interest on the Notes in the currency in which the payment is due when due, (ii) payment of the full amount of such interest at the offices of all such Paying Agents is illegal or effectively precluded by exchange controls or other similar restrictions and (iii) payment is permitted by applicable United States law.
- (d) *Payments subject to fiscal laws*: All payments in respect of the Bearer Notes are subject in all cases to (i) any applicable fiscal or other laws and regulations in the place of payment, but without prejudice to the provisions of Condition 12 (*Taxation*) and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986, as amended (the “**Code**”) or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, or (without prejudice to the provisions of Condition 12 (*Taxation*)) any law implementing an intergovernmental approach thereto.
- (e) No commissions or expenses shall be charged to the Noteholders or Couponholders in respect of such payments.

- (f) *Deductions for unmatured Coupons:* If the relevant Pricing Supplement specifies that the Fixed Rate Note Provisions are applicable and a Bearer Note is presented without all unmatured Coupons relating thereto:
- (i) if the aggregate amount of the missing Coupons is less than or equal to the amount of principal due for payment, a sum equal to the aggregate amount of the missing Coupons will be deducted from the amount of principal due for payment; **provided, however, that if the gross amount available for payment is less than the amount of principal due for payment, the sum deducted will be that proportion of the aggregate amount of such missing Coupons which the gross amount actually available for payment bears to the amount of principal due for payment;**
 - (ii) if the aggregate amount of the missing Coupons is greater than the amount of principal due for payment:
 - (A) so many of such missing Coupons shall become void (in inverse order of maturity) as will result in the aggregate amount of the remainder of such missing Coupons (the “**Relevant Coupons**”) being equal to the amount of principal due for payment; **provided, however, that** where this sub-paragraph would otherwise require a fraction of a missing Coupon to become void, such missing Coupon shall become void in its entirety; and
 - (B) a sum equal to the aggregate amount of the Relevant Coupons (or, if less, the amount of principal due for payment) will be deducted from the amount of principal due for payment; **provided, however, that**, if the gross amount available for payment is less than the amount of principal due for payment, the sum deducted will be that proportion of the aggregate amount of the Relevant Coupons (or, as the case may be, the amount of principal due for payment) which the gross amount actually available for payment bears to the amount of principal due for payment.
- Each sum of principal so deducted shall be paid in the manner provided in paragraph (a) above against presentation and (**provided that** payment is made in full) surrender of the relevant missing Coupons.
- (g) *Unmatured Coupons void:* If the relevant Pricing Supplement specifies that this Condition 10(g) is applicable or that the Floating Rate Note Provisions are applicable, on the due date for final redemption of any Note or early redemption in whole of such Note pursuant to Condition 9(b) (*Redemption for tax reasons*), Condition 9(f) (*Redemption at the option of Noteholders*), Condition 9(d) (*Redemption at the option of the Issuer*) or Condition 13 (*Events of Default*), all unmatured Coupons relating thereto (whether or not still attached) shall become void and no payment will be made in respect thereof.
- (h) *Payments on business days:* If the due date for payment of any amount in respect of any Bearer Note or Coupon is not a Payment Business Day in the place of presentation, the Holder shall not be entitled to payment in such place of the amount due until the next succeeding Payment Business Day in such place and shall not be entitled to any further interest or other payment in respect of any such delay.
- (i) *Payments other than in respect of matured Coupons:* Payments of interest other than in respect of matured Coupons shall be made only against presentation of the relevant Bearer Notes at the Specified Office of any Paying Agent outside the United States (or in New York City if permitted by paragraph (c) above).
- (j) *Partial payments:* If a Paying Agent makes a partial payment in respect of any Bearer Note or Coupon presented to it for payment, such Paying Agent will endorse thereon a statement indicating the amount and date of such payment.

- (k) *Exchange of Talons*: On or after the maturity date of the final Coupon which is (or was at the time of issue) part of a Coupon Sheet relating to the Bearer Notes, the Talon forming part of such Coupon Sheet may be exchanged at the Specified Office of the Principal Paying Agent for a further Coupon Sheet (including, if appropriate, a further Talon but excluding any Coupons in respect of which claims have already become void pursuant to Condition 14 (*Prescription*)). Upon the due date for redemption of any Bearer Note, any unexchanged Talon relating to such Note shall become void and no Coupon will be delivered in respect of such Talon.

11. Payments — Registered Notes

This Condition 11 is only applicable to Registered Notes.

- (a) *Principal*: Payments of principal shall be made:

- (i) in the case of a currency other than Renminbi, by cheque drawn in the currency in which the payment is due drawn on, or, upon application by a Holder of a Registered Note to the Specified Office of the Principal Paying Agent not later than the fifteenth day before the due date for any such payment, by transfer to an account denominated in that currency (or, if that currency is euro, any other account to which euro may be credited or transferred) and maintained by the payee with, a bank in the Principal Financial Centre of that currency (in the case of a sterling cheque, a town clearing branch of a bank in the City of London); and
- (ii) in the case of Renminbi, by transfer to an account denominated in Renminbi and maintained by the payee with a bank in Hong Kong,

and (in the case of redemption) upon surrender (or, in the case of part payment only, endorsement) of the relevant Note Certificates at the Specified Office of any Paying Agent.

- (b) *Interest*: Payments of interest shall be made:

- (i) in the case of a currency other than Renminbi, by cheque drawn in the currency in which the payment is due drawn on, or, upon application by a Holder of a Registered Note to the Specified Office of the Principal Paying Agent not later than the fifteenth day before the due date for any such payment, by transfer to an account denominated in that currency (or, if that currency is euro, any other account to which euro may be credited or transferred) and maintained by the payee with, a bank in the Principal Financial Centre of that currency (in the case of a sterling cheque, a town clearing branch of a bank in the City of London); and
- (ii) in the case of Renminbi, by transfer to an account denominated in Renminbi and maintained by the payee with a bank in Hong Kong, details of which appear on the Register at the close of business on the fifth Business Day before the due date for payment,

and (in the case of interest payable on redemption) upon surrender (or, in the case of part payment only, endorsement) of the relevant Note Certificates at the Specified Office of any Paying Agent.

- (c) *Payments subject to fiscal laws*: All payments in respect of the Registered Notes are subject in all cases to (i) any applicable fiscal or other laws and regulations in the place of payment, but without prejudice to the provisions of Condition 12 (*Taxation*) and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986, as amended (the “**Code**”) or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, or (without prejudice to the provisions of Condition 12 (*Taxation*)) any law implementing an intergovernmental approach thereto. No commissions or expenses shall be charged to the Noteholders in respect of such payments.

- (d) *Payments on business days:* Where payment is to be made by transfer to an account, payment instructions (for value the due date, or, if the due date is not a Payment Business Day, for value the next succeeding Payment Business Day) will be initiated and, where payment is to be made by cheque, the cheque will be mailed (i) (in the case of payments of principal and interest payable on redemption) on the later of the due date for payment and the day on which the relevant Note Certificate is surrendered (or, in the case of part payment only, endorsed) at the Specified Office of a Paying Agent and (ii) (in the case of payments of interest payable other than on redemption) on the due date for payment. A Holder of a Registered Note shall not be entitled to any interest or other payment in respect of any delay in payment resulting from (A) the due date for a payment not being a Payment Business Day or (B) a cheque mailed in accordance with this Condition 11 arriving after the due date for payment or being lost in the mail.
- (e) *Partial payments:* If a Paying Agent makes a partial payment in respect of any Registered Note, the Issuer shall procure that the amount and date of such payment are noted on the Register and, in the case of partial payment upon presentation of a Note Certificate, that a statement indicating the amount and the date of such payment is endorsed on the relevant Note Certificate.
- (f) *Record date:* Each payment in respect of a Registered Note will be made to the person shown as the Holder in the Register at the close of business in the place of the relevant Registrar's Specified Office on the fifteenth day before the due date for such payment (the "**Record Date**"). Where payment in respect of a Registered Note is to be made by cheque, the cheque will be mailed to the address shown as the address of the Holder in the Register at the close of business on the relevant Record Date.

So long as the Global Certificate is held on behalf of Euroclear, Clearstream or any other clearing system, each payment in respect of the Global Certificate will be made to the person shown as the holder in the Register at the close of business of the relevant clearing system on the Clearing System Business Day before the due date for such payments, where "Clearing System Business Day" means a weekday (Monday to Friday, inclusive) except 25 December and 1 January.

12. Taxation

- (a) *Gross up:* All payments of principal and interest in respect of the Notes and the Coupons by or on behalf of the Issuer or any of the Subsidiary Guarantors shall be made free and clear of, and without withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of the Cayman Islands, the British Virgin Islands, Singapore or any political subdivision therein or any authority therein or thereof having power to tax, unless the withholding or deduction of such taxes, duties, assessments, or governmental charges is required by law. In that event, the Issuer or (as the case may be) the relevant Subsidiary Guarantor shall pay such additional amounts (the "**Additional Amounts**") as will result in receipt by the Noteholders and the Couponholders after such withholding or deduction of such amounts as would have been received by them had no such withholding or deduction been required, except that no such Additional Amounts shall be payable in respect of any Note or Coupon:
 - (i) held by or on behalf of a Holder which is liable to such taxes, duties, assessments or governmental charges in respect of such Note or Coupon by reason of its having some connection with the jurisdiction by which such taxes, duties, assessments or charges have been imposed, levied, collected, withheld or assessed other than the mere holding of the Note or Coupon; or
 - (ii) where the relevant Note or Coupon or Note Certificate is presented or surrendered for payment more than 30 days after the Relevant Date except to the extent that the Holder of such Note or Coupon would have been entitled to such Additional Amounts on presenting or surrendering such Note or Coupon or Note Certificate for payment on the last day of such period of 30 days.

- (b) *Taxing jurisdiction*: If the Issuer or any of the Subsidiary Guarantors becomes subject at any time to any taxing jurisdiction other than the Cayman Islands, Singapore or the British Virgin Islands respectively, references in these Conditions to the Cayman Islands, Singapore or the British Virgin Islands shall be construed as references to the Cayman Islands, Singapore or (as the case may be) the British Virgin Islands and/or such other jurisdiction.

13. Events of Default

If any of the following events (each, an “**Event of Default**”) occurs, then (other than in the case of the occurrence of the event mentioned in paragraph (f) below) the Trustee at its discretion may and, if so requested in writing by Holders of at least one quarter of the aggregate principal amount of the then outstanding Notes or if so directed by an Extraordinary Resolution, shall (subject to the Trustee having been indemnified and/or provided with security and/or pre-funded to its satisfaction) give written notice to the Issuer declaring the Notes to be immediately due and payable, whereupon they shall become (and in the case of the occurrence of the event mentioned in paragraph (f) below, they shall be upon the occurrence of such event) immediately due and payable at their Early Termination Amount together with accrued and unpaid interest (if any) without further action or formality:

- (a) *Non-payment*: the Issuer fails to pay any amount of principal in respect of the Notes on the due date for payment thereof or fails to pay any amount of interest in respect of the Notes within seven days of the due date for payment thereof; or
- (b) *Breach of other obligations*: the Issuer or any of the Subsidiary Guarantors defaults in the performance or observance of any of their respective other obligations under or in respect of the Notes or the Trust Deed (other than where it gives rise to a redemption pursuant Condition 9(c) (*Redemption for Relevant Event*)) and such default (i) is incapable of remedy or (ii) being a default which is capable of remedy, remains unremedied for 30 days (or such longer period as the Trustee may permit) after the Trustee has given written notice thereof to the Issuer and the relevant Subsidiary Guarantor(s); or
- (c) *Cross-default of Issuer, Subsidiary Guarantors, or Subsidiary*:
- (i) any indebtedness of the Issuer, any of the Subsidiary Guarantors or any of their respective Subsidiaries for or in respect of moneys borrowed or raised is not paid when due or (as the case may be) within any originally applicable grace period;
- (ii) any such indebtedness becomes (or becomes capable of being declared) due and payable prior to its stated maturity otherwise than at the option of the Issuer, the relevant Subsidiary Guarantor or (as the case may be) the relevant Subsidiary or (provided that no event of default, howsoever described, has occurred) any Person entitled to such indebtedness; or
- (iii) the Issuer, any of the Subsidiary Guarantors, or any of their respective Subsidiaries fails to pay when due any amount payable by it under any guarantee of any such indebtedness;

provided that the amount of such indebtedness referred to in sub-paragraph (i) and/or sub-paragraph (ii) above and/or the amount payable under any guarantee referred to in sub-paragraph (iii) above, individually or in the aggregate, exceeds U.S.\$20,000,000 (or its equivalent in any other currency or currencies); or

- (d) *Unsatisfied judgment*: one or more judgment(s) or order(s) for the payment of any amount is rendered against any material part of the undertaking, assets or revenues of the Issuer, any of the Subsidiary Guarantors or any of the Principal Subsidiaries and continue(s) unsatisfied and unstayed for a period of 30 days after the date(s) thereof or, if later, the date therein specified for payment; or
- (e) *Security enforced*: a secured party takes possession, or a receiver, manager or other similar officer is appointed, of the whole or a material part of the undertaking, assets and revenues of the Issuer, any of the Subsidiary Guarantors or any of the Principal Subsidiaries and is not discharged, stayed or rescinded within 30 days; or

- (f) *Insolvency etc.:* (i) the Issuer, any of the Subsidiary Guarantors or any of the Principal Subsidiaries becomes insolvent or is unable to pay its debts as they fall due, (ii) an administrator or liquidator is appointed (or application for any such appointment is made) in respect of the Issuer, any of the Subsidiary Guarantors or any of the Principal Subsidiaries or the whole or any material part of the undertaking, assets and revenues of the Issuer, any of the Subsidiary Guarantors or any of the Principal Subsidiaries, (iii) the Issuer, any of the Subsidiary Guarantors or any of the Principal Subsidiaries takes any action for a readjustment or deferment of any of its obligations or makes a general assignment or an arrangement or composition with or for the benefit of its creditors or declares a moratorium in respect of all or a material part of its indebtedness or any guarantee of any such indebtedness given by it or (iv) the Issuer, any of the Subsidiary Guarantors or any of the Principal Subsidiaries ceases or threatens to cease to carry on all or substantially all of its business (otherwise than, in the case of a Principal Subsidiary, for the purposes of or pursuant to an amalgamation, reorganisation or restructuring whilst solvent or in accordance with Condition 5(d)) (*Limitation on Asset Sales*) or Condition 5(e)) (*Consolidation, Merger and Sale of Assets*); or
- (g) *Winding up, etc.:* an order is made or an effective resolution is passed for the winding up, liquidation or dissolution of the Issuer, any of the Subsidiary Guarantors or any of the Principal Subsidiaries (otherwise than (i) for the purpose of and followed by a reconstruction, amalgamation, reorganisation, merger or consolidation on terms approved by an Extraordinary Resolution of the Noteholders or (ii) in the case of a Principal Subsidiary only, (A) for the purpose of and followed by a reconstruction, amalgamation, reorganisation, merger or consolidation (x) whilst solvent or (y) whereby the undertaking, assets and revenues of such Principal Subsidiary are transferred to or otherwise vested in the Issuer, any of the Subsidiary Guarantors or another Principal Subsidiary, or (B) for any disposal or sale of such Principal Subsidiary to any other person on an arm's length basis where the assets resulting from such disposal are vested in the Issuer, any of the Subsidiary Guarantors or another Principal Subsidiary); or
- (h) *Analogous event:* any event occurs which under the laws of Cayman Islands, Singapore or the British Virgin Islands has an analogous effect to any of the events referred to in paragraphs (d) (*Unsatisfied judgment*) to (g) (*Winding up, etc*) above; or
- (i) *Failure to take action etc.:* any action, condition or thing at any time required to be taken, fulfilled or done in order (i) to enable the Issuer and each of the Subsidiary Guarantors lawfully to enter into, exercise their respective rights and perform and comply with their respective obligations under and in respect of the Notes or the Trust Deed, (ii) to ensure that those obligations are legal, valid, binding and enforceable and (iii) to make the Notes, the Coupons and the Trust Deed admissible in evidence in the courts of England, Cayman Islands, Singapore and the British Virgin Islands is not taken, fulfilled or done; or
- (j) *Unlawfulness:* it is or will become unlawful for the Issuer or any of the Subsidiary Guarantors to perform or comply with any of their respective obligations under or in respect of the Notes or the Trust Deed; or
- (k) *Government intervention:* (i) all or any material part of the undertaking, assets and revenues of the Issuer, any of the Subsidiary Guarantors or any of the Principal Subsidiaries is condemned, seized or otherwise appropriated by any Person acting under the authority of any national, regional or local government or (ii) the Issuer, any of the Subsidiary Guarantors or any of the Principal Subsidiaries is prevented by any such Person from exercising normal control over all or a material part of its undertaking, assets and revenues.

14. Prescription

Claims for principal in respect of Bearer Notes shall become void unless the relevant Bearer Notes are presented for payment within ten years of the appropriate Relevant Date. Claims for interest in respect of Bearer Notes shall become void unless the relevant Coupons are presented for payment within five years of the appropriate Relevant Date. Claims for principal and interest on redemption in respect of Registered Notes shall become void unless the relevant Note Certificates are surrendered for payment within ten years of the appropriate Relevant Date.

15. Replacement of Notes and Coupons

If any Note, Note Certificate or Coupon is lost, stolen, mutilated, defaced or destroyed, it may be replaced at the Specified Office of the Principal Paying Agent, in the case of Bearer Notes, or the relevant Registrar, in the case of Registered Notes (and, if the Notes are then admitted to listing, trading and/or quotation by any competent authority, stock exchange and/or quotation system which requires the appointment of a Paying Agent or Transfer Agent in any particular place, the Paying Agent or Transfer Agent having its Specified Office in the place required by such competent authority, stock exchange and/or quotation system), subject to all applicable laws and competent authority, stock exchange and/or quotation system requirements, upon payment by the claimant of the expenses incurred in connection with such replacement and on such terms as to evidence, security, indemnity and otherwise as the Issuer, the relevant Registrar and/or such Transfer Agent may require. Mutilated or defaced Notes, Note Certificates or Coupons must be surrendered before replacements will be issued.

16. Trustee and Agents

Under the Trust Deed, the Trustee is entitled to be indemnified, pre-funded and/or provided with security and relieved from responsibility in certain circumstances and to be paid its properly incurred fees, costs and expenses in priority to the claims of the Noteholders. In addition, the Trustee and the Agents are entitled to enter into business transactions with the Issuer, any of the Subsidiary Guarantors, and any entity relating to the Issuer or any of the Subsidiary Guarantors without accounting for any profit.

In the exercise of its powers and discretions under these Conditions and the Trust Deed, the Trustee will have regard to the interests of the Noteholders as a class and will not be responsible for any consequence for individual Holders of Notes as a result of such Holders being connected in any way with a particular territory or taxing jurisdiction.

In acting under the Agency Agreement and in connection with the Notes and the Coupons, the Agents act solely as agents of the Issuer and each of the Subsidiary Guarantors and (to the extent provided therein) the Trustee and do not assume any obligations towards or relationship of agency or trust for or with any of the Noteholders or Couponholders.

The initial Agents and their initial Specified Offices are listed below. The initial Calculation Agent (if any) is specified in the relevant Pricing Supplement. The Issuer and each of the Subsidiary Guarantors reserve the right (with the prior approval of the Trustee) at any time to vary or terminate the appointment of any Agent and to appoint a successor principal paying agent, principal registrar, CMU lodging and paying agent, CMU registrar or calculation agent and additional or successor paying agents; **provided, however, that:**

- (i) the Issuer and each of the Subsidiary Guarantors shall at all times maintain a principal paying agent and a principal registrar; and
- (ii) the Issuer and each of the Subsidiary Guarantors shall at all times maintain a CMU lodging and paying agent in relation to Notes accepted for clearance through the CMU Service and (if such Notes are Registered Notes) a CMU registrar; and
- (iii) if a Calculation Agent is specified in the relevant Pricing Supplement, the Issuer and each of the Subsidiary Guarantors shall at all times maintain a Calculation Agent; and
- (iv) if and for so long as the Notes are admitted to listing, trading and/or quotation by any competent authority, stock exchange and/or quotation system which requires the appointment of a Paying Agent and/or a Transfer Agent in any particular place, the Issuer and each of the Subsidiary Guarantors shall maintain a Paying Agent and/or a Transfer Agent having its Specified Office in the place required by such competent authority, stock exchange and/or quotation system.

Notice of any change in any of the Agents or in their Specified Offices shall promptly be given to the Noteholders by the Issuer.

17. Meetings of Noteholders; Modification and Waiver

- (a) *Meetings of Noteholders:* The Trust Deed contains provisions for convening meetings of Noteholders to consider matters relating to the Notes, including the modification of any provision of these Conditions. Any such modification may be made if sanctioned by an Extraordinary Resolution. Such a meeting may be convened by the Issuer and each of the Subsidiary Guarantors (acting together), or by the Trustee and shall be convened by the Trustee (subject to it being first indemnified, pre-funded and/or provided with security to its satisfaction) upon the request in writing of Noteholders holding not less than one-tenth of the aggregate principal amount of the outstanding Notes. The quorum at any meeting convened to vote on an Extraordinary Resolution will be two or more Persons holding or representing one more than half of the aggregate principal amount of the outstanding Notes or, at any adjourned meeting, two or more Persons being or representing Noteholders whatever the principal amount of the Notes held or represented; **provided, however, that** Reserved Matters may only be sanctioned by an Extraordinary Resolution passed at a meeting of Noteholders at which two or more Persons holding or representing not less than three-quarters or, at any adjourned meeting, one quarter of the aggregate principal amount of the outstanding Notes form a quorum. Any Extraordinary Resolution duly passed at any such meeting shall be binding on all the Noteholders and Couponholders, whether present or not.

In addition, a resolution in writing signed by or on behalf of Noteholders holding not less than 90 per cent. of the aggregate principal amount of the then outstanding Notes who for the time being are entitled to receive notice of a meeting of Noteholders under the Trust Deed will take effect as if it were an Extraordinary Resolution. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Noteholders.

- (b) *Modification and waiver:* The Trustee may, without the consent of the Noteholders, agree to any modification of these Conditions or the Trust Deed (other than in respect of a Reserved Matter) which is, in the opinion of the Trustee, proper to make if, in the opinion of the Trustee, such modification will not be materially prejudicial to the interests of Noteholders and to any modification of the Notes or the Trust Deed which is of a formal, minor or technical nature or is to correct a manifest error.

In addition, the Trustee may, without the consent of the Noteholders, authorise or waive any proposed breach or breach of the Notes or the Trust Deed (other than a proposed breach or breach relating to the subject of a Reserved Matter) if, in the opinion of the Trustee, the interests of the Noteholders will not be materially prejudiced thereby.

Unless the Trustee agrees otherwise, any such authorisation, waiver or modification shall be notified to the Noteholders as soon as practicable thereafter.

- (c) *Direction from Noteholders:* Notwithstanding anything to the contrary in these Conditions or the Trust Deed, whenever the Trustee is required or entitled by the terms of these Conditions or the Trust Deed to exercise any discretion or power, take any action, make any decision or give any direction or certification, the Trustee is entitled, prior to exercising any such discretion or power, taking any such action, making any such decision, or giving any such direction or certification, to seek directions from the Noteholders by way of an Extraordinary Resolution and shall have been indemnified, pre-funded and/or provided with security to its satisfaction against all action, proceedings, claims and demands to which it may be or become liable and all costs, charges, damages and expenses (including legal expenses) properly incurred, and liabilities which may be incurred, by it in connection therewith, and the Trustee is not responsible for any loss or liability incurred by any person as a result of any delay in it exercising such discretion or power, taking such action, making such decision, or giving such direction or certification where the Trustee is seeking such directions.

- (d) *Certificates and reports:* The Trustee may rely without liability to any Noteholder, Couponholder or to any other person on a report, advice, opinion, confirmation or certificate from any lawyers, valuers, accountants (including the auditors, surveyors), financial advisers, financial institution or any other expert, whether or not addressed to it and whether their liability in relation thereto is limited (by its terms or by any engagement letter relating thereto or in any other manner) by reference to a monetary cap, methodology or otherwise. The Trustee may accept and shall be entitled to rely on any such report, confirmation or certificate or advice and such report, confirmation, certificate, opinion or advice shall be binding on the Issuer, the Trustee, the Noteholders and the Couponholders.

18. Enforcement

The Trustee may at any time, at its discretion and without notice, institute such proceedings, actions or steps as it thinks fit to enforce its rights under the Trust Deed in respect of the Notes, but it shall not be bound to take any such proceedings, actions or steps unless:

- (i) it has been so requested in writing by the Holders of at least one quarter of the aggregate principal amount of the outstanding Notes or has been so directed by an Extraordinary Resolution; and
- (ii) it has been indemnified, pre-funded and/or provided with security to its satisfaction.

No Noteholder may proceed directly against the Issuer or any of the Subsidiary Guarantors unless the Trustee, having become bound to do so, fails to do so within a reasonable time and such failure is continuing.

19. Further Issues

The Issuer may from time to time, without the consent of the Noteholders or the Couponholders and in accordance with the Trust Deed, create and issue further notes having the same terms and conditions as the Notes in all respects (or in all respects except for the first payment of interest) so as to form a single series with the Notes. The Issuer may from time to time, with the consent of the Trustee, create and issue other series of notes having the benefit of the Trust Deed.

20. Notices

- (a) *Bearer Notes:* Notices to the Holders of Bearer Notes shall be valid if published in a leading English language daily newspaper published in Hong Kong or, if such publication is not practicable, in a leading English language daily newspaper having general circulation in Asia (which is expected to be the *Asian Wall Street Journal*). Any such notice shall be deemed to have been given on the date of first publication (or if required to be published in more than one newspaper, on the first date on which publication shall have been made in all the required newspapers). Couponholders shall be deemed for all purposes to have notice of the contents of any notice given to the Holders of Bearer Notes.
- (b) *Registered Notes:* Notices to the Holders of Registered Notes shall be sent to them by first class mail (or its equivalent) or (if posted to an overseas address) by airmail at their respective addresses on the Register or, if such publication is not practicable, in a leading English language daily newspaper having general circulation in Asia (which is expected to be the *Asian Wall Street Journal*). Any such notice shall be deemed to have been given on the fourth day after the date of mailing.

So long as the Notes are represented by a Global Note or a Global Certificate and such Global Note or Global Certificate is held on behalf of (i) Euroclear or Clearstream or any other clearing system (except as provided in (ii) below), notices to the holders of Notes of that Series may be given by delivery of the relevant notice to that clearing system for communication by it to entitled accountholders in substitution for publication as required by the Conditions, and such notice shall be deemed to have been given to the Noteholders on the date of delivery to Euroclear and/or Clearstream and/or any other relevant clearing system; or (ii) the CMU Service, notices to the holders of Notes of that Series may be given by delivery of the relevant notice to the Persons shown in a CMU Instrument Position Report issued by the Hong Kong Monetary Authority on the business day preceding the date of

despatch of such notice, and any such notice shall be deemed to have been given to the holders of the Notes on the second day after the day on which the said notice is delivered to the persons shown in the relevant CMU Instrument Position Report.

21. Currency Indemnity

If any sum due from the Issuer or any of the Subsidiary Guarantors in respect of the Notes or the Coupons or any order or judgment given or made in relation thereto has to be converted from the currency (the “**first currency**”) in which the same is payable under these Conditions or such order or judgment into another currency (the “**second currency**”) for the purpose of (a) making or filing a claim or proof against the Issuer or any of the Subsidiary Guarantors, (b) obtaining an order or judgment in any court or other tribunal or (c) enforcing any order or judgment given or made in relation to the Notes, the Issuer and each of the Subsidiary Guarantors shall indemnify each Noteholder, on the written demand of such Noteholder addressed to the Issuer and the Subsidiary Guarantors and delivered to the Issuer and the Subsidiary Guarantors or to the Specified Office of the Principal Paying Agent, against any loss suffered as a result of any discrepancy between (i) the rate of exchange used for such purpose to convert the sum in question from the first currency into the second currency and (ii) the rate or rates of exchange at which such Noteholder may in the ordinary course of business purchase the first currency with the second currency upon receipt of a sum paid to it in satisfaction, in whole or in part, of any such order, judgment, claim or proof.

This indemnity constitutes a separate and independent obligation of the Issuer and each of the Subsidiary Guarantors and shall give rise to a separate and independent cause of action.

22. Rounding

For the purposes of any calculations referred to in these Conditions (unless otherwise specified in these Conditions or the relevant Pricing Supplement), (a) all percentages resulting from such calculations will be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with 0.000005 per cent. being rounded up to 0.00001 per cent.), (b) all United States dollar amounts used in or resulting from such calculations will be rounded to the nearest cent (with one half cent being rounded up), (c) all Japanese Yen amounts used in or resulting from such calculations will be rounded downwards to the next lower whole Japanese Yen amount, and (d) all amounts denominated in any other currency used in or resulting from such calculations will be rounded to the nearest two decimal places in such currency, with 0.005 being rounded upwards.

23. Governing Law and Jurisdiction

- (a) *Governing law:* The Notes and the Trust Deed and all non-contractual obligations arising out of or in connection with the Notes and the Trust Deed are governed by English law.
- (b) *Jurisdiction:* The Issuer and each of the Subsidiary Guarantors has (i) agreed that the courts of England shall have exclusive jurisdiction to settle any dispute (a “**Dispute**”) arising out of or in connection with the Notes; (ii) agreed that those courts are the most appropriate and convenient courts to settle any Dispute and, accordingly, that it will not argue that any other courts are more appropriate or convenient; (iii) irrevocably appointed Law Debenture Corporate Services Limited at its registered office (currently at fifth floor, 100 Wood Street, London EC2V 7EX, the United Kingdom) as its authorised agent to accept service of any process on its behalf; (iv) consented to the enforcement of any judgment; and (v) to the extent that it may in any jurisdiction claim for itself or its assets immunity from suit, execution, attachment (whether in aid of execution, before judgment or otherwise) or other legal process, and to the extent that in any such jurisdiction there may be attributed to itself or its assets or revenues such immunity (whether or not claimed), agreed not to claim and irrevocably waived such immunity to the full extent permitted by the laws of such jurisdiction. The Trust Deed also states that nothing contained in the Trust Deed prevents the Trustee or any of the Noteholders from taking proceedings relating to a Dispute (“**Proceedings**”) in any other courts with jurisdiction and that, to the extent allowed by law, the Trustee or any of the Noteholders may take concurrent Proceedings in any number of jurisdictions.

TERMS AND CONDITIONS OF THE SECURITIES

The following (other than the words in italics) is the text of the terms and conditions of the Securities which, as completed by the relevant Pricing Supplement, will be endorsed on each Security in definitive form issued under the Programme.

The terms and conditions applicable to any Security in global form will differ from those terms and conditions which would apply to the Security were it in definitive form to the extent described under “Summary of Provisions Relating to the Instruments while in Global Form” below.

1. INTRODUCTION

- (a) *Programme:* CNQC International Holdings Limited 青建國際控股有限公司 (the “**Issuer**”) and Rich Prospect Holdings Limited 豐景控股有限公司, One Million International Limited, Wang Bao Development Limited 旺寶發展有限公司, New Chic International Limited, CNQC (South Pacific) Holding Pte. Ltd. and CNQC Engineering & Construction Pte. Ltd. (together, the “**Subsidiary Guarantors**” and each, a “**Subsidiary Guarantor**”) have established a Medium Term Note and Perpetual Securities Programme (the “**Programme**”) for the issuance of up to U.S.\$500,000,000 in aggregate principal amount of notes (the “**Notes**”) and perpetual securities (the “**Securities**”) guaranteed by the Subsidiary Guarantors. These terms and conditions relate to Securities issued under the Programme.
- (b) *Pricing Supplement:* Securities issued under the Programme are issued in series (each a “**Series**”) and each Series may comprise one or more tranches (each a “**Tranche**”) of Securities. Each Tranche is the subject of a pricing supplement (the “**Pricing Supplement**”) which supplements these terms and conditions (the “**Conditions**”). The terms and conditions applicable to any particular Tranche of Securities are these Conditions as supplemented, amended and/or replaced by the relevant Pricing Supplement. In the event of any inconsistency between these Conditions and the relevant Pricing Supplement, the relevant Pricing Supplement shall prevail.
- (c) *Trust Deed:* The Securities are constituted by, are subject to, and have the benefit of, a trust deed dated 25 October 2017 (as amended or supplemented from time to time, the “**Trust Deed**”) between the Issuer, each of the Subsidiary Guarantors and DB Trustees (Hong Kong) Limited as trustee (the “**Trustee**”, which expression includes all persons for the time being trustee or trustees appointed under the Trust Deed).
- (d) *Agency Agreement:* The Securities are the subject of an issue and paying agency agreement dated 25 October 2017 (the “**Agency Agreement**”) between the Issuer, each of the Subsidiary Guarantors, and Deutsche Bank AG, Hong Kong Branch as principal paying agent (the “**Principal Paying Agent**”, which expression includes any successor principal paying agent appointed from time to time in connection with the Securities), Deutsche Bank AG, Hong Kong Branch as CMU lodging and paying agent and CMU registrar (the “**CMU Lodging and Paying Agent**” and the “**CMU Registrar**”, respectively, which expression includes any successor CMU lodging and paying agent and CMU registrar appointed from time to time in connection with Securities cleared through the CMU Service), Deutsche Bank AG, Hong Kong Branch as principal registrar (the “**Principal Registrar**”, which expression includes any successor principal registrar appointed from time to time in connection with Securities cleared through a clearing system other than the CMU Service, and together with the CMU Registrar, the “**Registrars**” and each, a “**relevant Registrar**”), the paying agents named therein (together with the Principal Paying Agent, the “**Paying Agents**”, which expression includes any successor or additional paying agents appointed from time to time in connection with the Securities), the transfer agents named therein (together with the Registrars, the “**Transfer Agents**”, which expression includes any successor or additional transfer agents appointed from time to time in connection with the Securities) and the Trustee. In these Conditions references to the “**Agents**” are to the Paying Agents and the Transfer Agents and any reference to an “**Agent**” is to any one of them. For the purposes of these Conditions, all references (other than in relation to the determination of distribution and other amounts payable in respect of the Securities) to the Principal Paying Agent or the Principal Registrar shall, with respect to a Series of Securities to be held in the CMU Service, be deemed to be a reference to the CMU Lodging and Paying Agent or the CMU Registrar, as the case may be, and all such references shall be construed accordingly.

- (e) *The Securities*: The Securities are issued in registered form. All subsequent references in these Conditions to “Securities” are to the Securities which are the subject of the relevant Pricing Supplement. Copies of the relevant Pricing Supplement are available for viewing during normal business hours upon prior written request and proof of holding, and copies may be obtained from the Specified Office of each of the Paying Agents and Transfer Agents.
- (f) *Summaries*: Certain provisions of these Conditions are summaries of the Trust Deed and the Agency Agreement and are subject to their detailed provisions. Securityholders (as defined below) are bound by, and are deemed to have notice of, all the provisions of the Trust Deed and the Agency Agreement applicable to them. Copies of the Trust Deed and the Agency Agreement are available for inspection by Securityholders during normal business hours at the Specified Offices of each of the Agents with reasonable prior written notification.

2. INTERPRETATION

- (a) *Definitions*: In these Conditions the following expressions have the following meanings:

“**Accounting Event**” has the meaning given in Condition 7(d) (*Redemption for accounting reasons*);

“**Additional Financial Centre**” means the city or cities specified as such in the relevant Pricing Supplement;

“**Audited Financial Reports**” means the annual audited consolidated statement of comprehensive income, consolidated statement of financial position, consolidated statement of changes in equity and consolidated statement of cash flows of the Issuer and its Subsidiaries together with any statements, reports (including any directors’ and auditors’ reports) and notes attached to or intended to be read with any of them;

“**Benchmark Rate**” means

- (a) if the Specified Currency is U.S. dollars, the US Treasury Benchmark Rate;
- (b) if the Specified Currency is Renminbi, the CNY Benchmark Rate; or
- (c) if the Specified Currency is Singapore dollars, the SGD Benchmark Rate;

“**Breach of Covenant Event**” means the non-compliance or non-performance by the Issuer or any of the Subsidiary Guarantors of any one or more of its obligations and covenants set out in Condition 5 (*Covenants*);

“**Business Day**” means:

- (a) if the Specified Currency is U.S. dollars, a day (other than a Sunday or a Saturday) on which commercial banks are open for general business (including dealings in foreign currencies) in New York City;
- (b) if the Specified Currency is Renminbi, a day (other than a Sunday or a Saturday) on which commercial banks and foreign exchange markets are open for business and settle Renminbi payments in Hong Kong and are not authorised or obligated by law or executive order to be closed; and
- (c) if the Specified Currency is Singapore dollars, a day (other than a Sunday or a Saturday) on which commercial banks and foreign exchange markets settle payments in Singapore;

“**Business Day Convention**”, in relation to any particular date, has the meaning given in the relevant Pricing Supplement and, if so specified in the relevant Pricing Supplement, may have different meanings in relation to different dates and, in this context, the following expressions shall have the following meanings:

- (a) “**Following Business Day Convention**” means that the relevant date shall be postponed to the first following day that is a Business Day;
- (b) “**Modified Following Business Day Convention**” or “**Modified Business Day Convention**” means that the relevant date shall be postponed to the first following day that is a Business Day unless that day falls in the next calendar month in which case that date will be the first preceding day that is a Business Day;
- (c) “**Preceding Business Day Convention**” means that the relevant date shall be brought forward to the first preceding day that is a Business Day;
- (d) “**FRN Convention**”, “**Floating Rate Convention**” or “**Eurodollar Convention**” means that each relevant date shall be the date which numerically corresponds to the preceding such date in the calendar month which is the number of months specified in the relevant Pricing Supplement as the Specified Period after the calendar month in which the preceding such date occurred **provided, however, that:**
 - (i) if there is no such numerically corresponding day in the calendar month in which any such date should occur, then such date will be the last day which is a Business Day in that calendar month;
 - (ii) if any such date would otherwise fall on a day which is not a Business Day, then such date will be the first following day which is a Business Day unless that day falls in the next calendar month, in which case it will be the first preceding day which is a Business Day; and
 - (iii) if the preceding such date occurred on the last day in a calendar month which was a Business Day, then all subsequent such dates will be the last day which is a Business Day in the calendar month which is the specified number of months after the calendar month in which the preceding such date occurred; and
- (e) “**No Adjustment**” means that the relevant date shall not be adjusted in accordance with any Business Day Convention;

“**Calculation Agent**” means an independent bank of international repute acting as a calculation agent as selected by the Issuer (at the expense of the Issuer) and notified in writing to the Trustee;

“**Calculation Amount**” has the meaning given in the relevant Pricing Supplement;

a “**Change of Control**” occurs when:

- (a) the Permitted Holders together cease to (i) hold, directly or indirectly, more than 50 per cent. of the voting rights of the issued share capital of the Issuer or (ii) have the right to appoint and/or remove more than 50 per cent. of the members of the Issuer’s board of directors or other governing body, whether obtained directly or indirectly, and whether obtained by ownership of share capital, the possession of voting rights, contract or otherwise;
- (b) any Person or Persons, other than the Permitted Holders, acting together acquires Control of the Issuer if such Person or Persons does not or do not have, and would not be deemed to have, Control of the Issuer on the date of issue of the first Tranche of the Securities; or
- (c) the Issuer consolidates with or merges into or sells or transfers all or substantially all of its assets to any other Person, unless the consolidation, merger, sale or transfer will not result in the other Person or Persons acquiring majority control over the Issuer or the successor entity.

“**CMU Service**” means the Central Moneymarkets Unit Service, operated by the Hong Kong Monetary Authority;

“**CNY Benchmark Rate**” has the meaning given in the relevant Pricing Supplement;

“**Comparable Period**” has the meaning given in the relevant Pricing Supplement;

“**Comparable Treasury Issue**” means the U.S. Treasury security selected by the Issuer as having a maturity of Comparable Period that would be utilised, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities with a maturity of Comparable Period;

“**Comparable Treasury Price**” means:

- (a) the average of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) on the third Business Day preceding the relevant Reset Date, as set forth in the daily statistical release (of any successor release) published by the Federal Reserve Bank of New York and designated “Composite 3:30 p.m. Quotations for U.S. Government Securities”; or
- (b) if such release (or any successor release) is not published or does not contain such prices on such Business Day, (i) the average of the Reference Treasury Dealer Quotations for the relevant Reset Date, after excluding the highest and lowest of such Reference Treasury Dealer Quotations, or (ii) if fewer than three such Reference Treasury Dealer Quotations are available, the average of all such quotations,

if the Comparable Treasury Price cannot be determined in accordance with the above provisions, the US Treasury Benchmark Rate as at the last preceding Reset Date;

“**Compulsory Distribution Payment Event**” means, if Dividend Pusher is specified as being applicable in the relevant Pricing Supplement, during the three-month period ending on the day before the relevant Distribution Payment Date, either or both of the following have occurred:

- (a) a discretionary dividend, discretionary distribution or other discretionary payment has been declared or paid by the Issuer, any of the Subsidiary Guarantors or any of their respective Subsidiaries on or in respect of any Parity Obligations or Junior Obligations of the Issuer or any of the Subsidiary Guarantors (except (i) in relation to the Parity Obligations of the Issuer or (as the case may be) the relevant Subsidiary Guarantor on a *pro-rata* basis, or (ii) in connection with any employee benefit plan or similar arrangements with or for the benefit of employees, officers, directors or consultants, or (iii) for the issue of dividends to the Issuer or to any intermediate holding company); or
- (b) the Issuer, any of the Subsidiary Guarantors or any of their respective Subsidiaries has at its discretion redeemed, reduced, cancelled, bought back or otherwise acquired any Parity Obligations or Junior Obligations of the Issuer or any of the Subsidiary Guarantors (except (i) in relation to the Parity Obligations of the Issuer or (as the case may be) the relevant Subsidiary Guarantor on a *pro-rata* basis, (ii) in connection with any employee benefit plan or similar arrangements with or for the benefit of employees, officers, directors or consultants, or (iii) as a result of the exchange or conversion of such Parity Obligations for Junior Obligations of the Issuer or (as the case may be) the relevant Subsidiary Guarantor);

“**Control**” means (a) the acquisition or control of more than 30 per cent. of the voting rights of the issued share capital of the Issuer or (b) the right to appoint and/or remove at least 30 per cent. of the members of the Issuer’s board of directors or other governing body, whether obtained directly or indirectly, and whether obtained by ownership of share capital, the possession of voting rights, contract or otherwise;

“**Day Count Fraction**” means, in respect of the calculation of an amount for any period of time (the “**Calculation Period**”), such day count fraction as may be specified in these Conditions or the relevant Pricing Supplement and:

- (a) if “**Actual/365 (Fixed)**” is so specified, means the actual number of days in the Calculation Period divided by 365;
- (b) if “**30/360**” is so specified, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

“**Y1**” is the year, expressed as a number, in which the first day of the Calculation Period falls;

“**Y2**” is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“**M1**” is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

“**M2**” is the calendar month, expressed as number, in which the day immediately following the last day included in the Calculation Period falls;

“**D1**” is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D1 will be 30; and

“**D2**” is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31 and D1 is greater than 29, in which case D2 will be 30”;

provided, however, that in each such case the number of days in the Calculation Period is calculated from and including the first day of the Calculation Period to but excluding the last day of the Calculation Period;

“**Distribution Commencement Date**” has the meaning given in the relevant Pricing Supplement;

“**Distribution Payment Date**” means the date or dates specified as such in, or determined in accordance with the provisions of, the relevant Pricing Supplement;

“**Early Redemption Amount (Accounting Event)**” means, in respect of any Security, its principal amount or such other amount as may be specified in, or determined in accordance with, the relevant Pricing Supplement;

“**Early Redemption Amount (Breach of Covenant Event)**” means, in respect of any Security, its principal amount or such other amount as may be specified in, or determined in accordance with, the relevant Pricing Supplement;

“**Early Redemption Amount (Relevant Event)**” means, in respect of any Security, 101 per cent. of its principal amount or such other amount as may be specified in, or determined in accordance with, the relevant Pricing Supplement;

“**Early Redemption Amount (Relevant Indebtedness Default Event)**” means, in respect of any Security, its principal amount or such other amount as may be specified in, or determined in accordance with, the relevant Pricing Supplement;

“**Early Redemption Amount (Tax)**” means, in respect of any Security, its principal amount or such other amount as may be specified in, or determined in accordance with, the relevant Pricing Supplement;

“**Extraordinary Resolution**” has the meaning given in the Trust Deed;

“**First Call Date**” has the meaning given in the relevant Pricing Supplement;

“**Group**” means the Issuer and its Subsidiaries, taken as a whole;

“**guarantee**” means any obligation, contingent or otherwise, of any Person directly or indirectly guaranteeing any Indebtedness or other obligation of any other Person and, without limiting the generality of the foregoing, any obligation, direct or indirect, contingent or otherwise, of such Person (1) to purchase or pay (or advance or supply funds for the purchase or payment of) such Indebtedness or other obligation of such other Person (whether arising by virtue of partnership arrangements, or by agreements to keep-well, to purchase assets, goods, securities or services, to take-or-pay, or to maintain financial statement conditions or otherwise) or (2) entered into for purposes of assuring in any other manner the obligee of such Indebtedness or other obligation of the payment thereof or to protect such obligee against loss in respect thereof (in whole or in part); *provided that* the term “guarantee” shall not include endorsements for collection or deposit in the ordinary course of business. The term “guarantee” used as a verb has a corresponding meaning;

“**Guarantee of the Securities**” and “**Subsidiary Guarantee**” means the guarantee of the Securities given by the Subsidiary Guarantors in the Trust Deed;

“**HKFRS**” means the Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants. All ratios and computations contained or referred to in the Trust Deed shall be computed in conformity with HKFRS applied on a consistent basis;

“**Holder**” has the meaning given in Condition 3(b) (*Form, Denomination, Title and Transfer — Title to Securities*);

“**Hong Kong**” means the Hong Kong Special Administrative Region of the People’s Republic of China;

“**Hong Kong Stock Exchange**” means The Stock Exchange of Hong Kong Limited;

“**immediate family member**” has the meaning given in Rule 14A.12(1)(a) of the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange;

“**Indebtedness**” means, with respect to any Person at any date of determination (without duplication):

- (a) all indebtedness of such Person for borrowed money;
- (b) all obligations of such Person evidenced by bonds, debentures, notes or other similar instruments (excluding cash collateralised notes payable as described in the Issuer’s financial statements);
- (c) all obligations of such Person in respect of letters of credit, bankers’ acceptances or other similar instruments;
- (d) all obligations of such Person to pay the deferred and unpaid purchase price of property or services, except Trade Payables;
- (e) all Capitalised Lease Obligations and Attributable Indebtedness;
- (f) all Indebtedness of other Persons secured by a Lien on any asset of such Person, whether or not such Indebtedness is assumed by such Person; *provided that* the amount of such Indebtedness shall be the lesser of (A) the Fair Market Value of such asset at such date of determination and (B) the amount of such Indebtedness;
- (g) all Indebtedness of other Persons guaranteed by such Person to the extent that such Indebtedness is guaranteed by such Person;

- (h) to the extent not otherwise included in this definition, Hedging Obligations; and
- (i) all Disqualified Stock issued by such Person valued at the greater of its voluntary or involuntary liquidation preference and its maximum fixed repurchase price plus accrued dividends.

For the purposes of Condition 5 (*Covenants*), all perpetual securities shall constitute Indebtedness.

The amount of Indebtedness of any Person at any time shall be the outstanding balance at such time of all unconditional obligations as described above and, with respect to contingent obligations, the maximum liability upon the occurrence of the contingency giving rise to the obligation; *provided that*:

- (A) the amount outstanding at any time of any Indebtedness issued with original issue discount is the face amount of such Indebtedness less the remaining unamortised portion of the original issue discount of such Indebtedness at such time as determined in conformity with HKFRS;
- (B) money borrowed and set aside at the time of the Incurrence of any Indebtedness in order to prefund the payment of the interest on such Indebtedness shall not be deemed to be “Indebtedness” so long as such money is held to secure the payment of such interest; and
- (c) the amount of, or the principal amount of Indebtedness with respect to any Hedging Obligation shall be equal to zero if Incurred pursuant to clause (ii)(E) of the Condition 5(b) (*Limitation on Indebtedness and Preferred Stock*); *provided that* such amount shall be equal to the net amount payable if such Hedging Obligation terminated at or prior to that time due to a default by such Person;

“**Initial Distribution Rate**” has the meaning given in the relevant Pricing Supplement;

“**Initial Spread**” has the meaning given in the relevant Pricing Supplement;

“**Interim Financial Reports**” means the interim consolidated statement of comprehensive income, consolidated statement of financial position, consolidated statement of changes in equity and consolidated statement of cash flows of the Issuer and its Subsidiaries together with any statements, reports (including any directors’ and auditors’ review reports, if any) and notes attached to or intended to be read with any of them;

“**Issue Date**” has the meaning given in the relevant Pricing Supplement;

“**Maximum Redemption Amount**” has the meaning given in the relevant Pricing Supplement;

“**Minimum Redemption Amount**” has the meaning given in the relevant Pricing Supplement;

“**Junior Obligations**” means, unless otherwise defined in the relevant Pricing Supplement, (a) in relation to the Issuer, (i) any class of the Issuer’s share capital (including without limitation, any preference shares and ordinary shares of the Issuer) or any other securities ranking or is expressed to rank *pari passu* therewith in respect of which all payments of dividends and distributions are discretionary and (ii) any Subordinated Indebtedness issued or guaranteed by the Issuer; and (b) in relation to a Subsidiary Guarantor, (i) any class of such Subsidiary Guarantor’s shares (including without limitation, any preference shares and ordinary shares of such Subsidiary Guarantor) or any other securities ranking or is expressed to rank *pari passu* therewith in respect of which all payments of dividends and distributions are discretionary and (ii) any Subordinated Indebtedness issued or guaranteed by such Subsidiary Guarantor; or

“**Optional Redemption Amount (Issuer)**” means, in respect of any Security, its principal amount or such other amount as may be specified in, or determined in accordance with, the relevant Pricing Supplement;

“**Optional Redemption Amount (Minimum Outstanding Amount)**” means, in respect of any Security, its principal amount or such other amount as may be specified in, or determined in accordance with, the relevant Pricing Supplement;

“**Parity Obligations**” means, unless otherwise defined in the relevant Pricing Supplement, any instrument or security (including without limitation any preference share) issued, entered into or guaranteed by the Issuer or (as the case may be) any of the Subsidiary Guarantors which ranks or is expressed to rank, by its terms or by operation of law, *pari passu* with such Securities;

“**Payment Business Day**” means:

- (a) in relation to any sum payable in U.S. dollars, a day (other than a Sunday or a Saturday) on which commercial banks are open for general business (including dealings in foreign currencies) in New York City and in each (if any) Additional Financial Centre;
- (b) in relation to any sum payable in Renminbi, a day (other than a Sunday or a Saturday) on which (i) commercial banks and foreign exchange markets are open for business and settle Renminbi payments in Hong Kong and are not authorised or obligated by law or executive order to be closed and (ii) in each (if any) Additional Financial Centre; and
- (c) in relation to any sum payable in Singapore dollars, a day on which commercial banks and foreign exchange markets settle payments in Singapore and in each (if any) Additional Financial Centre;

“**Permitted Holders**” means Dr. Du Bo (“**Dr. Du**”) and:

- (a) any heir, estate, lineal descendent (or spouse thereof), spouse, parent or immediate family member of Dr. Du; or
- (b) any trust, corporation, partnership or other entity, of which the direct or indirect beneficiaries, equity holders, partners, owners or Persons beneficially holding a majority (or more) controlling interest of which are Dr. Du and/or such other Persons referred to in paragraph (a) above;

“**Person**” means any individual, company, corporation, firm, partnership, joint venture, association, organisation, state or agency of a state or other entity, whether or not having separate legal personality;

“**Principal Subsidiary**” means any Subsidiary of the Issuer:

- (a) whose revenue or (in the case of a Subsidiary which itself has Subsidiaries) consolidated revenue, as shown by its latest audited income statement are at least 5 per cent. of the consolidated revenue as shown by the latest published audited consolidated income statement of the Issuer and its Subsidiaries including, for the avoidance of doubt, the Issuer and its consolidated Subsidiaries’ share of profits of Subsidiaries not consolidated and of jointly controlled entities and after adjustments for minority interests; or
- (b) whose profit before income tax or (in the case of a Subsidiary which itself has Subsidiaries) consolidated profit before income tax, as shown by its latest audited income statement are at least 5 per cent. of the consolidated profit before income tax as shown by the latest published audited consolidated income statement of the Issuer and its Subsidiaries including, for the avoidance of doubt, the Issuer and its consolidated Subsidiaries’ share of profits of Subsidiaries not consolidated and of jointly controlled entities and after adjustments for minority interests; or
- (c) whose total assets or (in the case of a Subsidiary which itself has Subsidiaries) total consolidated assets, as shown by its latest audited balance sheet are at least 5 per cent. of the amount which equals the amount included in the consolidated total assets of the Issuer and its Subsidiaries as shown by the latest published audited consolidated balance

sheet of the Issuer and its Subsidiaries as being represented by the investment of the Issuer and in each Subsidiary whose accounts are not consolidated with the consolidated audited accounts of the Issuer and after adjustment for minority interests; or

- (d) to which is transferred the whole or substantially the whole of the assets of a Subsidiary which immediately prior to such transfer was a Principal Subsidiary, *provided that* the Principal Subsidiary which so transfers its assets shall forthwith upon such transfer cease to be a Principal Subsidiary and the Subsidiary to which the assets are so transferred shall cease to be a Principal Subsidiary at the date on which the first published audited accounts (consolidated, if appropriate), of the Issuer prepared as of a date later than such transfer are issued unless such Subsidiary would continue to be a Principal Subsidiary on the basis of such accounts by virtue of the provisions of paragraphs (a), (b) or (c) above of this definition,

provided that, in relation to paragraphs (a), (b) or (c) above of this definition:

- (i) in the case of a corporation or other business entity becoming a Subsidiary after the end of the financial period to which the latest consolidated audited accounts of the Issuer relate, the reference to the then latest consolidated audited accounts of the Issuer for the purposes of the calculation above shall, until consolidated audited accounts of the Issuer for the financial period in which the relevant corporation or other business entity becomes a Subsidiary are published be deemed to be a reference to the then latest consolidated audited accounts of the Issuer adjusted to consolidate the latest audited accounts (consolidated in the case of a Subsidiary which itself has Subsidiaries) of such Subsidiary in such accounts;
- (ii) if at any relevant time in relation to the Issuer or any Subsidiary which itself has Subsidiaries no consolidated accounts are prepared and audited, revenue, profit before income tax or total assets of the Issuer and/or any such Subsidiary shall be determined on the basis of pro forma consolidated accounts prepared for this purpose by the Issuer;
- (iii) if at any relevant time in relation to any Subsidiary, no accounts are audited, its revenue, profit before income tax or total assets (consolidated, if appropriate) shall be determined on the basis of pro forma accounts (consolidated, if appropriate) of the relevant Subsidiary prepared for this purpose by the Issuer; and
- (iv) if the accounts of any Subsidiary (not being a Subsidiary referred to in proviso (i) above) are not consolidated with those of the Issuer, then the determination of whether or not such Subsidiary is a Principal Subsidiary shall be based on a pro forma consolidation of its accounts (consolidated, if appropriate) with the consolidated accounts (determined on the basis of the foregoing) of the Issuer.

“Qualifying Securities” means securities that:

- (a) have terms not materially less favourable to an investor than the terms of the Securities (as reasonably determined by the Issuer, and provided that a certificate to such effect (and confirming that the conditions set out in (i) to (iii) below have been satisfied) of two directors of the Issuer shall have been delivered to the Trustee prior to the substitution or variation of the relevant Securities), *provided that*:
- (i) they are issued by the Issuer or any wholly-owned direct or indirect finance Subsidiary of the Issuer and guaranteed by the Issuer;
- (ii) they are unconditionally and irrevocably guaranteed by the Subsidiary Guarantors; and
- (iii) they (or, as appropriate, the guarantee as aforesaid) shall rank *pari passu* with the Securities on a Winding-Up of the Issuer or the Subsidiary Guarantors, shall preserve the Securityholders’ rights to any Arrears of Distribution, any Additional Distribution Amount and any other payment that has accrued with respect to the relevant Securities, and shall contain terms which provide at least for the same Distribution Rate, Distribution Payment Dates and redemption events, from time

to time applying to the Securities; and other terms of such securities are substantially identical (as reasonably determined by the Issuer) to the Securities, save for the modifications or amendments to such terms that are specifically required to be made in order to avoid or resolve a Special Event;

- (b) (if the Securities being substituted or varied pursuant to Condition 14(e) (*Substitution or Variation*) are rated by a rating agency) have been, or will on issue be, assigned at least the same rating as that assigned by such rating agency to the Securities immediately prior to such substitution or variation; and
- (c) (if the Securities being substituted or varied pursuant to Condition 14(e) (*Substitution or Variation*) are admitted to listing, trading and/or quotation by any competent authority, stock exchange and/or quotation system) are listed, traded and/or quoted by the same competent authority, stock exchange and/or quotation system or such other securities exchange of international standing regularly used for the listing and quotation of debt securities offered and traded in the international markets;

“Reference Treasury Dealer” means each of any three investment banks of recognised standing that is a primary U.S. Government securities dealer in New York, selected by the Issuer in good faith (at its own expense) and notified in writing to the Trustee and the Calculation Agent;

“Reference Treasury Dealer Quotations” means, with respect to each Reference Treasury Dealer and any Reset Date, the average as determined by the Calculation Agent, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Issuer by such Reference Treasury Dealer at 5:00 p.m. on the third Business Day preceding such Reset Date and then notified in writing by the Issuer to the Trustee and the Calculation Agent;

“Register” has the meaning set out in Condition 3(b) (*Form, Denomination, Title and Transfer — Title to Securities*);

“Relevant Date” means, in relation to any payment, whichever is the later of (a) the date on which the payment in question first becomes due and (b) if the full amount payable has not been received by the Principal Paying Agent or the Trustee on or prior to such due date, the date on which (the full amount having been so received) notice to that effect has been given to the Securityholders;

“Relevant Event” means:

- (a) the occurrence of a Change of Control; or
- (b) when the ordinary shares of the Issuer cease to be listed or admitted to trading on the Hong Kong Stock Exchange;

“Relevant Indebtedness Default Event” means the occurrence of one or more of the following events:

- (a) any indebtedness of the Issuer, any of the Subsidiary Guarantors or any of their respective Subsidiaries for or in respect of moneys borrowed or raised is not paid when due or (as the case may be) within any originally applicable grace period;
- (b) any such indebtedness becomes (or becomes capable of being declared) due and payable prior to its stated maturity otherwise than at the option of the Issuer, the relevant Subsidiary Guarantor, or (as the case may be) the relevant Subsidiary or (provided that no event of default, howsoever described, has occurred) any Person entitled to such indebtedness;
- (c) the Issuer, any of the Subsidiary Guarantors, or any of their respective Subsidiaries fails to pay when due any amount payable by it under any guarantee of any such indebtedness; or

- (d) a secured party takes possession, or a receiver, manager or other similar officer is appointed, of the whole or a material part of the undertaking, assets and revenues of the Issuer, any of the Subsidiary Guarantors or any of the Principal Subsidiaries and is not discharged, stayed or rescinded within 30 days;

provided that the amount of such indebtedness referred to in sub-paragraph (a) and/or sub-paragraph (b) above and/or the amount payable under any guarantee referred to in sub-paragraph (c) above, individually or in the aggregate, exceeds U.S.\$20,000,000 (or its equivalent in any other currency or currencies);

“Relevant Reset Distribution Rate” means a rate of interest expressed as a percentage per annum equal to the sum of (a) the Initial Spread, (b) the applicable Benchmark Rate and (c) a margin of the Step-Up Rate;

“Reserved Matter” means any proposal to change any date fixed for payment of principal or Distribution (including any Arrears of Distribution and any Additional Distribution Amount) in respect of the Securities, to reduce the amount of principal or Distribution (including any Arrears of Distribution and any Additional Distribution Amount) payable on any date in respect of the Securities, to modify Condition 5 (*Covenants*), to alter the method of calculating the amount of any payment in respect of the Securities or the date for any such payment, to change the currency of any payment under the Securities or to change the quorum requirements relating to meetings or the majority required to pass an Extraordinary Resolution;

“Reset Date” has the meaning given in the relevant Pricing Supplement;

“Security Interest” means any mortgage, charge, pledge, lien or other security interest including, without limitation, anything analogous to any of the foregoing under the laws of any jurisdiction;

“Securityholder” has the meaning given in Condition 3(b) (*Form, Denomination, Title and Transfer — Title to Securities*);

“SGD Benchmark Rate” has the meaning given in the relevant Pricing Supplement;

“Special Event” means a Withholding Tax Event, an Accounting Event or otherwise specified in the relevant Pricing Supplement;

“Specified Currency” has the meaning given in the relevant Pricing Supplement;

“Specified Denomination(s)” has the meaning given in the relevant Pricing Supplement;

“Specified Office” has the meaning given in the Agency Agreement;

“Specified Period” has the meaning given in the relevant Pricing Supplement;

“Step-Up Event” means the occurrence of a Relevant Event, a Breach of Covenant Event or a Relevant Indebtedness Default Event;

“Step-Up Rate” has the meaning given in the relevant Pricing Supplement;

“Stock Exchange” means The Stock Exchange of Hong Kong Limited;

“Subordinated Indebtedness” means, with respect to the definition of Junior Obligations, all Indebtedness for money borrowed or raised which, in the event of the Winding-Up of the issuer thereof, ranks or is expressed to rank, by its terms or by operation of law, in right of payment behind the claims of unsecured and unsubordinated creditors of such issuer, and for this purpose “Indebtedness” shall include all liabilities, whether actual or contingent;

“**Subsidiary**” means, in relation to any Person (the “**first Person**”) at any particular time, any other Person (the “**second Person**”):

- (a) whose affairs and policies the first Person controls or has the power to control, whether by ownership of share capital, contract, the power to appoint or remove members of the governing body of the second Person or otherwise; or
- (b) whose financial statements are, in accordance with applicable law and generally accepted accounting principles, consolidated with those of the first Person;

“**Trading Day**” means a day on which the Hong Kong Stock Exchange is open for dealing business;

“**US Treasury Benchmark Rate**” means the rate in per cent. per annum equal to the yield, under the heading that represents the average for the week ending two Business Days prior to each Reset Date for calculating the Relevant Reset Distribution Rate under Condition 6(d)(ii)(B) (*Distribution — Rate of Distribution*), appearing in the most recently published statistical release designated “*H.15(519)*” (weblink: <http://www.federalreserve.gov/releases/h15/current/default.htm>) or any successor publication that is published weekly by the Board of Governors of the Federal Reserve System and that establishes yields on actively traded US Treasury securities adjusted to constant maturity under the caption “Treasury constant maturities” for the maturity corresponding to the Comparable Treasury Issue. If such release (or any successor release) is not published during the week preceding the relevant date for calculation or does not contain such yields, “**US Treasury Benchmark Rate**” means the rate in per cent. per annum equal to the semi-annual equivalent yield to maturity of the Comparable Treasury Issue, calculated using a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for the applicable Reset Date under Condition 6(d) (*Distribution — Rate of Distribution*);

“**Winding-Up**” means a final and effective court order or effective resolution by a competent authority in the respective jurisdiction of the Issuer or the Subsidiary Guarantors for the winding-up, liquidation or similar proceedings in respect of the Issuer or any of the Subsidiary Guarantors; and

“**Withholding Tax Event**” has the meaning given in Condition 7(b) (*Redemption for tax reasons*).

(b) *Interpretation*: In these Conditions:

- (i) any reference to principal shall be deemed to include the Early Redemption Amount (Accounting Event), Early Redemption Amount (Relevant Event), Early Redemption Amount (Tax), Early Redemption Amount (Breach of Covenant Event), Early Redemption Amount (Relevant Indebtedness Default Event), Optional Redemption Amount (Issuer), Optional Redemption Amount (Minimum Outstanding Amount), any additional amounts in respect of principal which may be payable under Condition 9 (*Taxation*), any premium payable in respect of a Security and any other amount in the nature of principal payable pursuant to these Conditions;
- (ii) any reference to Distribution, Arrears of Distribution and Additional Distribution Amount shall be deemed to include any additional amounts in respect of such Distribution, Arrears of Distribution or, as the case may be, Additional Distribution Amount which may be payable under Condition 9 (*Taxation*) and any other amount in the nature of distribution payable pursuant to these Conditions;
- (iii) references to Securities being “outstanding” shall be construed in accordance with the Trust Deed;
- (iv) if an expression is stated in Condition 2(a) (*Interpretation — Definitions*) to have the meaning given in the relevant Pricing Supplement, but the relevant Pricing Supplement gives no such meaning or specifies that such expression is “not applicable” then such expression is not applicable to the Securities; and

- (v) any reference to the Trust Deed or the Agency Agreement shall be construed as a reference to the Trust Deed or the Agency Agreement, as the case may be, as amended and/or supplemented up to and including the Issue Date of the Securities.

3. FORM, DENOMINATION, TITLE AND TRANSFER

- (a) *Form and Denomination:* Securities are in the Specified Denomination(s), which may include a minimum denomination specified in the relevant Pricing Supplement and higher integral multiples of a smaller amount specified in the relevant Pricing Supplement.
- (b) *Title to Securities:* The relevant Registrar will maintain a register (the “**Register**”) in accordance with the provisions of the Agency Agreement. A certificate (each, a “**Security Certificate**”) will be issued to each Holder of Securities in respect of its registered holding. Each Security Certificate will be numbered serially with an identifying number which will be recorded in the Register. “**Holder**” means the person in whose name such Security is for the time being registered in the Register (or, in the case of a joint holding, the first named thereof) and “**Securityholder**” shall be construed accordingly.
- (c) *Ownership:* The Holder of any Security shall (except as otherwise required by law) be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any other interest therein, any writing on the Security Certificate relating thereto (other than the endorsed form of transfer) or any notice of any previous loss or theft thereof) and no Person shall be liable for so treating such Holder. No person shall have any right to enforce any term or condition of any Security under the Contracts (Rights of Third Parties) Act 1999.
- (d) *Transfers of Securities:* Subject to paragraphs (g) (*Closed periods*) and (h) (*Regulations concerning transfers and registration*) below, a Security may be transferred upon surrender of the relevant Security Certificate, with the endorsed form of transfer duly completed, at the Specified Office of the relevant Registrar or any Transfer Agent, together with such evidence as the relevant Registrar or (as the case may be) such Transfer Agent may reasonably require to prove the title of the transferor and the authority of the individuals who have executed the form of transfer; **provided, however, that** a Security may not be transferred unless the principal amount of Securities transferred and (where not all of the Securities held by a Holder are being transferred) the principal amount of the balance of Securities not transferred are Specified Denominations. Where not all the Securities represented by the surrendered Security Certificate are the subject of the transfer, a new Security Certificate in respect of the balance of the Securities will be issued to the transferor.
- (e) *Registration and delivery of Security Certificates:* Within five business days of the surrender of a Security Certificate in accordance with paragraph (d) (*Transfers of Securities*) above, the relevant Registrar will register the transfer in question and deliver a new Security Certificate of a like principal amount to the Securities transferred to each relevant Holder at its Specified Office or (as the case may be) the Specified Office of any Transfer Agent or (at the request and risk of any such relevant Holder) by uninsured first class mail (airmail if overseas) to the address specified for the purpose by such relevant Holder. In this paragraph, “**business day**” means a day on which commercial banks are open for general business (including dealings in foreign currencies) in the city where the relevant Registrar or (as the case may be) the relevant Transfer Agent has its Specified Office.
- (f) *No charge:* The transfer of a Security will be effected without charge by or on behalf of the Issuer or the relevant Registrar or any Transfer Agent but against such payment or indemnity as the Issuer, the relevant Registrar or (as the case may be) such Transfer Agent may require in respect of (i) any costs or expenses of delivery other than by regular uninsured mail, or (ii) any stamp duty, tax, other duty or governmental charge of whatsoever nature which may be levied or imposed in connection with such transfer and registration thereof.
- (g) *Closed periods:* Securityholders may not require transfers to be registered during the period of 15 days ending on (and including) (i) any Record Date (as defined in Condition 8(f) (*Record Date*)) for any payment of principal or Distribution (including any Arrears of Distribution and any Additional Distribution Amount), (ii) the due date for redemption of the Securities, or (iii) any date on which the Securities may be called for redemption by the Issuer at its option pursuant to Condition 7 (*Redemption and Purchase*).

- (h) *Regulations concerning transfers and registration:* All transfers of Securities and entries on the Register are subject to the detailed regulations concerning the transfer of Securities scheduled to the Agency Agreement. The regulations may be changed by the Issuer with the prior written approval of the relevant Registrar and the Trustee or by the relevant Registrar, with the prior written approval of the Trustee. A copy of the current regulations will be made available by the relevant Registrar to any Securityholder upon prior written request and proof of holding.

4. STATUS OF THE SECURITIES AND GUARANTEE OF THE SECURITIES

- (a) *Status of the Securities:* The Securities constitute direct, general, unsubordinated, unconditional and unsecured obligations of the Issuer which will at all times rank *pari passu* among themselves and at least *pari passu* with all other present and future unsecured and unsubordinated obligations of the Issuer, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application.
- (b) *Guarantee of the Securities:* Each of the Subsidiary Guarantors have in the Trust Deed unconditionally and irrevocably guaranteed the due and punctual payment of all sums from time to time payable by the Issuer in respect of the Securities. The Guarantee of the Securities constitutes direct, general, unsubordinated, unconditional and unsecured obligations of each of the Subsidiary Guarantors which will at all times rank at least *pari passu* with all other present and future unsecured and unsubordinated obligations of the Subsidiary Guarantors, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application.

5. COVENANTS

- (a) *Provision of Information:* So long as any Security remains outstanding, the Issuer shall send to the Trustee:
- (i) (A) a copy of the Audited Financial Reports in English within 120 days from the end of each financial year prepared in accordance with HKFRS (audited by an internationally recognised firm of independent accountants) and (B) a copy of the Interim Financial Reports in English within 90 days from the end of each first half financial year prepared on a basis consistent with the Audited Financial Reports; *provided that* if at any time the shares of the Issuer are listed for trading on a recognised stock exchange, the Issuer may make available to the Trustee, as soon as they are available but in any event not more than 10 days after any financial or other reports of the Issuer are filed with the exchange on which the Issuer's shares are at such time listed for trading, true and correct copies of any financial or other report filed with such exchange in lieu of the reports identified in paragraph (i)(A) and (i)(B) above; and
- (ii) at the same time the Issuer provides the Audited Financial Reports or Interim Financial Reports pursuant to Condition 5(a) (*Covenants — Provision of Information*), and, at any other time, within 14 days of a request by the Trustee in writing, a certificate in English of the Issuer signed by two directors of the Issuer which shall be substantially in the form provided in the Trust Deed (on which the Trustee may rely conclusively as to such compliance and shall not be held liable to any Securityholder or any other person for such reliance), stating that as of the end of the latest financial year of the Issuer, (A) no Step-Up Event had occurred since the certification date of the last such certificate or (if there has been no such certificate previously) the Issue Date, or, if such an event had occurred, giving details of it and the action which the Issuer proposes to take with respect thereto and (B) the Issuer has complied with all of the covenants that it is bound by under the Conditions, the Trust Deed and the Agency Agreement.

(b) *Limitation on Indebtedness and Preferred Stock:*

- (i) The Issuer will not, and will not permit any Subsidiary to, Incur any Indebtedness (including Acquired Indebtedness) and the Issuer will not permit any Subsidiary to issue any Preferred Stock; *provided that* (i) the Issuer or a Subsidiary Guarantor may Incur Indebtedness (including Acquired Indebtedness) and (ii) any Subsidiary which is not a Subsidiary Guarantor may Incur Permitted Subsidiary Indebtedness, in each case, if, after giving effect to the Incurrence of such Indebtedness and the receipt and application of the proceeds therefrom, (x) no Default has occurred and is continuing and (y) the Fixed Charge Coverage Ratio would be not less than 2.75 to 1.0. Notwithstanding the foregoing, the Issuer will not permit any Subsidiary to Incur any Disqualified Stock (other than Disqualified Stock held by the Issuer or a Subsidiary Guarantor, so long as it is so held).
- (ii) Notwithstanding the foregoing, the Issuer and, to the extent provided below, any Subsidiary, may Incur each and all of the following (“**Permitted Indebtedness**”):
 - (A) Indebtedness of the Issuer or any Subsidiary in an aggregate principal amount outstanding at any time (together with refinancings thereof) not to exceed U.S.\$15 million (or the Dollar Equivalent thereof);
 - (B) Indebtedness of the Issuer or any Subsidiary outstanding on the Issue Date, excluding Indebtedness permitted under clause (ii)(C) of this Condition 5(b);
 - (C) Indebtedness of the Issuer or any Subsidiary owed to the Issuer or any Subsidiary; *provided that* (x) any event which results in any such Subsidiary to which such Indebtedness is owed ceasing to be a Subsidiary or any subsequent transfer of such Indebtedness (other than to the Issuer or any Subsidiary) shall be deemed, in each case, to constitute an Incurrence of such Indebtedness not permitted by this clause (ii)(C) and (y) if the Issuer or any Subsidiary Guarantor is an obligor of such Indebtedness, such Indebtedness must be unsecured and be subordinated in right of payment to the Securities in the case of the Issuer, or the Subsidiary Guarantee of such Subsidiary Guarantor in the case of a Subsidiary Guarantor;
 - (D) Indebtedness (“**Permitted Refinancing Indebtedness**”) issued in exchange for, or the net proceeds of which are used to refinance, refund, replace or repay then outstanding Indebtedness Incurred under clause (i) above or clause (ii)(A), (ii)(B), this clause (ii)(D), clause (ii)(F) or (ii)(N) of this Condition 5(b); *provided that*: (1) the aggregate principal amount (or accreted value, if applicable, or, if issued with original issue discount, aggregate issue price) of such Permitted Refinancing Indebtedness does not exceed the principal amount (or accreted value, if applicable, or, if issued with original issue discount, aggregate issue price) of the Indebtedness renewed, refunded, refinanced, replaced, exchanged, defeased or discharged (plus all accrued interest on the Indebtedness and the amount of all fees and expenses, including premiums, incurred in connection therewith); (2) Indebtedness, the proceeds of which are used to refinance or refund the Securities or Indebtedness that is *pari passu* with, or subordinated in right of payment to, the Securities or a Subsidiary Guarantee shall only be permitted under this clause (ii)(D) if (x) in case the Securities are refinanced in part or the Indebtedness to be refinanced is *pari passu* with the Securities or a Subsidiary Guarantee, such new Indebtedness, by its terms or by the terms of any agreement or instrument pursuant to which such new Indebtedness is issued or remains outstanding, is expressly made *pari passu* with, or subordinate in right of payment to, the remaining Securities or such Subsidiary Guarantee or (y) in case the Indebtedness to be refinanced is subordinated in right of payment to the Securities or a Subsidiary Guarantee, such new Indebtedness, by its terms or by the terms of any agreement or instrument pursuant to which such new Indebtedness is issued or remains outstanding, is expressly made subordinate in right of payment to the Securities or such Subsidiary Guarantee at least to the extent that the Indebtedness to be refinanced is subordinated to the Securities or such Subsidiary Guarantee; (3) such new Indebtedness, determined as of the date of Incurrence of such new Indebtedness, does not mature prior to the Stated Maturity of the Indebtedness to be refinanced or refunded, and the Average Life of such new Indebtedness is at

least equal to the remaining Average Life of the Indebtedness to be refinanced or refunded; and (4) in no event may Indebtedness of the Issuer or any Subsidiary Guarantor be refinanced pursuant to this clause (ii)(D) by means of any Indebtedness of any Subsidiary that is not a Subsidiary Guarantor;

- (E) Indebtedness Incurred by the Issuer or any Subsidiary pursuant to Hedging Obligations entered into in the ordinary course of business and designed solely to protect the Issuer or any Subsidiary from fluctuations in interest rates, currencies or the price of commodities and not for speculation;
- (F) Indebtedness Incurred by the Issuer or any Subsidiary for the purpose of financing (A) all or any part of the purchase price (including any adjustment of purchase price or similar obligations) of assets, real or personal property, Capitalised Lease Obligations or equipment to be used in the ordinary course of business by the Issuer or a Subsidiary in the Permitted Business, including any such purchase through the acquisition of Capital Stock of any Person that owns such assets, real or personal property, Capitalised Lease Obligations or equipment which will, upon such acquisition, become a Subsidiary or (B) all or any part of the purchase price (including any adjustment of purchase price or similar obligations) or the cost of development, construction or improvement of assets, real or personal property, Capitalised Lease Obligations or equipment to be used in the ordinary course of business by the Issuer or such Subsidiary in the Permitted Business; *provided, however, that* in each case; (1) the aggregate principal amount of such Indebtedness shall not exceed such purchase price or cost; (2) such Indebtedness shall be Incurred no later than 180 days after the acquisition of such assets, property, Capitalised Lease Obligations or equipment or completion of such development, construction or improvement; and (3) on the date of the Incurrence of such Indebtedness and after giving effect thereto, the sum of (x) the aggregate principal amount outstanding of all such Indebtedness permitted by this clause (ii)(F) (together with any refinancings thereof) plus (y) the aggregate principal amount outstanding of all such Indebtedness Incurred pursuant to clause (ii)(N) below (together with any refinancings thereof) does not exceed an amount equal to 20% of Total Assets;
- (G) Indebtedness Incurred by the Issuer or any Subsidiary constituting reimbursement obligations with respect to workers' compensation claims or self-insurance obligations or bid, performance or surety bonds (in each case other than for an obligation for borrowed money);
- (H) Indebtedness Incurred by the Issuer or any Subsidiary constituting reimbursement obligations with respect to letters of credit or trade guarantees issued in the ordinary course of business to the extent that such letters of credit or trade guarantees are not drawn upon or, if drawn upon, to the extent that such drawing is reimbursed no later than 30 days following receipt by the Issuer or such Subsidiary, as applicable, of a demand for reimbursement;
- (I) Indebtedness arising from agreements providing for indemnification, adjustment of purchase price or similar obligations, or from guarantees or letters of credit, surety bonds or performance bonds securing any obligation of the Issuer or any Subsidiary pursuant to such agreements, in any case, Incurred in connection with the disposition of any business, assets or Subsidiary (other than guarantees of Indebtedness Incurred by any Person acquiring all or any portion of such business, assets or Subsidiary for the purpose of financing such acquisition); *provided that* the maximum aggregate liability in respect of all such Indebtedness shall at no time exceed the gross proceeds actually received by the Issuer or any Subsidiary from the disposition of such business, assets or Subsidiary;
- (J) Indebtedness arising from the honouring by a bank or other financial institution of a check, draft or similar instrument drawn against insufficient funds in the ordinary course of business; *provided, however, that* such Indebtedness is extinguished within five Business Days of Incurrence;

- (K) (1) guarantees by the Issuer or any Subsidiary Guarantor of Indebtedness of the Issuer or any Subsidiary that was permitted to be Incurred by another clause of this Condition 5(b) or (2) guarantees by any Subsidiary of Indebtedness of another Subsidiary that was permitted to be Incurred under clause (ii)(E) or (ii)(F) above or clause (ii)(L) below of this Condition 5(b);
- (L) Indebtedness of the Issuer or any Subsidiary with a maturity of one year or less used by the Issuer or any Subsidiary for working capital; *provided that* the aggregate principal amount of Indebtedness permitted by this clause (ii)(L) at any time outstanding does not exceed U.S.\$20 million (or the Dollar Equivalent thereof);
- (M) the issuance of Preferred Stock by any Subsidiary to the Issuer or to any other Subsidiary that is a direct or indirect parent of the issuing Subsidiary, *provided, however, that* any issuance, sale or transfer that results in any such Preferred Stock being held by a Person other than the Issuer or a Subsidiary that is such a parent will be deemed to constitute an issuance of such Preferred Stock that was not permitted by this clause (M); and
- (N) Bank Deposit Secured Indebtedness or Cross Border Secured Indebtedness Incurred by the Issuer or any Subsidiary; *provided that* on the date of the Incurrence of such Indebtedness and after giving effect thereto, the sum of (x) the aggregate principal amount outstanding of all such Indebtedness Incurred pursuant to this clause (ii)(N) (together with any refinancings thereof), plus (y) the aggregate principal amount outstanding of all such Indebtedness Incurred pursuant to clause (ii)(F) above (together with any refinancings thereof), does not exceed an amount equal to 20% of Total Assets.
- (iii) For purposes of determining compliance with this Condition 5(b), in the event that an item of Indebtedness meets the criteria of more than one of the types of Indebtedness described above, including under the proviso in the clause (i) of this Condition 5(b), the Issuer, in its sole discretion, shall classify, and from time to time may reclassify, such item of Indebtedness. Notwithstanding any other clauses in this Condition 5(b), the maximum amount of Indebtedness that may be Incurred pursuant to this covenant will not be deemed to be exceeded with respect to any outstanding Indebtedness due solely to the result of fluctuations in the exchange rates of currencies.
- (iv) For purposes of determining compliance with any US dollar-denominated restriction on the Incurrence of Indebtedness, the US dollar-equivalent principal amount of Indebtedness denominated in a foreign currency shall be calculated based on the relevant currency exchange rate in effect on the date such Indebtedness was Incurred, in the case of term Indebtedness, or first committed, in the case of revolving credit Indebtedness; *provided that* if such Indebtedness is Incurred to refinance other Indebtedness denominated in a foreign currency, and such refinancing would cause the applicable US dollar-denominated restriction to be exceeded if calculated at the relevant currency exchange rate in effect on the date of such refinancing, such US dollar-denominated restriction shall be deemed not to have been exceeded so long as the principal amount of such refinancing Indebtedness does not exceed the principal amount of such Indebtedness being refinanced. The principal amount of any Indebtedness Incurred to refinance other Indebtedness, if Incurred in a different currency from the Indebtedness being refinanced, shall be calculated based on the currency exchange rate applicable to the currencies in which such refinancing Indebtedness is denominated that is in effect on the date of such refinancing.

(c) *Limitation on Asset Sales:*

- (i) The Issuer will not, and will not permit any Subsidiary to, consummate any Asset Sale, unless:
 - (A) no Default shall have occurred and be continuing or would occur as a result of such Asset Sale;
 - (B) the consideration received by the Issuer or such Subsidiary, as the case may be, is at least equal to the Fair Market Value of the assets sold or disposed of;
 - (C) in the case of an Asset Sale that constitutes an Asset Disposition, the Issuer could Incur, at the time of signing a definitive agreement in connection with such Asset Disposition and after giving pro forma effect to such Asset Disposition (including pro forma application of any proceeds to reduce Indebtedness), at least U.S.\$1.00 of Indebtedness under Condition 5(b)(i); and
 - (D) at least 75% of the consideration received consists of cash, Temporary Cash Investments or Replacement Assets; *provided that*, in the case of an Asset Sale in which the Issuer or such Subsidiary receives Replacement Assets involving aggregate consideration in excess of U.S.\$10.0 million (or the Dollar Equivalent thereof), the Issuer shall deliver to the Trustee an opinion as to the fairness to the Issuer or such Subsidiary of such Asset Sale from a financial point of view issued by an accounting, appraisal or investment banking firm of recognised international standing. For purposes of this provision, each of the following will be deemed to be cash:
 - (1) any liabilities, as shown on the Issuer's most recent consolidated balance sheet, of the Issuer or any Subsidiary (other than contingent liabilities and liabilities that are by their terms subordinated to the Securities or any Subsidiary Guarantee) that are assumed by the transferee of any such assets pursuant to a customary assumption, assignment, novation or similar agreement that releases the Issuer or such Subsidiary from further liability; and
 - (2) any securities, notes or other obligations received by the Issuer or any Subsidiary from such transferee that are promptly, but in any event within 30 days of closing, converted by the Issuer or such Subsidiary into cash, to the extent of the cash received in that conversion.
- (ii) Within 360 days after the receipt of any Net Cash Proceeds from an Asset Sale, the Issuer (or the applicable Subsidiary, as the case may be) may apply such Net Cash Proceeds to:
 - (A) repurchase, repay, prepay or redeem unsubordinated Indebtedness of the Issuer or a Subsidiary Guarantor or Indebtedness of a Subsidiary that is not a Subsidiary Guarantor (and, if such Indebtedness repaid is revolving credit Indebtedness, to correspondingly reduce commitments with respect thereto) in each case owing to a Person other than the Issuer or a Subsidiary; or
 - (B) acquire properties and assets that replace the properties and assets that were the subject of such Asset Sale or in properties or assets that will be used in the Permitted Business (“**Replacement Assets**”).
- (iii) Any Net Cash Proceeds from Asset Sales that are not applied or invested as provided in Condition 5(c)(ii) will constitute “**Excess Proceeds**”. Excess proceeds of less than U.S.\$10.0 million (or the Dollar Equivalent thereof) will be carried forward and accumulated. When accumulated Excess Proceeds equal to or exceed U.S.\$10.0 million (or the Dollar Equivalent thereof), within 10 days thereof, the Issuer must make an Offer to Purchase Securities having a principal amount equal to:
 - (A) accumulated Excess Proceeds, multiplied by

- (B) a fraction (x) the numerator of which is equal to the outstanding principal amount of the Securities and (y) the denominator of which is equal to the outstanding principal amount of the Securities and all *pari passu* Indebtedness similarly required to be repaid, redeemed or tendered for in connection with the Asset Sale, rounded down to the nearest U.S.\$1,000.
- (iv) The offer price in any Offer to Purchase will be equal to 100% of the principal amount plus Distribution accrued to the date of purchase (including any Arrears of Distribution and any Additional Distribution Amount), and will be payable in cash.
- (v) If any Excess Proceeds remain after consummation of an Offer to Purchase, the Issuer may use such Excess Proceeds for any purpose not otherwise prohibited by the Trust Deed. If the aggregate principal amount of Securities and any other *pari passu* Indebtedness tendered into (or required to be prepaid or redeemed in connection with) such Offer to Purchase exceeds the amount of Excess Proceeds, the Securities and such other *pari passu* Indebtedness will be purchased on a pro rata basis based on the principal amount of Securities and such other *pari passu* Indebtedness tendered (or required to be prepaid or redeemed). Upon completion of each Offer to Purchase, the amount of Excess Proceeds will be reset at zero.
- (d) *Consolidation, Merger and Sale of Assets:*
- (i) The Issuer will not consolidate with, merge with or into another Person, permit any Person to merge with or into it, or sell, convey, transfer, lease or otherwise dispose of all or substantially all of its and its Subsidiaries' properties and assets taken as a whole (as an entirety or substantially an entirety in one transaction or a series of related transactions), unless:
- (A) the Issuer shall be the continuing Person, or the Person (if other than it) formed by such consolidation or merger or that acquired or leased such property and assets (the "**Surviving Person**") shall be a corporation organised and validly existing under the laws of the Cayman Islands, the British Virgin Islands, Bermuda, Singapore, Macau or Hong Kong and shall expressly assume, by a supplement to the Trust Deed, executed and delivered to the Trustee, all the obligations of the Issuer under the Trust Deed and the Securities, including the obligation to pay Additional Amounts (as defined in Condition 9 (*Taxation*)) with respect to any jurisdiction in which it is organised or resident for tax purposes, or from or through which payment is made, and the Trust Deed and the Securities shall remain in full force and effect;
- (B) immediately after giving effect to such transaction, no Default shall have occurred and be continuing;
- (C) immediately after giving effect to such transaction on a pro forma basis, the Issuer or the Surviving Person, as the case may be, shall have either (a) a Consolidated Net Worth equal to or greater than the Consolidated Net Worth of the Issuer immediately prior to such transaction or (b) a Fair Market Value equal to or greater than the Fair Market Value of the Issuer prior to such transaction;
- (D) immediately after giving effect to such transaction on a pro forma basis, the Issuer or the Surviving Person, as the case may be, could Incur at least U.S.\$1.00 of Indebtedness under the proviso of Condition 5(b)(i);
- (E) the Issuer delivers to the Trustee an Officers' Certificate (attaching the arithmetic computations to demonstrate compliance with Conditions 5(b)(ii)(B) and (C) and an Opinion of Counsel, in each case stating that such consolidation, merger or transfer and such supplemental trust deed complies with this provision and that all conditions precedent provided for in the Trust Deed relating to such transaction have been complied with; and

- (F) each Subsidiary Guarantor, unless such Subsidiary Guarantor is the Person with which the Issuer has entered into a transaction described under this covenant, shall execute and deliver a supplemental trust deed to the Trust Deed confirming that its Subsidiary Guarantee shall apply to the obligations of the Issuer or the Surviving Person in accordance with the Securities and the Trust Deed.
- (ii) No Subsidiary Guarantor will consolidate with, or merge with or into another Person, permit any Person to merge with or into it, or sell, convey, transfer, lease or otherwise dispose of all or substantially all of its and its Subsidiaries' properties and assets taken as a whole (as an entirety or substantially an entirety in one transaction or a series of related transactions) to another Person (other than the Issuer or another Subsidiary Guarantor), unless:
 - (A) such Subsidiary Guarantor shall be the continuing Person, or the Person (if other than it) formed by such consolidation or merger or that acquired or leased such property and assets shall be the Issuer, another Subsidiary Guarantor or shall become a Subsidiary Guarantor concurrently with the transaction;
 - (B) immediately after giving effect to such transaction, no Default shall have occurred and be continuing;
 - (C) immediately after giving effect to such transaction on a pro forma basis, the Issuer shall have either (1) a Consolidated Net Worth equal to or greater than the Consolidated Net Worth of the Issuer immediately prior to such transaction or (2) a Fair Market Value equal to or greater than the Fair Market Value of the Issuer prior to such transaction;
 - (D) immediately after giving effect to such transaction on a pro forma basis, the Issuer could Incur at least U.S.\$1.00 of Indebtedness under the proviso Condition 5(b)(i); and
 - (E) the Issuer delivers to the Trustee (1) an Officers' Certificate (attaching the arithmetic computations to demonstrate compliance with Conditions 5(b)(ii)(B) and (C)) and (2) an Opinion of Counsel, in each case stating that such consolidation, merger or transfer and the relevant supplemental trust deed complies with this provision and that all conditions precedent provided for in the Trust Deed relating to such transaction have been complied with.

(e) *Definitions:* In this Condition 5 (*Covenants*):

“**Acquired Indebtedness**” means Indebtedness of a Person existing at the time such Person becomes a Subsidiary or Indebtedness of a Subsidiary assumed in connection with an Asset Acquisition by such Subsidiary, whether or not Incurred in connection with, or in contemplation of, the Person merging with or into or becoming a Subsidiary;

“**Assets**” means any undertaking, assets or revenues (including any uncalled capital);

“**Asset Acquisition**” means (1) an Investment by the Issuer or any Subsidiary in any other Person pursuant to which such Person shall become a Subsidiary or shall be merged into or consolidated with the Issuer or any Subsidiary or (2) an acquisition by the Issuer or any Subsidiary of the property and assets of any Person other than the Issuer or any Subsidiary that constitute substantially all of a division or line of business of such Person;

“**Asset Disposition**” means (a) for the purposes of Condition 5(c) (*Limitation on Asset Sales*) the sale or other disposition by the Issuer or any Subsidiary (other than to the Issuer or another Subsidiary) of all or substantially all of the assets that constitute a division or line of business of the Issuer and (b) for all other purposes, the sale or other disposition by the Issuer or any Subsidiary (other than to the Issuer or another Subsidiary) of (1) all or substantially all of the Capital Stock of any Subsidiary or (2) all or substantially all of the assets that constitute a division or line of business of the Issuer or any Subsidiary;

“**Asset Sale**” means any sale, transfer or other disposition of any of its property or assets (including any sale of Capital Stock of a Subsidiary or issuance of Capital Stock of a Subsidiary) in one transaction or a series of related transactions by the Issuer or any Subsidiary to any Person; *provided that*, “Asset Sale” shall not include:

- (a) sales or other dispositions of inventory, receivables and other current assets in the ordinary course of business;
- (b) sales, transfers or other dispositions of assets with a Fair Market Value not in excess of U.S.\$1 million (or the Dollar Equivalent thereof) in any transaction or series of related transactions;
- (c) any sale, transfer, assignment or other disposition of any property or equipment that has become damaged, worn out, obsolete or otherwise unsuitable for use in connection with the business of the Issuer or its Subsidiaries;
- (d) a transaction covered by Condition 5(d) (*Consolidation, Merger and Sale of Assets*); and
- (e) a sale, transfer or other disposition to the Issuer or a Subsidiary, including, without limitation, an issuance of Capital Stock by a Subsidiary to the Issuer or to another Subsidiary;

“**Attributable Indebtedness**” means, in respect of a sale and leaseback transaction, at the time of determination, the present value, discounted at the interest rate implicit in such sale and leaseback transaction, of the total obligations of the lessee for rental payments during the remaining term of the lease in such sale and leaseback transaction, including any period for which such lease has been extended or may, at the option of the lessor, be extended;

“**Average Life**” means, at any date of determination with respect to any Indebtedness, the quotient obtained by dividing (1) the sum of the products of (a) the number of years from such date of determination to the dates of each successive scheduled principal payment of such Indebtedness and (b) the amount of such principal payment by (2) the sum of all such principal payments;

“**Bank Deposit Secured Indebtedness**” means Indebtedness of the Issuer or any Subsidiary that is secured by a pledge of one or more bank accounts of the Issuer or a Subsidiary and is used by the Issuer and its Subsidiaries to, in effect, exchange currency;

“**Board of Directors**” means the board of directors elected or appointed by the stockholders of the Issuer to manage the business of the Issuer or any committee of such board duly authorised to take the action purported to be taken by such committee;

“**Business Day**” means any day which is not a Saturday, Sunday, legal holiday or other day on which banking institutions in The City of New York, London, Singapore or Hong Kong (or in any other place in which payments on the Securities are to be made) are authorised by law or governmental regulation to close;

“**Capital Stock**” means, with respect to any Person, any and all shares, interests, participations or other equivalents (however designated, whether voting or non-voting) in equity of such Person, whether outstanding on the Issue Date or issued thereafter, including, without limitation, all Common Stock and Preferred Stock, but excluding debt securities convertible into such equity;

“**Capitalised Lease**” means, with respect to any Person, any lease of any property (whether real, personal or mixed) which, in conformity with HKFRS, is required to be capitalised on the balance sheet of such Person;

“**Capitalised Lease Obligations**” means the discounted present value of the rental obligations under a Capitalised Lease;

“**Commodity Agreement**” means any forward contract, commodity swap agreement, commodity option agreement or other similar agreement or arrangement designed to protect against fluctuations in commodity prices;

“**Common Stock**” means, with respect to any Person, any and all shares, interests or other participations in, and other equivalents (however designated and whether voting or non-voting) of such Person’s common stock or ordinary shares, whether or not outstanding on the Issue Date, and include, without limitation, all series and classes of such common stock or ordinary shares;

“**Consolidated EBITDA**” means, for any period, Consolidated Net Income for such period plus, to the extent such amount was deducted in calculating such Consolidated Net Income:

- (a) Consolidated Interest Expense;
- (b) income taxes (other than income taxes attributable to extraordinary and non-recurring gains or losses or sales of assets); and
- (c) depreciation expense, amortization expense and all other non-cash items reducing Consolidated Net Income (other than non-cash items in a period which reflect cash expenses paid or to be paid in another period), less all non-cash items increasing Consolidated Net Income, all as determined on a consolidated basis for the Issuer and its Subsidiaries in conformity with HKFRS;

provided that (i) if any Subsidiary is not a Wholly-Owned Subsidiary, Consolidated EBITDA shall be reduced (to the extent not otherwise reduced in accordance with HKFRS) by an amount equal to (A) the amount of the Consolidated Net Income attributable to such Subsidiary multiplied by (B) the percentage ownership interest in the income of such Subsidiary not owned on the last day of such period by the Issuer or any Subsidiary;

“**Consolidated Fixed Charges**” means, for any period, the sum (without duplication) of (i) Consolidated Interest Expense for such period and (ii) the product of (a) all dividend payments on any series of Disqualified Stock of the Issuer or any Preferred Stock of any Subsidiary (other than any such Disqualified Stock or any Preferred Stock held by the Issuer or a Wholly-Owned Subsidiary or to the extent paid in Capital Stock (other than Disqualified Stock)) multiplied by (b) a fraction, the numerator of which is one and the denominator of which is one minus the then current combined federal, state and local statutory tax rate of the Issuer and its Subsidiaries, expressed as a decimal;

“**Consolidated Interest Expense**” means, for any period, the amount that would be included in gross interest expense on a consolidated income statement prepared in accordance with HKFRS for such period of the Issuer and its Subsidiaries, plus, to the extent not included in such gross interest expense, and to the extent incurred, accrued or payable during such period by the Issuer and its Subsidiaries, without duplication, (i) interest expense attributable to Capitalised Lease Obligations and imputed interest with respect to Attributable Indebtedness, (ii) amortization of debt issuance costs and original issue discount expense and non-cash interest payments in respect of any Indebtedness, (iii) the interest portion of any deferred payment obligation, (iv) all commissions, discounts and other fees and charges with respect to letters of credit or similar instruments issued for financing purposes or in respect of any Indebtedness, (v) the net costs associated with Hedging Obligations (including the amortization of fees), (vi) interest accruing on Indebtedness of any other Person that is guaranteed by the Issuer or any Subsidiary proportionate to the extent that such Indebtedness is guaranteed or secured by a Lien on assets of the Issuer or any Subsidiary, (vii) any capitalised interest and (viii) all other non-cash interest expense; *provided that* interest expense attributable to interest on any Indebtedness bearing a floating interest rate will be computed on a pro forma basis as if the rate in effect on the date of determination had been the applicable rate for the entire relevant period;

“**Consolidated Net Income**” means, with respect to any specified Person for any period, the aggregate of the net income (or loss) of such Person and its Subsidiaries for such period, on a consolidated basis, determined in conformity with HKFRS; *provided that* the following items shall be excluded in computing Consolidated Net Income (without duplication):

- (a) the net income (or loss) of any Person that is not a Subsidiary or that is accounted for by the equity method of accounting, except to the extent of the amount of net income actually paid in cash to, or the amount of loss actually funded in cash by, the specified Person or a Subsidiary of the Person during such period;
- (b) the net income (or loss) of any Person accrued prior to the date it becomes a Subsidiary or is merged into or consolidated with the Issuer or any Subsidiary or all or substantially all of the property and assets of such Person are acquired by the Issuer or any Subsidiary;
- (c) the net income (but not loss) of any Subsidiary to the extent that the declaration or payment of dividends or similar distributions by such Subsidiary of such net income is not at the time permitted by the operation of the terms of its charter, articles of association or other similar constitutive documents, or any agreement, instrument, judgment, decree, order, statute, rule or governmental regulation applicable to such Subsidiary;
- (d) the cumulative effect of a change in accounting principles;
- (e) any net after-tax gains realised on the sale or other disposition of (A) any property or assets of the Issuer or any Subsidiary which is not sold in the ordinary course of business or (B) any Capital Stock of any Person (including any gains by the Issuer realised on sales of Capital Stock of the Issuer or any Subsidiary);
- (f) any translation gains or losses due solely to fluctuations in currency values and related tax effects; and
- (g) any net after-tax extraordinary or non-recurring gains;

“**Consolidated Net Worth**” means, at any date of determination, stockholders’ equity as set forth on the most recently available semi-annual or annual consolidated balance sheet of the Issuer and its Subsidiaries, plus, to the extent not included, any Preferred Stock of the Issuer, less any amounts attributable to Disqualified Stock or any equity security convertible into or exchangeable for Indebtedness, the cost of treasury stock and the principal amount of any promissory notes receivable from the sale of the Capital Stock of the Issuer or any Subsidiary, each item to be determined in accordance with HKFRS;

“**Cross Border Secured Indebtedness**” means (i) Indebtedness the proceeds of which are disbursed in one jurisdiction but which Indebtedness or credit support therefor is guaranteed by a guarantor located in another jurisdiction, or secured by Liens over assets located in another jurisdiction, whereby the main purpose of the transaction is to exchange currency or transfer funds from one jurisdiction to another jurisdiction and (ii) any guarantees for Indebtedness (including reimbursement obligations in respect of credit support) related to the Indebtedness referred to in clause (i);

“**Currency Agreement**” means any foreign exchange forward contract, currency swap agreement, currency hedge agreement, currency option agreement or other similar agreement or arrangement designed to protect against fluctuations in foreign exchange rates;

“**Default**” means an event or circumstance which could, with the giving of notice, lapse of time, the issuing of a certificate and/or fulfilment of any other requirement, become an event of default under the Notes, or an Enforcement Event under the Securities;

“**Disqualified Stock**” means any class or series of Capital Stock of any Person that by its terms or otherwise is (1) required to be redeemed, (2) redeemable at the option of the holder of such class or series of Capital Stock at any time or (3) convertible into or exchangeable for Capital Stock referred to in clause (1) or (2) above or Indebtedness; *provided that* any Capital Stock that would not constitute Disqualified Stock but for provisions thereof giving holders thereof the right to require such Person to repurchase or redeem such Capital Stock upon the occurrence of an “asset sale” or “change of control” shall not constitute Disqualified Stock if the “asset sale” or “change of control” provisions applicable to such Capital Stock are no more favourable to the holders of such Capital Stock than the provisions contained in the Conditions 5(c) (*Limitation on Asset Sales*) and 7(e) (*Redemption for Relevant Event*) and such Capital Stock specifically provides that such Person will not repurchase or redeem any such stock pursuant to such provision prior to the Issuer’s repurchase of the Securities as are required to be repurchased pursuant to the Conditions 5(c) (*Limitation on Asset Sales*) and 7(e) (*Redemption for Relevant Event*);

“**Dollar Equivalent**” means, with respect to any monetary amount in a currency other than US dollars, at any time for the determination thereof, the amount of US dollars obtained by converting such foreign currency involved in such computation into US dollars at the base rate for the purchase of US dollars with the applicable foreign currency as quoted by the Federal Reserve Bank of New York on the date of determination;

“**Fair Market Value**” means, with respect to any asset or property, the price which could be negotiated in an arm’s length transaction, for cash, between a willing seller and a willing and able buyer, neither of whom is under undue pressure or compulsion to complete the transaction. Fair Market Value will be determined in good faith by the Board of Directors or any person(s) authorised by the Board of Directors, whose determination will be conclusive and evidenced by a certificate from the same;

“**Fixed Charge Coverage Ratio**” means, on any Transaction Date, the ratio of (1) the aggregate amount of Consolidated EBITDA for the then most recent two semi-annual fiscal periods prior to such Transaction Date for which consolidated financial statements of the Issuer (which the Issuer shall use its reasonable best efforts to compile in a timely manner) are available and have been provided to the Trustee (the “**Two Semi-annual Period**”) to (2) the aggregate Consolidated Fixed Charges during such Two Semi-annual Period. In making the foregoing calculation:

- (a) pro forma effect shall be given to any Indebtedness or Preferred Stock Incurred, repaid or redeemed during the period (the “**Reference Period**”) commencing on and including the first day of the Two Semi-annual Period and ending on and including the Transaction Date (other than Indebtedness Incurred or repaid under a revolving credit or similar arrangement (or under any predecessor revolving credit or similar arrangement) in effect on the last day of such Two Semi-annual Period), in each case as if such Indebtedness or Preferred Stock had been Incurred, repaid or redeemed on the first day of such Reference Period; *provided that* in the event of any such repayment or redemption, Consolidated EBITDA for such Two Semi-annual Period shall not include any interest income actually earned by the Issuer or such Subsidiary during such Two Semi-annual Period in respect of the funds used to repay or redeem such Indebtedness or Preferred Stock;
- (b) Consolidated Interest Expense attributable to interest on any Indebtedness (whether existing or being Incurred) computed on a pro forma basis and bearing a floating interest rate shall be computed as if the rate in effect on the Transaction Date (taking into account any Interest Rate Agreement applicable to such Indebtedness if such Interest Rate Agreement has a remaining term in excess of 12 months or, if shorter, at least equal to the remaining term of such Indebtedness) had been the applicable rate for the entire period;
- (c) pro forma effect shall be given to Asset Dispositions and Asset Acquisitions (including giving pro forma effect to the application of proceeds of any Asset Disposition) that occur during such Reference Period as if they had occurred and such proceeds had been applied on the first day of such Reference Period; and

- (d) pro forma effect shall be given to asset dispositions and asset acquisitions (including giving pro forma effect to the application of proceeds of any asset disposition) that have been made by any Person that has become a Subsidiary or has been merged with or into the Issuer or any Subsidiary during such Reference Period and that would have constituted Asset Dispositions or Asset Acquisitions had such transactions occurred when such Person was a Subsidiary as if such asset dispositions or asset acquisitions were Asset Dispositions or Asset Acquisitions that occurred on the first day of such Reference Period;

provided that to the extent that clause (c) or (d) of this paragraph requires that pro forma effect be given to an Asset Acquisition or Asset Disposition (or asset acquisition or asset disposition), such pro forma calculation shall be based upon the two full semi-annual fiscal periods immediately preceding the Transaction Date of the Person, or division or line of business of the Person, that is acquired or disposed for which financial information is available;

“**Hedging Obligation**” of any Person means the obligations of such Person pursuant to any Commodity Agreement, Currency Agreement or Interest Rate Agreement;

“**Incur**” means, with respect to any Indebtedness or Capital Stock, to incur, create, issue, assume, guarantee or otherwise become liable for or with respect to, or become responsible for, the payment of, contingently or otherwise, such Indebtedness or Capital Stock; *provided that* (1) any Indebtedness and Capital Stock of a Person existing at the time such Person becomes a Subsidiary will be deemed to be Incurred by such Subsidiary at the time it becomes a Subsidiary and (2) the accretion of original issue discount shall not be considered an Incurrence of Indebtedness. The terms “**Incurrence**”, “**Incurred**” and “**Incurring**” shall have meanings correlative with the foregoing;

“**Interest Rate Agreement**” means any interest rate protection agreement, interest rate future agreement, interest rate option agreement, interest rate swap agreement, interest rate cap agreement, interest rate collar agreement, interest rate hedge agreement, option or future contract or other similar agreement or arrangement designed to protect against fluctuations in interest rates;

“**Investment**” means:

- (a) any direct or indirect advance, loan or other extension of credit to another Person,
- (b) any capital contribution to another Person (by means of any transfer of cash or other property to others or any payment for property or services for the account or use of others),
- (c) any purchase or acquisition of Capital Stock, Indebtedness, bonds, notes, debentures or other similar instruments or securities issued by another Person, or
- (d) any guarantee of any obligation of another Person to the extent such obligation is outstanding and to the extent guaranteed by such Person;

“**Lien**” means any mortgage, pledge, security interest, encumbrance, lien or charge of any kind (including, without limitation, any conditional sale or other title retention agreement or lease in the nature thereof or any agreement to create any mortgage, pledge, security interest, lien, charge, easement or encumbrance of any kind);

“**Moody’s**” means Moody’s Investors Service and its affiliates;

“**Net Cash Proceeds**” means:

- (a) with respect to any Asset Sale, the proceeds of such Asset Sale in the form of cash or Temporary Cash Investments, including payments in respect of deferred payment obligations (to the extent corresponding to the principal, but not interest, component thereof) when received in the form of cash or Temporary Cash Investments and proceeds from the conversion of other property received when converted to cash or Temporary Cash Investments, net of:
 - (i) brokerage commissions and other fees and expenses (including fees and expenses of counsel and financial or other professional advisors) related to such Asset Sale;
 - (ii) provisions for all taxes (whether or not such taxes will actually be paid or are payable) as a result of such Asset Sale without regard to the consolidated results of operations of the Issuer and its Subsidiaries, taken as a whole;
 - (iii) payments made to repay Indebtedness or any other obligation outstanding at the time of such Asset Sale that either (x) is secured by a Lien on the property or assets sold or (y) is required to be paid as a result of such sale; and
 - (iv) appropriate amounts to be provided by the Issuer or any Subsidiary as a reserve against any liabilities associated with such Asset Sale, including, without limitation, pension and other post-employment benefit liabilities, liabilities related to environmental matters and liabilities under any indemnification obligations associated with such Asset Sale, all as determined in conformity with HKFRS; and
- (b) with respect to any issuance or sale of Capital Stock, the proceeds of such issuance or sale in the form of cash or Temporary Cash Investments, including payments in respect of deferred payment obligations (to the extent corresponding to the principal, but not interest, component thereof) when received in the form of cash or Temporary Cash Investments and proceeds from the conversion of other property received when converted to cash or Temporary Cash Investments, net of attorneys’ fees, accountants’ fees, underwriters’ or placement agents’ fees, discounts or commissions and brokerage, consultant and other fees incurred in connection with such issuance or sale and net of taxes paid or payable as a result thereof;

“**Offer to Purchase**” means an offer to purchase the Securities by the Issuer from the Holders commenced by mailing a notice by first class mail, postage prepaid, to the Trustee and each Holder at its last address appearing in the Security register stating:

- (a) the provision of the Trust Deed pursuant to which the offer is being made and that all Securities validly tendered will be accepted for payment on a *pro rata* basis;
- (b) the purchase price and the date of purchase (which shall be a Business Day no earlier than 30 days nor later than 60 days from the date such notice is mailed) (the “**Offer to Purchase Payment Date**”);
- (c) that any Security not tendered will continue to accrue interest pursuant to its terms;
- (d) that, unless the Issuer defaults in the payment of the purchase price, any Security accepted for payment pursuant to the Offer to Purchase shall cease to accrue interest on and after the Offer to Purchase Payment Date;
- (e) that Holders electing to have a Security purchased pursuant to the Offer to Purchase will be required to surrender the Security, together with the form entitled “Option of the Holder to Elect Purchase” on the reverse side of the Security completed, to the Paying Agent at the address specified in the notice prior to the close of business on the Business Day immediately preceding the Offer to Purchase Payment Date;

- (f) that Holders will be entitled to withdraw their election if the Paying Agent receives, not later than the close of business on the third Business Day immediately preceding the Offer to Purchase Payment Date, a facsimile transmission or letter setting forth the name of such Holder, the principal amount of Securities delivered for purchase and a statement that such Holder is withdrawing his election to have such Securities purchased; and
- (g) that Holders whose Securities are being purchased only in part will be issued new Securities equal in principal amount to the unpurchased portion of the Securities surrendered; *provided that* each Security purchased and each new Security issued shall have a minimum denomination specified in the relevant Pricing Supplement.

One Business Day prior to the Offer to Purchase Payment Date, the Issuer shall deposit with the Paying Agent money sufficient to pay the purchase price of all Securities or portions thereof to be accepted by the Issuer for payment on the Offer to Purchase Payment Date. On the Offer to Purchase Payment Date, the Issuer shall (a) accept for payment on a *pro rata* basis Securities or portions thereof tendered pursuant to an Offer to Purchase; and (b) deliver, or cause to be delivered, to the Trustee all Securities or portions thereof so accepted together with an Officers' Certificate specifying the Securities or portions thereof accepted for payment by the Issuer. The Paying Agent shall promptly mail to the Holders of Securities so accepted payment in an amount equal to the purchase price, and the Trustee shall promptly authenticate and mail to such Holders a new Security equal in principal amount to any unpurchased portion of the Security surrendered; *provided that* each Security purchased and each new Security issued shall be in Specified Denominations. The Issuer will publicly announce the results of an Offer to Purchase as soon as practicable after the Offer to Purchase Payment Date. The Issuer will comply with any securities laws and regulations to the extent that such laws and regulations are applicable, in the event that the Issuer is required to repurchase Securities pursuant to an Offer to Purchase.

The materials used in connection with an Offer to Purchase are required to contain or incorporate by reference information concerning the business of the Issuer and its Subsidiaries which the Issuer in good faith believes will assist such Holders to make an informed decision with respect to the Offer to Purchase, including a brief description of the events requiring the Issuer to make the Offer to Purchase, and any other information required by applicable law to be included therein. The offer is required to contain all instructions and materials necessary to enable such Holders to tender Securities pursuant to the Offer to Purchase;

“**Officer**” means one of the executive officers of the Issuer or, in the case of a Subsidiary, one of the directors or executive officers of such Subsidiary;

“**Officers' Certificate**” means a certificate signed by two Officers;

“**Opinion of Counsel**” means a written opinion from legal counsel which is addressed to the Trustee, is in form and substance reasonably acceptable to the Trustee, and meets the requirements of the Trust Deed. The counsel may be an employee of or counsel to the Issuer;

“**Permitted Business**” means (i) any business, services or activities engaged in by the Issuer and its Subsidiaries on the Issue Date and (ii) any business, services or activities engaged in by the Issuer or any of its Subsidiaries that are complementary, incidental or ancillary to any of the foregoing, or are extensions of any thereof;

“**Permitted Subsidiary Indebtedness**” means Indebtedness of any Subsidiary that is not a Subsidiary Guarantor; *provided that*, on the date of Incurrence of such Indebtedness, and after giving effect thereto and the application of the proceeds thereof, the aggregate principal amount outstanding of all such Indebtedness (excluding any Indebtedness of any Subsidiary that is not a Subsidiary Guarantor permitted under clause 5(b)(ii)(C), (ii)(E) or (ii)(K) of Condition 5(b) (*Limitation on Indebtedness and Preferred Stock*)) does not exceed an amount equal to 15% of Total Assets (or the Dollar Equivalent thereof);

“Preferred Stock”, as applied to the Capital Stock of any Person, means Capital Stock of any class or classes that by its term is preferred as to the payment of dividends, or as to the distribution of assets upon any voluntary or involuntary liquidation or dissolution of such Person, over any other class of Capital Stock of such Person;

“Stated Maturity” means (1) with respect to any Indebtedness, the date specified in such debt security as the fixed date on which the final instalment of principal of such Indebtedness is due and payable as set forth in the documentation governing such Indebtedness and (2) with respect to any scheduled instalment of principal of or interest on any Indebtedness, the date specified as the fixed date on which such instalment is due and payable as set forth in the documentation governing such Indebtedness;

“Subordinated Indebtedness” means any Indebtedness of the Issuer or any Subsidiary Guarantor which is contractually subordinated or junior in right of payment to the Securities or any Subsidiary Guarantee, as applicable, pursuant to a written agreement to such effect;

“Temporary Cash Investment” means any of the following:

- (a) direct obligations of the United States of America, any state of the European Economic Area, the PRC and Hong Kong or any agency of the foregoing or obligations fully and unconditionally guaranteed by the United States of America, any state of the European Economic Area, the PRC and Hong Kong or any agency of the foregoing, in each case maturing within one year;
- (b) time deposit accounts, certificates of deposit and money market deposits maturing within 180 days of the date of acquisition thereof issued by a bank or trust company which is organised under the laws of the United States of America or any state thereof, any state of the European Economic Area, Hong Kong, the PRC (to the extent that such amounts are permitted under current laws of the PRC to be freely remitted out of the PRC), Canada or Australia and which bank or trust company has capital, surplus and undivided profits aggregating in excess of U.S.\$100.0 million (or the Dollar Equivalent thereof) and has outstanding debt which is rated “A” (or such similar equivalent rating) or higher by at least one nationally recognised statistical rating organization (as defined in Section 3(a)(62) of the Exchange Act) or any money market fund sponsored by a registered broker dealer or mutual fund distributor;
- (c) repurchase obligations with a term of not more than 30 days for underlying securities of the types described in clause (a) above entered into with a bank or trust company meeting the qualifications described in clause (b) above;
- (d) commercial paper, maturing within 180 days of the date of acquisition thereof, issued by a corporation (other than an affiliate of the Issuer) organised and in existence under the laws of the United States of America, any state thereof or any foreign country, including Hong Kong, with a rating at the time as of which any investment therein is made of “P-1” (or higher) according to Moody’s or “A-1” (or higher) according to S&P;
- (e) securities, maturing within one year of the date of acquisition thereof, issued or fully and unconditionally guaranteed by any state, commonwealth or territory of the United States of America, or by any political subdivision or taxing authority thereof and rated at least “A” by S&P or Moody’s;
- (f) any mutual fund that has at least 95% of its assets continuously invested in investments of the types described in clauses (a) through (e) above; and
- (g) time deposit accounts, certificates of deposit, overnight or call deposits and money market deposits with (i) Agricultural Bank of China, Bank of China, Bank of Communications, China Construction Bank, China Development Bank, China Citic Bank, China Minsheng Bank, The Hongkong and Shanghai Banking Corporation, Industrial and Commercial Bank of China and Shanghai Pudong Development Bank, (ii) any other bank or trust company organised under the laws of the PRC or Hong Kong, whose long-term debt rating by Moody’s or S&P is as high or higher than any of those banks listed in clause (a) of this paragraph, (iii) any other commercial bank whose long-

term rating is “Baa1” (or higher) according to Moody’s or “BBB+” (or higher) according to S&P; *provided that*, in the case of each of clause (iii) above, such deposits do not exceed U.S.\$50.0 million (or the Dollar Equivalent thereof) in the aggregate on any date of determination;

“**Total Assets**” means, as of any date, the total consolidated assets of the Issuer and its Subsidiaries measured in accordance with HKFRS as of the last day of the most recent semi-annual fiscal period for which consolidated financial statements of the Issuer (which the Issuer shall use its best efforts to compile in a timely manner) are available and have been provided to the Trustee;

“**Trade Payables**” means, with respect to any Person, any accounts payable or any other indebtedness or monetary obligation to trade creditors created, assumed or guaranteed by such Person or any of its Subsidiaries arising in the ordinary course of business in connection with the acquisition of goods or services and payable within 90 days;

“**Transaction Date**” means, with respect to the Incurrence of any Indebtedness, the date such Indebtedness is to be Incurred;

“**Voting Stock**” means, with respect to any Person, Capital Stock of any class or kind ordinarily having the power to vote for the election of directors, managers or other voting members of the governing body of such Person; and

“**Wholly-Owned**” means, with respect to any Subsidiary of any Person, the ownership of 100% of the outstanding Capital Stock of such Subsidiary (other than any director’s qualifying shares or Investments by foreign nationals mandated by applicable law or a minimum number of shares owned by a second shareholder as mandated by applicable law) by such Person or one or more Wholly-Owned Subsidiaries of such Person.

6. DISTRIBUTION

- (a) *Distribution*: Subject to Condition 6(e) (*Distribution — Distribution Deferral*) below, the Securities confer a right to receive distribution (each a “**Distribution**”) from the Distribution Commencement Date at the Distribution Rate (as defined below) payable in arrear on each Distribution Payment Date in accordance with this Condition 6.

Subject to Condition 6(e) (*Distribution — Distribution Deferral*) below, Distribution shall be payable on the Securities on each Distribution Payment Date and, if a Business Day Convention is specified in the relevant Pricing Supplement:

- (i) as the same may be adjusted in accordance with the relevant Business Day Convention; or
- (ii) if the Business Day Convention is the FRN Convention, Floating Rate Convention or Eurodollar Convention and an interval of a number of calendar months is specified in the relevant Pricing Supplement as being the Specified Period, each of such dates as may occur in accordance with the FRN Convention, Floating Rate Convention or Eurodollar Convention at such Specified Period of calendar months following the Distribution Commencement Date (in the case of the first Distribution Payment Date) or the previous Distribution Payment Date (in any other case).
- (b) *Distribution Accrual*: Each Security will cease to confer the right to receive any Distribution from the due date for redemption unless, upon due presentation, payment of the full amount due is improperly withheld or refused, in which case, Distribution shall continue to accrue in accordance with this Condition 6 (*Distribution*) (as well after as before judgment) until whichever is the earlier of (i) the day on which all sums due in respect of such Security up to that day are received by or on behalf of the relevant Securityholder and (ii) the day which is seven days after the Principal Paying Agent or the Trustee has notified the Securityholders that it has received all sums due in respect of the Security up to such seventh day (except to the extent that there is any subsequent default in payment).

- (c) *Calculation of distribution amount:* The amount of Distribution payable in respect of each Security for any period shall be calculated by applying the Distribution Rate to the Calculation Amount, multiplying the product by the relevant Day Count Fraction, rounding the resulting figure to the nearest sub-unit of the Specified Currency (half a sub-unit being rounded upwards) and multiplying such rounded figure by a fraction equal to the Specified Denomination of such Security divided by the Calculation Amount. For this purpose a “**sub-unit**” means, in the case of any currency, the lowest amount of such currency that is available as legal tender in the country of such currency.
- (d) *Rate of Distribution:* Subject to any increase pursuant to Condition 6(f) (*Distribution — Increase in Distribution Rate following occurrence of certain events*), the rate of distribution (the “**Distribution Rate**”) applicable to the Securities shall be:
- (i) (if no Reset Date is specified in the relevant Pricing Supplement) the Initial Distribution Rate; and
 - (ii) (if a Reset Date is specified in the relevant Pricing Supplement):
 - (A) in respect of each Distribution Payment Date, the period from, and including, the Distribution Commencement Date to, but excluding, the First Call Date, the Initial Distribution Rate; and
 - (B) in respect of the period (A) from, and including the First Call Date, to, but excluding, the Reset Date falling immediately after the First Call Date, and (B) from, and including, each Reset Date falling after the First Call Date to, but excluding, the immediately following Reset Date, the Relevant Reset Distribution Rate.

The Calculation Agent shall cause the Relevant Reset Distribution Rate and (where the Specified Currency is Renminbi or Singapore dollars) the relevant Distribution Payment Date to be notified to the Issuer, the Paying Agents, the Trustee, the relevant Registrar and the Securityholders in accordance with Condition 17 (*Notices*) and, if the Securities are listed on a stock exchange and the rules of such exchange so requires, such exchange as soon as reasonably practicable after the relevant Reset Date or the relevant Distribution Payment Date or, in the case of notification to the stock exchange, the time required by the rules of the relevant stock exchange. All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition 6(d) by the Calculation Agent will (in the absence of manifest error) be binding on the Issuer, the Paying Agents, the Trustee and Securityholders and no liability to any such person will attach to the Calculation Agent or the Trustee in connection with the exercise or non-exercise by it of its powers, duties and discretions for such purposes.

- (e) *Distribution Deferral:*
- (i) *Optional Deferral:* The Issuer may, at its sole discretion, elect to defer (in whole or in part) any Distribution (including any Arrears of Distribution and any Additional Distribution Amount) which is otherwise scheduled to be paid on a Distribution Payment Date to the next Distribution Payment Date by giving notice (an “**Optional Deferral Notice**”) to the Securityholders (in accordance with Condition 17 (*Notices*)), the Trustee and the Principal Paying Agent in writing not less than seven Business Days prior to the relevant Distribution Payment Date (an “**Optional Deferral Event**”), provided that if Dividend Pusher is specified as applicable in the relevant Pricing Supplement, a Compulsory Distribution Payment Event has not occurred. Any partial payment of outstanding Distribution (including any Arrears of Distribution and any Additional Distribution Amount) by the Issuer shall be shared by the Securityholders of all outstanding Securities on a *pro-rata* basis.

- (ii) *No obligation to pay:* The Issuer shall have no obligation to pay any Distribution (including any Arrears of Distribution and any Additional Distribution Amount) on any Distribution Payment Date if it validly elects not to do so in accordance with sub-paragraph (i) above and any failure to pay any Distribution (including any Arrears of Distribution and any Additional Distribution Amount), in whole or in part, shall not constitute a default of the Issuer in respect of the Securities.
- (iii) *Requirements as to Notice:* Each Optional Deferral Notice shall be accompanied by a certificate in the form scheduled to the Trust Deed signed by two directors of the Issuer confirming that an Optional Deferral Event has occurred and is continuing, and if Dividend Pusher is specified as applicable in the relevant Pricing Supplement, confirming that no Compulsory Distribution Payment Event has occurred and is continuing. Each Optional Deferral Notice shall be conclusive and binding on the Securityholders.

The Trustee shall be entitled to accept and rely upon such certificate as sufficient evidence of the occurrence of an Optional Deferral Event, in which event it shall be conclusive and binding on the Securityholders.

- (iv) *Cumulative Deferral:* Any Distribution deferred pursuant to this paragraph (e) shall constitute “**Arrears of Distribution**”. The Issuer may, at its sole discretion, elect (in the circumstances set out in sub-paragraph (i) above) to further defer (in whole or in part) any Arrears of Distribution by complying with the foregoing notice requirement applicable to any deferral of Distribution. The Issuer is not subject to any limit as to the number of times Distribution and Arrears of Distribution can be deferred pursuant to this paragraph (e).

Each amount of Arrears of Distribution shall accrue distribution as if it constituted the principal of the Securities at the prevailing Distribution Rate and the amount of such additional distribution (the “**Additional Distribution Amount**”) with respect to Arrears of Distribution shall be due and payable pursuant to this Condition 6 (*Distribution*) and shall be calculated by applying the applicable Distribution Rate to the amount of the Arrears of Distribution and otherwise *mutatis mutandis* as provided in the foregoing provisions of this Condition 6 (*Distribution*). The Additional Distribution Amount accrued up to any Distribution Payment Date shall be added (for the purpose of calculating the Additional Distribution Amount accruing thereafter) to the amount of Arrears of Distribution remaining unpaid on such Distribution Payment Date so that it will itself become Arrears of Distribution.

- (v) *Restrictions in the case of Deferral:* If Dividend Stopper is specified in the relevant Pricing Supplement as being applicable and if on any Distribution Payment Date, payment of all Distribution payments (including any Arrears of Distribution and any Additional Distribution Amount) scheduled to be made on such date is not made in full by reason of Condition 6 (*Distribution — Distribution Deferral*), each of the Issuer and the Subsidiary Guarantors undertakes, and undertakes to procure their respective Subsidiaries:
 - (A) not to declare or pay any discretionary dividend, discretionary distribution or any other discretionary payment, and will procure that no discretionary dividend, discretionary distribution or other discretionary payment is made, in each case, on or in respect of any of its Parity Obligations or Junior Obligations (except (1) in relation to the Parity Obligations on a *pro-rata* basis, or (2) in connection with any employee benefit plan or similar arrangements with or for the benefit of employees, officers, directors or consultants, or (3) for the issue of dividends to the Issuer or to any intermediate holding company); and
 - (B) not, at its discretion redeem, reduce, cancel, buy-back or otherwise acquire for any consideration any of its Parity Obligations or Junior Obligations (except (1) in relation to the Parity Obligations on a *pro-rata* basis, (2) in connection with any employee benefit plan or similar arrangements with or for the benefit of employees, officers, directors or consultants, or (3) as a result of the exchange or conversion of such Parity Obligations for Junior Obligations,

in each case, unless and until the Issuer (failing whom, the Subsidiary Guarantors) (aa) has satisfied in full all outstanding Arrears of Distribution and any Additional Distribution Amounts or (bb) is permitted to do so by an Extraordinary Resolution and/or otherwise specified in the relevant Pricing Supplement.

(vi) *Satisfaction of Arrears of Distribution by payment:* The Issuer:

- (A) may satisfy any Arrears of Distribution and any Additional Distribution Amount (in whole or in part) at any time by giving notice of such election to the Securityholders (in accordance with Condition 17 (*Notices*)), the Trustee and the Principal Paying Agent in writing not less than 5 nor more than 20 Business Days prior to the proposed payment date specified in such notice (which notice shall be irrevocable and shall oblige the Issuer to pay the relevant Arrears of Distribution and Additional Distribution Amounts, on the payment date specified in such notice); and
- (B) in any event shall satisfy any outstanding Arrears of Distribution and Additional Distribution Amount (in whole but not in part) on the earliest of:
 - (1) the date of redemption of the Securities in accordance with the redemption events set out in Condition 7 (*Redemption and Purchase*) with respect to the amount for redemption;
 - (2) the next Distribution Payment Date falling immediately after a breach of Condition 6(e)(v) (*Distribution — Distribution Deferral — Restrictions in the case of Deferral*) or the occurrence of a Compulsory Distribution Payment Event;
 - (3) a Winding-Up of the Issuer or any of the Subsidiary Guarantors (in the case of Subsidiary Guarantors, on a voluntary basis); and
 - (4) the date of any substitution or variation in accordance with Condition 14(e).

Any partial payment of outstanding Arrears of Distribution and any Additional Distribution Amount by the Issuer shall be shared by the Securityholders of all outstanding Securities on a *pro-rata* basis.

(vii) *No default:* Notwithstanding any other provision in these Conditions or in the Trust Deed, the deferral of any Distribution payment in accordance with this paragraph (e) shall not constitute a default for any purpose (including, without limitation, pursuant to Condition 10 (*Non-payment*)) on the part of the Issuer or any of the Subsidiary Guarantors under the Securities or for any other purpose.

(f) *Increase in Distribution Rate following occurrence of certain events:*

- (i) *Increase in Distribution Rate:* If specified in the relevant Pricing Supplement as being applicable, upon the occurrence of a Step-Up Event, unless (A) an irrevocable notice in writing to redeem the Securities has been given by the Issuer to Securityholders (in accordance with Condition 17 (*Notices*)), the Trustee and the Principal Paying Agent pursuant to Condition 7 (*Redemption and Purchase*) by the 30th day following the occurrence of the relevant Step-Up Event or (B) the relevant Step-Up Event is remedied by the 30th day following the occurrence of such relevant Step-Up Event, the Distribution Rate will increase by the Step-Up Rate with effect from (1) the next Distribution Payment Date immediately following the occurrence of the relevant Step-Up Event or (2) if the date on which the relevant Step-Up Event (as applicable) occurs is prior to the most recent preceding Distribution Payment Date, such Distribution Payment Date, **provided that** the maximum aggregate increase in the Distribution Rate pursuant to this paragraph (f) shall be the Step-Up Rate. For the avoidance of doubt, any increase in the Distribution Rate pursuant to this paragraph (f) is separate from and in addition to any increase in the Distribution Rate pursuant to sub-paragraph (d)(ii) above.

Any increase in the Distribution Rate pursuant to this paragraph (f) shall be notified by the Issuer to the Securityholders (in accordance with Condition 17 (*Notices*)), the Trustee and the Principal Paying Agent in writing no later than the 30th day following the occurrence of the relevant Step-Up Event.

- (ii) *Decrease in Distribution Rate*: If following an increase in the Distribution Rate after a Step-Up Event, such Step-Up Event is cured or no longer exists, upon written notice of such facts being given to the Securityholders (in accordance with Condition 17 (*Notices*)), the Trustee and the Principal Paying Agent, the Distribution Rate shall be decreased by the Step-Up Rate with effect from (and including) the Distribution Payment Date immediately following the date falling 30 days after the date on which the Trustee receives notice of the cure of such Step-Up Event **provided that** the maximum aggregate decrease in the Distribution Rate pursuant to this paragraph (f) shall be the Step-Up Rate.

7. REDEMPTION AND PURCHASE

- (a) *No fixed redemption*: The Securities are perpetual securities in respect of which there is no fixed redemption date and the Issuer shall (without prejudice to Condition 10 (*Non-payment*)), only have the right to redeem or purchase them in accordance with the following provisions of this Condition 7 (*Redemption and Purchase*).
- (b) *Redemption for tax reasons*: The Securities may be redeemed at the option of the Issuer in whole, but not in part, at any time on the Issuer's giving not less than 30 nor more than 60 days' notice to the Securityholders, or such other period(s) as may be specified in the relevant Pricing Supplement, (which notice shall be irrevocable), at their Early Redemption Amount (Tax), together with Distribution accrued (if any) to the date fixed for redemption (including any Arrears of Distribution and any Additional Distribution Amount), if, immediately before giving such notice, the Issuer satisfies the Trustee that:
 - (i) (1) the Issuer has or will become obliged to pay Additional Amounts (as defined in Condition 9 (*Taxation*)) as provided or referred to in Condition 9 (*Taxation*) as a result of any change in, or amendment to, the laws or regulations of the Cayman Islands or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations (including a holding by a court of competent jurisdiction), which change or amendment becomes effective on or after the date of issue of the first Tranche of the Securities; and (2) such obligation cannot be avoided by the Issuer taking reasonable measures available to it; or
 - (ii) (1) any of the Subsidiary Guarantors has or (if a demand was made under the Guarantee of the Securities) would become obliged to pay Additional Amounts as provided or referred to in Condition 9 (*Taxation*) as a result of any change in, or amendment to, the laws or regulations of the British Virgin Islands or Singapore or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations (including a holding by a court of competent jurisdiction), which change or amendment becomes effective on or after the date of issue of the first Tranche of the Securities, and (2) such obligation cannot be avoided by the relevant Subsidiary Guarantor taking reasonable measures available to it,

(each of (i) or (ii) above, a "**Withholding Tax Event**") **provided, however, that** no such notice of redemption shall be given earlier than 90 days (or such other period as may be specified in the relevant Pricing Supplement) prior to the earliest date on which the Issuer or the relevant Subsidiary Guarantor would be obliged to pay such Additional Amounts if a payment in respect of the Securities were then due or (as the case may be) a demand under the Guarantee of the Securities were then made.

Prior to the publication of any notice of redemption pursuant to this paragraph, the Issuer shall deliver or procure that there is delivered to the Trustee (x) a certificate signed by two directors of the Issuer stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred of and (y) an opinion of independent legal advisers of recognised standing to the effect that the Issuer or (as the case may be) the relevant Subsidiary Guarantor has or will become obliged to pay such Additional Amounts as a result of such change or amendment.

The Trustee shall be entitled to accept and rely upon such certificate and opinion as sufficient evidence of the satisfaction of the circumstances set out above, in which event they shall be conclusive and binding on the Securityholders.

Upon the expiry of any such notice as is referred to in this Condition 7(b), the Issuer shall be bound to redeem the Securities in accordance with this Condition 7(b).

- (c) *Redemption at the option of the Issuer:* If the Call Option (Issuer) is specified in the relevant Pricing Supplement as being applicable, the Securities may be redeemed at the option of the Issuer in whole or, if so specified in the relevant Pricing Supplement, in part on the Issuer's giving not less than 30 nor more than 60 days' notice to the Securityholders, or such other period(s) as may be specified in the relevant Pricing Supplement (which notice shall be irrevocable) and shall oblige the Issuer to redeem the Securities at their Optional Redemption Amount (Issuer) together with Distribution accrued (if any) to the date fixed for redemption (including any Arrears of Distribution and any Additional Distribution Amount) on the First Call Date or on any Distribution Payment Date after the First Call Date (each, a "**Call Date**").

Upon the expiry of any such notice as is referred to in this Condition 7(c) (*Redemption and Purchase — Redemption at the option of the Issuer*), the Issuer shall be bound to redeem the Securities on the relevant Call Date in accordance with this Condition 7(c) (*Redemption and Purchase — Redemption at the option of the Issuer*).

If the Securities are to be redeemed in part only on a relevant Call Date in accordance with this Condition 7(c) (*Redemption and Purchase — Redemption at the option of the Issuer*), each Security shall be redeemed in part in the proportion which the aggregate principal amount of the outstanding Securities to be redeemed on the relevant Call Date bears to the aggregate principal amount of outstanding Securities on such date. If any Maximum Redemption Amount or Minimum Redemption Amount is specified in the relevant Pricing Supplement, then the Optional Redemption Amount (Issuer) shall in no event be greater than the maximum or be less than the minimum so specified.

- (d) *Redemption for accounting reasons:* If Accounting Event Redemption is specified in the relevant Pricing Supplement as being applicable, the Securities may be redeemed at the option of the Issuer in whole, but not in part on the Issuer's giving not less than 30 nor more than 60 days' notice to the Securityholders, or such other period(s) as may be specified in the relevant Pricing Supplement, (which notice shall be irrevocable), at:
- (i) their Early Redemption Amount (Accounting Event) together with Distribution accrued (if any) to the date fixed for redemption (including any Arrears of Distribution and any Additional Distribution Amount), at any time before the First Call Date; or
 - (ii) their principal amount, together with Distribution accrued (if any) to the date fixed for redemption (including any Arrears of Distribution and any Additional Distribution Amount), at any time on or after the First Call Date,

if, immediately before giving such notice, the Issuer satisfies the Trustee that (such event, an "**Accounting Event**") as a result of any changes or amendments to, or a change or amendment to any interpretation of, Hong Kong Financial Reporting Standards or any other generally accepted accounting standards that may be adopted by the Issuer for the purposes of preparing its consolidated financial statements (the "**Relevant Accounting Standards**"), the Securities in whole or in part must not or must no longer be recorded as "equity" of the Issuer in the consolidated financial statements of the Issuer pursuant to the Relevant Accounting Standards.

Prior to the publication of any notice of redemption pursuant to this Condition 7(d) (*Redemption and Purchase — Redemption for accounting reasons*), the Issuer shall deliver or procure that there is delivered to the Trustee:

- (A) a certificate signed by two directors of the Issuer stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer to so redeem have occurred and that such Accounting Event cannot be avoided by the Issuer taking reasonable measures available to it; and
- (B) an letter, opinion or report from a recognised independent accounting firm acting on the instructions of the Issuer, in form and substance satisfactory to the Trustee, stating that the circumstances referred to above prevail and the date on which the relevant change or amendment to or the relevant change or amendment to the relevant interpretation of, the Relevant Accounting Standards is due to take effect,

provided, however that no notice of redemption may be given under this Condition 7(d) (*Redemption and Purchase — Redemption for accounting reasons*) earlier than 90 days (or such period as may be specified in the relevant Pricing Supplement) prior to the earliest date on which the relevant change or amendment to the Relevant Accounting Standards is due to take effect in relation to the Issuer.

The Trustee shall be entitled to accept and rely upon such certificate and opinion as sufficient evidence of the satisfaction of the conditions precedent set out above, in which event it shall be conclusive and binding on the Securityholders.

Upon the expiry of any such notice as is referred to in this Condition 7(d) (*Redemption and Purchase — Redemption for accounting reasons*), the Issuer shall be bound to redeem the Securities in accordance with this Condition 7(d) (*Redemption and Purchase — Redemption for accounting reasons*) *provided that* such date for redemption shall be no earlier than the last day before the date on which the Securities must not or must no longer be so recorded as “equity” of the Issuer pursuant to the Relevant Accounting Standards.

- (e) *Redemption for Relevant Event*: If Relevant Event Redemption is specified in the relevant Pricing Supplement as being applicable, the Securities may be redeemed at the option of the Issuer in whole, but not in part on the Issuer’s giving not less than 30 nor more than 60 days’ notice to the Securityholders, or such other period(s) as may be specified in the relevant Pricing Supplement, (which notice shall be irrevocable), at:
 - (i) their Early Redemption Amount (Relevant Event) together with Distribution accrued (if any) to the date fixed for redemption (including any Arrears of Distribution and any Additional Distribution Amount), at any time before the First Call Date; or
 - (ii) their principal amount, together with Distribution accrued (if any) to the date fixed for redemption (including any Arrears of Distribution and any Additional Distribution Amount), at any time on or after the First Call Date,

if a Relevant Event occurs.

Prior to the publication of any notice of redemption pursuant to this Condition 7(e) (*Redemption and Purchase — Redemption for Relevant Event*), the Issuer shall deliver or procure that there is delivered to the Trustee a certificate signed by two directors of the Issuer stating that a Relevant Event has occurred and setting out the details of such circumstances.

The Trustee shall be entitled to accept and rely upon such certificate as sufficient evidence of the satisfaction of the conditions precedent set out above, in which event it shall be conclusive and binding on the Securityholders.

Upon the expiry of any such notice as is referred to in this Condition 7(e) (*Redemption and Purchase — Redemption for Relevant Event*), the Issuer shall be bound to redeem the Securities in accordance with this Condition 7(e) (*Redemption and Purchase — Redemption for Relevant Event*).

- (f) *Redemption for a Breach of Covenant Event*: If Breach of Covenant Event Redemption is specified in the relevant Pricing Supplement as being applicable, the Securities may be redeemed at the option of the Issuer in whole, but not in part, at any time, on the Issuer's giving not less than 30 nor more than 60 days' notice to the Securityholders, or such other period(s) as may be specified in the relevant Pricing Supplement, (which notice shall be irrevocable), at their Early Redemption Amount (Breach of Covenant Event) together with Distribution accrued (if any) to the date fixed for redemption (including any Arrears of Distribution and any Additional Distribution Amount) upon the occurrence of a Breach of Covenant Event.

Upon the expiry of any such notice as is referred to in this Condition 7(f) (*Redemption and Purchase — Redemption for a Breach of Covenant Event*), the Issuer shall be bound to redeem the Securities in accordance with this Condition 7(f) (*Redemption and Purchase — Redemption for a Breach of Covenant Event*).

- (g) *Redemption for a Relevant Indebtedness Default Event*: If Relevant Indebtedness Default Event Redemption is specified in the relevant Pricing Supplement as being applicable, the Securities may be redeemed at the option of the Issuer in whole, but not in part, at any time, on the Issuer's giving not less than 30 nor more than 60 days' notice to the Securityholders, or such other period(s) as may be specified in the relevant Pricing Supplement, (which notice shall be irrevocable), at their Early Redemption Amount (Relevant Indebtedness Default Event) together with Distribution accrued (if any) to the date fixed for redemption (including any Arrears of Distribution and any Additional Distribution Amount) upon the occurrence of a Relevant Indebtedness Default Event.

Upon the expiry of any such notice as is referred to in this Condition 7(g) (*Redemption and Purchase — Redemption for a Relevant Indebtedness Default Event*), the Issuer shall be bound to redeem the Securities in accordance with this Condition 7(g) (*Redemption and Purchase — Redemption for a Relevant Indebtedness Default Event*).

- (h) *Redemption for minimum outstanding amount*: The Securities may be redeemed at the option of the Issuer in whole, but not in part, at any time, on the Issuer's giving not less than 30 nor more than 60 days' notice to the Securityholders, or such other period(s) as may be specified in the relevant Pricing Supplement, (which notice shall be irrevocable), at their Optional Redemption Amount (Minimum Outstanding Amount) together with Distribution accrued (if any) to the date fixed for redemption (including any Arrears of Distribution and any Additional Distribution Amount) if prior to the date fixed for redemption at least 90 per cent. in principal amount of the Securities originally issued has been redeemed or purchased and cancelled.

Upon the expiry of any such notice as is referred to in this Condition 7(h) (*Redemption and Purchase — Redemption for minimum outstanding amount*), the Issuer shall be bound to redeem the Securities in accordance with this Condition 7(h) (*Redemption and Purchase — Redemption for minimum outstanding amount*).

- (i) *No other redemption*: The Issuer shall not be entitled to redeem the Securities and shall have no obligation to make any payment of principal in respect of the Securities otherwise than as provided in Condition 7(b) (*Redemption and Purchase — Redemption for tax reasons*) and 7(h) (*Redemption and Purchase — Redemption for minimum outstanding amount*) and, to the extent specified as being applicable in the relevant Pricing Supplement, in Condition 7(c) (*Redemption and Purchase — Redemption at the option of the Issuer*), 7(d) (*Redemption and Purchase — Redemption for accounting reasons*), 7(e) (*Redemption and Purchase — Redemption for Relevant Event*), 7(f) (*Redemption and Purchase — Redemption for a Breach of Covenant Event*) and 7(g) (*Redemption and Purchase — Redemption for a Relevant Indebtedness Default Event*) and/or as otherwise specified in the relevant Pricing Supplement.

- (j) *Purchase*: The Issuer, any of the Subsidiary Guarantors or any of their respective Subsidiaries may at any time purchase Securities in the open market or otherwise and at any price.
- (k) *Cancellation*: All Securities so redeemed or purchased by the Issuer, any of the Subsidiary Guarantors, or any of their respective Subsidiaries shall be cancelled and may not be reissued or resold and the obligations of the Issuer and the Subsidiary Guarantors in respect of any such Securities shall be discharged.
- (l) *Calculation*: Neither the Trustee nor any of the Agents (other than the Calculation Agent and solely in respect of its functions as an appointed Calculation Agent of the Issuer) shall be responsible for calculating or verifying the calculations of any amount under any notice of redemption and shall not be liable to the Securityholders or any other person for not doing so.
- (m) *Notices of redemption*: If there is more than one notice of redemption given in respect of any Security (which shall include any notice given by the Issuer pursuant to Condition 7(b) (*Redemption for tax reasons*), Condition 7(c) (*Redemption at the option of the Issuer*), Condition 7(d) (*Redemption for accounting reasons*), Condition 7(e) (*Redemption for Relevant Event*), Condition 7(f) (*Redemption for a Breach of Covenant Event*) or Condition 7(g) (*Redemption for a Relevant Indebtedness Default Event*)), the notice given first in time shall prevail and in the event of two notices being given on the same date, the first to be given shall prevail.

8. PAYMENTS

- (a) *Principal*: Payments of principal shall be made:
 - (i) in the case of U.S. dollar, by U.S. dollar cheque drawn in the currency in which the payment is due drawn on, or, upon application by a Holder of a Security to the Specified Office of the Principal Paying Agent not later than the fifteenth day before the due date for any such payment, by transfer to an account denominated in U.S. dollars and maintained by the payee;
 - (ii) in the case of Renminbi, by transfer to an account denominated in Renminbi and maintained by the payee with a bank in Hong Kong; and
 - (iii) in the case of Singapore dollars, by Singapore dollar cheque drawn in the currency in which the payment is due drawn on, or, upon application by a Holder of a Security to the Specified Office of the Principal Paying Agent not later than the fifteenth day before the due date for any such payment, by transfer to an account denominated in Singapore dollars and maintained by the payee,

and (in the case of redemption) upon surrender (or, in the case of part payment only, endorsement) of the relevant Security Certificates at the Specified Office of any Paying Agent.
- (b) *Distribution*: Payments of Distribution shall be made:
 - (i) in the case of U.S. dollar, by U.S. dollar cheque drawn in the currency in which the payment is due drawn on, or, upon application by a Holder of a Security to the Specified Office of the Principal Paying Agent not later than the fifteenth day before the due date for any such payment, by transfer to an account denominated in U.S. dollars and maintained by the payee;
 - (ii) in the case of Renminbi, by transfer to an account denominated in Renminbi and maintained by the payee with a bank in Hong Kong, details of which appear on the Register at the close of business on the fifth Business Day before the due date for payment; and

(iii) in the case of Singapore dollars, by Singapore dollar cheque drawn in the currency in which the payment is due drawn on, or, upon application by a Holder of a Security to the Specified Office of the Principal Paying Agent not later than the fifteenth day before the due date for any such payment, by transfer to an account denominated in Singapore dollars and maintained by the payee,

and (in the case of Distribution payable on redemption) upon surrender (or, in the case of part payment only, endorsement) of the relevant Security Certificates at the Specified Office of any Paying Agent.

- (c) *Payments subject to fiscal laws:* All payments in respect of the Securities are subject in all cases to (i) any applicable fiscal or other laws and regulations in the place of payment, but without prejudice to the provisions of Condition 9 (*Taxation*) and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986, as amended (the “**Code**”) or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, or (without prejudice to the provisions of Condition 9 (*Taxation*)) any law implementing an intergovernmental approach thereto. No commissions or expenses shall be charged to the Securityholders in respect of such payments.
- (d) *Payments on business days:* Where payment is to be made by transfer to an account, payment instructions (for value the due date, or, if the due date is not a Payment Business Day, for value the next succeeding Payment Business Day) will be initiated and, where payment is to be made by cheque, the cheque will be mailed (i) (in the case of payments of principal and Distribution payable on redemption) on the later of the due date for payment and the day on which the relevant Security Certificate is surrendered (or, in the case of part payment only, endorsed) at the Specified Office of a Paying Agent and (ii) (in the case of payments of Distribution payable other than on redemption) on the due date for payment. A Holder of a Security shall not be entitled to any Distribution or other payment in respect of any delay in payment resulting from (A) the due date for a payment not being a Payment Business Day or (B) a cheque mailed in accordance with this Condition 8 (*Payment*) arriving after the due date for payment or being lost in the mail.
- (e) *Partial payments:* If a Paying Agent makes a partial payment in respect of any Security, the Issuer shall procure that the amount and date of such payment are noted on the Register and, in the case of partial payment upon presentation of a Security Certificate, that a statement indicating the amount and the date of such payment is endorsed on the relevant Security Certificate.
- (f) *Record date:* Each payment in respect of a Security will be made to the person shown as the Holder in the Register at the close of business in the place of the relevant Registrar’s Specified Office on the fifteenth day before the due date for such payment (the “**Record Date**”). Where payment in respect of a Security is to be made by cheque, the cheque will be mailed to the address shown as the address of the Holder in the Register at the close of business on the relevant Record Date.

So long as the Global Certificate is held on behalf of Euroclear, Clearstream or any other clearing system, each payment in respect of the Global Certificate will be made to the person shown as the holder in the Register at the close of business of the relevant clearing system on the Clearing System Business Day before the due date for such payments, where “Clearing System Business Day” means a weekday (Monday to Friday, inclusive) except 25 December and 1 January.

9. TAXATION

- (a) *Gross up*: All payments of principal and Distribution (including any Arrears of Distribution and any Additional Distribution Amount) in respect of the Securities by or on behalf of the Issuer or any of the Subsidiary Guarantors shall be made free and clear of, and without withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of the Cayman Islands, Singapore, the British Virgin Islands or any political subdivision therein or any authority therein or thereof having power to tax, unless the withholding or deduction of such taxes, duties, assessments, or governmental charges is required by law. In that event, the Issuer or (as the case may be) the relevant Subsidiary Guarantor shall pay such additional amounts (the “**Additional Amounts**”) as will result in receipt by the Securityholders after such withholding or deduction of such amounts as would have been received by them had no such withholding or deduction been required, except that no such Additional Amounts shall be payable in respect of any Security:
- (i) held by or on behalf of a Holder which is liable to such taxes, duties, assessments or governmental charges in respect of such Security by reason of its having some connection with the jurisdiction by which such taxes, duties, assessments or charges have been imposed, levied, collected, withheld or assessed other than the mere holding of the Security; or
 - (ii) where the relevant Security Certificate is presented or surrendered for payment more than 30 days after the Relevant Date except to the extent that the Holder of such Security would have been entitled to such Additional Amounts on presenting or surrendering such Security Certificate for payment on the last day of such period of 30 days.
- (b) *Taxing jurisdiction*: If the Issuer or any of the Subsidiary Guarantors becomes subject at any time to any taxing jurisdiction other than the Cayman Islands, Singapore or the British Virgin Islands respectively, references in these Conditions to the Cayman Islands, Singapore or the British Virgin Islands shall be construed as references to the Cayman Islands, Singapore or (as the case may be) the British Virgin Islands and/or such other jurisdiction.

10. NON-PAYMENT

- (a) *Non-payment when due*: Notwithstanding any of the provisions below in this Condition 10 (*Non-payment*), the right to institute proceedings for Winding-Up of the Issuer or any of the Subsidiary Guarantors is limited to circumstances where payment has become due and is unpaid. In the case of any Distribution, such Distribution will not be due if the Issuer has elected to defer that Distribution in accordance with Condition 6(e) (*Distribution Deferral*). In addition, nothing in this Condition 10(a), including any restriction on commencing proceedings, shall in any way restrict or limit any rights of the Trustee or any of its directors, officers, employees or agents to claim from or to otherwise take any action against the Issuer or the Subsidiary Guarantors, in respect of any costs, charges, fees or expenses properly incurred or liabilities incurred by such party pursuant to or in connection with the Trust Deed or the Securities.
- (b) *Proceedings for Winding-Up*: If (i) there is a Winding-Up of the Issuer or any of the Subsidiary Guarantors (in the case of Subsidiary Guarantors, on a voluntary basis), or (ii) the Issuer or any of the Subsidiary Guarantors shall not make payment in respect of the Securities or under the Trust Deed for a period of 10 days or more after the date on which such payment is due (each, an “**Enforcement Event**”), the Issuer and/or the Subsidiary Guarantors shall be deemed to be in default under the Trust Deed, the Securities and, as the case may be, the Guarantee of the Securities and the Trustee may, subject to the provisions of Condition 10(d) (*Non-payment — Entitlement of Trustee*) below, institute proceedings for the Winding-Up of the Issuer, the Subsidiary Guarantors or any combination of them and/or prove in the Winding-Up of the Issuer, the Subsidiary Guarantors or any combination of them and/or claim in the liquidation of the Issuer, the Subsidiary Guarantors or any combination of them for such payment, as provided in the Trust Deed.

- (c) *Enforcement*: Without prejudice to Condition 10(b) (*Non-payment — Proceedings for Winding-Up*) but subject to the provisions of Condition 10(d) (*Non-payment — Entitlement of Trustee*) below, the Trustee may at its discretion and without notice to the Issuer and/or the Subsidiary Guarantors institute such proceedings against the Issuer, the Subsidiary Guarantors or any combination of them as it may think fit to enforce any term or condition binding on the Issuer and the Subsidiary Guarantors under the Trust Deed, the Securities and, as the case may be, the Guarantee of the Securities (other than any payment obligation of the Issuer or the Subsidiary Guarantors under or arising from the Securities, the Guarantee of the Securities or, as the case may be, the Trust Deed, including, without limitation, payment of any principal, premium (if any) or Distribution (including any Arrears of Distribution and any Additional Distribution Amount) in respect of the Securities, including any damages awarded for breach of any obligations) and, in no event shall the Issuer or any of the Subsidiary Guarantors, by virtue of the institution of any such proceedings, be obliged to pay any sum or sums, in cash or otherwise, sooner than the same would otherwise have been payable by it.
- (d) *Entitlement of Trustee*: The Trustee at its discretion may and, if so requested in writing by Securityholders of at least one quarter of the aggregate principal amount of the Securities then outstanding or if so directed by an Extraordinary Resolution shall take any of the actions referred to in Condition 10(b) (*Non-payment — Proceedings for Winding-Up*) or Condition 10(c) (*Non-payment — Enforcement*) above against the Issuer, the Subsidiary Guarantors or any combination of them to enforce the terms of the Trust Deed, the Securities or, as the case may be, the Guarantee of the Securities subject in any such case to the Trustee having been indemnified, pre-funded and/or provided with security to its satisfaction.
- (e) *Right of Securityholders*: No Securityholders shall be entitled to proceed directly against the Issuer or any of the Subsidiary Guarantors or to institute proceedings for the Winding-Up of the Issuer or any of the Subsidiary Guarantors or claim in the liquidation of the Issuer or any of the Subsidiary Guarantors or to prove in such Winding-Up unless the Trustee, having become so bound to proceed or being able to prove in such Winding-Up or claim in such liquidation, fails to do so within a reasonable period and such failure shall be continuing, in which case the Securityholder shall have only such rights against the Issuer and the Subsidiary Guarantors as those which the Trustee is entitled to exercise as set out in this Condition 10 (*Non-payment*).
- (f) *Extent of Securityholders' remedy*: No remedy against the Issuer or any of the Subsidiary Guarantors, other than as referred to in this Condition 10 (*Non-payment*), shall be available to the Trustee or the Securityholders, whether for the recovery of amounts owing in respect of the Securities, the Guarantee of the Securities or under the Trust Deed or in respect of any breach by the Issuer or any of the Subsidiary Guarantors of any of their respective other obligations under or in respect of the Securities, the Guarantee of the Securities or under the Trust Deed.

11. PRESCRIPTION

Claims for principal and Distribution (including any Arrears of Distribution and any Additional Distribution Amount) on redemption in respect of Securities shall become void unless the relevant Security Certificates are surrendered for payment within ten years of the appropriate Relevant Date.

12. REPLACEMENT OF SECURITY CERTIFICATES

If any Security Certificate is lost, stolen, mutilated, defaced or destroyed, it may be replaced at the Specified Office of the relevant Registrar (and, if the Securities are then admitted to listing, trading and/or quotation by any competent authority, stock exchange and/or quotation system which requires the appointment of a Paying Agent or Transfer Agent in any particular place, the Paying Agent or Transfer Agent having its Specified Office in the place required by such competent authority, stock exchange and/or quotation system), subject to all applicable laws and competent authority, stock exchange and/or quotation system requirements, upon payment by the claimant of the expenses incurred in connection with such replacement and on such terms as to evidence, security, indemnity and otherwise as the Issuer, the relevant Registrar and/or such Transfer Agent may require. Mutilated or defaced Security Certificates must be surrendered before replacements will be issued.

13. TRUSTEE AND AGENTS

Under the Trust Deed, the Trustee is entitled to be indemnified, pre-funded and/or provided with security and relieved from responsibility in certain circumstances and to be paid its properly incurred fees, costs and expenses in priority to the claims of the Securityholders. In addition, the Trustee and the Agents are entitled to enter into business transactions with the Issuer, any of the Subsidiary Guarantors, and any entity relating to the Issuer or any of the Subsidiary Guarantors without accounting for any profit.

In the exercise of its powers and discretions under these Conditions and the Trust Deed, the Trustee will have regard to the interests of the Securityholders as a class and will not be responsible for any consequence for individual Securityholders as a result of such Securityholders being connected in any way with a particular territory or taxing jurisdiction.

In acting under the Agency Agreement and in connection with the Securities, the Agents act solely as agents of the Issuer and each of the Subsidiary Guarantors and (to the extent provided therein) the Trustee and do not assume any obligations towards or relationship of agency or trust for or with any of the Securityholders.

The initial Agents and their initial Specified Offices are listed below. The initial Calculation Agent (if any) is specified in the relevant Pricing Supplement. The Issuer and each of the Subsidiary Guarantors reserve the right (with the prior approval of the Trustee) at any time to vary or terminate the appointment of any Agent and to appoint a successor principal paying agent, principal registrar, CMU lodging and paying agent, CMU registrar or calculation agent and additional or successor paying agents; **provided, however, that:**

- (i) the Issuer and each of the Subsidiary Guarantors shall at all times maintain a principal paying agent and a principal registrar; and
- (ii) the Issuer and each of the Subsidiary Guarantors shall at all times maintain a CMU lodging and paying agent and a CMU registrar in relation to Securities accepted for clearance through the CMU Service; and
- (iii) if a Calculation Agent is specified in the relevant Pricing Supplement, the Issuer and each of the Subsidiary Guarantors shall at all times maintain a Calculation Agent; and
- (iv) if and for so long as the Securities are admitted to listing, trading and/or quotation by any competent authority, stock exchange and/or quotation system which requires the appointment of a Paying Agent and/or a Transfer Agent in any particular place, the Issuer and each of the Subsidiary Guarantors shall maintain a Paying Agent and/or a Transfer Agent having its Specified Office in the place required by such competent authority, stock exchange and/or quotation system.

Notice of any change in any of the Agents or in their Specified Offices shall promptly be given to the Securityholders by the Issuer.

14. MEETINGS OF SECURITYHOLDERS; MODIFICATION AND WAIVER; SUBSTITUTION OR VARIATION

- (a) *Meetings of Securityholders:* The Trust Deed contains provisions for convening meetings of Securityholders to consider matters relating to the Securities, including the modification of any provision of these Conditions. Any such modification may be made if sanctioned by an Extraordinary Resolution. Such a meeting may be convened by the Issuer and each of the Subsidiary Guarantors (acting together), or by the Trustee and shall be convened by the Trustee (subject to it being first indemnified, pre-funded and/or provided with security to its satisfaction) upon the request in writing of Securityholders holding not less than one-tenth of the aggregate principal amount of the outstanding Securities. The quorum at any meeting convened to vote on an Extraordinary Resolution will be two or more Persons holding or representing one more than half of the aggregate principal amount of the outstanding Securities or, at any adjourned meeting, two or more Persons being or representing Securityholders whatever the principal amount of the Securities held or represented; **provided, however, that** Reserved Matters may only be sanctioned by an Extraordinary Resolution passed at a meeting of Securityholders at which two or more Persons holding or

representing not less than three-quarters or, at any adjourned meeting, one quarter of the aggregate principal amount of the outstanding Securities form a quorum. Any Extraordinary Resolution duly passed at any such meeting shall be binding on all the Securityholders, whether present or not.

In addition, a resolution in writing signed by or on behalf of Securityholders holding not less than 90 per cent. of the aggregate principal amount of the then outstanding Securities who for the time being are entitled to receive notice of a meeting of Securityholders under the Trust Deed will take effect as if it were an Extraordinary Resolution. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Securityholders.

- (b) *Modification and waiver:* The Trustee may, without the consent of the Securityholders, agree to any modification of these Conditions or the Trust Deed (other than in respect of a Reserved Matter) which is, in the opinion of the Trustee, proper to make if, in the opinion of the Trustee, such modification will not be materially prejudicial to the interests of Securityholders and to any modification of the Securities or the Trust Deed which is of a formal, minor or technical nature or is to correct a manifest error.

In addition, the Trustee may, without the consent of the Securityholders, authorise or waive any proposed breach or breach of the Securities or the Trust Deed (other than a proposed breach or breach relating to the subject of a Reserved Matter) if, in the opinion of the Trustee, the interests of the Securityholders will not be materially prejudiced thereby.

Unless the Trustee agrees otherwise, any such authorisation, waiver or modification shall be notified to the Securityholders as soon as practicable thereafter.

- (c) *Direction from Securityholders:* Notwithstanding anything to the contrary in these Conditions or the Trust Deed, whenever the Trustee is required or entitled by the terms of these Conditions or the Trust Deed to exercise any discretion or power, take any action, make any decision or give any direction or certification, the Trustee is entitled, prior to exercising any such discretion or power, taking any such action, making any such decision, or giving any such direction or certification, to seek directions from the Securityholders by way of an Extraordinary Resolution and shall have been indemnified, pre-funded and/or provided with security to its satisfaction against all action, proceedings, claims and demands to which it may be or become liable and all costs, charges, damages and expenses (including legal expenses) properly incurred, and liabilities which may be incurred, by it in connection therewith, and the Trustee is not responsible for any loss or liability incurred by any person as a result of any delay in it exercising such discretion or power, taking such action, making such decision, or giving such direction or certification where the Trustee is seeking such directions.
- (d) *Certificates and reports:* The Trustee may rely without liability to any Securityholder or to any other person on a report, advice, opinion, confirmation or certificate from any lawyers, valuers, accountants (including the auditors, surveyors), financial advisers, financial institution or any other expert, whether or not addressed to it and whether their liability in relation thereto is limited (by its terms or by any engagement letter relating thereto or in any other manner) by reference to a monetary cap, methodology or otherwise. The Trustee may accept and shall be entitled to rely on any such report, confirmation or certificate or advice and such report, confirmation, certificate, opinion or advice shall be binding on the Issuer, the Trustee and the Securityholders.
- (e) *Substitution or Variation:* If Special Event Substitution or Variation is specified in the relevant Pricing Supplement as being applicable and if a Special Event has occurred and is continuing, then the Issuer may, subject to Condition 6 (*Distribution*) (without any requirement for the consent or approval of the Securityholders) and subject to its having satisfied the Trustee immediately prior to the giving of any notice referred to in this Condition that the provisions of this Condition 14(e) (*Substitution or Variation*) have been complied with, and having given not less than 30 nor more than 60 days' notice to the Securityholders (which notice shall be irrevocable), at any time either (i) substitute in whole, but not in part, of the Securities for, or (ii) vary the terms of the Securities with the effect that they remain or become (as the case may be), Qualifying Securities, and the Trustee shall

(subject to the following provisions of this Condition 14(e) (*Substitution or Variation*) and subject to the receipt by it of the certificate of two directors of the Issuer referred to in this Condition) agree to such substitution or variation.

Upon the expiry of any such notice as is referred to in this Condition 14(e) (*Substitution or Variation*), the Issuer shall either vary the terms of or, as the case may be, substitute the Securities in accordance with this Condition 14(e) (*Substitution or Variation*).

In connection therewith, any outstanding Arrears of Distributions (including any Additional Distribution Amount) will be satisfied in full in accordance with the provisions of Condition 6(e)(iv) (*Satisfaction of Arrears of Distribution by payment*).

The Trustee shall not be obliged to participate in, or assist with, any such substitution or variation if the term of the proposed Qualifying Securities or the participation in or assistance with such substitution or variation would impose, in the Trustee's opinion, more onerous obligations upon the Trustee. If the Trustee does not participate or assist as provided above, the Issuer may redeem the Securities as provided in Condition 7 (*Redemption and Purchase*).

In connection with any substitution or variation in accordance with this Condition 14(e) (*Substitution or Variation*), the Issuer shall comply with the rules of any competent authority, stock exchange and/or quotation system on which the Securities are for the time being listed or admitted to trading.

Any such substitution or variation in accordance with the foregoing provisions shall not be permitted if any such substitution or variation would itself give rise to a Special Event with respect to the Securities or the Qualifying Securities.

15. ENFORCEMENT

The Trustee may at any time, at its discretion and without notice, institute such proceedings, actions or steps as it thinks fit to enforce its rights under the Trust Deed in respect of the Securities, but it shall not be bound to take any such proceedings, actions or steps unless:

- (i) it has been so requested in writing by the Securityholders of at least one quarter of the aggregate principal amount of the outstanding Securities or has been so directed by an Extraordinary Resolution; and
- (ii) it has been indemnified, pre-funded and/or provided with security to its satisfaction.

No Securityholder may proceed directly against the Issuer or any of the Subsidiary Guarantors unless the Trustee, having become bound to do so, fails to do so within a reasonable time and such failure is continuing.

16. FURTHER ISSUES

The Issuer may from time to time, without the consent of the Securityholders and in accordance with the Trust Deed, create and issue further securities having the same terms and conditions as the Securities in all respects (or in all respects except for the first payment of Distribution) so as to form a single series with the Securities. The Issuer may from time to time, with the consent of the Trustee, create and issue other series of securities having the benefit of the Trust Deed.

17. NOTICES

Notices to the Securityholders shall be sent to them by first class mail (or its equivalent) or (if posted to an overseas address) by airmail at their respective addresses on the Register or, if such publication is not practicable, in a leading English language daily newspaper having general circulation in Asia (which is expected to be the *Asian Wall Street Journal*). Any such notice shall be deemed to have been given on the fourth day after the date of mailing.

So long as the Securities are represented by a Global Certificate and such Global Certificate is held on behalf of (i) Euroclear or Clearstream or any other clearing system (except as provided in (ii) below), notices to the holders of Securities of that Series may be given by delivery of the relevant notice to that clearing system for communication by it to entitled accountholders in substitution for publication as required by the Conditions, and such notice shall be deemed to have been given to the Securityholders on the date of delivery to Euroclear and/or Clearstream and/or any other relevant clearing system; or (ii) the CMU Service, notices to the holders of Securities of that Series may be given by delivery of the relevant notice to the Persons shown in a CMU Instrument Position Report issued by the Hong Kong Monetary Authority on the business day preceding the date of despatch of such notice, and any such notice shall be deemed to have been given to the holders of the Securities on the second day after the day on which the said notice is delivered to the persons shown in the relevant CMU Instrument Position Report.

18. CURRENCY INDEMNITY

If any sum due from the Issuer or any of the Subsidiary Guarantors in respect of the Securities or any order or judgment given or made in relation thereto has to be converted from the currency (the “**first currency**”) in which the same is payable under these Conditions or such order or judgment into another currency (the “**second currency**”) for the purpose of (a) making or filing a claim or proof against the Issuer or any of the Subsidiary Guarantors, (b) obtaining an order or judgment in any court or other tribunal or (c) enforcing any order or judgment given or made in relation to the Securities, the Issuer and each of the Subsidiary Guarantors shall indemnify each Securityholder, on the written demand of such Securityholder addressed to the Issuer and the Subsidiary Guarantors and delivered to the Issuer and the Subsidiary Guarantors or to the Specified Office of the Principal Paying Agent, against any loss suffered as a result of any discrepancy between (i) the rate of exchange used for such purpose to convert the sum in question from the first currency into the second currency and (ii) the rate or rates of exchange at which such Securityholder may in the ordinary course of business purchase the first currency with the second currency upon receipt of a sum paid to it in satisfaction, in whole or in part, of any such order, judgment, claim or proof.

This indemnity constitutes a separate and independent obligation of the Issuer and each of the Subsidiary Guarantors and shall give rise to a separate and independent cause of action.

19. ROUNDING

For the purposes of any calculations referred to in these Conditions (unless otherwise specified in these Conditions or the relevant Pricing Supplement), (a) all percentages resulting from such calculations will be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with 0.000005 per cent. being rounded up to 0.00001 per cent.), (b) all United States dollar amounts used in or resulting from such calculations will be rounded to the nearest cent (with one half cent being rounded up), and (c) all amounts denominated in Renminbi, Singapore dollars or any other currency used in or resulting from such calculations will be rounded to the nearest two decimal places in such currency, with 0.005 being rounded upwards.

20. GOVERNING LAW AND JURISDICTION

- (a) *Governing law:* The Securities and the Trust Deed and all non-contractual obligations arising out of or in connection with the Securities and the Trust Deed are governed by English law.
- (b) *Jurisdiction:* The Issuer and each of the Subsidiary Guarantors has (i) agreed that the courts of England shall have exclusive jurisdiction to settle any dispute (a “**Dispute**”) arising out of or in connection with the Securities; (ii) agreed that those courts are the most appropriate and convenient courts to settle any Dispute and, accordingly, that it will not argue that any other courts are more appropriate or convenient; (iii) irrevocably appointed Law Debenture Corporate Services Limited at its registered office (currently at fifth floor, 100 Wood Street, London EC2V 7EX, the United Kingdom) as its authorised agent to accept service of any process on its behalf; (iv) consented to the enforcement of any judgment; and (v) to the extent that it may in any jurisdiction claim for itself or its assets immunity from suit, execution, attachment (whether in aid of execution, before judgment or otherwise) or other legal process, and to the extent that in any such jurisdiction there may be attributed to itself or its assets or revenues such immunity (whether or not claimed), agreed not to claim and irrevocably waived such immunity to the full extent permitted by the laws of such jurisdiction. The Trust Deed also states that nothing contained in the Trust Deed prevents the

Trustee or any of the Securityholders from taking proceedings relating to a Dispute (“**Proceedings**”) in any other courts with jurisdiction and that, to the extent allowed by law, the Trustee or any of the Securityholders may take concurrent Proceedings in any number of jurisdictions.

FORM OF PRICING SUPPLEMENT IN RELATION TO THE NOTES

The Pricing Supplement in respect of each Tranche of the Notes will be substantially in the following form, duly supplemented (if necessary), amended (if necessary) and completed to reflect the particular terms of the relevant Notes and their issue.

Pricing Supplement dated [●]

CNQC International Holdings Limited
青建國際控股有限公司
(the “Issuer”)

**Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes]
under the U.S.\$500,000,000 Medium Term Note and
Perpetual Securities Programme unconditionally and irrevocably guaranteed by
the Subsidiary Guarantors**

This document constitutes the Pricing Supplement relating to the issue of the Notes described herein.

[PROHIBITION OF SALES TO EEA RETAIL INVESTORS] — The Notes are not intended, from 1 January 2018, to be offered, sold or otherwise made available to and, with effect from such date, should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (“EEA”). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (“**MiFID II**”); (ii) a customer within the meaning of Directive 2002/92/EC (“**IMD**”), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in Directive 2003/71/EC (as amended, the “**Prospectus Directive**”). Consequently no key information document required by Regulation (EU) No 1286/2014 (the “**PRIIPs Regulation**”) for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.]

Terms used herein shall be deemed to be defined as such for the purposes of the terms and conditions of the Notes (the “**Note Conditions**”) referred to in the trust deed dated 25 October 2017 between, *inter alia*, the Issuer, the Subsidiary Guarantors and DB Trustees (Hong Kong) Limited as trustee (the “**Trust Deed**”) and set forth in the offering circular dated 25 October 2017 (the “**Offering Circular**”) [and the supplemental Offering Circular dated [●]]. This document contains the final terms of the Notes described herein and must be read in conjunction with the Offering Circular [and the supplemental Offering Circular dated [date]].

[The following alternative language applies if the first tranche of an issue which is being increased was issued under an Offering Circular with an earlier date and the relevant terms and conditions from that Offering Circular with an earlier date were incorporated by reference in the current Offering Circular.

Terms used herein shall be deemed to be defined as such for the purposes of the terms and conditions of the Notes (the “**Note Conditions**”) referred to in the trust deed dated 25 October 2017 between, *inter alia*, the Issuer, the Subsidiary Guarantors and DB Trustees (Hong Kong) Limited as trustee (the “**Trust Deed**”) and set forth in the offering circular dated [original date] incorporated by reference in the offering circular dated [current date] (the “**Offering Circular**”) [and the supplemental Offering Circular [date]]. This Pricing Supplement contains the final terms of the Notes described herein and must be read in conjunction with the Offering Circular dated [current date] [and the supplemental Offering Circular dated [●]], save in respect of the Note Conditions which are set forth in the offering circular dated [original date] and are incorporated by reference in the Offering Circular.]

The Notes have not been, and will not be, registered under the United States Securities Act of 1933, as amended (the “**Securities Act**”) or with any securities regulatory authority of any state or other jurisdiction of the United States. The Notes may not be offered, sold or delivered within the United States [or to, or for the account or benefit of, U.S. persons (as defined in Regulation S under the Securities Act (“**Regulation S**”))] except in certain transactions exempt from the registration requirements of the Securities Act.

[The following language applies if the tranche of the Notes is intended to be “qualifying debt securities” (as defined in the Income Tax Act, Chapter 134 of Singapore):

Where interest, discount income, prepayment fee, redemption premium or break cost is derived from the Notes by any person who is not resident in Singapore and who carries on any operations in Singapore through a permanent establishment in Singapore, the tax exemption available for qualifying debt securities (subject to certain conditions) under the Income Tax Act, Chapter 134 of Singapore (the “ITA”), shall not apply if such person acquires the Notes using the funds and profits of such person’s operations through a permanent establishment in Singapore. Any person whose interest, discount income, prepayment fee, redemption premium or break cost derived from the Notes is not exempt from tax (including for the reasons described above) shall include such income in a return of income made under the ITA.]

[Include whichever of the following apply or specify as “Not Applicable” (N/A). Note that the numbering should remain as set out below, even if “Not Applicable” is indicated for individual paragraphs (in which case the sub-paragraphs of the paragraphs which are not applicable can be deleted). Italics denote guidance for completing the Pricing Supplement.]

[If the Notes have a maturity of less than one year from the date of their issue, the minimum denomination may need to be £100,000 or its equivalent in any other currency.]

1. (i) Issuer: CNQC International Holdings Limited 青建國際控股有限公司
- (ii) Subsidiary Guarantors: Rich Prospect Holdings Limited 豐景控股有限公司, One Million International Limited, Wang Bao Development Limited 旺寶發展有限公司, New Chic International Limited, CNQC (South Pacific) Holding Pte. Ltd. and CNQC Engineering & Construction Pte. Ltd.
2. [(i) Series Number:] [●]
- [(ii) Tranche Number: [●]]
- [(iii) Date on which the Notes become fungible]: [Not Applicable/The Notes shall be consolidated, form a single series and be interchangeable for trading purposes with the [●] on [[●]/the Issue Date/exchange of the Temporary Global Note for interests in the Permanent Global Note, as referred to in paragraph 26 below [which is expected to occur on or about [●]].]
3. Specified Currency or Currencies: . . [●]
4. Aggregate Nominal Amount: [●]
- [(i) [Series]: [●]
- [(ii) Tranche: [●]]
5. (i) Issue Price: [●] per cent. of the Aggregate Nominal Amount [plus accrued interest from *[insert date]* (in the case of fungible issues only, if applicable)]
- (ii) Net Proceeds: [●] *[(Required only for listed issues)]*

6. (i) Specified Denominations^{1 2 3}: [●]
- (ii) Calculation Amount: [●]
7. (i) Issue Date: [●]
- (ii) Interest Commencement Date: [Specify/Issue Date/Not Applicable]
8. Maturity Date: [Specify date or (for Floating Rate Notes) Interest Payment Date falling in or nearest to the relevant month and year]⁴

[If the Maturity Date is less than one year from the Issue Date and either (a) the issue proceeds are received by the Issuer in the United Kingdom, or (b) the activity of issuing the Notes is carried on from an establishment maintained by the Issuer in the United Kingdom, (i) the Notes must have a minimum redemption value of £100,000 (or its equivalent in other currencies) and be sold only to “professional investors” or (ii) another applicable exemption from section 19 of the FSMA must be available.]

9. Interest Basis: [[●] per cent. Fixed Rate]
- [[Specify reference rate] +/- [●] per cent. Floating Rate]
- [Zero Coupon]
- [Index Linked Interest]
- [Other (Specify)]
- (further particulars specified below)

¹ Notes (including Notes denominated in sterling) in respect of which the issue proceeds are to be accepted by the Issuer in the United Kingdom or whose issue otherwise constitutes a contravention of section 19 of the FSMA and which have a maturity of less than one year and must have a minimum redemption value of £100,000 (or its equivalent in other currencies).

² If the specified denomination is expressed to be EUR100,000 or its equivalent and multiples of a lower principal amount (for example EUR1,000), insert the additional wording as follows: EUR100,000 and integral multiples of [EUR1,000] in excess thereof up to and including [EUR199,000]. No Notes in definitive form will be issued with a denomination above [EUR199,000]. In relation to any issue of the Notes which are a “Global Note exchangeable for Definitive Notes” in circumstances other than “in the limited circumstances specified in the Global Notes”, such Notes may only be issued in denominations equal to, or greater than, EUR100,000 (or equivalent) and multiples thereof.

³ For so long as any Notes are listed on the Singapore Exchange Securities Trading Limited (the “SGX-ST”) and the rules of the SGX-ST so require, such Notes will be traded on the SGX-ST in a minimum board lot size of not less than S\$200,000 (or its equivalent in other currencies).

⁴ Note that for Renminbi or Hong Kong dollar denominated Fixed Rate Notes where Interest Payment Dates are subject to modification it will be necessary to use the second option here.

10. Redemption/Payment Basis: [Redemption at par]
[Index Linked Redemption]
[Dual Currency]
[Partly Paid]
[Instalment]
[Other (*Specify*)]
11. Change of Interest or Redemption/
Payment Basis: [*Specify details of any provision for convertibility of
the Notes into another interest or redemption/payment
basis/Not Applicable*]
12. Put/Call Options: [Investor Put]
[Issuer Call]
[Relevant Event Put]
(further particulars specified below)
13. [Date of [Board] approval for [●]
issuance of Notes] obtained:
(*N.B. Only relevant where Board (or similar)
authorisation is required for the particular tranche
of Notes*)
14. Listing: [Singapore Exchange Securities Trading Limited
(“SGX-ST”)/Other (*specify*)/None]
(*For Notes to be listed, insert the expected effective
listing date of the Notes*)
15. Method of distribution: [Syndicated/Non-syndicated]

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

16. **Fixed Rate Note Provisions** [Applicable/Not Applicable]
(*If not applicable, delete the remaining sub-
paragraphs of this paragraph*)
- (i) Rate[(s)] of Interest: [●] per cent. per annum [payable [annually/semi-
annually/quarterly/monthly/other (*specify*)] in arrear]
- (ii) Interest Payment Date(s): [●] in each year [adjusted in accordance with [*specify
Business Day Convention and any applicable Business
Centre(s) for the definition of “Business Day”*]/not
adjusted]⁵

⁵ Note that for certain Renminbi or Hong Kong dollar denominated Fixed Rate Notes the Interest Payment Dates are subject to adjustment in accordance with the Modified Following Business Day Convention.

- (iii) Fixed Coupon Amount[(s)]: . . . [●] per Calculation Amount⁶
 - (iv) Broken Amount(s): [●] per Calculation Amount, payable on the Interest Payment Date falling [in/on] [●]
 - (v) Day Count Fraction: [30/360/Actual/Actual (ICMA/ISDA)/Actual/365 (Fixed)/other]
 - (vi) Determination Dates: [[●] in each year (insert regular interest payment dates, ignoring Issue Date or Maturity Date in the case of a long or short first or last coupon. N.B. only relevant where Day Count Fraction is Actual/Actual (ICMA))]
 - (vii) Other terms relating to the method of calculating interest for Fixed Rate Notes: [Not Applicable/give details]
17. **Floating Rate Note Provisions** . . . [Applicable/Not Applicable]
- (If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (i) Interest Period(s): [●]
 - (ii) Specified Period: [●]
 - (iii) Specified Interest Payment Dates: [●]
- (Specified Period and Specified Interest Payment Dates are alternatives. A Specified Period, rather than Specified Interest Payment Dates, will only be relevant if the Business Day Convention is the FRN Convention, Floating Rate Convention or Eurodollar Convention. Otherwise, insert "Not Applicable")*
- (iv) First Interest Payment Date: . . . [●]
 - (v) Business Day Convention: . . . [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/other (give details)]
 - (vi) Additional Business Centre(s): [Not Applicable/give details]
 - (vii) Manner in which the Rate(s) of Interest is/are to be determined: [Screen Rate Determination/ISDA Determination/other (give details)]

⁶ For Renminbi or Hong Kong dollar denominated Fixed Rate Notes where the Interest Payment Dates are subject to modification the following alternative wording is appropriate: "Each Fixed Coupon Amount shall be calculated by multiplying the product of the Rate of Interest and the Calculation Amount by the Day Count Fraction and rounding the resultant figure to the nearest RMB0.01, RMB0.005 for the case of Renminbi-denominated Fixed Rate Notes and to the nearest HK\$0.01, HK\$0.005 for the case of Hong Kong dollar denominated Fixed Rate Notes, being rounded upwards".

- (viii) Party responsible for calculating the Rate(s) of Interest and/or Interest Amount(s) (if not the Principal Paying Agent): *[[Name] shall be the Calculation Agent (no need to specify if the Principal Paying Agent is to perform this function)]*
- (ix) Screen Rate Determination:
- Reference Rate: *[For example, LIBOR, EURIBOR, HIBOR or CNH HIBOR]*
 - Interest Determination Date(s): [●]
(Second London business day prior to the start of each Interest Period if LIBOR (other than sterling, Hong Kong dollar or euro LIBOR), second Hong Kong business day prior to the start of each Interest Period if CNH HIBOR, first day of each Interest Period if sterling LIBOR or Hong Kong dollar LIBOR or HIBOR and the second day on which the TARGET2 System is open prior to the start of each Interest Period if EURIBOR or euro LIBOR)
 - Relevant Screen Page: *[For example, Reuters LIBOR 01/EURIBOR 01]*
 - Relevant Time: *[For example, 11.00 a.m. London time/Brussels time/Hong Kong time]*
 - Relevant Financial Centre: . . . *[For example, London/Euro-zone (where Euro-zone means the region comprised of the countries whose lawful currency is the euro/Hong Kong)]*
- (x) ISDA Determination:
- Floating Rate Option: [●]
 - Designated Maturity: [●]
 - Reset Date: [●]
- (xi) Linear interpolation: *[Not Applicable/Applicable — the Rate of Interest for the [long/short] [first/last] Interest Period shall be calculated using Linear Interpolation (specify for each short or long interest period)]*
- (xii) Margin(s): *[+/-] [●] per cent. per annum*
- (xiii) Minimum Rate of Interest: . . . [●] per cent. per annum
- (xiv) Maximum Rate of Interest: . . [●] per cent. per annum
- (xv) Day Count Fraction: [●]
- (xvi) Fall back provisions, rounding provisions, denominator and any other terms relating to the method of calculating interest on Floating Rate Notes, if different from those set out in the Note Conditions: [●]

18. **Zero Coupon Note Provisions.** . . . [Applicable/Not Applicable]
- (If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (i) Accrual Yield: [●] per cent. per annum
 - (ii) Reference Price: [●]
 - (iii) Day Count Fraction in relation to Early Redemption Amount: [30/360/Actual/Actual (ICMA/ISDA)/other]
 - (iv) Any other formula/basis of determining amount payable: . [●]
19. **Index-Linked Interest Note/other variable-linked interest Note Provisions.** [Applicable/Not Applicable]
- (If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (i) Index/Formula/other variable: . *[give or annex details]*
 - (ii) Calculation Agent responsible for calculating the interest due: [●]
 - (iii) Provisions for determining Coupon where calculated by reference to Index and/or Formula and/or other variable: [●]
 - (iv) Interest Determination Date(s): [●]
 - (v) Provisions for determining Coupon where calculation by reference to Index and/or Formula and/or other variable is impossible or impracticable or otherwise disrupted: [●]
 - (vi) Interest or calculation period(s): [●]
 - (vii) Specified Period: [●]
- (Specified Period and Specified Interest Payment Dates are alternatives. A Specified Period, rather than Specified Interest Payment Dates, will only be relevant if the Business Day Convention is the FRN Convention, Floating Rate Convention or Eurodollar Convention. Otherwise, insert "Not Applicable")*
- (viii) Specified Interest Payment Dates: [●]
- (Specified Period and Specified Interest Payment Dates are alternatives. If the Business Day Convention is the FRN Convention, Floating Rate Convention or Eurodollar Convention, insert "Not Applicable")*

- (ix) Business Day Convention: . . . [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/other (give details)]
- (x) Additional Business Centre(s): [●]
- (xi) Minimum Rate/Amount of Interest: [●] per cent. per annum
- (xii) Maximum Rate/Amount of Interest: [●] per cent. per annum
- (xiii) Day Count Fraction: [●]

20. **Dual Currency Note Provisions** . . [Applicable/Not Applicable]

(If not applicable, delete the remaining subparagraphs of this paragraph)

- (i) Rate of Exchange/method of calculating Rate of Exchange: [give details]
- (ii) Calculation Agent, if any, responsible for calculating the principal and/or interest due: . [●]
- (iii) Provisions applicable where calculation by reference to Rate of Exchange impossible or impracticable: [●]
- (iv) Person at whose option Specified Currency(ies) is/are payable: [●]

PROVISIONS RELATING TO REDEMPTION

21. **Call Option** [Applicable/Not Applicable]

(If not applicable, delete the remaining subparagraphs of this paragraph)

- (i) Optional Redemption Date(s): [●]
- (ii) Optional Redemption Amount(s) of each Note and method, if any, of calculation of such amount(s): [●] per Calculation Amount
- (iii) If redeemable in part:
 - Minimum Redemption Amount: [●] per Calculation Amount
 - Maximum Redemption Amount: [●] per Calculation Amount
- (iv) Notice period: [●]

22. **Put Option** [Applicable/Not Applicable]

(If not applicable, delete the remaining sub-paragraphs of this paragraph)

- (i) Optional Redemption Date(s): [●]
- (ii) Optional Redemption Amount(s) of each Note and method, if any, of calculation of such amount(s): [●] per Calculation Amount
- (iii) Notice period: [●]

23. **Final Redemption Amount of each Note** [●] per Calculation Amount

In cases where the Final Redemption Amount is Index-Linked or other variable-linked:

- (i) Index/Formula/variable: [give or annex details]
- (ii) Calculation Agent responsible for calculating the Final Redemption Amount: [●]
- (iii) Provisions for determining Final Redemption Amount where calculated by reference to Index and/or Formula and/or other variable: [●]
- (iv) Date for determining Final Redemption Amount where calculation by reference to Index and/or Formula and/or other variable: [●]
- (v) Provisions for determining Final Redemption Amount where calculation by reference to Index and/or Formula and/or other variable is impossible or impracticable or otherwise disrupted: [●]
- (vi) [Payment Date]: [●]
- (vii) Minimum Final Redemption Amount: [●] per Calculation Amount
- (viii) Maximum Final Redemption Amount: [●] per Calculation Amount

24. **Early Redemption Amount** [Not Applicable]

- (i) Early Redemption Amount(s) [[●] per Calculation Amount/as set out in the Note per Calculation Amount Conditions (*Specify the Early Redemption Amount payable on redemption for tax reasons, on a relevant event or other early redemption and/ or the method of calculating the same (if required or if different from that set out in the Note Conditions):*)]
Conditions (*Specify the Early Redemption Amount (Relevant Event) if different from the amount specified in the Notes and/or the Early Redemption Amount (Tax) if different from the principal amount of the Notes*)
- (ii) Early Termination Amount [[●] per Calculation Amount/as set out in the Note per Calculation Amount Conditions (*Specify the Early Termination Amount payable on mandatory redemption on event of default and/or the method of calculating the same (if required or if different from that set out in the Note Conditions):*)]
Conditions (*Specify the Early Termination Amount if different from the principal amount of the Notes or specify its method of calculation*)

GENERAL PROVISIONS APPLICABLE TO THE NOTES

25. **Form of the Notes:** **Bearer Notes:**⁷

[Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes on [●] days' notice/in the limited circumstances specified in the Permanent Global Note]⁸

[Temporary Global Note exchangeable for Definitive Notes on [●] days' notice]⁹

[Permanent Global Note exchangeable for Definitive Notes on [●] days' notice/in the limited circumstances specified in the Permanent Global Note]¹⁰

Registered Notes:

[Global Note Certificate exchangeable for Individual Note Certificates on [●] days' notice/in the limited circumstances specified in the Global Note Certificate]¹¹

⁷ Bearer Notes issued in compliance with the TEFRA D Rules must initially be represented by a Temporary Global Note.

⁸ If the Specified Denominations of the Notes in paragraph 6 includes language substantially to the following effect: "EUR100,000 and integral multiples of [EUR1,000] in excess thereof up to and including [EUR199,000]", the Temporary Global Note shall not be exchangeable on [●] days' notice.

⁹ If the Specified Denominations of the Notes in paragraph 6 includes language substantially to the following effect: "EUR100,000 and integral multiples of [EUR1,000] in excess thereof up to and including [EUR199,000]", the Temporary Global Note shall not be exchangeable on [●] days' notice.

¹⁰ If the Specified Denominations of the Notes in paragraph 6 includes language substantially to the following effect: "EUR100,000 and integral multiples of [EUR1,000] in excess thereof up to and including [EUR199,000]", the Permanent Global Note shall not be exchangeable on [●] days' notice.

¹¹ If the Specified Denominations of the Notes in paragraph 6 includes language substantially to the following effect: "EUR100,000 and integral multiples of [EUR1,000] in excess thereof up to and including [EUR199,000]", the Global Note Certificate shall not be exchangeable on [●] days' notice.

26. Additional Financial Centre(s) or other special provisions relating to payment dates: [Not Applicable/*give details*]
(Note that this paragraph relates to the date and place of payment, and not interest period end dates, to which sub paragraphs 17(vi) and 19(x) relate)
27. Talons for future Coupons or Receipts to be attached to Definitive Notes (and dates on which such Talons mature): [Yes/No. As the Notes have more than 27 coupon payments, talons may be required if, on exchange into definitive form, more than 27 coupon payments are left.]
28. Details relating to Partly Paid Notes: amount of each payment comprising the Issue Price and date on which each payment is to be made [and consequences (if any) of failure to pay, including any right of the Issuer to forfeit the Notes and interest due on late payment]: [Not Applicable/*give details*]
29. Details relating to Instalment Notes: amount of each instalment, date on which each payment is to be made: [Not Applicable/*give details*]
30. Redenomination, renominatisation and reconventioning provisions: [Not Applicable/The provisions annexed to this Pricing Supplement apply]
31. Consolidation provisions: [The provisions in Note Condition 19 (*Further Issues*) annexed to this Pricing Supplement] apply]
32. Any applicable currency disruption/fallback provisions: [Not Applicable/*give details*]
33. Other terms or special conditions: [Not Applicable/*give details*]

DISTRIBUTION

34. (i) If syndicated, names of Managers: [Not Applicable/*give names*]
- (ii) Stabilising Manager(s) (if any): [Not Applicable/*give name*]
35. If non-syndicated, name and address of Dealer: [Not Applicable/*give name and address*]
36. Total commission and concession: [●] per cent. of the Aggregate Nominal Amount
37. U.S. Selling Restrictions: Reg. S Category [1/2]
(In the case of Bearer Notes) — [TEFRA C RULES/TEFRA D RULES/TEFRA not applicable]
(In the case of Registered Notes) — [TEFRA not applicable.]¹²
38. Additional selling restrictions: [Not Applicable/*give details*]

¹² *TEFRA not applicable may only be used for Registered Notes, or Bearer Notes with a maturity of 365 days or less (taking into account any unilateral rights to extend or rollover). Bearer Notes with a maturity of more than 365 days (taking into account unilateral rights to extend or rollover) that are held through the CMU Service must be issued in compliance with the C Rules, unless at the time of issuance the CMU Service and the CMU Lodging and Paying Agent have procedures in place so as to enable compliance with the certification requirements under the D Rules.*

OPERATIONAL INFORMATION

39. ISIN: [●]
40. Common Code: [●]
41. CMU Instrument Number: [●]
42. Any clearing system(s) other than Euroclear, Clearstream and the CMU Service and the relevant identification number(s): [Not Applicable/give name(s) and number(s)]
43. Delivery: Delivery [against/free of] payment
44. Additional Paying Agent(s) (if any): [●]

GENERAL

45. Private Bank Rebate/Commission: . . [Applicable/Not Applicable]
46. The aggregate principal amount of the Notes issued has been translated into U.S. dollars at the rate of [●], producing a sum of (for Notes not denominated in U.S. dollars): [Not Applicable/U.S.\$[●]]
47. [Ratings: The Notes to be issued have been rated:

[[●]: [●]];

[[●]: [●]]; [and]

(each a “**Rating Agency**”)

If any Rating Agency shall not make a rating of the Notes publicly available, the Issuer shall select and substitute them with [●] or [●] and its successors.]

[USE OF PROCEEDS

Give details if different from the “Use of Proceeds” section in the Offering Circular.]

STABILISING

In connection with this issue of the Notes, [*name(s) of Stabilising Manager*] (the “**Stabilising Manager**”) (or persons acting on behalf of any Stabilising Manager) may over-allot Notes or effect transactions with a view to supporting the price of the Notes at a level higher than that which might otherwise prevail for a limited period after the Issue Date. However, there is no obligation on such Stabilising Manager(s) to do this. Such stabilising, if commenced, may be discontinued at any time, and must be brought to an end after a limited period. Such stabilising shall be in compliance with all applicable laws, regulations and rules.

PURPOSE OF PRICING SUPPLEMENT

This Pricing Supplement comprises the final terms required for issue and admission to the [Official List of the Singapore Exchange Securities Limited (the “**SGX-ST**”)/specify relevant stock exchange or market] of the Notes described herein pursuant to the U.S.\$500,000,000 Medium Term Note and Perpetual Securities Programme of the Issuer and the Subsidiary Guarantors.

RESPONSIBILITY

[The SGX-ST takes no responsibility for the correctness of any of the statements made or opinions expressed or reports contained in this Pricing Supplement. The admission of the Notes to the Official List of the SGX-ST is not to be taken as an indication of the merits of the Issuer, the Subsidiary Guarantors, the Programme or the Notes./include any language required to be included by the relevant stock exchange or market]

Each of the Issuer and the Subsidiary Guarantors accepts responsibility for the information contained in this Pricing Supplement.

Signed on behalf of
CNQC International Holdings Limited
青建國際控股有限公司

By:
Duly authorised

Signed on behalf of
Rich Prospect Holdings Limited
豐景控股有限公司

By:
Duly authorised

Signed on behalf of
One Million International Limited

By:
Duly authorised

Signed on behalf of
Wang Bao Development Limited
旺寶發展有限公司

By:
Duly authorised

Signed on behalf of
New Chic International Limited

By:
Duly authorised

Signed on behalf of
CNQC (South Pacific) Holding Pte. Ltd.

By:
Duly authorised

Signed on behalf of
CNQC Engineering & Construction Pte. Ltd.

By:
Duly authorised

FORM OF PRICING SUPPLEMENT IN RELATION TO SECURITIES

The Pricing Supplement in respect of each Tranche of the Securities will be substantially in the following form, duly supplemented (if necessary), amended (if necessary) and completed to reflect the particular terms of the relevant Securities and their issue.

Pricing Supplement dated [●]

CNQC International Holdings Limited
青建國際控股有限公司
(the “Issuer”)

**Issue of [Aggregate Nominal Amount of Tranche] [Title of Securities]
under the U.S.\$500,000,000 Medium Term Note and
Perpetual Securities Programme unconditionally and irrevocably guaranteed by
the Subsidiary Guarantors**

This document constitutes the Pricing Supplement relating to the issue of the Securities described herein.

[PROHIBITION OF SALES TO EEA RETAIL INVESTORS — The Securities are not intended, from 1 January 2018, to be offered, sold or otherwise made available to and, with effect from such date, should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (“EEA”). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (“**MiFID II**”); (ii) a customer within the meaning of Directive 2002/92/EC (“**IMD**”), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in Directive 2003/71/EC (as amended, the “**Prospectus Directive**”). Consequently no key information document required by Regulation (EU) No 1286/2014 (the “**PRIIPs Regulation**”) for offering or selling the Securities or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Securities or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.]

Terms used herein shall be deemed to be defined as such for the purposes of the terms and conditions of the Securities (the “**Security Conditions**”) referred to in the trust deed dated 25 October 2017 between, *inter alia*, the Issuer, the Subsidiary Guarantors and DB Trustees (Hong Kong) Limited as trustee (the “**Trust Deed**”) and set forth in the offering circular dated 25 October 2017 (the “**Offering Circular**”) [and the supplemental Offering Circular dated [●]]. This document contains the final terms of the Securities described herein and must be read in conjunction with the Offering Circular [and the supplemental Offering Circular dated [date]].

[The following alternative language applies if the first tranche of an issue which is being increased was issued under an Offering Circular with an earlier date and the relevant terms and conditions from that Offering Circular with an earlier date were incorporated by reference in the current Offering Circular.

Terms used herein shall be deemed to be defined as such for the purposes of the terms and conditions of the Securities (the “**Security Conditions**”) referred to in the trust deed dated 25 October 2017 between, *inter alia*, the Issuer, the Subsidiary Guarantors and DB Trustees (Hong Kong) Limited as trustee (the “**Trust Deed**”) and set forth in the offering circular dated [original date] incorporated by reference in the offering circular dated [current date] (the “**Offering Circular**”) [and the supplemental Offering Circular [date]]. This Pricing Supplement contains the final terms of the Securities described herein and must be read in conjunction with the Offering Circular dated [current date] [and the supplemental Offering Circular dated [●]], save in respect of the Security Conditions which are set forth in the offering circular dated [original date] and are incorporated by reference in the Offering Circular.]

[The following language applies if the tranche of the Securities is intended to be “qualifying debt securities” (as defined in the Income Tax Act, Chapter 134 of Singapore):

Where interest, discount income, prepayment fee, redemption premium or break cost is derived from the Securities by any person who is not resident in Singapore and who carries on any operations in Singapore through a permanent establishment in Singapore, the tax exemption available for qualifying debt securities (subject to certain conditions) under the Income Tax Act, Chapter 134 of Singapore (the “**ITA**”), shall not apply if such person acquires the Securities using the funds and profits of such person’s operations through a permanent establishment in Singapore. Any person whose interest, discount income, prepayment fee, redemption premium or break cost derived from the Securities is not exempt from tax (including for the reasons described above) shall include such income in a return of income made under the ITA.]

The Securities have not been, and will not be, registered under the United States Securities Act of 1933, as amended (the “**Securities Act**”) or with any securities regulatory authority of any state or other jurisdiction of the United States. The Securities may not be offered, sold or delivered within the United States [or to, or for the account or benefit of, U.S. persons (as defined in Regulation S under the Securities Act (“**Regulation S**”))] except in certain transactions exempt from the registration requirements of the Securities Act.

[Include whichever of the following apply or specify as “Not Applicable” (N/A). Note that the numbering should remain as set out below, even if “Not Applicable” is indicated for individual paragraphs (in which case the sub-paragraphs of the paragraphs which are not applicable can be deleted). Italics denote guidance for completing the Pricing Supplement.]

1. (i) Issuer: CNQC International Holdings Limited 青建國際控股有限公司
- (ii) Subsidiary Guarantors: Rich Prospect Holdings Limited 豐景控股有限公司, One Million International Limited, Wang Bao Development Limited 旺寶發展有限公司, New Chic International Limited, CNQC (South Pacific) Holding Pte. Ltd. and CNQC Engineering & Construction Pte. Ltd.
2. (i) Series Number: [●]
- (ii) Tranche Number: [●]
- [(iii) Date on which the Securities become fungible: [Not Applicable/The Securities shall be consolidated, form a single series and be interchangeable for trading purposes with the [●] on [[●]/the Issue Date [which is expected to occur on or about [●]].]
3. Specified Currency or Currencies: [U.S. dollars/Renminbi/Singapore dollars/Other (*Specify*)]
4. Aggregate Nominal Amount:
 - [(i) Series:] [●]
 - [(ii) Tranche: [●]]
5. [(i)] Issue Price: [●] per cent. of the Aggregate Nominal Amount [plus accrued distribution from [●] (*if applicable*)]
- [(ii) Net Proceeds: [●] (*Required only for listed issues*)]

6. (i) Specified Denominations^{13 14}: [●]
- (ii) Calculation Amount¹⁵: [●]
7. (i) Issue Date: [●]
- (ii) Distribution Commencement Date: [Specify/Issue Date/Not Applicable]
8. Distribution Basis: [[●] per cent. Fixed Rate]
- [Other (Specify)]
- (further particulars specified below)
9. Call Options: [Call Option]
- [Redemption for Accounting Reasons]
- [Redemption for Relevant Event]
- [Redemption for Breach of Covenant Event]
- [Redemption for Relevant Indebtedness Default Event]
- [Other (Specify)]
- [(further particulars specified below)]
10. Date of [Board] approval for issuance of Securities obtained: . . . [●]
- (N.B. Only relevant where Board (or similar) authorisation is required for the particular tranche of Securities)*
11. Listing: [Singapore Exchange Securities Trading Limited (“SGX-ST”)/Other (specify)/None]
- (For Securities to be listed, insert the expected effective listing date of the Securities)*
12. Method of distribution: [Syndicated/Non-syndicated]

¹³ If the specified denomination is expressed to be €100,000 or their equivalent and multiples of a lower principal amount (for example €1,000), insert the additional wording as follows:

“€100,000 and integral multiples of [€1,000] in excess thereof up to and including €199,000. No securities in definitive form will be issued with a denomination above €199,000”.

¹⁴ For so long as any Securities are listed on the Singapore Exchange Securities Trading Limited (the “SGX-ST”) and the rules of the SGX-ST so require, such Securities will be traded on the SGX-ST in a minimum board lot size of not less than S\$200,000 (or its equivalent in other currencies).

¹⁵ The applicable Calculation Amount will be (i) if there is only one Specified Denomination, the Specified Denomination of the relevant Securities or (ii) if there are several Specified Denomination, the highest common factor of those Specified Denominations (note: there must be a common factor in the case of two or more Specified Denominations).

PROVISIONS RELATING TO DISTRIBUTION PAYABLE

13. Rate of Distribution:

- (i) Initial Distribution Rate: [●] per cent. per annum payable [semi-annually] in arrear
- (ii) Distribution Payment Date(s): [●] and [●] in each year [adjusted in accordance with *[specify Business Day Convention and any applicable Business Centre(s) for the definition of "Business Day"]*]/[not adjusted]
- (iii) Reset Date: [[●]/Not Applicable]
- (iv) First Call Date: [[●]/Not Applicable]
- (v) Relevant Reset Distribution Rate: [Applicable/Not Applicable]
(If not applicable, delete the remaining subparagraphs of this paragraph)
- Initial Spread: [●]
 - Benchmark Rate: [US Treasury Benchmark Rate/CNY Benchmark Rate/SGD Benchmark Rate]
(delete as appropriate according to the Specified Currency)
 - Comparable Period: [●]
 - Step-up Rate: [[●] per cent. per annum/other *(give details)*]
 - Other terms relating to the method of determining the Benchmark Rate: [None/Give details]¹⁶
- (v) Day Count Fraction: [30/360/Actual/365 (Fixed)/other *(give details)*]
- (vi) Business Day Convention . . . : [Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/Floating Rate Convention/No Adjustment/other *(give details)*]
- (vii) Specified Period: [●]
(A Specified Period will only be relevant if the Business Day Convention is the FRN Convention, Floating Rate Convention or Eurodollar Convention. Otherwise, insert "Not Applicable")
- (viii) Party responsible for calculating the Distribution Rate(s) and/or Distribution amount(s) (if not the Principal Paying Agent): *[[Name] shall be the Calculation Agent (no need to specify if the Principal Paying Agent is to perform this function)]*

¹⁶ Where CNY Benchmark Rate or SGD Benchmark Rate is selected, consider specifying how these will be calculated in the Pricing Supplement.

14. Distribution Deferral:

- (i) Dividend Pusher: [Applicable/Not Applicable/*give details*]
- (ii) Dividend Stopper: [Applicable/Not Applicable/*give details*]
- (iii) Parity Obligations: [As set out in the Conditions/[●]]
- (iv) Junior Obligations: [As set out in the Conditions/[●]]

15. Increase in Distribution Rate upon Step-Up Event: [Applicable/Not Applicable]

(If not applicable, delete the remaining sub-paragraphs of this paragraph)

- (i) Increase in Distribution Rate following the occurrence of a Relevant Event: [Applicable/Not Applicable]
- (ii) Increase in Distribution Rate following the occurrence of a Breach of Covenant Event: . . [Applicable/Not Applicable]
- (iii) Increase in Distribution Rate following the occurrence of a Relevant Indebtedness Default Event: [Applicable/Not Applicable]
- (iv) Step-up Rate: [As set out in paragraph 13(v)/[●] per cent. per annum/other (*give details*)]

16. Other terms relating to the method of calculating Distribution: [None/*Give details*]

PROVISIONS RELATING TO REDEMPTION

17. Call Option (Issuer): [Applicable/Not Applicable] *(If not applicable, delete the remaining sub-paragraphs of this paragraph)*

- (i) Optional Redemption Date(s): [First Call Date and on any Distribution Payment Date after the First Call Date/other (*give details*)]
- (ii) Optional Redemption Amount (Issuer) of each Security: [As defined in the Conditions/[●] per Calculation Amount]
- (iii) Notice period: [As set out in the Conditions/[●]]
- [(iv) If redeemable in part: *(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
 - Maximum Redemption Amount: [●] per Calculation Amount
 - Minimum Redemption Amount: [●] per Calculation Amount

18. Redemption for Tax Reasons: Applicable

- (i) Early Redemption Amount (Tax) of each Security: [As defined in the Conditions/[●] per Calculation Amount]
- (ii) Notice period: [As set out in the Conditions/[●]]

19. **Accounting Event Redemption:** . . . [Applicable/Not Applicable]
(If not applicable, delete the remaining sub-paragraphs of this paragraph)
- (i) Early Redemption Amount [As defined in the Conditions/[●] per Calculation
(Accounting Event) of each Amount]
Security:
(Applicable before the First Call Date)
- (ii) Notice period: [As set out in the Conditions/[●]]
20. **Relevant Event Redemption:** [Applicable/Not Applicable]
(If not applicable, delete the remaining sub-paragraphs of this paragraph)
- (i) Early Redemption Amount [As defined in the Conditions/[●] per Calculation
(Relevant Event) of each Amount]
Security:
(Specify the nature of the Relevant Event and the applicable redemption amount)
- (ii) Notice period: [As set out in the Conditions/[●]]
21. **Breach of Covenant Event Redemption:** [Applicable/Not Applicable]
(If not applicable, delete the remaining sub-paragraphs of this paragraph)
- (i) Early Redemption Amount [As defined in the Conditions/[●] per Calculation
(Breach of Covenant Event) Amount]
of each Security:
- (ii) Notice period: [As set out in the Conditions/[●]]
22. **Relevant Indebtedness Default Event Redemption:** [Applicable/Not Applicable]
(If not applicable, delete the remaining sub-paragraphs of this paragraph)
- (i) Early Redemption Amount [As defined in the Conditions/[●] per Calculation
(Relevant Indebtedness Default Event) of each Security:
- (ii) Notice period: [As set out in the Conditions/[●]]
23. **Redemption for Minimum Outstanding Amount:** Applicable
- (i) Optional Redemption Amount [As defined in the Conditions/[●] per Calculation
(Minimum Outstanding Amount):
- (ii) Notice period: [As set out in the Conditions/[●]]

GENERAL PROVISIONS APPLICABLE TO THE SECURITIES

24. Special Event Substitution or [Applicable; as set out in the conditions/*give details*]/
Variation: [Not Applicable]
25. **Form of the Securities:** **Registered Securities only**

[Global Security Certificate exchangeable for Individual Security Certificates on [●] days' notice/at any time/in the limited circumstances specified in the Global Security Certificate]¹⁷
26. Additional Financial Centre(s) or [Not Applicable/*give details*]
other special provisions relating to
payment dates: *(Note that this paragraph relates to the date and place of payment, and not the distribution payment period end dates, to which sub-paragraph 13(ii) relates)*
27. Redenomination, renominatisation [Not Applicable/The provisions annexed to this
and reconventioning provisions: . . . Pricing Supplement apply]
28. Consolidation provisions: [The provisions in Condition 16 (*Further Issues*)
[annexed to this Pricing Supplement] apply]
29. Any applicable currency disruption/ [Not Applicable/*give details*]
fallback provisions:
30. Other terms or special conditions: . . [Not Applicable/*give details*]

DISTRIBUTION

31. Method of Distribution: [Syndicated/Non-syndicated]
- (i) If syndicated, names of [Not Applicable/*give names*]
Managers:
- (ii) Stabilising Manager(s), [Not Applicable/*give names*]
if any:
32. If non-syndicated, name and address [Not Applicable/*give name and address*]
of Dealer:
33. Total commission and concession: . [●] per cent. of the Aggregate Nominal Amount
34. U.S. Selling Restrictions: Reg. S Compliance Category [1/2]; TEFRA not
applicable
35. Additional selling restrictions: [Not Applicable/*give details*]

¹⁷ If the Specified Denominations of the Securities in paragraph 6 includes language substantially to the following effect: "EUR100,000 and integral multiples of [EUR1,000] in excess thereof up to and including [EUR199,000]", the Global Security Certificate shall not be exchangeable on [●] days' notice.

OPERATIONAL INFORMATION

36. ISIN: [●]
37. Common Code: [●]
38. CMU Instrument Number: [●]
39. Any clearing system(s) other than Euroclear, Clearstream and/or the CMU Service, and the relevant identification number(s): [Not Applicable/give name(s) and number(s)]
40. Delivery: Delivery [against/free of] payment
41. Names and addresses of additional Paying Agent(s) (if any): [[●]/Not Applicable]

GENERAL

42. Private Bank Rebate/Commission: [Applicable/Not Applicable]
43. The aggregate principal amount of Securities issued has been translated into U.S. dollars at the rate of [●], producing a sum of (for Securities not denominated in U.S. dollars): [Not Applicable/U.S.\$[●]]
44. Ratings: [Not Applicable]/[The Securities to be issued [have been/are expected to be] rated:
- [Standard & Poor's: [●]]
- [Moody's: [●]]
- [Fitch: [●]]
- [[Other]: [●]]
- (each, a “**Rating Agency**”)
- If any Rating Agency shall not make a rating of the Securities publicly available, the Issuer shall select and substitute them with [●] or [●] and its successors.]

[USE OF PROCEEDS

Give details if different from the “Use of Proceeds” section in the Offering Circular.]

STABILISING

In connection with this issue of the Securities, [*name(s) of Stabilising Manager*] (the “**Stabilising Manager**”) (or persons acting on behalf of any Stabilising Manager) may over-allot Securities or effect transactions with a view to supporting the price of the Securities at a level higher than that which might otherwise prevail for a limited period after the Issue Date. However, there is no obligation on such Stabilising Manager(s) to do this. Such stabilising, if commenced, may be discontinued at any time, and must be brought to an end after a limited period. Such stabilising shall be in compliance with all applicable laws, regulations and rules.

PURPOSE OF PRICING SUPPLEMENT

This Pricing Supplement comprises the final terms required for issue and admission to the [Official List of the Singapore Exchange Securities Limited (the “**SGX-ST**”)/*specify relevant stock exchange or market*] of the Securities described herein pursuant to the U.S.\$500,000,000 Medium Term Note and Perpetual Securities Programme of the Issuer and the Subsidiary Guarantors.

RESPONSIBILITY

[The SGX-ST takes no responsibility for the correctness of any of the statements made or opinions expressed or reports contained in this Pricing Supplement. The admission of the Securities to the Official List of the SGX-ST is not to be taken as an indication of the merits of the Issuer, the Subsidiary Guarantors, the Programme or the Securities./*include any language required to be included by the relevant stock exchange or market*]

Each of the Issuer and the Subsidiary Guarantors accepts responsibility for the information contained in this Pricing Supplement.

Signed on behalf of
CNQC International Holdings Limited
青建國際控股有限公司

By:
Duly authorised

Signed on behalf of
Rich Prospect Holdings Limited
豐景控股有限公司

By:
Duly authorised

Signed on behalf of
One Million International Limited

By:
Duly authorised

Signed on behalf of
Wang Bao Development Limited
旺寶發展有限公司

By:
Duly authorised

Signed on behalf of
New Chic International Limited

By:
Duly authorised

Signed on behalf of
CNQC (South Pacific) Holding Pte. Ltd.

By:
Duly authorised

Signed on behalf of
CNQC Engineering & Construction Pte. Ltd.

By:
Duly authorised

SUMMARY OF PROVISIONS RELATING TO THE INSTRUMENTS WHILE IN GLOBAL FORM

BEARER NOTES

Each Tranche of the Notes to be issued in bearer form (“**Bearer Notes**”) will initially be in the form of either a temporary global note in bearer form (the “**Temporary Global Note**”), without interest coupons, or a permanent global note in bearer form (the “**Permanent Global Note**”), without interest coupons, in each case as specified in the relevant Pricing Supplement. Each Temporary Global Note or, as the case may be, Permanent Global Note (each a “**Global Note**”) will be deposited on or around the issue date of the relevant Tranche of the Notes with a depository or a common depository for Euroclear as operator of the Euroclear System and/or Clearstream and/or a sub-custodian for the CMU Service and/or any other relevant clearing system.

In the case of each Tranche of Bearer Notes, the relevant Pricing Supplement will also specify whether United States Treasury Regulation §1.163–5(c)(2)(i)(C) (the “**TEFRA C Rules**”) or United States Treasury Regulation §1.163–5(c)(2)(i)(D) (the “**TEFRA D Rules**”) are applicable in relation to the Notes or, if the Notes do not have a maturity of more than 365 days, that neither the TEFRA C Rules nor the TEFRA D Rules are applicable.

Temporary Global Note exchangeable for Permanent Global Note

If the relevant Pricing Supplement specifies the form of Notes as being “Temporary Global Note exchangeable for a Permanent Global Note”, then the Notes will initially be issued in the form of a Temporary Global Note which will be exchangeable, in whole or in part, for interests in a Permanent Global Note, without interest coupons, from the date (the “**Exchange Date**”) which is 40 days after the issue date of the relevant Tranche of the Notes upon certification as to non-U.S. beneficial ownership. No payments will be made under the Temporary Global Note after the Exchange Date unless exchange for interests in the Permanent Global Note is improperly withheld or refused. In addition, interest payments in respect of the Notes cannot be collected without such certification of non-U.S. beneficial ownership, as described above.

Whenever any interest in the Temporary Global Note is to be exchanged for an interest in a Permanent Global Note, the Issuer shall procure (in the case of first exchange) the delivery of a Permanent Global Note, duly authenticated to the bearer of the Temporary Global Note or (in the case of any subsequent exchange) an increase in the principal amount of the Permanent Global Note in accordance with its terms against:

- (i) presentation and (in the case of final exchange) presentation and surrender of the Temporary Global Note to or to the order of the Principal Paying Agent or the CMU Lodging and Paying Agent, as the case may be; and
- (ii) receipt by the Principal Paying Agent or the CMU Lodging and Paying Agent, as the case may be, of a certificate or certificates of non-U.S. beneficial ownership,

within 7 days of the bearer requesting such exchange. In the case of the CMU Service, no such exchange will be effected until all relevant accountholders (as set out in a CMU Instrument Position Report) (as defined in the rules of the CMU Service) or any other relevant notification supplied to the CMU Lodging and Paying Agent by the CMU Service) have provided certification of non-U.S. beneficial ownership.

Temporary Global Note exchangeable for Definitive Notes

If the relevant Pricing Supplement specifies the form of Notes as being “Temporary Global Note exchangeable for Definitive Notes” and also specifies that the TEFRA C Rules are applicable or that neither the TEFRA C Rules nor the TEFRA D Rules are applicable, then the Notes will initially be in the form of a Temporary Global Note which will be exchangeable, in whole but not in part, for Bearer Notes in definitive form (“**Definitive Notes**”) not earlier than 40 days after the issue date of the relevant Tranche of the Notes.

If the relevant Pricing Supplement specifies the form of the Notes as being “Temporary Global Note exchangeable for Definitive Notes” and also specifies that the TEFRA D Rules are applicable, then the Notes will initially be issued in the form of a Temporary Global Note which will be exchangeable, in

whole or in part, for Definitive Notes on or after the Exchange Date for the relevant Tranche of the Notes upon certification as to non-U.S. beneficial ownership as described above. Interest payments in respect of the Notes cannot be collected without such certification of non-U.S. beneficial ownership.

Whenever the Temporary Global Note is to be exchanged for Definitive Notes, the Issuer shall procure the prompt delivery (free of charge to the bearer) of such Definitive Notes, duly authenticated and with Coupons and Talons attached (if so specified in the relevant Pricing Supplement), in an aggregate principal amount equal to the principal amount of the Temporary Global Note to the bearer of the Temporary Global Note against the surrender of the Temporary Global Note to or to the order of the Principal Paying Agent or the CMU Lodging and Paying Agent, as the case may be, within 30 days of the bearer requesting such exchange.

Permanent Global Note exchangeable for Definitive Notes

If the relevant Pricing Supplement specifies the form of Notes as being “Permanent Global Note exchangeable for Definitive Notes”, then the Notes will initially be issued in the form of a Permanent Global Note which will be exchangeable in whole, but not in part, for Definitive Notes:

- (i) on the expiry of such period of notice as may be specified in the relevant Pricing Supplement; or
- (ii) if the relevant Pricing Supplement specifies “in the limited circumstances described in the Permanent Global Note, then if the Permanent Global Note is held by or on behalf of Euroclear, Clearstream, the CMU Service or any other relevant clearing system:
 - (1) Euroclear or Clearstream, the CMU Service or any other relevant clearing system is closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention permanently to cease business; or
 - (2) any of the circumstances described in Condition 13 (*Events of Default*) occurs in respect of any Note of the relevant Tranche.

Whenever the Permanent Global Note is to be exchanged for Definitive Notes, the Issuer shall procure the prompt delivery (free of charge to the bearer) of such Definitive Notes, duly authenticated and with Coupons and Talons attached (if so specified in the relevant Pricing Supplement), in an aggregate principal amount equal to the principal amount of Notes represented by the Permanent Global Note to the bearer of the Permanent Global Note against the surrender of the Permanent Global Note to or to the order of the Principal Paying Agent or the CMU Lodging and Paying Agent, as the case may be, within 30 days of the bearer requesting such exchange.

Terms and Conditions applicable to the Notes

The terms and conditions applicable to any Definitive Note will be endorsed on that Note and will consist of the terms and conditions set out under “*Terms and Conditions of the Notes*” below and the provisions of the relevant Pricing Supplement which supplement, amend and/or replace those terms and conditions.

The terms and conditions applicable to any Note in global form will differ from those terms and conditions which would apply to the Note were it in definitive form to the extent described under “*Summary of Provisions Relating to the Notes while in Global Form*” below.

Legend concerning United States persons

In the case of any Tranche of Bearer Notes having a maturity of more than 365 days, the Notes in global form, the Notes in definitive form and any Coupons and Talons appertaining thereto will bear a legend to the following effect:

“Any United States person who holds this obligation will be subject to limitations under the United States income tax laws, including the limitations provided in Sections 165(j) and 1287(a) of the Internal Revenue Code.”

REGISTERED INSTRUMENTS

Each Tranche of Instruments in registered form (“**Registered Instruments**”) will be represented by either:

- (i) individual Certificates in registered form (“**Individual Certificates**”); or
- (ii) one or more unrestricted global certificates (“**Global Certificate(s)**”), in each case as specified in the relevant Pricing Supplement.

Each Instrument represented by a Global Certificate will be registered in the name of a common depository (or its nominee) for Euroclear and/or Clearstream and/or a sub-custodian for the CMU Service and/or any other relevant clearing system, and the relevant Global Certificate will be deposited on or about the issue date with the common depository and/or a sub-custodian for the CMU Service.

If the relevant Pricing Supplement specifies the form of Instruments as being “Individual Certificates, then the Instruments will at all times be represented by Individual Certificates issued to each Noteholder or Securityholder (as the case may be) in respect of their respective holdings.

Global Certificate exchangeable for Individual Certificates

If the relevant Pricing Supplement specifies the form of Instruments as being “Global Certificate exchangeable for Individual Certificates”, then the Instruments will initially be represented by one or more Global Certificates, each of which will be exchangeable in whole, but not in part, for Individual Certificates:

- (i) on the expiry of such period of notice as may be specified in the relevant Pricing Supplement; or
- (ii) if the relevant Pricing Supplement specifies “in the limited circumstances described in the Global Certificate”, then:
 - (a) if Euroclear, Clearstream, the CMU Service or any other relevant clearing system is closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention permanently to cease business; or
 - (b) if any of the circumstances described in Condition 13 (*Events of Default*) occurs in respect of any Instrument of the relevant Tranche.

Whenever a Global Certificate is to be exchanged for Individual Certificates, each person having an interest in a Global Certificate must provide the relevant Registrar (through the relevant clearing system) with such information as the Issuer and the relevant Registrar may require to complete and deliver Individual Certificates (including the name and address of each person in which the Instruments represented by the Individual Certificates are to be registered and the principal amount of each such person’s holding).

Whenever a Global Certificate is to be exchanged for Individual Certificates, the Issuer shall procure that Individual Certificates will be issued in an aggregate principal amount equal to the principal amount of the Global Certificate within five business days of the delivery, by or on behalf of the registered holder of the Global Certificate to the relevant Registrar of such information as is required to complete and deliver such Individual Certificates against the surrender of the Global Certificate at the specified office of the relevant Registrar.

Such exchange will be effected in accordance with the provisions of the Trust Deed and the Agency Agreement and the regulations concerning the transfer and registration of Instruments scheduled to the Agency Agreement and, in particular, shall be effected without charge to any holder, but against such indemnity as the relevant Registrar may require in respect of any tax or other duty of whatsoever nature which may be levied or imposed in connection with such exchange.

Terms and Conditions applicable to the Instruments

The terms and conditions applicable to any Individual Certificate will be endorsed on that Individual Certificate and will consist of the terms and conditions set out under “*Terms and Conditions of the Notes*” or as the case may be, “*Terms and Conditions of the Securities*” below and the provisions of the relevant Pricing Supplement which supplement, amend and/or replace those terms and conditions.

The terms and conditions applicable to any Global Certificate will differ from those terms and conditions which would apply to the Instrument were it in definitive form to the extent described under “*Summary of Provisions Relating to the Instruments while in Global Form*” below.

SUMMARY OF PROVISIONS RELATING TO THE INSTRUMENTS WHILE IN GLOBAL FORM

Clearing System Accountholders

In relation to any Tranche of Notes represented by a Global Note, references in the Terms and Conditions to “**Noteholder**” are references to the bearer of the relevant Global Note which, for so long as the Global Note is held by a depositary or a common depositary for Euroclear and/or Clearstream and/or a sub-custodian for the CMU Service and/or any other relevant clearing system, will be that depositary, common depositary or, as the case may be, sub-custodian.

In relation to any Tranche of Instruments represented by one or more Global Certificates, references in the Note Conditions to “**Noteholder**” or (as the case may be) in the Security Conditions to “**Securityholder**” are references to the person in whose name the relevant Global Certificate is for the time being registered in the Register which (a) in the case of any Global Certificate which is lodged with a sub-custodian for the CMU Service, will be the HKMA; or (b) in the case of any Global Certificate which is held by or on behalf of a depositary or a common depositary for Euroclear and/or Clearstream and/or any other relevant clearing system, will be that depositary or common depositary or, a nominee for that depositary or common depositary.

Each of the persons shown in the records of Euroclear, Clearstream and/or any other relevant clearing system as being entitled to an interest in a Global Note or a Global Certificate (each an “**Accountholder**”) must look solely to Euroclear, Clearstream and/or such other relevant clearing system (as the case may be) for such Accountholder’s share of each payment made by the Issuer to the holder of such Global Note or Global Certificate and in relation to all other rights arising under such Global Note or Global Certificate. The extent to which, and the manner in which, Accountholders may exercise any rights arising under a Global Note or Global Certificate will be determined by the respective rules and procedures of Euroclear and Clearstream and any other relevant clearing system from time to time. For so long as the relevant Instruments are represented by a Global Note or Global Certificate, Accountholders shall have no claim directly against the Issuer in respect of payments due under the Instruments and such obligations of the Issuer will be discharged by payment to the holder of such Global Note or Global Certificate.

If a Global Note or a Global Certificate is lodged with a sub-custodian for or registered with the CMU Service, the person(s) for whose account(s) interests in such Global Note or Global Certificate are credited as being held in the CMU Service in accordance with the rules of the CMU Service as notified by the CMU Service to the CMU Lodging and Paying Agent in a relevant CMU Instrument Position Report (as defined in the rules of the CMU Service) or any other relevant notification by the CMU Service (which notification, in either case, shall be conclusive evidence of the records of the CMU Service save in the case of manifest error) shall be the only person(s) entitled or, in the case of Registered Instruments, directed or deemed by the CMU Service as entitled to receive payments in respect of the Instruments represented by such Global Note or Global Certificate and the Issuer will be discharged by payment to, or to the order of, such person(s) for whose account(s) interests in such Global Note or Global Certificate are credited as being held in the CMU Service in respect of each amount so paid. Each of the persons shown in the records of the CMU Service, as the beneficial holder of a particular nominal amount of the Instruments represented by such Global Note or Global Certificate must look solely to the CMU Lodging and Paying Agent for his share of each payment so made by the Issuer in respect of such Global Note or Global Certificate.

Transfers of Interests in Global Notes and Global Certificates

Transfers of interests in Global Notes and Global Certificates within Euroclear and Clearstream, the CMU or any other relevant clearing system will be in accordance with their respective rules and operating procedures. None of the Issuer, any of the Subsidiary Guarantors, the Trustee, any of the Registrars, the Dealers or the Agents will have any responsibility or liability for any aspect of the records of any Euroclear and Clearstream, the CMU or any other relevant clearing system or any of their respective participants relating to payments made on account of beneficial ownership interests in a Global Note or Global Certificate or for maintaining, supervising or reviewing any of the records of Euroclear and Clearstream, the CMU or any other relevant clearing system or the records of their respective participants relating to such beneficial ownership interests.

The laws of some states of the United States require that certain persons receive individual certificates in respect of their holdings of Instruments. Consequently, the ability to transfer interests in a Global Certificate to such persons will be limited. Because clearing systems only act on behalf of participants, who in turn act on behalf of indirect participants, the ability of a person having an interest in a Global Certificate to pledge such interest to persons or entities which do not participate in the relevant clearing systems, or otherwise take actions in respect of such interest, may be affected by the lack of an Individual Certificate representing such interest.

On or after the issue date for any Series, transfers of Instruments of such Series between accountholders in Euroclear and/or Clearstream will generally have a settlement date three business days after the trade date (T+3). The customary arrangements for delivery versus payment will apply to such transfers.

Although Euroclear and Clearstream have agreed to the foregoing procedures in order to facilitate transfers of interests in the Global Certificates among participants and accountholders of Euroclear and Clearstream, they are under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued at any time. None of the Issuer, any of the Subsidiary Guarantors, any of the Registrars, the Dealers, the Trustee or the Agents will have any responsibility for the performance by Euroclear or Clearstream or their respective direct or indirect participants or accountholders of their respective obligations under the rules and procedures governing their respective operations.

While a Global Certificate is lodged with Euroclear, Clearstream, the CMU or any relevant clearing system, Individual Certificates for the relevant Series of Instruments will not be eligible for clearing and settlement through such clearing systems.

Conditions applicable to Global Notes and Global Certificates

Each Global Note and Global Certificate will contain provisions which modify the Terms and Conditions as they apply to the Global Note or Global Certificate. The following is a summary of certain of those provisions:

Payments: All payments in respect of the Global Note or Global Certificate which, according to the Terms and Conditions, require presentation and/or surrender of a Instrument, Certificate or Coupon will be made against presentation and (in the case of payment of principal in full with all interest accrued thereon) surrender of the Global Note or Global Certificate to or to the order of any Paying Agent and will be effective to satisfy and discharge the corresponding liabilities of the Issuer in respect of the Instruments. On each occasion on which a payment of principal or interest is made in respect of the Global Note, the Issuer shall procure that the payment is noted in a schedule thereto.

Payment Business Day: in the case of a Global Note or a Global Certificate, shall be: if the currency of payment is euro, any day which is a TARGET Settlement Day and a day on which dealings in foreign currencies may be carried on in each (if any) Additional Financial Centre; or, if the currency of payment is not euro, any day which is a day on which dealings in foreign currencies may be carried on in the Principal Financial Centre of the currency of payment and in each (if any) Additional Financial Centre.

Payment Record Date: Each payment in respect of a Global Certificate will be made to the person shown as the Holder in the Register at the close of business (in the relevant clearing system) on the Clearing System Business Day before the due date for such payment (the “**Record Date**”) where “**Clearing System Business Day**” means a day on which each clearing system for which the Global Certificate is being held is open for business.

Exercise of put option: In order to exercise the option contained in Note Condition 9(c) (*Redemption upon a Relevant Event*) or Note Condition 9(f) (*Redemption at the option of Noteholders*), the bearer of a Permanent Global Note or the holder of a Global Certificate must, within the period specified in the Conditions for the deposit of the relevant Instrument and put notice, give written notice of such exercise to the Principal Paying Agent or, as the case may be, the CMU Lodging and Paying Agent, specifying the principal amount of the Instruments in respect of which such option is being exercised. Any such notice will be irrevocable and may not be withdrawn.

Partial exercise of call option: In connection with an exercise of the option contained in Note Condition 9(d) (*Redemption at the option of the Issuer*) or as the case may be, Security Condition 7(c) (*Redemption at the option of the Issuer*), in relation to some only of the Instruments, the Permanent Global Note or Global Certificate may be redeemed in part in the principal amount specified by the Issuer in accordance with the Conditions and the Instruments to be redeemed will not be selected as provided in the Conditions but in accordance with the rules and procedures of Euroclear and/or Clearstream or the CMU Service (as the case may be) (to be reflected in the records of Euroclear and/or Clearstream or the CMU Service (as the case may be) as either a pool factor or a reduction in principal amount, at their discretion).

Notices: Notwithstanding Note Condition 21 (*Notices*) and Security Condition 17 (*Notices*), while all the Instruments are represented by a Permanent Global Note (or by a Permanent Global Note and/or a Temporary Global Note) or a Global Certificate and the Permanent Global Note is (or the Permanent Global Note and/or the Temporary Global Note are), or the Global Certificate is, (i) deposited with a depository or a common depository for Euroclear and/or Clearstream and/or any other relevant clearing system, notices to Noteholders or the Securityholders may be given by delivery of the relevant notice to Euroclear and/or Clearstream and/or any other relevant clearing system and, in any case, such notices shall be deemed to have been given to the Noteholders and the Securityholders in accordance with Note Condition 21 (*Notices*) and Security Condition 17 (*Notices*) on the date of delivery to Euroclear and/or Clearstream and/or any other relevant clearing system, or (ii) deposited with a sub-custodian for the CMU Service, notices to Noteholders or Securityholders may be given by delivery of the relevant notice to the persons shown in a CMU Instrument Position Report issued by the CMU Service on the business day prior to the date of despatch of such notice as holding interests in the relevant Global Note or Global Certificate, such notice shall be deemed to have been given to the Noteholders or the Securityholders on the second day after the day on which such notice is delivered to the persons shown in the relevant CMU Instrument Position Report.

USE OF PROCEEDS

The Issuer intends to use the net proceeds from the issue of the Instruments for general corporate purposes. If, in respect of any particular issue, there is a particular identified use of proceeds, this will be stated in the relevant Pricing Supplement.

CAPITALISATION AND INDEBTEDNESS

The following table sets out the Issuer's capitalisation and indebtedness as derived from the unaudited consolidated interim financial statements of the Group for the six months ended 30 June 2017 which have been reviewed by PricewaterhouseCoopers, Certified Public Accountants, 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. The following table should be read in conjunction with the unaudited consolidated interim financial statements of the Group as at 30 June 2017 and the notes thereto included in this Offering Circular.

	<u>As at</u> <u>30 June 2017</u>
	(HK\$'000)
Current borrowings	2,370,345
Non-current borrowings	3,921,654
Total borrowings	6,291,999
Equity attributable to owners of the Company	3,331,087
Total capitalisation⁽¹⁾	7,252,741

Note:

(1) Total capitalisation equals the sum of non-current borrowings and equity attributable to owners of the Company.

Save as disclosed above, there have been no material changes in the Issuer's capitalisation, indebtedness or contingent liabilities since 30 June 2017.

THE ISSUER AND THE GROUP

OVERVIEW

The Company was incorporated under the Companies Law in the Cayman Islands with limited liability on 15 April 2011 and was listed on the Hong Kong Stock Exchange on 18 October 2012. On 15 October 2015, the Company completed the acquisition of the property development and construction business in Singapore held by Wang Bao Development Limited and its subsidiaries for the consideration of HK\$2,617,650,000, the transaction of which constituted a very substantial acquisition and a deemed new listing of the Singapore property and construction business. The Group is principally engaged in the construction and real estate development businesses in Singapore and the foundation and construction business in Hong Kong and Macau.

As at 24 October 2017, the market capitalisation of the Company was approximately HK\$4,045 million. Guotsing Holding Company Limited is the controlling shareholder of the Company and holds approximately 65.23% of the issued share capital of the Company as at the date of this Offering Circular. Guotsing Holding Company Limited is under the common control of the ultimate beneficial owners of 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. A number of renowned investors, including the affiliates of Great Wall Asset Management Group, Huarong Asset Management Group and Cinda Asset Management Group also subscribed shares in the Company, representing approximately 9.93%, 4.69% and 0.84% of the issued share capital of the Company respectively.

As at the date of this Offering Circular, the Company had an authorised share capital of HK\$60 million divided into 6,000,000,000 ordinary shares of HK\$0.01 each and HK\$10 million divided into 1,000,000,000 CPS of HK0.01 each with an issued and fully paid-up share capital of HK\$14.29 million consisting of 1,429,395,806 ordinary shares of HK\$0.01 each and HK\$2.44 million consisting of 243,679,421 CPS of HK\$0.01 each.

HISTORY AND DEVELOPMENT

Key Milestones

The key milestones in the development of the Singapore property development and construction segments of the Group are as follows:

- 1999 The Group first entered into the Singapore market as a subcontractor in the construction industry
- 2005 The Group was first awarded the HDB project as the main contractor in the form of a joint venture with its joint venture partner.
- 2008 The Group commenced its property development business in Singapore and was first awarded the DBSS project “Natura Loft”
- 2010 The Group was awarded its first BCA Green Mark Award — Gold Plus for the project “Natura Loft”
- 2011 Qingjian International was granted the BCA Green and Gracious Builder Award (Merit)
- 2012 CNQC Engineering & Construction was granted the BCA Green and Gracious Builder Award (Merit)
- Qingjian International was granted the HDB Construction Award 2012 for Punggol Spring
- The Group was awarded BCA Green Mark Award — Gold Plus for its property project — RiverParc Residence
- 2013 Qingjian Realty (South Pacific) was awarded the BCI Asia Awards — Top 10 Developers
- The Group’s property project WaterBay was awarded BCA Green Mark Award — Gold Plus
- 2014 CNQC Engineering & Construction general building workhead was upgraded to Grade A1
- CNQC Engineering & 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 Award (Projects) — Platinum for Punggol East Contract 33
- The Group’s property project RiverSound was awarded BCA Green Mark Award — Gold
- The Group’s property project River Isles was awarded BCA Green Mark Award — Gold Plus
- 2015 Qingjian International was awarded BCA Construction Excellence Award (Merit) for project The Minton
- The Company acquired the property development and construction business in Singapore held by Wang Bao Development Limited
- The Group launched HiLife, a mobile phone portal for smart living lifestyle

- 2016 The Company acquired the property development and construction business in Singapore held by New Chic International Limited
- The Group launched Singapore's first smart home Executive Condominium — The Visionaire
- Qingjian Realty (South Pacific) was awarded with Top Ten Developers (Singapore) by BCI Asia for the third consecutive year
- 2017 The Group launched Singapore's second smart home Executive Condominium — iNz Residence
- The Group completed the first enbloc purchase project in ten years in the Singapore property development market

The key milestones in the development of the Hong Kong and Macau construction segments of the Group are as follows:

- 1999 Sunley was first approved to be registered with the Buildings Department of Hong Kong as a specialist contractor in foundation works and site formation works
- Sunnic was registered with the Buildings Department as a general building contractor
- 2000 Sunnic was registered with the Buildings Department as a specialist contractor in foundation works and site formation
- 2002 Sunnic was registered with the Buildings Department as specialist contractor in ground investigation field works
- 2003 Sunnic was awarded with the ISO 9001:2008 accreditation
- 2006 Sunnic was awarded with the ISO 14001:2004 accreditation
- 2007 Sunnic was awarded champion of Safety Subcontractor of 3rd quarter 2007 by Hanison Contractors Limited
- 2008 Sunley was accredited with the ISO 9001:2008 and ISO 14001:2004 certification
- 2009 Sunley was accredited with the OHSAS 18001:2007 certification and the Registered Contractor (Land Piling Category: Hand-Dug Caisson; Group 1) under Works Bureau
- 2011 Sunnic was awarded the Meritorious Prize in the Buildings Sites (Sub-contractors category) under the Construction Industry Safety Award Scheme for the period 2010/2011 by the Labour Department
- 2014 Sunnic was approved as primary register of the voluntary subcontractor registrationscheme by CIS (SRS Registration Office) for foundation & civil works
- Sunley was accredited with the ISO 50001:2011 original certification and awarded in Safety Contractor under MTR Corporation Ltd
- 2015 Sunnic has established Superstructure Department for superstructure works
- Sunley was awarded in Pointing and Calling Award under Hong Kong Housing Authority
- 2016 Sunnic was awarded with OHSAS 18001:2007 accreditation and ISO 50001:2011 accreditation
- Sunley was awarded in Safety, Health and Environmental Performance Achiever Award under The Hongkong Electric Co Ltd Project Division Certificate of Appreciation

2017 Sunnic was approved as a specialist piling contractor (Percussive Piling Category) by Hong Kong Housing Authority

Sunley was awarded in Outstanding Contractor Award (Piling) under Hong Kong Housing Authority

History and development of the foundation and construction business in Hong Kong and Macau

Sunley, which was incorporated on 27 July 1982, is principally engaged in the foundation business in Hong Kong, offering services covering bored piling, pile cap, site formation and drilling works with particular specialisation in bored piling. Sunley had been first approved to be registered with the Buildings Department as a specialist contractor in foundation works and site formation works on 15 December 1999 and 22 December 1999, respectively. Sunley has also been registered under Voluntary Subcontractor Registration Scheme with the Construction Industry Council. As a result of effective quality control by the management, Sunley has been accredited with the ISO 9001:2008 and ISO 14001:2004 certification since 21 October 2008 and the OHSAS 18001:2007 certification since 14 October 2009.

Sunnic, which was incorporated on 27 May 1993, is principally engaged in the foundation business in Hong Kong. The services offered by Sunnic can be broadly divided into socketed H piling, percussive piling, mini-piling, pile cap, site formation, site investigation, drilling works and building works with particular specialisation in piling design. Sunnic has been registered with the Buildings Department as a general building contractor since 23 December 1999 and a specialist contractor in foundation works since 15 March 2000, site formation since 29 June 2000 and ground investigation field works since 3 September 2002. Since its inception in 1993, Sunnic has expanded steadily by acquiring advanced machinery. It has established a strong position in the private sector of the foundation piling industry in Hong Kong. The primary goal of Sunnic is to provide its clients with high quality services including timely completion of works and good workmanship. Sunnic has also been registered under Voluntary Subcontractor Registration Scheme with the Construction Industry Council. Sunnic was awarded the ISO 9001:2008 accreditation since January 2003 and the ISO 14001:2004 accreditation since December 2006 which confirmed that Sunnic has a management system that satisfies the relevant internationally recognised quality standard.

Full Gain, which was incorporated on 1 December 2000, is principally engaged in foundation related subcontracting services. Since its establishment, it has mainly acted as subcontractor of Sunnic, which is an internal arrangement between Sunnic and Full Gain. Full Gain has also been registered under Voluntary Subcontractor Registration Scheme with the Construction Industry Council.

Acquisition of the property development and construction business in Singapore and reverse takeover

On 23 May 2015, the Company entered into a sale and purchase agreement with Guotsing Holding (South Pacific) Investment Pte. Ltd. for the acquisition of the property development and construction business in Singapore held by Wang Bao Development Limited and its subsidiaries, at the consideration of HK\$2,617,650,000 which would be settled through the issuance and allotment of 951,872,727 CPS. The transaction constituted a very substantial acquisition, connected transaction and reverse takeover of the Company under the Listing Rules.

As the transaction constituted a reverse takeover of the Company, the Company was being treated as if it were a new listing applicant under Rule 14.54 of the Listing Rules. The transaction was therefore also subject to the approval of the Listing Committee of a new listing application which was filed with the Stock Exchange on 8 June 2015.

The transaction and the issue of 951,872,727 CPS were completed on 15 October 2015, after which Wang Bao Development Limited has become a wholly-owned subsidiary of the Company and its financial results has been consolidated into the financial statements of the Company.

History and development of property development and construction business in Singapore

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

Over the years, the Group strived to expand its market presence with emphasis on safety and quality of the products being its utmost top priority. With the increasing recognition in the market, the Group was awarded its first HDB project as the main contractor in 2005. Thereafter the Group focused on participating in construction of HDB flats, as well as the Design, Build and Sell Scheme (“DBSS”), executive condominiums, private housing, commercial properties and industrial properties.

Leveraging on the experiences and reputation of its construction business, the Group subsequently extended its market presence to the property development market in Singapore. In 2008, the 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 Group and since then the Group has been awarded further tenders of property developments.

In 2011, Qingjian Realty was incorporated in order to strengthen the foothold of the Group’s property development business. As the construction of the 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 Group. The property construction segment of the Group has been accredited with Class One General Builder Licence with A1 financial grading by the BCA since 2014 which allows it to undertake property construction projects of any value except works that have been designated as specialist works.

In July 2016, the Group acquired New Chic International Limited, which together with its subsidiaries including Welltech, are principally engaged in the provision of construction service as main contractor for governmental authorities in Singapore and the investments as financial investors in property development projects in Singapore. The acquisition allows the Group to leverage on Welltech’s business network, which enables the Group to further develop and expand its construction business in Singapore.

COMPETITIVE STRENGTHS

The Company believes that the principal competitive strengths of the Group include the following:

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

The Company believes that the key competitive strength of the Group is the integrated and complementary business model of property development and property construction and such dual capabilities have set the Group apart from other competitors. The synergy generated from such vertical integration ensures optimal coordination, quality and cost-efficiency. The integrated business model of property development and property construction allows the Group to closely monitor the entire property development process from site selection, project design, property construction to project delivery. As the Group possesses the dual capabilities of being the property developer and contractor, this synergy enables the 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 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 enable the Group to tender projects at more competitive bidding value and price its properties competitively to attract homebuyers.

With the experience, suppliers’ network and knowledge gained from its construction business, the Group is able to formulate the most effective and practical options to enhance the property development process. The Company believes the increasing recognition of the Group as a property developer also benefits the Group’s brand image as a main contractor, which contributes to the 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 Group has over 18 years of experience in the Singapore construction segment since it first established its market presence through CNQC Engineering & Construction as a subcontractor in 1999. The Singapore property construction segment of the Group, namely Qingjian International, CNQC Engineering & Construction and Welltech, is currently registered with the BCA with the highest BCA grading of Class One General Builder Licence with A1 financial grading which allows the Group to undertake public sector construction projects in Singapore with unlimited contract value unless otherwise notified by the relevant governmental authority. Over the years, the 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, 2013, 2015 and 2017, HDB Construction Productivity Award (Projects) — Gold in 2013 and 2017, HDB Construction Productivity Award (Projects) — Platinum in 2014, the BCA Construction Excellence Award (Merit) in 2013, 2014, 2015 and 2016, the BCA Construction Excellence Award in 2014 and 2017 and the China Construction Engineering Luban Prize (Overseas Projects) for years 2012–2013 and 2014–2015. For the six months ended 30 June 2017, the Group completed six construction projects including two projects for HDB, one private property development project and three owned property development projects. The Group was awarded three new construction projects by the HDB and two new private construction projects in 2016 with aggregated contract sum of approximately HK\$2.5 billion. As at 30 June 2017, there were 13 external construction projects and 2 construction projects from the Group's property development segment in progress, with the outstanding contract sums being approximately HK\$3.09 billion and HK\$1.06 billion respectively.

The Group strategically focuses on participating in HDB construction projects since its establishment and has maintained a business relationship with HDB which the Group has been a main contractor of the HDB projects since 2005, which the Group has undertaken a total of 14 HDB construction projects since then. Further, HDB has been prompt in settling its payment to the Group for the construction service rendered over the years in accordance with the time stipulated under the relevant contract. The Company believes that the strong credibility and payment record could facilitate the Group to operate under a healthy cash flow position.

Established reputation in Singapore property development and Hong Kong foundation industry

Leveraging on the years of operation on both property construction and property development in Singapore, the Group has developed a profound understanding on the customers' preferences on residential properties in Singapore. The 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 Group's award-winning project RiverParc Residence focused on environmentally friendly features in the design. In the projects of Ecopolitan, Bellewoods and Bellewaters, the 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 Group in the design of its property projects has helped the Group in building a track record of developing high quality condominiums and executive condominiums in Singapore that respond to customers' preferences. The Group was named as the BCI Asia Awards — Top 10 Developers in 2013 and for three consecutive years from 2015 to 2017 and was also awarded the BCA Green Mark Award — Gold Plus by BCA on a number of occasions for its quality in property development projects, which in recent years the Group was recognised by such award for the projects of Bellewaters, Ecopolitan and Bellewoods in 2015 and Le Quest Mixed Used Development in 2017. The Group was ranked fourth in terms of the sales volume of private residential units (including Executive Condominium) in Singapore in 2016. With the strong presence of the Group in Singapore, brand name and proven track record of developing quality residential properties for the mass market in Singapore, the Company believes that the Group could benefit from this established foundation to further develop the presence of the Group in property development sector in Singapore. The Group started to hand over units at Bellewoods and Bellewaters which obtained their Temporary Occupation Permit ("TOP") in March and May 2017 respectively. The Group also started to hand over units at West Star which obtained its TOP in March 2017. As at 30 June 2017, the Group's portfolio of property development projects with significant interest consisted of 4 projects across Singapore, with majority focusing on the development of Executive Condominium and private apartments.

The Group also has over 35 years of experience in the Hong Kong foundation industry. The Company believes that it has good reputation in the Hong Kong foundation industry with substantial proven track record and has the capability of delivering the job on time and to the satisfaction of the

customers of the Group. 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 in July 2016, foundation work for Lamma Power Station Extension in January 2017 and the superstructure construction work for a residential project in Kau To Shan, Shatin in September 2016, with a total contract sum of approximately HK\$1.82 billion. As at 30 June 2017, there were 18 construction projects in progress with the outstanding contract sums being approximately HK\$1.51 billion.

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

The Group has in-depth knowledge in the property market in Singapore and this expertise enables the Group to identify parcels of land with growth potential for development. The Group strategically targets the mass market segment in Singapore with target customers such as first-time home buyers 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 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 Group to offer residential properties at a competitive and affordable price.

To further enhance value proposition to homebuyers, most of the Group's projects are situated within walking distance of public transport amenities such as Mass Rapid Transit and Light Rapid Transit stations. The 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. The Company believes that the Group's market knowledge and its ability to identify development sites with growth potential at relatively lower cost will provide the Group with a competitive advantage in the Singapore property market.

Prudent financial management policies

The Group has adopted prudent financial management policies, which allows the Group to maintain a good credit profile, strong balance sheet and sound capital structure. The Group has benefited from its diversified income bases and low-cost financing channels including bank loans and equity issuance through close cooperation and strong relationships with banks and strategic investors, which enables it to maintain adequate levels of liquidity for its operations and future expansions. This was evident by the recent formation of the Great Wall and CNQC B&R Industrial Development Fund L.P. between the Group and the affiliates of Guotsing Holding Company Limited and China Great Wall AMC (International) Holdings Company Limited for the investment in the Shunfu Ville property development project.

Furthermore, the Group has constantly monitored its current and expected liquidity requirements and compliance with borrowing covenants to ensure sufficient cash reserves and adequate committed facilities to satisfy its short-term and long-term liquidity requirements. The Group will continue to maintain sufficient working capital and liquidity to take advantage of potential future business opportunities.

Experienced, professional and dedicated management team

For the business segments in Singapore, the 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. Leveraging on the extensive experience and expertise of the Group's existing senior management and operational teams, the Group may deploy these existing senior management and operational teams to target new property markets and facilitate their development when necessary.

For the business segment in Hong Kong and Macau, the Group's management team and engineering design team have extensive industry and technical knowledge in the foundation industry. Their extensive project management experience and geological knowledge of Hong Kong would facilitate the formulation of competitive yet accurate tenders, which are essential to the Group in securing new business, and the efficient and timely implementation and management of foundation works. The Company believes that this would greatly enhance operational efficiency and execution capability.

BUSINESS STRATEGIES

The Company 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 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 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 Company believes that, in order to distinguish the 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, the 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 in a cost-effective manner.

Going forward, the 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 Company believes the Group is well-positioned to capture the market growth and strengthen its market presence in the property development market.

The Group will also endeavour to apply its integrated business model used in Singapore to other regions such as Hong Kong. Being a renowned foundation contractor in Hong Kong, the Group also undertook construction projects as a superstructure contractor since 2015, with an aim to become a property developer achieving an integrated business model in the Hong Kong market.

In addition, the Group will explore the opportunity to expand its business to other countries in Southeast Asia. The Group will seize the opportunities arising from “Belt and Road” the PRC’s long-term national policy. The Group shall conduct detailed feasibility analysis and comprehensive market studies on any potential new market identified and, should the Group consider suitable and appropriate, it would seek to enter into new countries, including Indonesia, Vietnam, Malaysia, Sri Lanka, through formation of joint ventures with reputable and well-established property developers and participate in local property development or construction projects. The Group’s office at Ho Chi Minh, Vietnam commenced operation in June 2017 and will focus on potential construction and property development projects in Vietnam. The Group has been steadily pushing forward the implementation of this national policy to Indonesia and is currently engaging with business partners in Ho Chi Minh City in Vietnam for potential construction and property development projects. The Group has also been identifying potential acquisition of construction companies in the South-East Asian regions in order to allow the Group to further expand and gain a foothold for the CNQC brand in the region.

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

Over the years, the Group has consistently delivered quality construction work and has established itself as a reliable and quality contractor in Singapore. The construction segment of the 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.

The established reputation enables the Group to maintain a stable working relationship with the local governmental authorities and several other private property developers. The Group will continue to build upon the established working relationship with the local governmental authorities in Singapore such as HDB and seek to maximise the construction contracts awarded in order to maintain a steady stream of revenue. In this respect, the 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 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 factory or public utilities, with a vision to diversify the stream of revenue for the property development business.

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

The Group intends to continue to enhance and promote its established corporate image to the target customers. To achieve the above, the 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 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 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. The Group will continue to emphasize on the quality of construction as the Company believes the reputation of the Group depends highly on the quality of the properties sold.

In addition, the Group will continue to develop new project themes and designs to meet the customers' changing preferences. Further to the Group's internal research on product development, the 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. To increase the value of the residential properties offered, the Group will continue to innovate and improve the ancillary facilities within each new project development. The 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 Group will consider incorporating such facilities.

The Group aims to incorporate smart home technologies in upcoming property projects and will continue to allocate more resources in smart home technologies. The Group has been contemplating to merge e-commerce with property management function by way of inventing the Group's homegrown lifestyle smartphone application "HiLife" which targets to allow home owners to manage each household daily needs on their palm. On 22 February 2017, the Group entered into a memorandum of understanding with Singapore Telecommunications 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.

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

The Group is committed to building a highly qualified team of personnel with solid experience and strong execution capabilities. The Group aims to attract, retain and develop a talented workforce through continual training and attractive remuneration packages. The 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 Group considers important to its daily operation as well as the corporate and business advancement. The Group will refine and update these training materials and courses from time to time to keep the employees abreast of the relevant information.

BUSINESS AND GEOGRAPHICAL SEGMENTS

The following table sets forth the Group's segment sales (excluding inter-segment sales) and adjusted segment profit for the periods indicated:

	Year ended 31 December			Six months ended 30 June	
	2014	2015	2016	2016	2017
	(HK\$'000) (restated ⁽¹⁾)	(HK\$'000) (audited)	(HK\$'000) (audited)	(HK\$'000) (unaudited)	(HK\$'000) (unaudited)
Sales to external parties					
Property development — Singapore	3,919,816	6,378,645	4,591,014	1,887,545	6,039,099
Construction — Singapore	2,424,558	3,003,074	2,399,700	1,264,894	923,756
Foundation and construction					
— Hong Kong and Macau	957,919	1,671,737	1,615,002	908,841	748,366
	<u>7,302,293</u>	<u>11,053,456</u>	<u>8,605,716</u>	<u>4,061,280</u>	<u>7,711,221</u>
Adjusted segment profit					
Property development — Singapore	494,497	973,492	744,591	191,767	604,106
Construction — Singapore	130,051	44,894	77,925	20,524	54,030
Foundation and construction					
— Hong Kong and Macau	59,487	216,803	112,286	116,773	4,296
	<u>684,035</u>	<u>1,235,189</u>	<u>934,802</u>	<u>329,064</u>	<u>662,432</u>

Note:

- (1) The consolidated financial information of the Company as at and for the year ended 31 December 2014 has been restated as a result of the completion of the reverse takeover of the Company on 15 October 2015. For more information, see Note 2 to the audited consolidated financial statements of the Company as at and for the year ended 31 December 2015.

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

	Year ended 31 December			Six months ended 30 June	
	2014	2015	2016	2016	2017
	(HK\$'000) (restated ⁽¹⁾)	(HK\$'000) (audited)	(HK\$'000) (audited)	(HK\$'000) (unaudited)	(HK\$'000) (unaudited)
Revenue					
Singapore	6,344,374	9,381,719	6,990,714	3,152,439	6,962,855
Hong Kong	794,916	1,650,995	1,608,144	908,841	748,366
Macau	163,003	20,742	6,858	—	—
	<u>7,302,293</u>	<u>11,053,456</u>	<u>8,605,716</u>	<u>4,061,280</u>	<u>7,711,221</u>

Note:

- (1) The consolidated financial information of the Company as at and for the year ended 31 December 2014 has been restated as a result of the completion of the reverse takeover of the Company on 15 October 2015. For more information, see Note 2 to the audited consolidated financial statements of the Company as at and for the year ended 31 December 2015.

Property Development in Singapore

The Group mainly focuses on the development and sale of quality condominiums and executive condominiums in Singapore.

Since the Group extended its market presence to the property development market in Singapore, the Group has completed the following property development projects:

Project	Location	Type	Site Area (sq.m.)	Total saleable floor area (sq.m.)	Total saleable area sold (sq.m.)	Actual construction commencement date (month/year)	Actual construction completion date (month/year)	Ownership interest	Sales revenue recognized (SGD million)
Natura Loft . . .	Bishan	Design, Build and Sell Scheme	15,219	53,600	53,600	October 2008	August 2011	90%	295.9
RiverParc Residence . .	Punggol Drive/Punggol East	Executive Condominium	15,700.0	56,280	56,280	September 2011	June 2014	60%	406.8
NiN Residence . .	Upper Serangoon Road/Pheng Geck Avenue	Condominium	4,971.8	18,923	18,923	July 2011	October 2014	81%	235.3
Riversound Residence . .	Bangkok Drive	Condominium	19,549.2	62,423	62,423	May 2012	May 2015	72%	565.0
River Isles	Punggol Central/Edgefield plains	Condominium	20,256.1	64,939	64,939	July 2012	October 2015	85%	569.7
Water Bay	Punggol Central/Edgefield plains	Executive Condominium	13,241.8	43,277	43,277	November 2012	January 2016	85%	338.2
Ecopolitan	Punggol Way/Punggol Walk	Executive Condominium	18,747.8	57,113	57,012	August 2013	August 2016	85%	483.4
Bellewoods. . . .	Woodlands Avenue 5	Executive Condominium	21,004.3	60,880	50,846	December 2013	March 2017	75%	420.8
Bellewaters. . . .	Anchorvale Crescent	Executive Condominium	23,000.0	71,075	70,216	January 2014	May 2017	63%	588.0
West Star.	11 Tuas Bay Close	Industrial Property	24,966.1	41,121	24,562	November 2014	March 2017	60%	72.8

With a view to integrating smart living technology into the Group's future new developments, the Group entered into a partnership with Samsung Asia Pte Ltd on the development of smart home technology and the Group also entered into a memorandum of understanding with Singapore Telecommunications Limited to jointly develop smart home technology for the Group's property development projects in Singapore. In April 2016, the Group launched the sale of Singapore's first executive condominium project with smart home technology, The Visionaire, which is located in the Sembawang district. The Group further launched its second executive condominium project with smart home technology, iNz Residence, which is located in Choa Chu Kang, in March 2017. Homeowners can make use of the Group's homegrown mobile application, HiLife, to receive the latest events and happenings in the vicinity of the building, booking facilities, requesting repair and maintenance services, etc.

Property projects held by the Group

The following tables set out details of the property projects held by the Group as at 30 June 2017:

Project	Location	Type	Total GFA (sq.m.) (Note 1)	Total saleable floor area (sq.m.) (Note 2)	Total saleable area sold/ pre sold (sq.m.)	Actual/ Estimated construction commencement date (month/year) (Note 3)	Actual/ Estimated pre-sale commencement date (month/year)	Estimated construction completion date (month/year) (Note 4)	Ownership interest
Property projects which the Group held a majority interest									
The Visionaire . . .	Canberra Link and Sembawang Road junction	Executive Condominium	66,398	61,258	32,439	April 2015	April 2016	June 2018	77%
Le Quest (Note 5)	Bukit Batok West Avenue 6	Residential, Private & Retail Space	47,850	42,782	—	March 2017	August 2017	March 2020	73%
Property projects which the Group held 30% interest or above									
iNz Residence . . .	Choa Chu Kang Avenue 5 and Brickland Road junction	Executive Condominium	54,074	49,979	7,646	May 2016	March 2017	June 2019	46%
Shunfu	314-319 Shunfu Road	Residential, Private	117,011	104,244	—	February 2018	August 2018	April 2021	45%

Notes:

- (1) “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 the Urban Redevelopment Authority of Singapore. It does not include balcony and private enclosed space areas and is subject to change upon issuance of WP.
- (2) “Total saleable floor area” includes net floor area, balcony, private enclosed space, roof terrace and void areas, if any.
- (3) The actual construction commencement date refers to the estimated date on which construction commenced on the first building of the project.
- (4) The estimated construction completion date of a property refers to the expected date of issuance of certificate of statutory completion by the relevant architect of the projects, which is based on the Group’s best estimate on the Group’s current development plan.
- (5) This is a mixed commercial and residential project and the site area of the land parcel is approximately 14,696.7 sq.m. with a total SFA of approximately 42,782 sq.m., including approximately 5,220 sq.m. of commercial area and approximately 37,562 sq.m. of residential area.

As at 30 June 2017, the Group held majority interests in two property projects in Singapore, with a total saleable floor area of approximately 104,040 sq.m., details of which are set out as follows:

The Visionaire

The Visionaire is an executive condominium development featuring 16 blocks of 9 to 11-storey apartments comprising of 632 units ranging from two to four-bedrooms. It is located at the junction of Canberra Link and Sembawang Road. It is the first executive condominium project with smart home technology in Singapore.

As at 30 June 2017, contracted pre-sales of Visionaire were amounted to HK\$1,565.4 million and contracted pre-sales area was 32,439 sq.m. which accounted for approximately 53.0% of this project's saleable area.

Le Quest

The total maximum salable floor area (SFA) of the site is 42,782 square metres including approximately 5,220 sq.m. of commercial area and approximately 37,562 sq.m. of residential area. This project is the first mixed development project to be undertaken by the Group in Singapore. As at 30 June 2017, the pre-sales of this project had not yet commenced.

Other property development project

The Group held 46% interest in iNz Residence, which is an executive condominium development of 497 units featuring nine blocks of 15 or 16-storey apartments, ranging from two to five-bedrooms and is located at the junction of Choa Chu Kang Avenue 5 and Brickland Road and 45% interest in Shunfu Project, which is a private condominium development of around 1,200 apartments and is located at 314–319 Shunfu Road.

Land Bank

The 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 continued addition to the existing land bank is essential in order for the Group's sustainable project development in the coming years. The Group will follow its current strategy on land bank reserve whilst taking a prudent approach in selecting quality land with reasonable price which is suitable for the Group's investment.

In May 2016, the Group concluded a sale and purchase agreement with 81% owners of Shunfu Ville, near the Bishan-Thomson area, which is located less than 200 metres from the Marymount MRT station, for a collective sale at a consideration of approximately HK\$3.51 billion. This is the first collective sale of the Group, and is one of the largest collective sales in Singapore's history. The site covers an area of approximately 38,000 sq.m. with an estimated gross floor area (GFA) of over 117,000 sq.m. It is intended to be developed as a private condominium with around 1,200 apartments. The collective sale of Shunfu Ville was completed in July 2017. The contracted property sales are expected to commence in 2018 with the construction of the project expected to be completed by 2021. In February 2017, two property owners filed an appeal on the approval of the collective purchase of Shunfu Ville granted by the High Court of Singapore in January 2017, which the appeal was eventually dismissed by the Court of Appeal in Singapore on 9 May 2017.

Construction in Singapore

The Group generally provides construction services as a main contractor in construction projects of governmental authorities such as HDB and private property developers. For the six months ended 30 June 2017, the Group completed six construction projects including two public construction projects for the HDB, one private property development project and three owned property development projects.

The Group had 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 30 June 2017, there were 13 external construction projects in progress with two other construction projects from the Group's property development segment, which the contract sums were approximately HK\$3.09 billion and HK\$1.06 billion respectively.

The following is a summary of construction projects that the Group has completed in Singapore for the years ended 31 December 2015 and 2016 and the six months ended 30 June 2017:

Project	Nature of construction works	Actual/expected completion date	Contract sum	Unrealised contract sum as at 30 June 2017
			SGD million	SGD million
External construction projects completed				
China Cultural Centre . .	Government Authorities construction works	April 2015	43.8	—
HDB Hougang N4C18 . .	Government Authorities construction works	June 2015	115.5	—
HDB Sengkang N4C24 . .	Government Authorities construction works	August 2015	152.4	—
The Topiary	Private property development	March 2016	181.8	—
The Sule Square	Private property development	August 2016	89.0	—
HDB YS N5C6	Government Authorities construction works	September 2016	142.2	—
AMKN2C32	Government Authorities construction works	November 2016	53.07	0.04
SMRC1	Private property development	November 2016	137.22	1.39
HDB SK N2C43A	Government Authorities construction works	January 2017	209.3	—
Riverbank	Private property development	March 2017	134.9	—
KWC10	Government Authorities construction works	March 2017	67.00	0.20
BEDOK N8C20	Government Authorities construction works	July 2017	99.40	1.03

The Group's construction project completed

Riversound Residence . .	Group development project	May 2015	147.3	—
River Isles	Group development project	October 2015	165.1	—
WaterBay	Group development project	January 2016	99.2	—
Ecopolitan	Group development project	August 2016	130.1	—
Bellewoods	Group development project	March 2017	139.7	—
Bellewaters	Group development project	May 2017	162.9	—

The following is a summary of construction projects in Singapore that are in progress based on information available as at 30 June 2017:

Project	Nature of construction works	Expected completion date	Percentage of works completion as at 30 June 2017	Contract sum	Unrealised contract sum as at 30 June 2017
			%	SGD million	SGD million
External on-going construction projects					
30 PANDAN WAREHOUSE . .	Private property development	July 2017	98%	17.60	0.27
Yishun N6C20	Government Authorities construction works	August 2017	99%	96.01	0.50
HDB TP N4C28	Government Authorities construction works	September 2017	99.5%	126.7	0.6
HDB Woodlands N6C22	Government Authorities construction works	October 2017	96.5%	179.7	6.2
Wellington Primary School . .	Private property development	February 2018	43%	11.55	6.59
Design and build upgrading for G22A	Government Authorities construction works	February 2018	15%	24.67	20.90
St.Joseph Church	Private property development	February 2018	31%	14.15	9.74
Punggol West C33&C34	Government Authorities construction works	June 2018	84.9%	193.5	29.2
iNz Residence	Private property development	June 2019	29.0%	127.1	90.2
HDB Tampines N6C2A	Government Authorities construction works	September 2019	39.3%	164.0	99.5
Bedok N4C9	Government Authorities construction works	October 2019	8%	61.70	56.53
HDB Bukit Batok N4C18	Government Authorities construction works	January 2020	8.0%	185.4	170.6
AMKN2C31	Government Authorities construction works	March 2020	6%	69.50	65.58

Project	Nature of construction works	Expected completion date	Percentage of works completion	Contract sum	Unrealised contract sum
			as at 30 June 2017		as at 30 June 2017
			%	SGD million	SGD million

The Group's on-going construction projects

Visionaire	Group development project	June 2018	65.3%	159.0	55.2
Le Quest	Group development project	March 2020	8.0%	147.1	135.4

The Group generally acts as the main contractor for construction projects entrusted. As main contractor, the 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 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.

In July 2016, the Group acquired New Chic International Limited, which together with its subsidiaries including Welltech, are principally engaged in the provision of construction service as main contractor for governmental authorities in Singapore and the investments as financial investors in property development projects in Singapore. The acquisition of New Chic allows the Group to leverage on Welltech's business network, which enables the Group to further develop and expand its construction business in Singapore.

Foundation and Construction in Hong Kong and Macau

The Group is mainly responsible for foundation works (including bored piles, jacked piles, percussive piles, socketed H-piles, mini-piles, diaphragm wall, footings and pile caps) and ancillary services (including site formation, site investigation and drilling works) with particular specialisation in piling works and superstructure construction. The Group undertakes foundation works related projects in both the public sector, including building and infrastructure related projects, and the private sector, which are mostly building related projects.

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 in July 2016, foundation work for Lamma Power Station Extension in January 2017 and the superstructure construction work for a residential project in Kau To Shan, Shatin in September 2016, with a total contract sum of approximately HK\$1.82 billion. As at 30 June 2017, the outstanding contract sums of projects in progress were approximately HK\$1.51 billion.

The following is a summary of foundation and construction projects that the Group has completed in Hong Kong and Macau for the years ended 31 December 2015 and 2016 and the six months ended 30 June 2017:

Project	Nature of construction works	Actual/expected completion date	Contract sum HK\$ million
External foundation and construction projects completed			
M14063-Lung Ping Road	Piling and Soldier Pile	January 2015	28.9
M14001-No. 17 Shek O Rd	Site Formation & Foundation	January 2015	34.3
M14017-Tsuen Wan W. Station	Socketted Steel H-Pile	January 2015	41.5
M13145-No. 55-57 Bisney Rd	Socketted Steel Site Formation	March 2015	27.4
M14076-Tuen Mun River	Piling Works	March 2015	9.3
M14100-TMTL 509,Tuen Mun	Piling Foundation. & Pipe Pile Wall	May 2015	40.4
Venetian, Cotai, Macau, Parcel 3	Podium Bored Piling Works	June 2015	125.5
M13156-New Reclamation Area, Macau	Piling Works	July 2015	7.5
M14050-BBQ Garden	ELS & Foundation	August 2015	14.1
M11174-Tai Lam Centre	Rock Socketed Steel H-Pile	October 2015	37.8
Nos. 101-111 Wanchai Road	Bored Pile & Sheet Pile, ELS & Pile Cap Works	December 2015	64.9
Area 3 for MGM Cotai, Macau.	Bored Piling & Precast Pre-stressed Concrete Piling	December 2015	190.0
7C-7F Shan Kwong Road, Happy Valley	Bored Pile & ELS Works	January 2016	49.8
M13154-Ma On Shan	ELS, Pump. Test, Foundation & Pile Cap	January 2016	221.1
M14082-18-20 Caine Road	Foundation. & Pipe Pile Wall	January 2016	91.7
M15027-55-57 Bisney Road	Footing & Site Formation	March 2016	23.4
Tseung Kwan O Town Lot No. 95	Bored Pile Works	April 2016	582.0
Cotai Hotel Casino Complex at Cotai, Macau	Bored Pile Works	August 2016	120.9
Kwun Tong Inland Lot No.761	Bored Pile Works	September 2016	423.5
Shek Kip Mei Estate Phase 6	Bored Pile & ELS & Pile Cap works	September 2016	323.8
M14113-Kau To Shan	Piling & Footing, pile cap	September 2016	190.2
307-329 Des Voeux Road West, H.K	Bored Pile Works	October 2016	13.2
Tsing Yi Town Lot No.181	Bored Pile & ELS & Pile Cap works	November 2016	438.0
Tsuen Wan Town Lot No. 393	Foundation, Sheet Pile, Pipe Pile & Grouting Works	December 2016	73.0
Tsuen Wan Town Lot No. 402	Bored Pile & Socketed H-Pile Works	December 2016	183.5
M15057-MTRC Shatin to Central	Bored Pile & Driven Piles	February 2017	25.6
M15114-Anchor Street	ELS & Pile Cap	February 2017	37.0
M15009-Wanchai Road	Superstructure	March 2017	230.7
M15067-Universal Access Facilities	Mini Piles & Prebored Socket H-Piles	March 2017	18.8
M15076-House 3, BBQ garden	Superstructure	May 2017	36.1

As at 30 June 2017, there was no unrealised contract sum in relation to the completed construction projects set out above.

The following is a summary of foundation and construction projects in Hong Kong and Macau that are in progress based on information available as at 30 June 2017:

Project	Nature of construction works	Expected completion date	Percentage of works completion as at	Contract sum	Unrealised contract sum as at 30 June
			30 June 2017		2017
			%	HK\$ million	HK\$ million
External on-going foundation and construction projects					
M11044 — Wing Lok St. . . .	Pre-bored H-pile, ELS	June 2017	88%	40.30	5.0
M15122 — Shek Mun Est. Phase 2.	Socket H-pile	August 2017	0%	10.9	10.9
M16088 — Section H, TKO Town	Superstructure	August 2017	83%	21.4	3.7
M16109 — Tin Wan, Aberdeen.	Design & Construction of Socket H-pile	September 2017	33%	2.2	1.5
M15108 — Ma On Shan . . .	Superstructure	September 2017	88%	402.9	46.6
M17028 — Queen's Rd. W. .	Hoarding & demolition works	September 2017	0%	2.3	2.3
24–28 Wing Lap Street, Kwai Chung.	Foundation, ELS & Footing Works	September 2017	48%	47.5	24.6
M17033 — Sky City, Chek Lap Kok	Hoarding Works	September 2017	0%	2.8	2.8
Lamma Island L10 & 275. . .	Foundation & ELS Works	October 2017	99%	355.6	0.0
M16078 — Tseung Kwan O Ind. Est.	Driven H-pile	December 2017	4%	3.4	3.0
Diamond Hill Comprehensive Development Area, Wong Tai Sin	Foundation, ELS & Cap Works	January 2018	54%	238.7	110.9
M16033 — Highway Structures	Mini-pile & Socket H-pile	January 2018	30%	31.6	22.1
M16111 — Sports Ctr., Tai Po	Design & Construction of Socket H-pile	March 2018	15%	60.5	51.2
Lamma Island L11	Foundation & ELS Works	March 2018	60%	249.8	100.0
M16059 — Kau To Shan . . .	Superstructure	June 2018	21%	1335.3	1,049.4
Resort World @ Macau, Nam Van, Macau	Bored Pile Works	July 2018	5%	118.0	112.5
M17021 — Castle Peak Bay .	Formation of green area works	September 2018	0%	16.5	16.5
M15119 — Macau	Foundation Works	September 2018	0%	58.3	58.3

SALES AND MARKETING AND CUSTOMERS

Property development in Singapore

The 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 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 Group also hires external sales agents to facilitate sales of specific projects. The 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 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 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 the condominium projects, the target customers are mainly home-upgrader at middle class households looking for improved living standard. For the executive condominiums, 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 Group has also set up fully-furnished show flats to display the layout, interior design and furnishing of the properties in order to provide the customers with a more vivid impression of the Group’s property projects.

Pre-sale

Consistent with market practice in Singapore, the 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 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 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 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 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 Group, the expected date of delivery of vacant possession of the subject property, defects liability period together with detailed 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 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 |

Construction in Singapore

Most construction contracts undertaken by the Group in Singapore are awarded by way of tender. The Company believes the Group's historical job references, good relationships with customers and the network in the industry are assets valuable to the Group in bidding and winning future tenders.

Marketing

The Group also maintains close contacts with architects and other consultants in the Singapore construction industry to keep the Group abreast of market developments and potential business opportunities. The Group also closely monitors any forecast publications issued by the Singapore government as well as public tender notices. Other marketing activities undertaken by the Group for the construction business includes putting up banners and/or signage displaying the names and logo of the Group's trademarks at construction sites.

Contract terms with customers

The relevant contracts for construction in the Singapore 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 Singapore 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.

Foundation and Construction in Hong Kong and Macau

The majority of the projects undertaken by the Group are awarded by way of tender. In this connection, the Group maintains good relationships with the customers, and have regular contacts with private sector developers, architects and other consultants in the construction industry to keep the Group abreast of market development and potential business opportunities.

The Company also closely monitors forecasts for Hong Kong government works and public tender notices. Since works undertaken by the Group are generally awarded by way of tender, the Company is of the view that past job reference, relationship with customers and the network in the industry are assets valuable to the Group in assisting the Group in winning future tenders. Other marketing undertaken by the Group includes putting up banners and/or signages displaying the names and logos of Sunley or Sunnic at construction sites. The Group does not maintain a team of sales and marketing staff. Instead, the marketing works are mainly conducted by the executive Directors. For instance, the Directors and senior management may, from time to time, arrange social engagements such as luncheons or ground breaking ceremonies to maintain relationship with the customers. From time to time, the Group may also send out request to prospective clients in respect of application to become an approved contractor for participation in tendering of future construction projects.

INVENTORY

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

QUALITY CONTROL

The 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 Group is up to the requisite standard, as well as to ensure that the construction works delivered meet the expectation of customers in relation to construction work entrusted by third parties. The 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 in Singapore

The Group places strong emphasis on quality control to ensure that the quality of property projects comply with relevant regulations and to maintain the Group's reputation and market standing. To ensure the quality of the real estate development, the Group closely adhered to its internal policies during the construction process and selection of subcontractors and other third parties engaged.

Construction in Singapore

Typically, before the commencement of each construction projects (including both the Group's property development projects and construction projects entrusted by third parties), the 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 detailed quality examination will then be conducted when the construction is close to complete.

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

The 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 Group. Similar to the engagement of subcontractors, the Group maintained an internal approved list of construction material suppliers that were selected based on their ability to provide timely delivery, the quality of materials 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 Group's internal inspection and acceptance procedures, and the Group will require the suppliers to provide relevant approval certificates issued by the relevant governmental authorities if the relevant materials supplied are governed by the local governmental authorities.

Foundation and Construction in Hong Kong and Macau

The Company has established formal quality management system in accordance with the requirements of ISO 9001:2008, OHSAS 18001:2007 and ISO 14001:2004 to develop a sustainable performance-oriented culture with an emphasis on pursuing continuous improvement rather than adopting a short-term and project-based approach.

To ensure the works of the Group meet the required standards, the Group normally assigns a foreman on a full time basis at each of the construction sites as the first line of monitoring of the quality of works done by the Group's staff and, as the case may be, the subcontractors. The project manager who generally makes daily visits to construction sites is responsible for monitoring works quality and progress of works and ensures that works are completed according to schedule. Furthermore, the project team hold weekly meetings with the management during which the management monitors each of the projects' progress and discusses issues identified.

With regards to raw materials, the Group generally procures them from the Group's own approved list of suppliers with which the Group has had satisfactory past business relationships. To ensure a consistent quality in the raw materials used which meet the required standards, the Group may from time to time engage third party laboratories to conduct sample tests on the strength of the Group's two principal raw materials, i.e. steel and concrete. For projects where the Group is engaged as a subcontractor, the employer may also from time to time conduct their own testing of raw materials to ensure quality.

COMPETITION

In relation to the property development in Singapore, the executive condominiums and private housing market in the Outside Central Region of Singapore is seen as fragmented and highly competitive at present. The key competitors of the 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 listed on the Singapore Stock 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.

The construction market in Singapore is also highly competitive. 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.

As for the foundation and construction market in Hong Kong and Macau, despite the relatively high entry barrier as it requires specialist knowledge and substantial initial and continual capital for setting up and maintaining the specialised machinery, due to the filibuster situation in the Hong Kong legislative council which severely delays and narrows the pipeline for new public construction projects being approved, this affects most of the construction companies in Hong Kong as the prolonged delay of granting of funds for commencement of new public projects led to the contraction of business volume in the public construction sector in Hong Kong. Many of the public sector contractors would therefore enter into the private construction market to avoid idling of human resources and machinery which results in very keen competition among contractors tendering for private projects in Hong Kong with lower profit margins than usual.

Non-competition deed with the Controlling Shareholders

To minimise the potential competition, the Group, Guotsing PRC and Guotsing Holding Company Limited (collectively, the “**Covenantors**”) entered into a deed of non-competition dated 22 September 2015 with the Company, pursuant to which the Covenantors have severally and jointly undertaken to the Company 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.

EMPLOYEES

As at 30 June 2017, the Group had 2,112 full-time employees. A breakdown of the Group's full-time employees by function as at 30 June 2017 is set out below:

Function	Number of employees
Enterprise Strategic Development and Operation	47
Accounting and Finance	31
Customer Service Center	14
Research and Development	12
IT	15
Human Resource and General Administration Department	33
Quality Control.	9
Project Management	60
Other Project Management (including Water & Electricity Coordinator, Structure Draftsman, etc.).	190
Sales & Marketing	22
Legal & Contract	47
Procurement.	13
Material.	9
Project environment safety management	33
Construction workers.	1,493
Design.	7
Site Supervision	77
Total:	<u>2,112</u>

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 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 Group maintains a leading position in a competitive environment.

INSURANCE

Property development and construction in Singapore

The 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 Group;
- (c) worker's medical insurance and group hospital and surgical insurance to cover the medical needs of the Group's employees; and
- (d) motor vehicle insurance.

The above insurance policies are reviewed annually to ensure that the Group has sufficient insurance coverage.

Foundation and Construction in Hong Kong and Macau

It is a practice in the Hong Kong construction industry, as well as a contractual term between the relevant main contractor and a customer, that the main contractor of a project will take out and maintain employees' compensation insurance and contractor's all risks insurance for the entire project. The coverage of such insurance policies includes all works performed by the main contractor and all its subcontractors. However, the subcontractors are generally required to maintain insurance over their own machinery.

All projects undertaken by the Group and the relevant employees are respectively protected by contractors' all risks and employees' compensation insurance which, depending on the terms of the relevant contracts, are taken out either by the main contractors (in the case of the Group being a subcontractor) or us. When acting as a subcontractor, the Group will not take out separate insurance policies but will rely on the insurance policies taken out and maintained by the relevant main contractor. The reliance of the Group on the main contractors' insurance policies is explicitly provided for in the relevant subcontracting agreements. The Group has insurance cover for its liabilities under employee compensation and personal injury claims which meets the statutory minimum insurance coverage of HK\$100 million which is on a per incident basis.

HEALTH AND SAFETY AND ENVIRONMENTAL MATTERS

Property development and construction in Singapore

The 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 Group has established the safety and environmental department and project department to establish specific measures to promote occupational health and safety and environmental protection. The Group strictly adheres to the ISO 9001 (quality), ISO 14001 (environmental) and OHSAS 18001 (safety) standards regarding occupational health and safety matters with which the employees of the Group as well as of the subcontractors are required to comply. The Group has been awarded with a number of accreditations over the years. The Group has been certified with ISO 9001:2008 which requires a company to provide products that meet customers' needs, fulfil the applicable regulatory requirements, and enhance customer satisfaction. The Group has also fulfilled the requirements for an environmental management system under ISO 14001:2004 which ensures that the Group complies with regulatory compliance, and that the Group's operations maximise efficiency and minimise wastage. The ISO 14001:2004 accreditation also demonstrates the Group's commitment to environmental control. The Group has also fulfilled the requirements for OHSAS 18001:2007 which sets the standards required for international occupational health and safety management systems. The Group is subject to the Singapore laws and regulations regarding labour, health and safety and environmental protection. To ensure compliance with these laws and regulations, the 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.

Occupational health and safety

The Group's occupational health and safety management system in place has been certified as being complied with OHSAS 18001 requirement. The Group endeavours to ensure it complies with all relevant labour, health and safety regulations in Singapore by evaluating hazards and potential risks of each project. A detailed written policy on project safety is maintained and updated regularly.

For every project, the 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, the 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 Group also provides trainings 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 detailed 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 Group outlining the analysis above, as well as the recommendation by the 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. The 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 Group would also maintain records of these accidents happened. In 2016 and 2017, save for three fatal accidents related to one employee of the Group and two employees of the subcontractors of the Group as described below, the Group was not involved in any material accident causing death or serious injury in the course of its business:

- In January 2016, a fatal accident occurred on the construction site of the Group's construction project Tampines HDB N6C2A involving an employee of CNQC Engineering & Construction, for which the investigation by the relevant authorities was already completed pending the final conclusion of the investigation. Following this accident, CNQC Engineering & Construction has been placed into the BUS Programme. The BUS Programme is a programme adopted by MOM to assist construction companies to develop or improve its safety and health management system. The Group is currently required to submit requisite documents to MOM on a monthly basis and is being monitored by an inspector assigned by MOM who will visit any one of the projects of CNQC Engineering & Construction on a monthly basis. CNQC Engineering & Construction is still eligible to tender for new construction projects of the governmental authorities in Singapore during the period it is under the BUS Programme but the relevant accident may be taken into consideration by the governmental authorities during the tender process, which may potentially affect the tender success rate of CNQC Engineering & Construction. CNQC Engineering & Construction was also given 10 demerit points by MOM. 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 for three months.
- In December 2016, a fatal accident occurred in relation to the Group's property project the Visionaire involving an employee of a subcontractor of CNQC Engineering & Construction, which is still under investigation by the relevant authorities. While CNQC Engineering & Construction has been placed into the BUS Programme due to the prior fatal accident in January 2016, it was given 14 demerit points by MOM as a result of this accident in December 2016. A stop work order was issued to CNQC Engineering & Construction by MOM subsequent to this accident, and the order was lifted on 16 January 2017.
- In July 2017, a fatal accident was alleged to have occurred on the construction site of the Group's project the Visionaire involving an employee of a subcontractor of the Group, which is still under investigation by the relevant authorities. A stop work order was issued to CNQC Engineering & Construction by MOM subsequent to this accident, and the order was lifted on 18 August 2017. CNQC Engineering & Construction has received 10 additional demerit points due to this accident, which led to a total of 34 demerit points resulting in the prohibition of CNQC Engineering & Construction from hiring new foreign workers until 19 October 2017.

Subsequent to the abovementioned fatal accidents, in order to minimise the potential occurrence of similar accident, the Group has implemented the following specific measures:

- excavators are restricted from conducting concreting works without the prior authorisation of the supervisor;
- daily closure procedures are implemented for all construction machinery to ensure that the machinery is properly locked up at designated locations with the access keys surrendered to the site manager;
- the safety manuals for the workers have been reviewed and briefing sessions were provided to the workers on the improved safety measures based on the revised safety manuals;
- compulsory training on “work at height awareness” was provided to all workers (including workers employed by subcontractors); and
- compulsory training on “competent person practical inspection and record keeping” was provided to all employees in supervisory roles or above.

Environmental matters

Environmental impact assessments and studies are carried out by the Group prior to the launch of a project by the 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 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 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 regulations;
- **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 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 companies that are authorised by NEA in compliance with the relevant regulation in Singapore;
- **Pest control:** the 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.

As at the date of this Offering Circular, the Company is not aware of any material violation to the applicable environmental laws and regulations in Singapore.

Foundation and Construction in Hong Kong and Macau

Environment

The Company is committed to minimisation of any adverse impact on the environment resulting from the Group’s business activities to fulfill the Group’s responsibilities to both the community and environment. In addition, in order to comply with the applicable environmental protection laws, the Group has established an environmental management system in the operations in accordance with ISO 14001:2004 international standards and Sunley and Sunnic were awarded ISO 14001 certification in 2008 and 2009, respectively. The Group allocates resources to update the environment management system and maintain the ISO 14001 certification in order to reduce the risks related to environmental issues. The Group also requires the subcontractors to comply with the Group’s environmental protection

policy and encourages the staff to contribute towards sustainability by adopting environmentally friendly construction method and planning their works to efficiently eliminate waste to the maximum extent with the view to achieving long-term cost savings.

During the course of carrying out construction works, noise and vibration are inevitably generated through the use of the Group's machinery. If the situation permits, the Company strives to minimize disturbances to residents in the vicinity of the construction sites. Due to the nature of percussive piles which involves the driving of piles by percussive means (e.g. hammering), this type of piling works is perceived to generate a substantial amount of noise and vibration while the machines are in operation. On the other hand, the other main piling type bored piles generate comparatively less noise and vibration than percussive piles. However, the use of bored piles may be restricted by the size of the construction site as the machinery involved generally require much more space than those used by percussive piles. As such, use of bored piles may not be possible on small construction sites such as certain redevelopment sites within high density urban areas. The hours of operation during which foundation works are permitted are set out in the construction noise permit issued by the Environmental Protection Department. Generally speaking, the hours for operation is from 7:00 a.m. to 7:00 p.m. Monday to Saturday, and for percussive piles, the machines are permitted to operate for only 3 hours a day in urban areas. Works are generally not permitted on Sunday and public holidays. Under certain circumstances, the Group may apply for special extension to carry out works during prohibited hours but such special extension would only be granted on the basis that works carried out will not disturb others, e.g. for construction sites located at remote areas with no nearby residents. Although the Group strictly adhere to the restricted hours of operations stipulated in the construction noise permit, the Group may from time to time receive complaints from nearby residents regarding disturbances caused by operation of the Group's machinery. Under such circumstances, the Group will work with the relevant authorities and the person making the complaint with the aim of introducing measures (e.g. installing sound proofing) to mitigate the disturbances caused.

As at the date of this Offering Circular, the Company is not aware of any material violation to the applicable environmental laws and regulations in Hong Kong and Macau.

Safety

The Company established a safety and health management and audit system in accordance with the requirements of OHSAS 18001 and Sunley was accredited with OHSAS 18001:2007 certification in 2009. The Group's safety system is documented in written procedures and supplemented with oral instructions, training and demonstration. The Group requires strict implementation of the safety system with supervision by the Group's or the subcontractors' management staff. In addition, the Group has employed qualified safety officers approved by the Labour Department in Hong Kong to monitor and implement the safety system. The Group hires a consultancy company for conducting safety risk assessment, performing safety inspection, providing safety training, preparing safety plan for the Group and preparing underground utility detection report for construction sites. The Group will continue to put adequate resources and effort to uphold and improve the safety management system in order to reduce the risks related to safety issues.

LITIGATION

In its ordinary course of business, the 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. All of the outstanding claims in relation to personal injuries suffered by the employees are being handled by the Group's insurance companies. As such claims are well covered by the Group's insurance policy, they would not result in any material impact on the financial position or results and operations of the Group.

Save as disclosed above, as at the date of this Offering Circular, neither the Company nor any members of the Group is engaged in any material litigation, and no material litigation or claim is known by the Company to be pending or threatened against it or any of its subsidiaries.

RECENT DEVELOPMENTS

Shunfu Ville Enbloc Project

The Group entered into the sale and purchase agreement in May 2016 with approximately 81% owners of Shunfu Ville for a collective sale at a total consideration of S\$638 million. This is the first collective sale of the Group and is one of the largest collective sales in Singapore's history. The site covers an area of approximately 38,000 sq.m. with an estimated gross floor area of over 117,000 sq.m. The Company intends it to be developed as private condominiums with around 1,200 apartments.

In February 2017, two property owners filed an appeal on the approval of the collective purchase of Shunfu Ville granted by the High Court of Singapore in January 2017, which the appeal was eventually dismissed by the Court of Appeal in Singapore on 9 May 2017. The completion of the collective sale of Shunfu Ville took place in July 2017. The contracted property sales are expected to commence in 2018 with the construction of the project expected to be completed by 2021.

On 16 May 2017, CNQC International Asset Management Limited (a direct wholly-owned subsidiary of the Company) entered into a limited partnership agreement with, among others, Great Wall International Investment I Limited, Guotsing Asset Management Limited and the Great Wall and CNQC B&R Industrial Development Fund Management Limited (as general partner) for the formation of a fund for the purpose of, among other things, investment into the development of Shunfu Ville Enbloc Project. Subject to completion, the respective commitment of CNQC International Asset Management Limited, Great Wall International Investment I Limited and Guotsing Asset Management Limited are U.S.\$90 million, U.S.\$184 million and U.S.\$6 million respectively. The completion of the formation of the fund took place on 17 August 2017.

Smart Home Projects of the Group

On 22 February 2017, the Company's wholly owned subsidiaries, Qingjian Realty and HiLife Interactive Pte. Ltd., entered into a memorandum of understanding with Singapore Telecommunications Limited to jointly develop smart home technology for the Group's property development projects in Singapore for a term of 12 months. HiLife Interactive Pte. Ltd. is a subsidiary of Qingjian Realty, focusing on providing support for condominium homeowners. Its flagship product, HiLife mobile application is a smart lifestyle portal that helps condominium developers and property management office to extend their relationship with homebuyers and residents beyond sales transaction of the properties. Singtel Telecommunications Limited is a company whose shares are listed on the Singapore Stock Exchange and is Asia's leading communications group providing a portfolio of services including voice and data solutions over fixed, wireless and Internet platforms as well as infocomm technology and pay TV. The Company considers that internet-ready smart home development in Singapore will be the trend in next generation home which goes in line with the business development of the Group at a strategic level and the entering into of the memorandum of understanding will provide mutual benefits for all parties involved.

DIRECTORS AND MANAGEMENT

DIRECTORS

The members of the Board as at the date of this Offering Circular are as follows:

<u>Name of Director</u>	<u>Position</u>
Mr. Cheng Wing On, Michael	Executive Director and Chairman of the Board
Mr. Wang Congyuan	Executive Director and Chief Executive Officer
Mr. Ho Chi Ling	Executive Director
Mr. Zhang Yuqiang	Executive Director
Mr. Wang Linxuan	Executive Director
Dr. Sun Huiye	Non-executive Director
Mr. Wang Xianmao	Non-executive Director
Mr. Chuck Winston Calptor	Independent Non-executive Director
Mr. Ching Kwok Hoo, Pedro	Independent Non-executive Director
Mr. Tam Tak Kei, Raymond	Independent Non-executive Director
Mr. Chan Kok Chung, Johnny	Independent Non-executive Director

Executive Directors

Mr. Cheng Wing On, Michael, aged 61, is an executive Director and the Chairman of the Board. He was appointed as a Director on 15 April 2011, and was the Chief Executive Officer from 11 September 2012 to 26 January 2016. He was appointed as the Chairman of the Board on 26 January 2016. He was appointed as the chairman of the nomination committee of the Company (the “**Nomination Committee**”) on 26 January 2016 and the chairman of the strategy and investment committee of the Company (the “**Strategy and Investment Committee**”) on 22 March 2016.

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

Mr. Wang Congyuan, aged 43, is an executive Director and Chief Executive of the Company. He was appointed as an executive Director and Chief Executive on 26 January 2016. He was appointed as a member of the Remuneration Committee of the Company (the “**Remuneration Committee**”) on 26 January 2016 and a member of the Strategy and Investment Committee on 22 March 2016. Mr. Wang is also a director of certain subsidiaries of the Company.

He has over 20 years of experience in the engineering and construction industry. From September 2007 to October 2015, Mr. Wang took the positions of secretary to the board of directors, assistant to the president, the vice president and the joint chairman of Qingjian Group Co., Ltd. and from December 2012 to October 2015, he was the vice president and the executive vice president of Guotsing PRC. During the period from August 2012 to December 2013, he served as the president of Qingjian International Group Co., Ltd.

Mr. Wang Congyuan, was also the chairman and the chief executive officer of Qingdao Qingjian Real Estate Group Co., Ltd. during the period from July 2014 to August 2015.

Mr. Wang Congyuan holds a master's degree in finance from PBC School of Finance of Tsinghua University, the People's Republic of China and holds a bachelor's degree in thermal engineering from The University of Science and Technology Beijing, PRC. He is a senior engineer and a member of the Chartered Institute of Building. Mr. Wang Congyuan was accredited as The Entrepreneur with Highest Potential in Qingdao in December 2012, and was awarded The Award for Improvement of Living Standard in Shandong Province in April 2014.

Mr. Zhang Yuqiang, aged 55, is an executive Director of the Company. He was appointed as an executive Director on 11 April 2014 and a general manager of the Company on 22 April 2014. Mr. Zhang joined the Company on 11 April 2014 and is responsible for assisting the Chief Executive Officer in the overall operations and management of the Group. He was appointed as a member of the Remuneration Committee of the Company and a member of the Strategy and Investment Committee on 22 March 2016. Mr. Zhang is also a director of certain subsidiaries of the Company.

Prior to joining the Group, Mr. Zhang acted as the deputy general manager of international business division of Qingjian from 2001 to 2007. During 2007 to 2012, he consecutively acted as the assistant to president of Qingjian, vice president and general manager of Algeria Branch Company of Qingjian, and deputy president of the international business department and property department of Qingjian and the vice-president of the Guotsing PRC. Mr. Zhang has more than 30 years' experience in the property construction industry.

Mr. Zhang graduated from Shandong Construction Engineering Institute, the PRC, with a Bachelor's degree in Engineering in 1984. He obtained a Master's degree in Business Administration from Nankai University, the 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, aged 53, is an executive Director. He joined the Group in July 1997 and was appointed as the executive director on 11 September 2012. He was appointed as a member of the Strategy and Investment Committee on 22 March 2016. Mr. Ho is also the director of certain subsidiaries of the Company.

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

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

Mr. Wang Linxuan, aged 45, is an executive Director. He was appointed as an executive Director on 26 January 2016. He was appointed as a member of the Strategy and Investment Committee on 22 March 2016. Mr. Wang is also a director of subsidiaries of the Company.

He has more than 20 years of experience in construction and real estate development industries in Singapore and China. During the period from June 1998 to May 2015, Mr. Wang Linxuan was the project manager and deputy general manager of Qingdao Bohai Construction Group Co. Ltd.

From April 2008 to August 2011, Mr. Wang Linxuan took the positions of director and general manager of Gaomi Bohai Properties Co. Ltd. During the period from September 2011 to May 2015, Mr. Wang Linxuan was the managing director of Welltech Construction Pte Ltd*. Mr. Wang Linxuan was also the deputy general manager of Qingdao Bohai Investment Co. Ltd.* from December 2013 to May 2015.

Mr. Wang Linxuan holds a bachelor's degree of Science in Architectural Engineering from Shandong Institute of Architecture and Engineering, the PRC, and a master's degree in business administration from National University of Singapore. Mr. Wang Linxuan was also awarded the qualification of National First-class Registered Architect by the PRC in August 2010 and is a senior engineer.

Non-Executive Directors

Mr. Wang Xianmao, aged 45, is a non-executive Director of the Company. He was appointed as a non-executive Director by the Company, a member of the Audit Committee and a member of the Strategy and Investment Committee on 16 January 2017. Mr. Wang Xianmao is also a director of certain subsidiaries of the Company. Mr. Wang Xianmao has more than 20 years of experience in engineering and construction industry. Mr. Wang was the deputy general manager and chief engineer of Algeria project team of CNQC Engineering & Construction Group Co. Ltd in 2002. During the period from 2002 to 2012, Mr. Wang consecutively acted as the vice general manager (from December 2002 to March 2004), deputy general manager (from March 2004 to February 2007) and general manager (from February 2007 to December 2012) of Qingdao 001 Engineering Limited. Mr. Wang was appointed as the chief executive officer of Guotsing PRC in December 2016, prior to which he also acted as the vice president (from December 2012 to December 2013), executive president (from December 2013 to November 2015) and deputy vice president (from December 2015 to December 2016) of the Guotsing PRC.

Mr. Wang Xianmao holds a bachelor's degree in civil engineering from Qingdao University of Technology, the PRC and a master's degree in business administration from Nankai University, the PRC. Mr. Wang Xianmao was qualified as a research associate in engineering application in March 2014. Mr. Wang was also awarded the qualification of National First-class Registered Architect in April 2014. Mr. Wang Xianmao was accredited as The Outstanding Entrepreneur in Qingdao in December 2014, and was awarded as Model worker in Qingdao in April 2015. Mr. Wang was also a director of the 2nd board of directors of the China-Africa Business Council, the vice president of the 7th council of the China International Contractors Association and the secretary officer of Qingdao International Engineering Development Alliance.

Dr. Sun Huiye, aged 55, is a non-executive Director. He was appointed as a non-executive Director on 26 January 2016. He was appointed as a member of the Strategy and Investment Committee on 22 March 2016. He has over 30 years of experience in the area of administration and tax management. Dr. Sun served at Local Taxation Bureau of Qingdao City from November 2002 to October 2015 and his last position was the deputy director. Dr. Sun is also a director of certain subsidiaries of the Company.

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

Independent Non-executive Directors

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

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

Mr. Ching Kwok Hoo, aged 74, 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. Tam Tak Kei, Raymond, aged 54, was appointed as an independent non-executive Director, the chairman of the Audit Committee and a member of the Nomination Committee on 11 September 2012. Mr. Tam joined the Company on 11 September 2012. Mr. Tam obtained a Bachelor of Arts degree in Accounting with Computing from University of Kent at Canterbury, the United Kingdom in July 1985. He has been a member of The Institute of Chartered Accountants in England and Wales since August 1990 and an associate of the Hong Kong Society of Accountants since January 1995.

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

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

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

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

He has over 33 years of experience in investment banking and investment management industry. He is a co-founder and director of Techpacific Capital Limited, and was the chairman and chief executive officer of Crosby Asset Management (Hong Kong) Limited from 2004 to 2015 and Chairman and founder of Crosby Wealth Management from 2004 to 2012.

Mr. Chan is the President of the Hong Kong Venture Capital and Private Equity Association Limited. He is also the founder and Secretary General of the Asian Venture Capital and Private Equity Council Limited. Mr. Chan is Member of the Advisory Committee of the Innovation and Technology Commission of the HKSAR Government as well as a Member of the ICT Advisory Committee and Service Promotion Programme Committee of the Hong Kong Trade Development Council. He is a member of the Choate Rosemary Hall Parent Advisory Council. He is a director of Repton International (Asia Pacific) Limited. Mr. Chan holds a Master of Business Administration degree from City University Business School in the United Kingdom, a postgraduate diploma from The Securities Institute of Australia and a Bachelor of Arts (Hons) degree in Economics from the London Metropolitan University.

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

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

SENIOR MANAGEMENT

The senior management of the Group as at the date of this Offering Circular are as follows:

<u>Name of Senior Management</u>	<u>Position</u>
Mr. Li Jun	Vice President
Mr. Xu ZhengPeng	Vice President of CNQC (South Pacific) Holding Pte. Ltd.
Mr. Yeong Chen Seng	Chief Financial Officer of CNQC (South Pacific) Holding Pte. Ltd.
Mr. Sun Yong	Director and General Manager of Qingjian International (South Pacific) Group Development Co. Pte. Ltd.
Mr. Li Jun	Executive Director and the General Manager of Qingjian Realty (South Pacific) Group Pte. Ltd.
Mr. Gao Shigang	General Manager of CNQC Engineering & Construction Pte. Ltd.
Mr. Tsui Kwok Kin.	Director of Sunley Engineering & Construction Company Limited, Sunnic Engineering Limited and Full Gain Engineering Limited
Mr. Ho Chun Chuen	Director of Sunnic Engineering Limited
Mr. Tan Huat Ping	Director and General Manager of Welltech Construction Pte. Ltd.
Mr. Zhu Wenbo	Director of Welltech Construction Pte. Ltd.
Mr. Chan Tat Hung.	Group Chief Financial Officer and Company Secretary

Mr. Li Jun, aged 41, joined the Group in December 2014, he is the vice president. Mr. Li holds a bachelor of Accountancy degree from Qingdao University, the PRC, a master of Accountancy degree from Tianjin University of Finance and Economic, the PRC. Mr. Li has more than 18 years of experience in financial management and corporate finance. Prior to joining the Group, he worked at a several companies as an audit manager from 1999 to 2007, he was the deputy chief accountant and president assistant from Qingjian Group Co and Guosting Holding Group Company Limited during 2007 to 2015. Mr. Li is a qualified accountant.

Mr. Xu ZhengPeng, aged 43, joined the Group in July 2012, he is the vice president of CNQC (South Pacific) Holding Pte. Ltd. Mr. Xu holds a Bachelor's degree in finance management from Qingdao University of Science & Technology, the PRC, a master's degree in management from Shanghai Jiao Tong University, the PRC. Mr. Xu has more than 19 years of experience in financial management and corporate finance. He worked at Qingdao Qingjian Holding Co* as a director of the finance department and at Qingjian Realty Pte. Ltd as a chief accountant during 2002 to 2012. Mr. Xu is a qualified accountant.

Mr. Yeong Chen Seng, aged 44, joined the Group in September 2012, he is the chief financial officer of CNQC (South Pacific) Holding Pte. Ltd. Mr. Yeong holds a Bachelor of Accountancy degree from Nanyang Technological University, Singapore. Mr. Yeong has more than 19 years of experience in financial management and corporate finance. Prior to joining the Group, he worked at PricewaterhouseCoopers from 1997 to 2012. He was also the chief financial officer of Guotsing (South Pacific) Holding Pte Ltd from 2014 to 2015. Mr. Yeong is a Chartered Accountant of Singapore.

Mr. Sun Yong, aged 46, joined the Group in December 2007, he is the director and general manager of Qingjian International (South Pacific) Group Development Co. Pte. Ltd. Mr. Sun holds a Bachelor's degree in civil engineering from Zhejiang University, the PRC, a master's degree in building science from University of Singapore. Mr. Sun has more than 24 years of experience in engineering and construction industry. Prior to joining the Group, he worked at several large-scale construction and engineering companies serving as a quantity surveyor, project manager, deputy general manager during 1992 to 2007.

Mr. Li Jun, aged 41, joined the Group in April 2008, he is an executive director and the general manager of Qingjian Realty (South Pacific) Group Pte Ltd. Mr. Li holds a Bachelor's degree in Construction engineering from Qingdao University of Science & Technology, the PRC. Mr. Li has more than 17 years of experience in property development industry. His extensive international working experience makes him an expertise in the property development industry both in Singapore and China. He worked at Qingjian Realty Pte. Ltd as a deputy general manager during 2008 to 2012. Mr. Li qualified as a certified engineering of Qingdao of the PRC in 2004.

Mr. Gao Shigang, aged 49, joined the Group in August 2001, he is the general manager of CNQC Engineering & Construction Pte. Ltd.. Mr. Gao holds a Bachelor's degree in civil engineering (International contracting) from Chongqing University, the PRC. Mr. Gao has more than 24 years of experience in engineering and construction industry. Prior to joining the Group, he worked CNQC Engineering & Construction Group as a Deputy General Manager during 1992 to 2001. Mr. Gao is a senior engineer.

Mr. Tsui Kwok Kin, aged 69, joined the Group in June 2010 and is a director of Sunley Engineering & Construction Company Limited, Sunnic Engineering Limited and Full Gain Engineering Limited. He is responsible for coordinating the design and construction of foundation works for various projects and the management of in house design team. He has over 45 years of experience in the engineering and construction industry. Prior to joining Sunnic Engineering Limited in 1993, he has worked for Chau Lam Architect & Associates Limited for over 20 years, for which, he was a director from 1986 to 1992, involving in structural design and supervision of various types of building projects. He was an executive director of Leung Kee Holdings Company Limited (now known as Up Energy Development Group Limited (stock code 307, the shares of which are listed on the Main Board of the Stock Exchange), a construction company specialised in substructure and site formation works at the material time, from 1992 to 1993. Mr. Tsui has not served in any public companies the securities of which are listed on any securities market in Hong Kong or overseas in the past three years.

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

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

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

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

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

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

Mr. Zhu Wenbo, aged 32, joined the Group in September 2012. He is the director of Welltech Construction Pte Ltd. Mr. Zhu holds a Bachelor's degree in Accounting from Qingdao University. Mr. Zhu has more than 10 years of experience in financial management and corporate finance. He worked at Qingdao Bohai Construction Group Co.,Ltd as a Manager of the finance department and at Welltech Construction Pte Ltd as a Deputy General Manager during 2007 to 2016. Mr. Zhu is a qualified accountant.

Mr. Chan Tat Hung, aged 45, holds a bachelor's degree in business administration with a major in professional accountancy from the Chinese University of Hong Kong. Mr. Chan has more than 20 years of experience in finance, auditing and accounting. Mr. Chan is an associate member of the Hong Kong Institute of Certified Public Accounts, the Association of Chartered Certified Accountants, the Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administrators and is a fellow member of the Association of Chartered Certified Accountants.

PRINCIPAL SHAREHOLDERS

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES

As at 30 June 2017, interests or short positions in the shares, underlying shares and debentures of the Company and any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance of Hong Kong (“SFO”)) held by the Directors and chief executive of the Company which have been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have under such provisions of the SFO) or have been entered in the register maintained by the Company pursuant to section 352 of the SFO, or otherwise have been notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) in Appendix 10 to the Listing Rules are as follows:

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

Notes:

- (1) This represents long position in the underlying Shares under share options granted on 27 June 2014 pursuant to the share option scheme of the Company.
- (2) This represents long position in the underlying CPS under the awards granted under the management share scheme, which was constituted to grant awards to certain senior management and employees of Guotsing Holding Group Co. Ltd..
- (3) This represents long position in the underlying Shares under share options granted on 28 April 2016 pursuant to the share option scheme of the Company.

Save as disclosed above, as at 30 June 2017, none of the Directors nor chief executive of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS' INTERESTS IN SHARES

As at 30 June 2017, the following persons (not being a Director or chief executive of the Company) had interests or short positions in the shares of the Company (the “Shares”) or underlying Shares which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO:

Name of substantial shareholder	Capacity/Nature of interest	Number of Shares and underlying Shares held/ interested	Approximate Shareholding Percentage
Dr. Du Bo	Interest of controlled corporation (note 1)	932,338,306	65.23%
	Beneficiary of a trust (note 3)	91,379,782	6.39%
Hui Long Enterprises Limited . .	Interest in controlled corporation (Note 1)	932,338,306	65.23%
Bliss Wave Holding Investments Limited	Interest in controlled corporation (Note 1)	932,338,306	65.23%
Top Elate Investments Limited . .	Interest in controlled corporation (Note 1)	932,338,306	65.23%
Hao Bo Investments Limited . . .	Interest in controlled corporation (Note 1)	932,338,306	65.23%
Guotsing Holding Company Limited	Beneficial owner Interest in controlled corporation (Note 1)	708,193,306 224,145,000	49.55% 15.68%
Bank of Communications Trustee Limited	Trustee	243,679,421	17.05%
Qingdao Qingjian Holding Co Staff Shareholding Union	Interest in controlled corporation (Note 1)	932,338,306	65.23%
Qingdao Qingjian Holdings Co . .	Interest in controlled corporation (Note 1)	932,338,306	65.23%
CNQC Development Limited . . .	Beneficial owner (Note 2)	224,145,000	15.68%
Great Wall Pan Asia International Investment Company Limited .	Beneficial owner	142,000,000	9.93%
Sino Concord Ventures Limited .	Beneficial owner	100,000,000	7.00%

Notes:

- (1) Guotsing Holding Company Limited (“**New Guotsing Holdco**”) is held as to 85% by Hao Bo Investments Limited, and is in turn held as to 48.547% by Top Elate Investments Limited and as to 51.453% by Bliss Wave Holding Investments Limited, a company held as to 74.533% by Hui Long Enterprises Limited.
- (2) The 224,145,000 Shares were held by CNQC Development Limited (“**CNQC Development**”) as at 30 June 2017. CNQC Development is wholly-owned by New Guotsing Holdco.
- (3) This represents long position in the underlying CPS under the awards granted under the management share scheme, which was constituted to grant awards to certain senior management and employees of Guotsing Holding Group Co. Ltd..

Save as disclosed above, as at 30 June 2017, to the best information, knowledge and belief of the Directors, no person (other than the Directors and chief executive of the Company), had registered an interest or short position in the Shares or underlying Shares of the Company that was required to be recorded pursuant to section 336 of the SFO.

TAXATION

The following summary of certain Cayman Islands and Hong Kong consequences of the purchase, ownership and disposition of the Instruments is based upon applicable laws, regulations, rulings and decisions in effect as at the date of this Offering Circular, all of which are subject to change (possibly with retroactive effect). This discussion does not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to purchase, own or dispose of the Instruments and does not purport to deal with consequences applicable to all categories of investors, some of which may be subject to special rules. Persons considering the purchase of the Instruments should consult their own tax advisors concerning the tax consequences of the purchase, ownership and disposition of the Instruments, including such possible consequences under the laws of their country of citizenship, residence or domicile.

Cayman Islands

Payments of any principal, premium, interests or distribution on the Instruments will not be subject to taxation in the Cayman Islands, and no withholding will be required on the payment of distribution and principal to any holder of the Instruments nor will gains derived from the disposal of the Instruments be subject to Cayman Islands income or corporation tax. The Cayman Islands currently have no income, corporation or capital gains tax and no estate duty, inheritance tax or gift tax.

No stamp duty is payable in respect of the issue of the Instruments. An instrument of transfer in respect of an Instrument is subject to nominal stamp duty if executed in or brought into the Cayman Islands. Stamp duty will be payable on any documents executed by the Issuer if any such documents are executed in or brought into the Cayman Islands or produced before the Cayman Island courts.

The Issuer has been incorporated under the laws of the Cayman Islands as an exempted company with limited liability and, as such, has applied for an undertaking from the Governor in Cabinet of the Cayman Islands:

- (i) that no law that is hereafter enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciations shall apply to the Issuer or its operations; and
- (ii) in addition, that no tax to be levied on profits, income, gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable:
 - (a) on or in respect of the shares, debentures or other obligations of the Issuer; or
 - (b) by way of the withholding in whole or in part, of any relevant payment as defined in Section 6(3) of the Tax Concessions Law (2011 Revision).

It is expected that the undertaking for the Issuer will be for a period of 20 years from the date of issuance of the undertaking.

British Virgin Islands

Payments of interest and principal on the Instruments will not be subject to taxation in the British Virgin Islands and no withholding will be required on the payment of interest and principal to any holder of the Instruments nor will gains derived from the disposal of the Instruments be subject to British Virgin Islands income or corporation tax, provided that the payments are made to persons who are not resident in the British Virgin Islands.

No estate, inheritance, succession or gift tax, rate, duty, levy or other charge is payable by persons who are not resident in the British Virgin Islands with respect to the Instruments.

There are currently no withholding taxes or exchange control regulations in the British Virgin Islands applicable to the Subsidiary Guarantors who are incorporated in the British Virgin Islands.

If neither the Subsidiary Guarantors who are incorporated in the British Virgin Islands nor any subsidiary holds an interest in real estate in the British Virgin Islands, no stamp duty is payable in respect of the issue of the Instruments.

Singapore

The statements below are general in nature and are based on certain aspects of current tax laws in Singapore and administrative guidelines and circulars issued by the IRAS, the Monetary Authority of Singapore (“MAS”) and other relevant authorities in force as at the date of this Offering Circular and are subject to any changes in such laws, administrative guidelines or circulars, or the interpretation of those laws, administrative guidelines or circulars occurring after such date, which changes could be made on a retroactive basis. These laws, administrative guidelines and circulars are also subject to various interpretations and the relevant tax authorities or the courts could later disagree with the explanations or conclusions set out below. Neither these statements nor any other statements in this Offering Circular are intended or are to be regarded as advice on the tax position of any holder of the Instruments or of any person acquiring, selling or otherwise dealing with the Instruments or on any tax implications arising from the acquisition, sale or other dealings in respect of the Instruments. The statements made herein do not purport to be a comprehensive or exhaustive description of all the tax considerations that may be relevant to a decision to subscribe for, purchase, own or dispose of the Instruments and do not purport to deal with the tax consequences applicable to all categories of investors, some of which (such as dealers in securities or financial institutions in Singapore which have been granted the relevant Financial Sector Incentive(s)) may be subject to special rules or tax rates. The statements should not be regarded as advice on the tax position of any person and should be treated with appropriate caution. Prospective holders and holders of the Instruments are advised to consult their own professional tax advisers as to the Singapore or other tax consequences of the acquisition, ownership of or disposal of the Instruments, including, in particular, the effect of any foreign, state or local tax laws to which they are subject. It is emphasized that none of the Issuer, Subsidiary Guarantors, Arrangers, Dealers and any other persons involved in the Programme accepts responsibility for any tax effects or liabilities resulting from the subscription for, purchase, holding or disposal of the Instruments.

In addition, the disclosure below is on the assumption that the IRAS regards each tranche of the Securities as “debt securities” for the purposes of the ITA and/or that distribution payments made under each tranche of the Securities will be regarded as interest payable on indebtedness and holders thereof may therefore enjoy the tax exemptions and concessions available to qualifying debt securities (“QDS”) (provided that the other conditions for the qualifying debt securities scheme are satisfied). If the Relevant Tranche of the Securities is not regarded as “debt securities” for the purposes of the ITA or the distribution payments made under the Relevant Tranche of the Securities are not regarded as interest payable on indebtedness and holders thereof are not eligible for the tax concessions under the qualifying debt securities scheme, the tax treatment to holders may differ. Investors and holders of the Relevant Tranche of the Securities should consult their own accounting and tax advisers regarding the Singapore income tax consequences of their acquisition, holding and disposal of the Relevant Tranche of the Securities. There is no assurance that IRAS will agree to treat the Relevant Tranche of the Securities as debt securities and distributions thereon as interest.

1. Interest and Other Payments

With respect to any tranche of the Instruments issued as debt securities under the Programme (the “**Relevant Instruments**”) during the period from the date of this Offering Circular to 31 December 2018 where, pursuant to the ITA, more than half of the issue of such Relevant Instruments are distributed by Financial Sector Incentive (Capital Market) Companies (as defined in the ITA), Financial Sector Incentive (Standard Tier) Companies (as defined in the ITA) and/or Financial Sector Incentive (Bond Market) Companies (as defined in the ITA), such Relevant Instruments would be “qualifying debt securities” for the purposes of the ITA, to which the following treatments shall apply.

Subject to certain conditions having been fulfilled (including the furnishing by the Issuer, or such other person as the relevant authorities may direct, of a return on debt securities for the Relevant Instruments in the prescribed format within such period as the relevant authorities may specify and such other particulars in connection with the Relevant Instruments as the relevant authorities may require to MAS and such other relevant authorities as may be prescribed), interest, discount income (not including discount income arising from secondary trading), prepayment fee, redemption premium and break cost (collectively, the “**Qualifying Income**”) from the Relevant Instruments paid by the Issuer and derived by any company or body of persons (as defined in the ITA) in Singapore is subject to tax at a concessionary rate of 10 per cent. (except for holders of the relevant Financial Sector Incentive(s) who may be taxed at different rates).

Notwithstanding the foregoing:

- (a) if during the primary launch of any tranche of Relevant Instruments, the Relevant Instruments of such tranche are issued to fewer than four persons and 50 per cent. or more of the issue of such tranche of the Relevant Instruments is beneficially held or funded, directly or indirectly, by related parties of the Issuer, such Relevant Instruments would not qualify as QDS; and
- (b) even though a particular tranche of Relevant Instruments are QDS, if 50 per cent. or more of the issue of such tranche of the Relevant Instruments which are outstanding at any time during the life of their issue is beneficially held or funded, directly or indirectly, by any related party(ies) of the Issuer, Qualifying Income derived from such Relevant Instruments held by:
 - (i) any related party(ies) of the Issuer; or
 - (ii) any other person where the funds used by such person to acquire such Relevant Instruments are obtained, directly or indirectly, from any related party(ies) of the Issuer,

shall not be eligible for the tax exemption or concessionary rate of tax as described above.

The term “**related party**”, in relation to a person, means any other person who, directly or indirectly, controls that person, or is controlled, directly or indirectly, by that person, or where he and that other person, directly or indirectly, are under the control of a common person.

The terms “**prepayment fee**”, “**redemption premium**” and “**break cost**” are defined in the ITA as follows:

“**prepayment fee**”, in relation to debt securities and qualifying debt securities, means any fee payable by the issuer of the securities on the early redemption of the securities, the amount of which is determined by the terms of the issuance of the securities;

“**redemption premium**”, in relation to debt securities and qualifying debt securities, means any premium payable by the issuer of the securities on the redemption of the securities upon their maturity; and

“**break cost**”, in relation to debt securities and qualifying debt securities, means any fee payable by the issuer of the securities on the early redemption of the securities, the amount of which is determined by any loss or liability incurred by the holder of the securities in connection with such redemption.

References to “prepayment fee”, “redemption premium” and “break cost” in this Singapore tax disclosure have the same meaning as defined in the ITA.

All foreign-sourced income received in Singapore on or after 1 January 2004 by Singapore tax-resident individuals will be exempt from income tax, provided such foreign-sourced income is not received through a partnership in Singapore.

Where interest, discount income, prepayment fee, redemption premium or break cost (i.e. the Qualifying Income) is derived from the Relevant Instruments by any person who is not resident in Singapore and who carries on any operations in Singapore through a permanent establishment in Singapore, the tax exemption available for QDS under the ITA shall not apply if such person acquires such Relevant Instruments using the funds and profits of such person’s operations through a permanent establishment in Singapore. Any person whose interest, discount income, prepayment fee, redemption premium or break cost (i.e. the Qualifying Income) derived from the Relevant Instruments is not exempt from tax is required to include such income in a return of income made under the ITA.

Under the Qualifying Debt Securities Plus Scheme (“**QDS Plus Scheme**”), subject to certain conditions having been fulfilled (including the furnishing by the Issuer, or such other person as the relevant authorities may direct, of a return on debt securities in respect of the QDS in the prescribed format within such period as the relevant authorities may specify and such other particulars in connection with the QDS as the relevant authorities may require to MAS and such other relevant authorities as may be prescribed), income tax exemption is granted on Qualifying Income derived by any investor from QDS (excluding Singapore Government Securities) which:

- (a) are issued during the period from 16 February 2008 to 31 December 2018 (both dates inclusive);
- (b) have an original maturity of not less than ten years;
- (c) are issued on or after 28 June 2013, cannot have their tenure shortened to less than 10 years from the date of their issue, except where:
 - (i) the shortening of the tenure is a result of any early termination pursuant to certain specified early termination clauses prescribed in the regulations which the issuer included in any offering document for such QDS; and
 - (ii) the QDS do not contain any call, put, conversion, exchange or similar option that can be triggered at specified dates or at specified prices which have been priced into the value of the QDS at the time of their issue; and
- (d) cannot be re-opened with a resulting tenure of less than ten years to the original maturity date.

However, even if a particular tranche of the Relevant Instruments are QDS which qualify under the QDS Plus Scheme, if, 50 per cent. or more of the issue of such Relevant Instruments which are outstanding at any time during the life of their issue is beneficially held or funded, directly or indirectly, by any related party(ies) of the Issuer, Qualifying Income from such Relevant Instruments derived by:

- (aa) any related party(ies) of the Issuer; or
- (bb) any other person where the funds used by such person to acquire such Relevant Instruments are obtained, directly or indirectly, from any related party(ies) of the Issuer,

shall not be eligible for the tax exemption under the QDS Plus Scheme as described above.

2. *Capital Gains*

Any gains considered to be in the nature of capital made from the sale of the Instruments will not be taxable in Singapore. However, any gains derived by any person from the sale of the Instruments which are gains from any trade, business, profession or vocation carried on by that person, if accruing in or derived from Singapore, may be taxable as such gains are considered revenue in nature.

Holders of the Instruments who apply or are required to apply Singapore Financial Reporting Standard 39 — Financial Instruments: Recognition and Measurement (“**FRS 39**”) may, for Singapore income tax purposes, be required to recognize gains or losses (not being gains or losses in the nature of capital) on the Instruments, irrespective of disposal. Please see the section below on “Adoption of FRS 39 Treatment for Singapore Income Tax Purposes”.

3. *Adoption of FRS 39 Treatment for Singapore Income Tax Purposes*

The IRAS has issued a circular entitled “Income Tax Implications Arising from the Adoption of FRS 39-Financial Instruments: Recognition and Measurement” (the “**FRS 39 Circular**”). Legislative amendments to give effect to the FRS 39 Circular have been enacted in Section 34A of the ITA.

The FRS 39 Circular and Section 34A of the ITA generally apply, subject to certain “opt-out” provisions, to taxpayers who are required to comply with FRS 39 for financial reporting purposes.

Holders and prospective holders of the Instruments who may be subject to the tax treatment under the FRS 39 Circular and Section 34A of the ITA should consult their own accounting and tax advisers regarding the Singapore income tax consequences of their acquisition, holding or disposal of the Instruments.

The Accounting Standards Council has issued a new financial reporting standard for financial instruments, FRS 109 — Financial Instruments which will become mandatorily effective for annual periods beginning on or after 1 January 2018. It is at present unclear whether, and to what extent, the replacement of FRS 39 by FRS 109 will affect the tax treatment of financial instruments which currently follows FRS 39. Holders and prospective holders of the Instruments should consult their own accounting and tax advisers on the proposed tax treatment to understand the implications and consequences that may be applicable to them.

4. Estate Duty

Singapore estate duty has been abolished with respect to all deaths occurring on or after 15 February 2008.

Hong Kong

The following summary of certain Hong Kong tax consequences of the purchase, ownership and disposition of the Instruments is based upon laws, regulations, decisions and practice now in effect, all of which are subject to change (possibly with retroactive effect). The summary does not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to purchase, own or dispose of the Instruments and does not purport to deal with the consequences applicable to all categories of investors, some of which may be subject to special rules. Persons considering the purchase of the Instruments should consult their own tax advisers concerning the application of Hong Kong tax laws to their particular situation as well as any consequences of the purchase, ownership and disposition of the Instruments arising under the laws of any other taxing jurisdiction.

Withholding tax

No withholding tax is payable in Hong Kong in respect of payments of principal or interest on the Notes or in respect of any payments of principal or distribution on the Securities or in respect of any capital gains arising from the sale of the Instruments.

Profits tax

Hong Kong profits tax is chargeable on every person carrying on a trade, profession or business in Hong Kong in respect of profits arising in or derived from Hong Kong from such trade, profession or business (excluding profits arising from the sale of capital assets).

Under the Inland Revenue Ordinance (Cap. 112 of the Laws of Hong Kong) (the “**Inland Revenue Ordinance**”) as it is currently applied by the Inland Revenue Department, interest on the Instruments may be deemed to be profits arising in or derived from Hong Kong from a trade, profession or business carried on in Hong Kong in the following circumstances:

- (i) interest on the Instruments is derived from Hong Kong and is received by or accrues to a company (other than a financial institution) carrying on a trade, profession or business in Hong Kong;
- (ii) interest on the Instruments is derived from Hong Kong and is received by or accrues to a person, other than a company, carrying on a trade, profession or business in Hong Kong and is in respect of the funds of that trade, profession or business; or
- (iii) interest on the Instruments is received by or accrues to a financial institution (as defined in the Inland Revenue Ordinance) and arises through or from the carrying on by the financial institution of its business in Hong Kong.

Sums received by or accrued to a financial institution by way of gains or profits arising through or from the carrying on by the financial institution of its business in Hong Kong from the sale, disposal or redemption of the Instruments may be subject to profits tax.

Sums derived from the sale, disposal or redemption of the Instruments may be subject to Hong Kong profits tax where received by or accrued to a person, other than a financial institution, who carries on a trade, profession or business in Hong Kong and the sum has a Hong Kong source. The source of such sums will generally be determined by having regard to the manner in which the Instruments are acquired and disposed of.

Stamp duty

Stamp duty will not be payable on the issue of Bearer Notes provided either:

- (a) such Notes are denominated in a currency other than the currency of Hong Kong and are not repayable in any circumstances in the currency of Hong Kong; or
- (b) such Notes constitute loan capital (as defined in the Stamp Duty Ordinance (Cap. 117) of the Laws of Hong Kong (the “**SDO**”)).

If stamp duty is payable, it is payable by the Issuer on the issue of Bearer Notes at a rate of 3% of the market value of the Notes at the time of issue. No stamp duty will be payable on any subsequent transfer of Bearer Notes.

Stamp duty will not be payable on any transfer of the Registered Instruments if the relevant transfer is not required to be registered in Hong Kong, or provided that either:

- (a) such Instruments constitute debentures, loan stocks, funds, bonds or notes that are denominated in a currency other than the currency of Hong Kong and are not repayable in any circumstance in the currency of Hong Kong; or
- (b) such Instruments constitute loan capital,

in each case as defined in the SDO.

If stamp duty is payable in respect of the transfer of Registered Instruments it will be payable at the rate of 0.2% (of which 0.1% is payable by the seller and 0.1% is payable by the purchaser) normally by reference to the consideration or its value, whichever is higher. In addition, stamp duty is payable at the fixed rate of HK\$5 on each instrument of transfer executed in relation to any transfer of the Registered Instruments if the relevant transfer is required to be registered in Hong Kong.

Proposed Financial Transactions Tax (“FTT”)

On 14 February 2013, the European Commission published a proposal (the “**Commission’s Proposal**”) for a Directive for a common FTT in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the “**Participating Member States**”). However, Estonia has since stated that it will not participate.

The Commission’s Proposal has very broad scope and could, if introduced, apply to certain dealings in the Instruments (including secondary market transactions) in certain circumstances.

Under the Commission’s Proposal, the FTT could apply in certain circumstances to persons both within and outside of the Participating Member States. Generally, it would apply to certain dealings in the Instruments where at least one party is a financial institution, and at least one party is established in a Participating Member State. A financial institution may be, or be deemed to be, “established” in a Participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a Participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a Participating Member State.

However, the FTT proposal remains subject to negotiation between the participating Member States. It may therefore be altered prior to any implementation, the timing of which remains unclear. Additional EU Member States may decide to participate.

Prospective investors considering the purchase of the Instruments are advised to seek their own professional advice in relation to the FTT.

United States' Foreign Account Tax Compliance Act Tax Provisions

Pursuant to certain provisions of the U.S. Internal Revenue Code of 1986, commonly known as FATCA, a “foreign financial institution” may be required to withhold on certain payments it makes (“**foreign passthru payments**”) to persons that fail to meet certain certification, reporting or related requirements. The Issuer may be a foreign financial institution for these purposes. A number of jurisdictions have entered into, or have agreed in substance to, intergovernmental agreements with the United States to implement FATCA (“**IGAs**”), which modify the way in which FATCA applies in their jurisdictions. Under the provisions of IGAs as currently in effect, a foreign financial institution in an IGA jurisdiction would generally not be required to withhold under FATCA or an IGA from payments that it makes. Certain aspects of the application of the FATCA provisions and IGAs to instruments such as the Instruments, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Instruments, are uncertain and may be subject to change. Even if withholding would be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Instruments, such withholding would not apply prior to 1 January 2019 and Instruments issued on or prior to the date that is six months after the date on which final regulations defining “foreign passthru payments” are filed with the U.S. Federal Register generally would be “grandfathered” for purposes of FATCA withholding unless materially modified after such date. Holders should consult their own tax advisors regarding how these rules may apply to their investment in the Instruments.

CLEARANCE AND SETTLEMENT

The information set out below is subject to any change in or reinterpretation of the rules, regulations and procedures of Euroclear and Clearstream or the CMU Service currently in effect. The information in this section concerning the Clearing Systems has been obtained from sources that the Issuer believes to be reliable, but none of the Issuer, any of the Subsidiary Guarantors, any Arranger or Dealer, the Trustee or any Agent takes any responsibility for the accuracy thereof. Investors wishing to use the facilities of any of the Clearing Systems are advised to confirm the continued applicability of the rules, regulations and procedures of the relevant Clearing System. None of the Issuer, the Subsidiary Guarantors or any other party to the Agency Agreement will have any responsibility or liability for any aspect of the records relating to, or payments made on account of, beneficial ownership interests in the Notes held through the facilities of any Clearing System or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

The Clearing Systems

Euroclear and Clearstream

Euroclear and Clearstream each holds securities for participating organizations and facilitates the clearance and settlement of securities transactions by electronic book-entry transfer between their respective account holders. Euroclear and Clearstream provide various services including safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Euroclear and Clearstream also deal with domestic securities markets in several countries through established depository and custodial relationships. Euroclear and Clearstream have established an electronic bridge between their two systems across which their respective participants may settle trades with each other.

Euroclear and Clearstream participants are world-wide financial institutions, including underwriters, securities brokers and dealers, banks, trust companies and clearing corporations. Indirect access to Euroclear and Clearstream is available to other institutions that clear through or maintain a custodial relationship with an account holder of either system.

Distributions of principal, distribution and interest with respect to book-entry interests in the Instruments held through Euroclear or Clearstream will be credited, to the extent received by any Paying Agent, to the cash accounts of Euroclear or Clearstream participants in accordance with the relevant system's rules and procedures.

CMU Service

The CMU Service is a central depository service provided by the Central Moneymarkets Unit of the HKMA for the safe custody and electronic trading between the CMU members of capital markets instruments which are specified in the CMU Service Reference Manual as capable of being held within the CMU Service.

The CMU Service is only available to CMU instruments issued by a CMU Member or by a person for whom a CMU Member acts as agent for the purposes of lodging instruments issued by such persons. Membership of the CMU Service is open to all members of the Hong Kong Capital Markets Association and "authorised institutions" under the Banking Ordinance (Cap. 155 of the Laws of Hong Kong).

Compared to clearing services provided by Euroclear and Clearstream, the standard custody and clearing service provided by the CMU Service is limited. In particular (and unlike the European Clearing Systems), the HKMA does not as part of this service provide any facilities for the dissemination to the relevant CMU members of payments (of interest or principal) under, or notices pursuant to the notice provisions of, the CMU Instruments. Instead, the HKMA advises the lodging CMU member (or a designated paying agent) of the identities of the CMU members to whose accounts payments in respect of the relevant CMU Instruments are credited, whereupon the lodging CMU member (or the designated paying agent) will make the necessary payments of interest or principal or send notices directly to the relevant CMU members. Similarly, the HKMA will not obtain certificates of non-U.S. beneficial ownership from CMU members or provide any such certificates on behalf of CMU members. The CMU Lodging and Paying Agent will collect such certificates from the relevant CMU members identified from an instrument position report obtained by request from the HKMA for this purpose.

An investor holding an interest through an account with either Euroclear or Clearstream in any Instruments held in the CMU Service will hold that interest through the respective accounts which Euroclear and Clearstream each have with the CMU Service.

SUBSCRIPTION AND SALE

The Dealers have, in a dealer agreement dated 25 October 2017 as amended and/or supplemented from time to time (the “**Dealer Agreement**”), agreed with the Issuer and each of the Subsidiary Guarantors a basis on which any dealer to be appointed by the Issuer and each of the Subsidiary Guarantors in respect of a single Tranche or the whole Programme may from time to time agree to subscribe Instruments. Any such agreement will extend to those matters stated under Note Conditions and Security Conditions. Under the terms of the Dealer Agreement, the Issuer and each of the Subsidiary Guarantors will jointly and severally undertake to pay each Relevant Dealer a commission as agreed between them in respect of Instruments subscribed by it.

The Issuer and each of the Subsidiary Guarantors have agreed to jointly and severally indemnify the Relevant Dealers against certain liabilities in connection with the offer and sale of the Instruments. The Dealer Agreement entitles the Relevant Dealers to terminate any agreement that they make to subscribe Instruments in certain circumstances prior to payment for such Instruments being made to the Issuer.

The Dealers and certain of their affiliates may have performed certain investment banking and advisory services for the Issuer, any of the Subsidiary Guarantors and/or its affiliates from time to time for which they have received customary fees and expenses and may, from time to time, engage in transactions with and perform services for the Issuer, any of the Subsidiary Guarantors, and/or its affiliates in the ordinary course of their business. If a jurisdiction requires that an offering is made by a licensed broker or dealer and the Dealers or any affiliate of the Dealer is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by the Dealers or such affiliate on behalf of the Issuer in such jurisdiction.

In connection with each Tranche of Instruments issued under the Programme, the Dealers or certain of their affiliates may purchase Instruments and be allocated Instruments for asset management and/or proprietary purposes but not with a view to distribution. Further, the Dealers or their respective affiliates may purchase Instruments for its or their own account and enter into transactions, including credit derivatives, such as asset swaps, repackaging and credit default swaps relating to such Instruments and/or other securities of the Issuer, any of the Subsidiary Guarantors or its subsidiaries or affiliates at the same time as the offer and sale of each Tranche of Instruments or in secondary market transactions. Such transactions would be carried out as bilateral trades with selected counterparties and separately from any existing sale or resale of the Tranche of Instruments to which a particular Pricing Supplement relates (notwithstanding that such selected counterparties may also be purchasers of such Tranche of Instruments).

United States of America:

The Instruments and the Guarantee of the Instruments have not been, and will not be, registered under the Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States. The Instruments may not be offered, sold or (in the case of Bearer Notes) delivered within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Each of the Dealers has agreed that, except as permitted by the Dealer Agreement, it will not offer, sell or, in the case of Bearer Notes, deliver the Instruments within the United States.

In addition, until 40 days after the commencement of any offering, an offer or sale of each Tranche of Instruments within the United States by any Dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act.

Prohibition of Sales to EEA Retail Investors

From 1 January 2018, unless the relevant Pricing Supplement in respect of any Instruments specifies the “Prohibition of Sales to EEA Retail Investors” as “Not Applicable”, each Dealer has represented, warranted and agreed, and each further Dealer appointed under the Programme will be required to represent, warrant and agree, that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Instruments which are the subject of the offering contemplated by this Offering Circular as completed by the relevant Pricing Supplement in relation thereto to any retail investor in the European Economic Area. For the purposes of this provision:

- (a) the expression “**retail investor**” means a person who is one (or more) of the following:
 - (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, “**MiFID II**”); or
 - (ii) a customer within the meaning of Directive 2002/92/EC (as amended, the “**Insurance Mediation Directive**”), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or
 - (iii) not a qualified investor as defined in the Prospectus Directive (as defined below); and
- (b) the expression an “offer” includes the communication in any form and by any means of sufficient information on the terms of the offer and the Instruments to be offered so as to enable an investor to decide to purchase or subscribe the Instruments.

Prior to 1 January 2018, and from that date of the relevant Pricing Supplement in respect of any Instruments specifies “Prohibition of Sales to EEA Retail Investors” as “Not Applicable”, in relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a “**Relevant Member State**”), each Dealer has represented, warranted and agreed, and each further Dealer appointed under the Programme will be required to represent, warrant and agree, that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the “**Relevant Implementation Date**”) it has not made and will not make an offer of Instruments which are the subject of the offering contemplated by the Offering Circular as completed by the relevant Pricing Supplement in relation thereto to the public in that Relevant Member State except that it may, with effect from and including the Relevant Implementation Date, make an offer of such Instruments to the public in that Relevant Member State:

- (a) *Approved prospectus*: if the relevant Pricing Supplement in relation to the Instruments specifies that an offer of those Instruments may be made other than pursuant to Article 3(2) of the Prospectus Directive in that Relevant Member State (a “**Non-exempt Offer**”), following the date of publication of a prospectus in relation to such Instruments which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, **provided that** any such prospectus has subsequently been completed by the relevant Pricing Supplement contemplating such Non-exempt Offer, in accordance with the Prospectus Directive, in the period beginning and ending on the dates specified in such prospectus or pricing supplement, as applicable and the Issuer has consented in writing to its use for the purpose of that Non-exempt Offer;
- (b) *Qualified investors*: at any time to any legal entity which is a qualified investor as defined in the Prospectus Directive;
- (c) *Fewer than 150 offerees*: at any time to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive), subject to obtaining the prior consent of the Relevant Dealer or Dealers nominated by the Issuer for any such offer; or
- (d) *Other exempt offers*: at any time in any other circumstances falling within Article 3(2) of the Prospectus Directive.

provided that no such offer of Instruments referred to in (b) to (d) above shall require the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, the expression an “**offer of Instruments to the public**” in relation to any Instruments in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Instruments to be offered so as to enable an investor to decide to purchase or subscribe the Instruments, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State, and the expression “**Prospectus Directive**” means Directive 2003/71/EC (as amended including by Directive 2010/73/EU), and includes any relevant implementing measure in the Relevant Member State.

Selling Restrictions Addressing Additional United Kingdom Securities Laws

Each Dealer has represented, warranted and agreed that:

- (a) **No deposit-taking:** in relation to any Notes having a maturity of less than one year,
 - (i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business; and
 - (ii) it has not offered or sold and will not offer or sell any Notes other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses, or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the Notes would otherwise constitute a contravention of Section 19 of the FSMA by the Issuer;
- (b) **Financial promotion:** it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received by it in connection with the issue or sale of any Instruments in circumstances in which section 21(1) of the FSMA does not apply to the Issuer or any of the Subsidiary Guarantors; and
- (c) **General compliance:** it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Instruments in, from or otherwise involving the United Kingdom.

Hong Kong

Each Dealer has represented, warranted and undertaken, and each further Dealer appointed under the Programme be required to represent, warrant and undertake, that:

- (a) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Instruments except for Instruments which are a “*structured product*” as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong (the “**SFO**”) other than (i) to “*professional investors*” as defined in the SFO and any rules made under the SFO; or (ii) in other circumstances which do not result in the document being a “prospectus” as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong (or which do not constitute an offer to the public within the meaning of that Ordinance; and
- (b) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Instruments, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Instruments which are or are intended to be disposed of only to persons outside Hong Kong or only to “*professional investors*” as defined in the SFO and any rules made under the SFO.

Singapore

This Offering Circular has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered or sold any Instruments or caused such Instruments to be made the subject of an invitation for subscription or purchase and will not offer or sell such Instruments or cause such Instruments to be made the subject of

an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this Offering Circular or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of such Instruments, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of the Securities and Futures Act, Chapter 289 of Singapore (the “SFA”), (ii) to a relevant person pursuant to Section 275(1), or any person pursuant to Section 275(1A), and in accordance with the conditions specified in Section 275, of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Instruments are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

- (a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or
- (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities (as defined in Section 239(1) of the SFA) of that corporation or the beneficiaries’ rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Instruments pursuant to an offer made under Section 275 of the SFA, except:

- (1) to an institutional investor or to a relevant person defined in Section 275(2) of the SFA, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;
- (2) where no consideration is or will be given for the transfer;
- (3) where the transfer is by operation of law;
- (4) as specified in Section 276(7) of the SFA; or
- (5) as specified in Regulation 32 of the Securities and Futures (Offers of Investments) (Shares and Debentures) Regulations 2005 of Singapore.

Cayman Islands

Each Dealer has represented, warranted and undertaken that it has not and will not make any invitation to the public or any member of the public in the Cayman Islands to purchase the Instruments and the Instruments may not be offered or sold, directly or indirectly, in the Cayman Islands.

British Virgin Islands

Each Dealer has represented, warranted and agreed that it has not made and will not make any invitation to the public in the British Virgin Islands to offer or sell the Instruments.

Japan

The Instruments have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948), as amended (the “FIEA”). Accordingly, each Dealer has represented, warranted and agreed that it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer to sell any Instruments in Japan or to, or for the benefit of, a resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organised under the laws of Japan) or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, any resident in Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, FIEA and other relevant laws and regulations of Japan.

General

Each Dealer has represented, warranted and agreed that it has complied and will comply with all applicable laws and regulations in each country or jurisdiction in or from which it purchases, offers, sells or delivers Instruments or possesses, distributes or publishes this Offering Circular or any relevant Pricing Supplement or any related offering material, in all cases at its own expense. Other persons into whose hands this Offering Circular or any relevant Pricing Supplement comes are required by the Issuer, each of the Subsidiary Guarantors and the Dealers to comply with all applicable laws and regulations in each country or jurisdiction in or from which they purchase, offer, sell or deliver Instruments or possess, distribute or publish this Offering Circular or any relevant Pricing Supplement or any related offering material, in all cases at their own expense.

The Dealer Agreement provides that the Dealers shall not be bound by any of the restrictions relating to any specific jurisdiction (set out above) to the extent that such restrictions shall, as a result of change(s) or change(s) in official interpretation, after the date hereof, of applicable laws and regulations, no longer be applicable but without prejudice to the obligations of the Dealers described in the paragraph headed “General” above.

Selling restrictions may be supplemented or modified with the agreement of the Issuer and each of the Subsidiary Guarantors. Any such supplement or modification may be set out in the relevant Pricing Supplement (in the case of a supplement or modification relevant only to a particular Tranche of Instruments) or in a supplement to this Offering Circular.

GENERAL INFORMATION

1. **Listing of Instruments:** Approval in-principle has been received from the SGX-ST for permission to deal in, and the quotation for, any Instruments that may be issued pursuant to the Programme and which are agreed at or prior to the time of issue thereof to be so listed on the Official List of the SGX-ST. There is no assurance that the application to the SGX-ST for permission to deal in, and quotation of, the Instruments of any Series (as defined herein) will be approved. The approval in-principle from, and admission to the Official List of, the SGX-ST is not to be taken as an indication of the merits of the Issuer, any of the Subsidiary Guarantors, the Group, the Programme and/or the Instruments. The SGX-ST assumes no responsibility for the correctness of any of the statements made, opinions expressed or reports contained herein.

For so long as the Instruments are listed on the SGX-ST and the rules of the SGX-ST so require, the Issuer and the Subsidiary Guarantors shall appoint and maintain a Paying Agent in Singapore, where such Instruments may be presented or surrendered for payment or redemption, in the event that any of the Global Notes are exchanged for Definitive Notes or any of the Global Certificates are exchanged for Individual Certificates. In addition, in the event that any of the Global Notes are exchanged for Definitive Notes or any of the Global Certificates are exchanged for Individual Certificates, an announcement of such exchange will be made by or on behalf of the Issuer through the SGX-ST and such announcement will include all material information with respect to the delivery of the Definitive Notes or Individual Certificates, including details of the Paying Agent in Singapore.

2. **Authorisations:** The Issuer has obtained all necessary consents, approvals and authorisations and issue of the Instruments thereunder in connection with the establishment of the Programme and the issue of the Instruments by resolutions of the board of directors of the Issuer dated 23 October 2017. Each of the Subsidiary Guarantors has obtained all necessary consent, approvals and authorisations in connection with the giving and performance of the Guarantee of the Instruments. The giving of the Guarantee of the Instruments was duly authorised by resolution of the board of directors of each of Rich Prospect Holdings Limited (豐景控股有限公司), One Million International Limited, Wang Bao Development Limited (旺寶發展有限公司) and New Chic International Limited, all dated 23 October 2017 and resolution of the board of directors of each of CNQC (South Pacific) Holding Pte. Ltd. and CNQC Engineering & Construction Pte. Ltd., all dated 25 October 2017.
3. **No Material Adverse Change:** Except as disclosed in this Offering Circular, there has been no adverse change in the prospects of the Issuer, each of the Subsidiary Guarantors or the Group nor any adverse change in the financial or trading position of the Group since 31 December 2016.
4. **Litigation:** Except as disclosed in this Offering Circular, none of the Issuer, the Subsidiary Guarantors or any of their respective subsidiaries is involved in any governmental, legal or arbitration proceedings which may have or during the 12 months prior to the date of this Offering Circular have had an effect on the financial position or profitability of the Group which is material in the context of the issue of the Instruments, nor is the Issuer, any of the Subsidiary Guarantors or any of its subsidiaries aware that any such proceedings are pending or threatened.
5. **Clearing of the Instruments:** The Instruments may be accepted for clearance through Euroclear and Clearstream and the CMU Service. The appropriate ISIN and common code, the relevant CMU instrument number and (where applicable) the identification number for any other relevant clearing system in relation to the Instruments of each Tranche will be specified in the relevant Pricing Supplement. If the Instruments are to be cleared through any additional or alternative Clearing System, the appropriate information will be specified in the relevant Pricing Supplement.
6. **Available Documents:** For so long as Instruments may be issued under the Programme, copies of the following documents will be available, during usual business hours on any weekday (Saturdays, Sundays and public holidays excepted), for inspection at the specified office of the Principal Paying Agent, being at the date of this Offering Circular at 52nd Floor, International Commerce Centre, 1 Austin Road West, Kowloon, Hong Kong:
 - (i) the Trust Deed (which includes the form of the Global Notes, the Global Certificates, the Notes and Securities in definitive form, the Coupons and the Talons);
 - (ii) the Agency Agreement;

- (iii) the Memorandum and Articles of Association of the Issuer and the Memorandum and Articles of Association of each of the Subsidiary Guarantors;
- (iv) each Pricing Supplement (save that a Pricing Supplement related to an unlisted Series of Instruments will only be available for inspection by a holder of any such Instruments and such holder must produce evidence satisfactory to the Issuer, each of the Subsidiary Guarantors or the Trustee as to its holding of such Instruments and identity); and
- (v) a copy of this Offering Circular together with any supplement to this Offering Circular and any other documents incorporated herein or therein referenced.

The Issuer prepares and publishes an annual report and an interim report every year. Copies of the Issuer's annual report in respect of the latest year and period can be obtained from its corporate website.

7. **Financial Statements:** The audited consolidated financial statements of the Group for the years ended 31 December 2015 and 2016, which are included elsewhere in this Offering Circular, have been audited by PricewaterhouseCoopers, Certified Public Accountants, as stated in its report appearing herein. The unaudited consolidated interim financial statements of the Group for the six months ended 30 June 2017, which are included elsewhere in this Offering Circular, have been reviewed by PricewaterhouseCoopers, Certified Public Accountants, 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 as stated in their report appearing herein.

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The consolidated financial statements have not been specifically prepared for the inclusion in this Offering Circular. The consolidated financial statements as at and for the year ended 31 December 2015 and 2016 and the interim condensed consolidated financial statements as at and for the six months ended 30 June 2017 set out herein have been reproduced from the Company's consolidated financial statements for the year ended 31 December 2015 or 2016 or the six months ended 30 June 2017, as the case may be, including the page numbers and page references set forth in such financial statements.



REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION



羅兵咸永道

To the Board of Directors of CNQC International Holdings Limited

(incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the interim financial information set out on pages 6 to 40, which comprises the interim condensed consolidated statement of financial position of CNQC International Holdings Limited (the “Company”) and its subsidiaries (together, the “Group”) as at 30 June 2017 and the related interim condensed consolidated statements of comprehensive income, changes in equity and cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting”. Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion 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.

SCOPE OF 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 Hong Kong Institute of Certified Public Accountants. A review of interim 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 Hong Kong Standards on Auditing 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.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting”.

*PricewaterhouseCoopers, 22/F, Prince’s Building, Central, Hong Kong
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REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

OTHER MATTERS

The interim condensed consolidated financial information includes comparative information as required by Hong Kong Accounting Standard 34 "Interim Financial Reporting". The comparative information for the interim condensed consolidated statement of financial position is based on the audited consolidated financial information of the Company as at 31 December 2016. The comparative information for the interim condensed consolidated statement of comprehensive income, changes in equity and cash flows, and related explanatory notes, for the six months ended 30 June 2016 has not been audited or reviewed.

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, 30 August 2017



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 2017 (the “**Reporting Period**”), together with the comparative figures for the six months ended 30 June 2016 as follows:

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2017

	Note	Six months ended 30 June	
		2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
Revenue	7	7,711,221	4,061,280
Cost of sales		(6,621,514)	(3,531,332)
Gross profit		1,089,707	529,948
Other income	8	44,020	1,440
Other (losses)/gains — net	9	(30,714)	2,235
Selling and marketing expenses		(160,822)	(52,915)
General and administrative expenses		(186,324)	(158,352)
Operating profit	10	755,867	322,356
Finance income		37,048	9,213
Finance costs		(21,599)	(14,060)
Finance income/(costs), net	11	15,449	(4,847)
Share of losses of associated companies		(14,626)	(865)
Share of profit of joint ventures		291	—
Profit before income tax		756,981	316,644
Income tax expense	12	(131,787)	(58,722)
Profit for the period		625,194	257,922
Other comprehensive income/(loss)			
<i>Items that may be reclassified to profit or loss</i>			
— Revaluation (loss)/gain on available-for-sale financial assets		(22,226)	19,039
— Currency translation differences		89,833	36,074
Total comprehensive income for the period		692,801	313,035

The notes on pages 13 to 40 are an integral part of these interim condensed consolidated financial statements.



INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2017

	Note	Six months ended 30 June	
		2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
Profit for the period attributable to:			
Owners of the Company		459,362	237,186
Non-controlling interests		165,832	20,736
		625,194	257,922
Total comprehensive income for the period attributable to:			
Owners of the Company		517,185	289,112
Non-controlling interests		175,616	23,923
		692,801	313,035
Earnings per share attributable to owners of the Company during the period	13		
Basic earnings per share			
— ordinary shares (HK cents)		27.45	17.72
— convertible preference shares (HK cents)		27.47	17.72
Diluted earnings per share			
— ordinary shares (HK cents)		27.45	17.72
— convertible preference share (HK cents)		27.47	17.72

The notes on pages 13 to 40 are an integral part of these interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2017

	Note	30 June 2017 HK\$'000 (Unaudited)	31 December 2016 HK\$'000 (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment	14	426,514	441,715
Investment properties under development	14	466,675	426,723
Goodwill	14	561,954	561,954
Other intangible assets	14	44,851	54,340
Investments in associated companies		1,320	19,682
Investments in joint ventures		670	355
Deferred income tax assets		42,626	75,530
Available-for-sale financial assets		74,620	92,329
Derivative financial instruments		42	12,600
Prepayments and other receivables	15	656,748	344,878
		2,276,020	2,030,106
Current assets			
Development properties for sale	17	4,452,133	8,758,473
Trade and other receivables, prepayments and deposits	15	3,535,193	1,870,489
Amounts due from customers for contract work	16	49,694	65,240
Derivative financial instruments		5,345	20,343
Tax recoverable		17,188	10,686
Cash and cash equivalents		2,286,699	1,792,639
Pledged bank deposits		242,410	223,696
		10,588,662	12,741,566
Total assets		12,864,682	14,771,672
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital — ordinary shares	20	14,294	14,294
Share capital — convertible preference shares	20	2,437	2,437
Share premium		3,317,938	3,317,938
Other reserves		(1,160,181)	(1,235,529)
Retained earnings		1,156,599	881,275
		3,331,087	2,980,415
Non-controlling interests		239,325	81,658
Total equity		3,570,412	3,062,073

The notes on pages 13 to 40 are an integral part of these interim condensed consolidated financial statements.



INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2017

	Note	30 June 2017 HK\$'000 (Unaudited)	31 December 2016 HK\$'000 (Audited)
LIABILITIES			
Non-current liabilities			
Borrowings	18	3,921,654	3,164,706
Derivative financial instruments		2,177	–
Deferred income tax liabilities		62,477	76,445
		3,986,308	3,241,151
Current liabilities			
Trade and other payables	19	2,749,725	4,734,569
Tax payables		187,077	191,537
Borrowings	18	2,370,345	3,542,342
Derivative financial instruments		815	–
		5,307,962	8,468,448
Total liabilities		9,294,270	11,709,599
Total equity and liabilities		12,864,682	14,771,672

The notes on pages 13 to 40 are an integral part of these interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2017

	Attributable to owners of the Company							
	Share capital - ordinary shares	Share capital - convertible preference shares	Share premium	Other reserves	Retained earnings	Total	Non-controlling interests	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
For the six months ended 30 June 2017 (Unaudited)								
Balance at 1 January 2017	14,294	2,437	3,317,938	(1,235,529)	881,275	2,980,415	81,658	3,062,073
Comprehensive income								
Profit for the period	-	-	-	-	459,362	459,362	165,832	625,194
Other comprehensive income/(loss)								
Currency translation difference	-	-	-	80,049	-	80,049	9,784	89,833
Revaluation loss on available-for-sale financial assets	-	-	-	(22,226)	-	(22,226)	-	(22,226)
Total comprehensive income	-	-	-	57,823	459,362	517,185	175,616	692,801
Transactions with owners:								
Employee share option scheme								
— share based compensation benefits	-	-	-	17,525	-	17,525	-	17,525
Dividend paid	-	-	-	-	(184,038)	(184,038)	(17,949)	(201,987)
	-	-	-	17,525	(184,038)	(166,513)	(17,949)	(184,462)
Balance at 30 June 2017 (Unaudited)	14,294	2,437	3,317,938	(1,160,181)	1,156,599	3,331,087	239,325	3,570,412

The notes on pages 13 to 40 are an integral part of these interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2017

	Attributable to owners of the Company							
	Share capital - ordinary shares	Share capital - convertible preference shares	Share premium	Other reserves	Retained earnings	Total	Non-controlling interests	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
For the six months ended 30 June 2016								
(Unaudited)								
Balance at 1 January 2016	3,000	9,519	2,227,382	(1,287,205)	547,890	1,500,586	(19,793)	1,480,793
Comprehensive income								
Profit for the period	-	-	-	-	237,186	237,186	20,736	257,922
Other comprehensive income								
Currency translation difference	-	-	-	32,887	-	32,887	3,187	36,074
Revaluation gain on available-for-sale financial assets	-	-	-	19,039	-	19,039	-	19,039
Total comprehensive income	-	-	-	51,926	237,186	289,112	23,923	313,035
Transactions with owners:								
Issuance of shares by placing (Note 20)	902	-	215,584	-	-	216,486	-	216,486
Issuance of shares upon share subscription (Note 20)	1,100	-	268,400	-	-	269,500	-	269,500
Issuance of shares upon conversion of convertible preference shares (Note 20)	6,000	(6,000)	-	-	-	-	-	-
Employee share option scheme — share based compensation benefits	-	-	-	32,005	-	32,005	-	32,005
Dividend paid	-	-	-	-	(161,049)	(161,049)	(5,796)	(166,845)
Total transactions with owners:	8,002	(6,000)	483,984	32,005	(161,049)	356,942	(5,796)	351,146
Balance at 30 June 2016 (Unaudited)	11,002	3,519	2,711,366	(1,203,274)	624,027	2,146,640	(1,666)	2,144,974

The notes on pages 13 to 40 are an integral part of these interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2017

	Six months ended 30 June	
	2017	2016
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Cash flows from operating activities		
Net cash generated from operations	1,916,224	1,220,207
Interest paid	(112,234)	(94,385)
Income tax paid	(131,119)	(115,875)
Net cash generated from operating activities	1,672,871	1,009,947
Cash flows from investing activities		
Purchase of property, plant and equipment	(19,391)	(12,819)
Proceeds from disposal of property, plant and equipment	942	1,978
Purchase of other intangible assets	(113)	–
Addition of investment properties	(8,837)	–
Prepayments	(298,414)	–
Loans to related parties	–	(10,375)
Repayment of loans to related parties	6,943	–
Interest received	1,353	3,969
Dividends received	28,003	174
Increase in pledged bank deposits for derivative financial instruments	(10,419)	–
Net cash used in investing activities	(299,933)	(17,073)
Cash flows from financing activities		
Dividends paid	(201,987)	(166,845)
Inception of finance leases	–	3,047
Drawdown on bank borrowings	1,367,703	1,985,587
Repayment of bank borrowings	(2,103,697)	(2,962,741)
Repayments of finance leases	(19,941)	(35,614)
Issue of shares	–	485,986
Decrease in pledged bank deposits for bank borrowings	3,727	–
Net cash used in financing activities	(954,195)	(690,580)
Net increase in cash and cash equivalents	418,743	302,294
Cash and cash equivalents at beginning of the period	1,792,639	1,625,816
Exchange gains on cash and cash equivalents	75,317	72,590
Cash and cash equivalents at end of the period	2,286,699	2,000,700

The notes on pages 13 to 40 are an integral part of these interim condensed consolidated financial statements.



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 and superstructure construction business in Hong Kong and Macau, and construction and property 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.

This condensed consolidated interim financial information is presented in Hong Kong Dollar (“**HK\$**”), unless otherwise stated. This condensed consolidated interim financial information was approved for issue on 30 August 2017.

During the six months ended 30 June 2016, the Company’s ultimate holding company has changed from Guotsing Holding Group Company Limited (“**Guotsing PRC**”) to Hui Long Enterprises Limited as a result of the conversion of convertible preference shares into ordinary shares by Guotsing Holding Company Limited detailed in Note 20.

2 BASIS OF PREPARATION

This condensed consolidated interim financial information for the six months ended 30 June 2017 has been prepared in accordance with Hong Kong Accounting Standard (“**HKAS**”) 34 “Interim financial reporting”. The condensed consolidated interim financial information should be read in conjunction with the consolidated financial statements for the year ended 31 December 2016 (“**2016 Financial Statements**”), 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 consolidated interim financial information for the six months ended 30 June 2017 are consistent with the 2016 Financial Statements.

The Group has adopted the following new accounting standards and amendments to standards for accounting periods beginning on or after 1 January 2017:

Annual Improvements Project	Annual Improvements 2014–2016 Cycle
HKFRS 12 (Amendments)	
HKAS 7 (Amendments)	Disclosure Initiative
HKAS 12 (Amendments)	Recognition of Deferred Tax Assets for Unrealised Losses

The adoption of these new accounting standards and amendments to standards does not result in significant impact on the Group’s results and financial position.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

3 ACCOUNTING POLICIES (CONTINUED)

The following new standards and amendments to existing 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
Annual Improvements Project		
HKFRS 1 and HKAS 28 (Amendments)	Annual Improvements 2014-2016 Cycle	1 January 2018
HKFRS 2 (Amendments)	Classification and Measurement of Share-based Payment Transactions	1 January 2018
HKFRS 9	Financial Instruments	1 January 2018
HKFRS 15	Revenue from Contracts with Customers	1 January 2018
HKFRS 15 (Amendments)	Clarifications to HKFRS 15	1 January 2018
HK(IFRIC)-Int-22	Foreign Currency Transactions and Advance Consideration	1 January 2018
HKAS 40 (Amendments)	Transfers of Investment Property	1 January 2018
HKFRS 16	Leases	1 January 2019
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets Between Investor and its Associate or Joint Venture	To be determined

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



NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

4 ESTIMATES

The preparation of interim condensed consolidated financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this interim condensed consolidated financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements of the Company for the year ended 31 December 2016.

5 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

5.1 Financial risk factors

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

The condensed consolidated interim financial information do 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 annual financial statements as at 31 December 2016.

There have been no changes in the risk management policies since year end.

5.2 Liquidity risk

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

As at 30 June 2017, the Group had cash and cash equivalents of HK\$2,286,699,000 (31 December 2016: HK\$1,792,639,000) of which approximately 64.1 % was held in Singapore Dollar, 18.4% was held in Hong Kong dollar, 16.4% was held in US Dollars and the remaining was mainly held in Macau Patacas, Indonesian Rupiah and Vietnamese Dong. The gearing ratio of the Group as at 30 June 2017 (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 51.3% (31 December 2016: approximately 60.5%).

5.3 Fair value measurements

The table below analyses the group's financial instruments carried at fair value as at 30 June 2017 and 31 December 2016 by level of the inputs to valuation techniques used to measure fair value. Such inputs are categorised into three levels within a fair value hierarchy as follows:

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

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

5 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (CONTINUED)

5.3 Fair value measurements (Continued)

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

	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
30 June 2017 (Unaudited)				
Assets				
Available-for-sale financial assets	–	–	74,620	74,620
Derivative financial instruments:				
— Foreign exchange forward contracts	–	5,345	–	5,345
— Cross currency swap contracts	–	42	–	42
Liabilities				
Derivative financial instruments:				
— Foreign exchange forward contracts	–	2,992	–	2,992
31 December 2016				
Assets				
Available-for-sale financial assets	–	–	92,329	92,329
Derivative financial instruments:				
— Foreign exchange forward contracts	–	20,343	–	20,343
— Cross currency swap contracts	–	12,600	–	12,600

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

The investments in unquoted available-for-sale financial assets held by the Group as at 31 December 2016 and 30 June 2017 are equity investments in property development companies that are not traded in an active market. The fair value of these investments is determined by using a dividend discount model for which the assumptions are based on the estimated future dividend plans of the underlying investments. These investments are classified as Level 3.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

5 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (CONTINUED)

5.3 Fair value measurements (Continued)

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

	Six months ended 30 June	
	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
At 1 January	92,329	1,095
Fair value (loss)/gain recognised in other comprehensive income	(22,226)	19,039
Exchange differences	4,517	614
At 30 June	74,620	20,748

During the six months ended 30 June 2017 and 2016, there were no transfers of financial assets and liabilities between level 1, level 2 and level 3.

The fair value of available-for-sale financial assets is determined by using a dividend discount model. The unobservable inputs used in the fair value measurement include forecast dividend earnings and discount rate. Should the forecast dividend earnings be increased/decreased by 5%, other comprehensive income would have been HK\$3,773,000 higher/lower. Should the discount rate be increased/decreased by 1%, other comprehensive income would have been HK\$994,000 lower/higher.

5.4 Fair values of financial assets and liabilities measured at amortised cost

The fair values of the following financial assets and liabilities approximate their carrying amounts:

- Trade receivables
- Amounts due from customers for contract work
- Deposits and other receivables
- Cash and cash equivalents
- Pledged bank deposits
- Trade payables
- Accruals and other payables
- Borrowings

6 SEGMENT INFORMATION

The Group's reportable and operating segments, based on information reported to the executive directors (being the chief operating decision maker ("CODM")) of the Company for the purpose of resource allocation and performance assessment under HKFRS 8 are as follows:

- Foundation and construction — Hong Kong and Macau
- Construction — Singapore
- Property development — Singapore

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

6 SEGMENT INFORMATION (CONTINUED)

Information regarding the above segments is reported below.

	Foundation and construction — Hong Kong and Macau HK\$'000	Construction — Singapore HK\$'000	Property development — Singapore HK\$'000	Total HK\$'000
Six months ended 30 June 2017 (Unaudited)				
Sales				
Sales to external parties	748,366	923,756	6,039,099	7,711,221
Inter-segment sales	–	243,415	–	243,415
Total segment sales	748,366	1,167,171	6,039,099	7,954,636
Adjusted segment profit	4,296	54,030	604,106	662,432
Depreciation	31,083	10,265	889	42,237
Amortisation	–	12,277	–	12,277
Share-based payment expenses	3,027	4,445	963	8,435
Six months ended 30 June 2016 (Unaudited)				
Sales				
Sales to external parties	908,841	1,264,894	1,887,545	4,061,280
Inter-segment sales	–	520,667	–	520,667
Total segment sales	908,841	1,785,561	1,887,545	4,581,947
Adjusted segment profit	116,773	20,524	191,767	329,064
Depreciation	31,264	9,589	1,044	41,897
Amortisation	2,167	–	–	2,167
Share-based payment expenses	3,465	7,620	1,651	12,736

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

6 SEGMENT INFORMATION (CONTINUED)

The following tables present segment assets and liabilities as at 30 June 2017 and 31 December 2016 respectively.

	Foundation and construction — Hong Kong and Macau HK\$'000	Construction — Singapore HK\$'000	Property development — Singapore HK\$'000	Total HK\$'000
As at 30 June 2017 (Unaudited)				
Segment assets	1,260,648	3,326,838	9,162,217	13,749,703
Segment liabilities	338,369	1,894,354	8,078,075	10,310,798
Segment assets include:				
Additions to property, plant and equipment	17,362	1,423	606	19,391
Additions to investment properties	–	–	16,943	16,943
Additions to intangible assets	–	113	–	113
Increase in prepayments	–	–	313,122	313,122
As at 31 December 2016 (Audited)				
Segment assets	1,319,307	3,332,497	11,325,497	15,977,301
Segment liabilities	443,650	1,979,696	10,594,613	13,017,959
Segment assets include:				
Additions to property, plant and equipment	20,081	13,196	895	34,172
Additions to investment properties	–	–	446,589	446,589
Additions to intangible assets	–	82,375	–	82,375
Prepaid land costs	–	–	176,666	176,666
Investments in associated companies	–	6,740	12,942	19,682

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

6 SEGMENT INFORMATION (CONTINUED)

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

	Six months ended 30 June	
	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
Adjusted segment profit for reportable segments	662,432	329,064
Unallocated expenses	(13,828)	(39,585)
Elimination	107,263	32,877
Finance income	37,048	9,213
Finance costs	(21,599)	(14,060)
Share of losses of associated companies	(14,626)	(865)
Share of profit of joint ventures	291	–
Profit before income tax	756,981	316,644

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

	As at 30 June 2017 HK\$'000 (Unaudited)	As at 31 December 2016 HK\$'000 (Audited)
	Segment assets	13,749,703
Unallocated	1,310,461	347,861
Elimination	(2,195,482)	(1,553,490)
Total assets	12,864,682	14,771,672

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

	As at 30 June 2017 HK\$'000 (Unaudited)	As at 31 December 2016 HK\$'000 (Audited)
	Segment liabilities	10,310,798
Unallocated	659,630	30,333
Elimination	(1,676,158)	(1,338,693)
Total liabilities	9,294,270	11,709,599

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

7 REVENUE

	Six months ended 30 June	
	2017	2016
	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)
Revenue		
Construction contract income	1,671,972	2,173,550
Sales of development properties	6,039,099	1,887,545
Rental of equipment	150	185
	7,711,221	4,061,280

8 OTHER INCOME

	Six months ended 30 June	
	2017	2016
	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)
Income from default payments of development properties	4,611	1,092
Dividend income from available-for-sale financial assets	28,003	–
Management fee income from an associated company	1,727	–
Sundry income	9,679	348
	44,020	1,440

9 OTHER (LOSSES)/GAINS — NET

	Six months ended 30 June	
	2017	2016
	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)
Gain on disposal of property, plant and equipment	1,023	1,053
Fair value loss on derivative financial instruments	(31,737)	–
Others	–	1,182
Other (losses)/gains — net	(30,714)	2,235

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

10 OPERATING PROFIT

Operating profit is stated after charging the following:

	Six months ended 30 June	
	2017	2016
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Contractor and material costs net of changes in construction contract work-in-progress included in "cost of sales"	1,300,600	1,685,094
Property development costs included in "cost of sales"	5,045,837	1,578,645
Sales commissions	133,712	17,203
Show flat costs	2,497	18,269
Marketing expenses	24,613	17,443
Staff costs, including directors' emoluments	355,422	270,030
Depreciation of owned assets	27,017	21,238
Depreciation of assets under finance leases	15,220	20,888
Amortisation of intangible assets	12,277	2,167
Legal and professional fees	3,781	12,515
Rental expenses on operating leases	18,304	46,114

During the six months ended 30 June 2017, staff costs included share-based payment expenses of approximately HK\$17,525,000 (six months ended 30 June 2016: approximately HK\$32,005,000).

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

11 FINANCE INCOME/(COSTS) — NET

	Six months ended 30 June	
	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
Finance income		
Interest income from bank deposits	4,578	3,972
Interest income from loans to associated companies	3,929	3,903
Interest income from loans to other related parties	1,035	1,338
	9,542	9,213
Net foreign exchange gains	27,506	–
	37,048	9,213
Finance costs		
Interest expenses on finance leases	(1,131)	(1,845)
Interest expenses on bank borrowings and arrangement fee amortised in respect of bank facilities	(92,452)	(93,769)
Interest expenses on loans from non-controlling shareholders of the subsidiaries	(15,225)	(30,795)
	(108,808)	(126,409)
Less: Interest expenses capitalised	87,209	112,132
	(21,599)	(14,277)
Net foreign exchange gains	–	217
Sub-total	(21,599)	(14,060)
Finance income/(costs) – net	15,449	(4,847)

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

12 INCOME TAX EXPENSE

Hong Kong profits tax, Macau profits tax and Singapore income tax have been provided for at the rate of 16.5%, 12% and 17% respectively for the six months ended 30 June 2017 and 2016 on the estimated assessable profit for the period in the respective jurisdiction.

	Six months ended 30 June	
	2017	2016
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Current income tax		
— Hong Kong profits tax	2,402	19,322
— Macau profits tax	—	(9)
— Singapore income tax	109,740	42,337
Deferred income tax	19,645	(2,928)
Income tax expense	131,787	58,722

13 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	
	2017	2016
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Profit attributable to ordinary shares	392,428	114,377
Profit attributable to CPS	66,934	122,809
Profit attributable to owners of the Company	459,362	237,186

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

13 EARNINGS PER SHARE (CONTINUED)

Basic (Continued)

	Six months ended 30 June 2017		Six months ended 30 June 2016	
	Ordinary shares (Unaudited)	CPS (Unaudited)	Ordinary shares (Unaudited)	CPS (Unaudited)
Weighted average number of issued shares for the purpose of calculating basic earnings per share (in thousands)	1,429,396	243,680	645,684	692,752
Basic earnings per share (HK cents)	27.45	27.47	17.72	17.72

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") outstanding for each of the periods 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

	Six months ended 30 June 2017		Six months ended 30 June 2016	
	Ordinary shares (Unaudited)	CPS (Unaudited)	Ordinary shares (Unaudited)	CPS (Unaudited)
Weighted average number of issued shares for the purpose of calculating basic earnings per share (in thousands)	1,429,396	243,680	645,684	692,752
Adjustments for outstanding share options (in thousands)	43	–	–	–
	1,429,439	243,680	645,684	692,752
Diluted earnings per share (HK cents)	27.45	27.47	17.72	17.72

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

13 EARNINGS PER SHARE (CONTINUED)

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 period end dates. The number of shares that would have been issued assuming the exercise of the share options less the number of shares that could have been issued at fair value (determined as the average market price of the Company's share for the year) for the same total proceeds is the number of shares issued for no consideration. The resulting number of shares issued for no consideration is included in the weighted average number of ordinary shares as the denominator for calculating diluted earnings per share.

14 PROPERTY, PLANT AND EQUIPMENT, INVESTMENT PROPERTIES, GOODWILL AND OTHER INTANGIBLE ASSETS

	Property, plant and equipment HK\$'000 (Unaudited)	Investment properties HK\$'000 (Unaudited)	Goodwill HK\$'000 (Unaudited)	Other intangible assets HK\$'000 (Unaudited)
Six months ended 30 June 2017				
Net book value				
Opening amount as at 1 January 2017	441,715	426,723	561,954	54,340
Additions	19,391	16,943	–	113
Depreciation and amortisation	(42,237)	–	–	(12,277)
Exchange differences	7,645	23,009	–	2,675
Closing amount as at 30 June 2017	426,514	466,675	561,954	44,851
Six months ended 30 June 2016				
Net book value				
Opening amount as at 1 January 2016	498,787	–	282,933	5,367
Additions	12,819	–	–	–
Disposals	(5,362)	–	–	–
Depreciation and amortisation	(42,126)	–	–	(2,167)
Exchange differences	9,020	–	–	–
Closing amount as at 30 June 2016	473,138	–	282,933	3,200

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

15 TRADE AND OTHER RECEIVABLES

	30 June 2017 HK\$'000 (Unaudited)	31 December 2016 HK\$'000 (Audited)
Current		
Trade receivables (Note (b))		
— An associated company	65,746	82,616
— Other related parties	16,405	36,236
— Third parties	493,090	403,987
	575,241	522,839
Retention receivables from customers for contract work from (Note (c))		
— Other related parties	25,007	23,743
— Third parties	242,777	242,283
	267,784	266,026
Development properties — due from customers	2,460,445	685,160
Other receivables (Note (d))		
— Associated companies	19,835	14,769
— Other related parties	30,274	26,283
— Third parties	19,645	23,689
Prepayments	36,050	137,191
Deposits	52,669	32,875
Staff advances	549	1,080
Goods and services tax receivable	30,241	113,553
	189,263	349,440
Loans to other related parties (Note (e))	42,460	47,024
Total	3,535,193	1,870,489
Non-current		
Loans to		
— Associated companies (Note (e))	161,302	153,152
Prepayments	495,446	191,726
	656,748	344,878

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

15 TRADE AND OTHER RECEIVABLES (CONTINUED)

Notes:

- (a) The credit periods granted to customers were 14 to 60 days. No interest was charged on the outstanding balance.
- (b) The aging analysis of trade receivables based on invoice date is as follows:

	30 June 2017 HK\$'000 (Unaudited)	31 December 2016 HK\$'000 (Audited)
1–30 days	413,587	428,243
31–60 days	127,255	30,722
61–90 days	29,299	16,048
Over 90 days	5,100	47,826
	575,241	522,839

As at 30 June 2017, trade receivables of HK\$166,191,000 (31 December 2016: HK\$130,582,000) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default and no provision has therefore been made.

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

- (c) Retention receivables in respect of the construction and foundation businesses are settled in accordance with the terms of respective contracts. Retention receivables held by customers for construction and foundation work amounting to approximately HK\$81,724,000 (31 December 2016: HK\$39,791,000) are expected to be recovered in more than twelve months from the reporting date.
- (d) The other receivables due from related parties included amounts due from associated companies and other related parties. These balances 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 companies were lent to companies in which the Group invested to develop real estates in Singapore. The loans were made in proportion to the percentages of the Group's shareholding in these companies. The loans were unsecured, and interest-bearing at a fixed rate at 5.0% per annum as at 30 June 2017 (0% to 7.0% per annum as at 31 December 2016).

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

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

16 AMOUNTS DUE FROM CUSTOMERS FOR CONTRACT WORK

	30 June 2017 HK\$'000 (Unaudited)	31 December 2016 HK\$'000 (Audited)
Aggregate costs incurred and profits (less foreseeable losses) recognised to date on uncompleted construction contracts	13,032,615	7,910,878
Less: progress billings to date	(12,982,921)	(7,845,638)
Amounts due from customers for contract work	49,694	65,240

There were no advances received from customers for contract work as at 30 June 2017 and 31 December 2016. Progress billings to date include retention receivables of HK\$135,732,000 as at 30 June 2017 (31 December 2016: HK\$121,731,000).

17 DEVELOPMENT PROPERTIES FOR SALE

	30 June 2017 HK\$'000 (Unaudited)	31 December 2016 HK\$'000 (Audited)
Properties in the course of development		
Leasehold land at cost	2,992,456	5,298,283
Development costs	1,181,227	2,817,835
Overheads expenditure capitalised	27,662	56,473
Interest expenses capitalised	250,788	585,882
	4,452,133	8,758,473

Interest expenses on bank borrowings and loans from related parties were capitalised. The weighted average rates of capitalisation of the interest expenses were 4.0% (Year ended 31 December 2016: 2.7%) per annum for bank borrowings and 5.0% (Year ended 31 December 2016: 5.2%) per annum for loans from related parties for the six months ended 30 June 2017.

As at 30 June 2017, development properties with net carrying amounts of HK\$4,452,133,000 (31 December 2016: HK\$8,758,473,000) were pledged as securities for certain bank loans of the Group (Note 18).

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

18 BORROWINGS

	30 June 2017 HK\$'000 (Unaudited)	31 December 2016 HK\$'000 (Audited)
Current		
Bank borrowings — secured (Note (a))	1,824,947	3,167,905
Bank borrowings — unsecured (Note (b))	202,248	–
Bank borrowings — mortgage (Note (c))	20,630	21,507
Loans from non-controlling shareholders of subsidiaries — unsecured (Note (d))	300,604	319,784
Finance lease liabilities (Note (g))	21,916	33,146
	2,370,345	3,542,342
Non-current		
Bank borrowings — secured (Note (a))	3,465,491	2,903,187
Bank borrowings — unsecured (Note (b))	133,023	–
Bank borrowings — mortgage (Note (c))	5,412	541
Loans from non-controlling shareholders of subsidiaries — unsecured (Note (d))	312,416	247,441
Finance lease liabilities (Note (g))	5,312	13,537
	3,921,654	3,164,706
Total borrowings	6,291,999	6,707,048

The exposure of the borrowings of the Group as at 30 June 2017 and 31 December 2016 to interest rate changes and the contractual re-pricing dates were as follows:

	30 June 2017 HK\$'000 (Unaudited)	31 December 2016 HK\$'000 (Audited)
Within 1 year	5,995,589	6,619,680
Between 1 and 2 years	289,603	40,724
Between 2 and 5 years	3,162	44,648
Later than 5 years	3,645	1,996
Total	6,291,999	6,707,048

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

18 BORROWINGS (CONTINUED)

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

	30 June 2017 HK\$'000 (Unaudited)	31 December 2016 HK\$'000 (Audited)
Within 1 year	2,370,346	3,346,409
Between 1 and 2 years	2,263,024	772,997
Between 2 and 5 years	1,655,941	2,564,306
Later than 5 years	2,688	23,336
Total	6,291,999	6,707,048

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

	Note	30 June 2017 HK\$'000 (Unaudited)	31 December 2016 HK\$'000 (Audited)
Secured by:			
Machinery and equipment	(i)	15,164	21,539
Interests in construction contracts	(ii)	147,050	139,620
Development properties for sale and joint guarantee from directors of certain subsidiaries	(iii)	3,626,729	4,808,290
Fixed bank deposits	(iv)	342,738	150,897
Interests in construction contracts and corporate guarantee from a related party	(v)	1,158,757	950,746
		5,290,438	6,071,092

Notes:

- (i) As at 30 June 2017 and 31 December 2016, the bank borrowings bore interest at 2.5% per annum above the Hong Kong Interbank Offered Rate ("**HIBOR**").
- (ii) As at 30 June 2017 and 31 December 2016, the bank borrowings bore interest at fixed rate of 2.9% or 1.8% over 3-months Singapore Interbank Offered Rate ("**SIBOR**") per annum.



NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

18 BORROWINGS (CONTINUED)

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

Notes: (Continued)

- (iii) As at 30 June 2017, the bank borrowings bore interest at fixed rate of 4.9% and rates of 1.8% over the relevant bank's one month SGD Cost of Funds ("**COF**") (31 December 2016: 1.8% over the relevant bank's one month SGD COF) per annum. The loans were secured by mortgages over the Group's development properties for sale and legal assignment of all rights, title and interests in the construction contracts, insurance policies, performance bonds (if any), tenancy agreements and sale and purchase agreements in respect of the development properties for sale and personal and joint guarantee of the directors of certain subsidiaries.
- (iv) As at 30 June 2017, the bank borrowings were secured by fixed deposits of USD25,000,000 (approximately HK\$192,660,000) (31 December 2016: RMB150,000,000, approximately HK\$165,601,000), and bore interest at 1.1% over 3-months SIBOR and 0.5% over 1-month SIBOR, respectively (31 December 2016: 1.3% over 1-month SIBOR) calculated daily with monthly rate based on a 365-day year.
- (v) As at 30 June 2017, the bank borrowings bore interest at fixed rates of 2.9% and 3.8% and rate of 320 basis points over the 6-months London Interbank Offered Rate ("**LIBOR**") (31 December 2016: fixed rate of 2.7% and rate of 320 basis points over the 6-months LIBOR per annum) per annum.
- (b) As at 30 June 2017, bank borrowings bore interest at 1.4% over 3-months SIBOR and 2.5% over 1-month HIBOR.
- (c) As at 30 June 2017, bank borrowings of HK\$20,050,000 (31 December 2016: HK\$22,408,000) and HK\$5,992,000 (31 December 2016: HK\$Nil) were secured by mortgages over part of the Group's leasehold land and buildings and bore the effective interest rates of 6.9% and 4.1% per annum, respectively (31 December 2016: 6.4% per annum). The loans will be repaid by fixed monthly payment over 10 years to 20 years.
- (d) The loans from non-controlling shareholders of the subsidiaries were unsecured and not expected to be repaid within 1 year, except for the current portions which were expected to be repaid within 1 year. The loans are subject to variable interest rates which contractually re-price within 12 months from the financial reporting date. The effective interest rate was between 5% and 7% as at 30 June 2017 (31 December 2016: between 5% and 7%).
- (e) The fair values of the bank borrowings and the loans from related parties approximated their respective carrying values as at 30 June 2017 and 31 December 2016, as these borrowings were charged at market interest rates.
- (f) These committed banking facilities were subject to annual review. As at 30 June 2017, the undrawn banking facilities amounted to HK\$560,444,000 (31 December 2016: HK\$688,742,000).

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

18 BORROWINGS (CONTINUED)

The Group leased certain plant and machinery and motor vehicles from third parties under finance leases. The lease agreements do not have renewal clauses but provide the Group with options to purchase the leased assets at nominal values at the end of the lease terms.

	30 June 2017 HK\$'000 (Unaudited)	31 December 2016 HK\$'000 (Audited)
Minimum lease payments due		
— Within 1 year	22,555	34,187
— Between 1 and 2 years	4,266	11,594
— Between 2 and 5 years	1,358	2,395
— Later than 5 years	214	324
	28,393	48,500
Less: future finance charges	(1,165)	(1,817)
Present value of finance lease liabilities	27,228	46,683

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

	30 June 2017 HK\$'000 (Unaudited)	31 December 2016 HK\$'000 (Audited)
Within 1 year	21,916	33,146
Between 1 and 2 years	3,974	11,086
Between 2 and 5 years	1,164	2,167
Later than 5 years	174	284
	27,228	46,683

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

19 TRADE AND OTHER PAYABLES

	30 June 2017 HK\$'000 (Unaudited)	31 December 2016 HK\$'000 (Audited)
Current		
Trade payables to:		
— Other related parties	67,136	79,993
— Third parties	1,634,825	1,699,234
	1,701,961	1,779,227
Non-trade payables to:		
— Non-controlling shareholders of the subsidiaries	109,167	99,761
— Other related parties	60,954	24,487
— Third parties	54,011	33,907
— Good and service tax payable	21,478	14,706
	245,610	172,861
Accruals for operating expenses	153,562	250,077
Accruals for construction costs	46,122	39,202
Advanced proceeds received from customers	589,873	2,481,499
Put option exercisable by non-controlling shareholder of the subsidiaries (Note)	12,597	11,703
	802,154	2,782,481
Total trade and other payables	2,749,725	4,734,569

Note:

On 20 December 2016, the Group entered into shareholders' agreement 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.



NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

19 TRADE AND OTHER PAYABLES (CONTINUED)

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

	30 June 2017 HK\$'000 (Unaudited)	31 December 2016 HK\$'000 (Audited)
1–30 days	1,622,589	1,636,973
31–60 days	66,292	89,741
61–90 days	6,525	43,064
Over 90 days	6,555	9,449
	1,701,961	1,779,227

The amounts due to related parties were unsecured, interest-free and repayable on demand. The carrying amounts of trade and other payables approximated their fair values.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

20 SHARE CAPITAL

	Six months ended 30 June			
	2017		2016	
	Number of ordinary shares (thousands)	Nominal amount HK\$'000	Number of ordinary shares (thousands)	Nominal amount HK\$'000
Authorised:				
Ordinary Shares				
As at 1 January and 30 June	6,000,000	60,000	6,000,000	60,000
Convertible preference shares (Note (a))				
As at 1 January and 30 June	1,000,000	10,000	1,000,000	10,000
Issued and fully paid:				
Ordinary shares				
At 1 January	1,429,396	14,294	300,000	3,000
Issue of shares by placing (Note (b))	–	–	90,203	902
Issue of shares upon share subscription (Note (c))	–	–	110,000	1,100
Issue of shares upon conversion of CPS (Note (a) and (c))	–	–	600,000	6,000
At 30 June	1,429,396	14,294	1,100,203	11,002
CPS				
At 1 January	243,680	2,437	951,873	9,519
Conversion of CPS (note (b) and (c))	–	–	(600,000)	(6,000)
At 30 June	243,680	2,437	351,873	3,519

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).



NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

20 SHARE CAPITAL (CONTINUED)

Note: (Continued)

(a) (Continued)

- 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 12 January 2016, 90,202,500 ordinary shares were issued to certain third parties by way of share placement at a price of HK\$2.40 per share. Of the gross proceeds of HK\$216,486,000 received, HK\$902,025 was credited as share capital whereas the remaining amounts of HK\$215,583,975 was credited as share premium.

On the same date, 270,000,000 ordinary shares were issued by the Company to Guotsing Holding Company Limited as the latter elected to convert 270,000,000 CPS into ordinary shares in accordance with the terms and conditions stated in note (a) above.

- (c) On 28 June 2016, 110,000,000 ordinary shares were issued to certain third parties at a subscription price of HK\$2.45 per share. Of the gross proceeds of HK\$269,500,000 received, HK\$1,100,000 was credited as share capital whereas the remaining amounts of HK\$268,400,000 was credited as share premium.

On the same date, 330,000,000 ordinary shares were issued by the Company to Guotsing Holding Company Limited as the latter elected to convert 330,000,000 CPS into ordinary shares in accordance with the terms and conditions stated in note (a) above.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

21 DIVIDENDS

- (a) At a meeting held on 30 August 2017, the directors declared an interim dividend of HK\$0.06 per ordinary share and CPS (totaling approximately HK\$100,385,000) for the year ending 31 December 2017. The dividend is not reflected as dividend payable in the interim financial information, but will be reflected as an appropriation of retained earnings for the year ending 31 December 2017. No interim dividends were paid for the six months ended 30 June 2017.
- (b) At a meeting held on 28 March 2017, the directors recommended a final dividend of HK\$0.11 per ordinary share and CPS (totaling approximately HK\$184,038,000) for the year ended 31 December 2016, which was paid during the period and had been reflected as an appropriation of retained earnings for the six months ended 30 June 2017.

22 COMMITMENTS

Capital commitment

	30 June 2017 HK\$'000 (Unaudited)	31 December 2016 HK\$'000 (Audited)
Contracted but not provided for:		
Development expenditure	28,298	49,871
Land	3,191,000	3,438,000

Operating lease commitments — Group as lessee

The Group leases land, offices, warehouse and construction equipment 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 30 June 2017 and 31 December 2016 were as follows:

	30 June 2017 HK\$'000 (Unaudited)	31 December 2016 HK\$'000 (Audited)
Not later than 1 year	18,693	21,344
1–5 years	23,262	20,849
Later than 5 years	30,953	31,127
	72,908	73,320

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

23 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) The following is a summary of significant related party transactions, in addition to those disclosed elsewhere in the condensed consolidated interim financial information, 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	
	2017	2016
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Construction revenue from other related parties	2,863	60,735
Construction revenue from an associated company	105,443	–
Purchase of materials from other related parties	25,759	165,341
Construction service costs provided by a fellow subsidiary	11,933	84,379
Management fee from an associated company	1,727	1,735
Dividend from an associated company	4,446	–
Interest income from related parties	1,035	1,048
Interest income from associated companies	3,929	3,903
Interest charged by non-controlling shareholders of the subsidiaries	15,225	30,795

Outstanding balances as at the period/year-end dates arising from sale/purchase of goods and services, were unsecured and receivable or payable within 12 months from period/year-end dates, and were disclosed in Notes 15 and Note 19.

(b) Key management compensation

	Six months ended 30 June	
	2017	2016
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Directors' fee, salaries, wages and allowances	29,038	21,511
Share-based payments	4,888	7,422
Retirement benefit expenses	175	93
	34,101	29,026



NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

24 CONTINGENT LIABILITIES

(a) Guarantees

As at each statement of financial position date, the Group had the following contingent liabilities:

	30 June 2017 HK\$'000 (Unaudited)	31 December 2016 HK\$'000 (Audited)
Guarantees on performance bonds in respect of contracts	127,320	107,548

Subsidiaries of the Group also issued corporate guarantees to banks for borrowings of the Group's associated companies and related companies in which subsidiaries of the Company are non-controlling shareholders. As at 30 June 2017, these bank borrowings amounted to HK\$356,482,000 (31 December 2016: HK\$333,859,000).

(b) Pending litigation

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

25 SUBSEQUENT EVENTS

On 16 May 2017, a direct wholly-owned subsidiary of the Company entered into a Limited Partnership Agreement and a Subscription Agreement with an independent third party and a related party in relation to a formation of fund. The fund was formed primarily for the purpose of investing in the Shunfu Ville Enbloc Project in Singapore. On 17 August 2017, as all the conditions precedent under the agreements have been fulfilled, the formation of fund was completed. Pursuant to the agreements, the Group had agreed to commit a cash contribution of US\$90 million (equivalent to approximately HK\$700.8 million) to the fund.

INDEPENDENT AUDITOR'S REPORT



羅兵咸永道

To the Shareholders of CNQC International Holdings Limited

(incorporated in the Cayman Islands with limited liability)

OPINION

What we have audited

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

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

Our opinion

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

BASIS FOR OPINION

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

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

Independence

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

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INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS

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

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

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

Key Audit Matter

How our audit addressed the Key Audit Matter

Recognition of construction contract revenue and costs

Refer to Notes 4 and 6 to the consolidated financial statements.

Revenue from construction contracts recognised for the year ended 31 December 2016 amounted to HK\$4,011,863,000.

Contract revenue is recognised over the period of the contract by reference to the stage of completion, which is established by reference to the construction works certified by independent surveyors. The corresponding contract costs are recognised as expenses by reference to such stage of completion and the forecasted total costs for completing the construction project under the relevant contract.

We evaluated the design and implementation of controls over revenue recognition and cost budgeting on construction contracts. We also selected samples of construction contracts to assess the estimations made by management in respect of revenue and cost recognition under the stage of completion method.

The following audit procedures have been performed by us on the sample of contracts selected:

- Examined the terms and conditions of the contract such as contract sum, construction period, performance obligations of the Group, payment schedule, retention and warranty clauses, etc.
- Validated the stage of completion adopted by management to the position set out in the certificate issued by independent surveyors, including the certified contract work and variation orders, if any.

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS (CONTINUED)

Key Audit Matter	How our audit addressed the Key Audit Matter
<p>Recognition of construction contract revenue and costs (Continued)</p> <p>This involves significant judgement and estimates when assessing the percentage of work performed, possible variation orders, claims and liquidated damages, and the reasonableness and accuracy of forecasted costs to complete.</p>	<ul style="list-style-type: none"> • Assessed the accuracy and reasonableness of total budgeted costs pertaining to the relevant construction works by (i) examining supplier quotations; (ii) benchmarking against the historical costs incurred in, and the historical profit margin of, construction projects completed in the past; and (iii) interviewing the project managers and assessing the reasonableness of the cost estimations prepared by them. • Tested the mathematical accuracy of the calculation of construction contract revenue, costs, related receivables and liabilities. • Assessed the liquidated damages estimated by management by (i) reviewing correspondence with customers and the relevant contract terms; and (ii) comparing the completion status set out in the certificate issued by independent surveyors with the agreed construction period stated in the construction contracts to identify any potential claims from customers.

Based upon the above, we found that the recognition of construction contract revenue and costs was properly supported by the available evidence.

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS (CONTINUED)

Key Audit Matter

How our audit addressed the Key Audit Matter

Impairment of goodwill

Refer to Notes 4 and 16 to the consolidated financial statements.

The total goodwill recognised by the Group as of 31 December 2016 amounted to HK\$561,954,000, of which HK\$282,933,000 and HK\$279,021,000 were allocated to the "Foundation and construction – Hong Kong" segment and "Construction – Singapore" segment respectively. Management considers that each of these operating segments constitutes a separate cash generating unit ("CGU") for the purpose of goodwill impairment assessment. No impairment of goodwill has been recognised as of 31 December 2016.

The assessment of goodwill impairment is determined based on value-in-use calculations and it is inherently judgemental as it requires significant management judgements about future business performance and the discount rates applied to future cash flow forecasts, and accordingly, this is an area of audit focus.

We evaluated the future cash flow forecasts underlying the impairment assessment and the process by which they were drawn up, including confirming the accuracy and the underlying calculations and checking whether the forecasts were consistent with the latest budgets approved by the Board. We also assessed whether all relevant CGUs have been identified.

We examined the results of management's sensitivity analysis around the key assumptions including revenue growth and discount rates to ascertain the extent of change in those assumptions that could result in impairment for individual CGUs.

We evaluated the key business assumptions of the discounted cash flow forecasts by examining corroborating evidence including the terms and conditions of construction contracts already entered into, historical revenue growth rate and third party supplier quotations for construction cost estimation. We also evaluated the discount rates by assessing the cost of capital for the Group.

Based upon the above, we found that the estimations and judgements made by management in respect of the assessment of goodwill impairment were supportable by the available evidence.

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS (CONTINUED)

Key Audit Matter	How our audit addressed the Key Audit Matter
<p>Assessment on working capital sufficiency</p> <p>Refer to note 2(a)(i) to the consolidated financial statements</p> <p>On 19 May 2016, the Group entered into a conditional sale and purchase agreement to acquire all properties in a site at a consideration of SGD638,000,000 (equivalent to approximately HK\$3,509,000,000) for redevelopment purposes. At the date of this report, the transaction has not been completed because the owners of two properties appealed to the court of Singapore and refused to sell their properties. Hearing of the appeal will be held in April 2017. The Directors expect that the Group will receive court approval and the transaction will proceed.</p> <p>On the basis of successful completion of the sale and purchase agreement, the Directors expect that the cash outflows within the next twelve months from the date of the consolidated statement of financial position will mainly comprise the consideration stipulated in the conditional sale and purchase agreement and the corresponding stamp duties and lease premium payable to the government authorities in Singapore arising from the approval of the redevelopment plan, amounting to approximately HK\$5,210,000,000 in aggregate.</p> <p>The amount is significant compared to the cash and cash equivalents of HK\$1,792,639,000 and net current assets of HK\$4,273,118,000 of the Group as at 31 December 2016. The Company has been proactively negotiating with various banks and strategic investors to finance the relevant costs of this project. However, as the transaction is pending the results of the appeal, the financing arrangements for the project have not yet been committed to by the banks or the potential strategic investors.</p>	<p>In order to evaluate the management's assessment, we reviewed the cash flow forecast for the twelve months from the year end date prepared based on the budget approved by the board of directors of the Company, and performed the following procedures, among others:</p> <ul style="list-style-type: none"> Assessed the appropriateness and reasonableness of the key bases and assumptions adopted by the Company in preparing the cash flow forecast and the sensitivity analyses, and reviewed their calculations. Discussed with representatives of a bank and obtained a term sheet issued by the bank of its indicative offer of syndicated bank loans amounting to SGD795,000,000 (equivalent to approximately HK\$4,372,500,000) to finance the project. Obtained a letter issued by a major strategic investor which confirmed its intention to invest up to HK\$1,430,000,000 with respect to this project. Reviewed and assessed the experience of prior projects carried out by the Group and its ability to obtain sufficient bank financing in the past. Assessed the current condition of the property market in Singapore and the price of recent transactions with similar attributes.

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS (CONTINUED)

Key Audit Matter

How our audit addressed the Key Audit Matter

Assessment on working capital sufficiency (Continued)

The above may impact the Group's ability to continue as a going concern if the transaction has to proceed but the financing is not received on time as contemplated. For the preparation of the Group's consolidated financial statements, management performed an assessment of the working capital sufficiency, as supported by a cash flow forecast and other supporting documentation, and concluded that the Group will have adequate resources to continue its operations and to meet its financial obligations as and when they fall due in the twelve months from 31 December 2016 and therefore the use of the going concern basis is appropriate.

We focused on the evaluation of management's assessment because this involved making significant judgements and assumptions about future events and conditions the outcomes of which are inherently uncertain.

- Evaluated the relevant disclosure in the consolidated financial statements regarding the Group's challenges in relation to its financing activities for the twelve months from the year end date.

Based upon the above, we found that management judgement with respect to the use of the going concern basis in preparing the consolidated financial statements was supported by the available evidence.

OTHER INFORMATION

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

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

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

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

INDEPENDENT AUDITOR'S REPORT

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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

INDEPENDENT AUDITOR'S REPORT

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

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

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

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 28 March 2017

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2016

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2016

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

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

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2016

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2016

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

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

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

Cheng Wing On, Michael
Director

Wang Congyuan
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2015

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2016

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

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2016

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 GENERAL INFORMATION

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(a) Basis of preparation

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

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

(i) Going concern assumptions

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation (Continued)

(i) Going concern assumptions (Continued)

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation (Continued)

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

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation (Continued)

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

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

(b) Consolidation and combination

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

(i) Business combinations

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Consolidation and combination (Continued)

(i) Business combinations (Continued)

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

Acquisition-related costs are expensed as incurred.

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

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Consolidation and combination (Continued)

(iii) Disposal of subsidiaries

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

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

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

(c) Associated companies

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Associated companies (Continued)

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

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

(d) Joint arrangements

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

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

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

(e) Separate financial statements

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

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

(f) Segment reporting

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Foreign currency translation

(i) Functional and presentation currency

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

(ii) Transactions and balances

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

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented within "finance costs — net". All other foreign exchange gains and losses impacting profit or loss are presented within "other gains — net".

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

(iii) Group companies

The results and financial position of the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (i) assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of the statement of financial position;
- (ii) income and expenses for each statement of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- (iii) all resulting currency translation differences are recognised in other comprehensive income.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Property, plant and equipment

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

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

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

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

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

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

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

(i) Investment properties under development

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Goodwill

Goodwill arises on the acquisition of subsidiaries represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identified net assets acquired.

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

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

(k) Intangible assets

(i) Unfinished construction contracts and construction license

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

(ii) Computer software licenses

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

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

(iii) Club membership

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Impairment of non-financial assets

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

(m) Leases and hire purchase contracts

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

(i) The Group as lessee

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

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

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

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

(ii) The Group as lessor

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

(i) Construction contracts in progress

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

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

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

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

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

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

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

(ii) Trade and other receivables

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Development properties for sale

Development properties refer to properties developed for sale.

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

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

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

(p) Financial assets

(a) Classification

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

(i) *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are presented as current assets, except for those expected to be realised later than 12 months after the reporting date which are presented as non-current assets. Loans and receivables are presented as "trade and other receivables" and "cash and bank balances" in the consolidated statement of financial position.

(ii) *Available-for-sale financial assets*

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

(b) Recognition and measurement

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) Financial assets (Continued)

(b) Recognition and measurement (Continued)

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

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

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

(c) Impairment

(i) *Assets carried at amortised cost*

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

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) Financial assets (Continued)

(c) Impairment (Continued)

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

For equity investments, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists the cumulative loss — measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss — is removed from equity and recognised in profit or loss. Impairment losses recognised in profit or loss on equity instruments are not reversed through profit or loss.

(d) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is reported in the consolidated statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

(q) Derivative financial instruments

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

(r) Cash and cash equivalents

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

(s) Share capital

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

(t) Trade and other payables

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(u) Borrowings

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

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

(v) Borrowing costs

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

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

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

(w) Current and deferred income tax

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

(i) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of each reporting period in the countries where the Group operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities. The Group accounts for investment tax credits (for example, productivity and innovative credit) similar to accounting for other tax credit.

(ii) Deferred income tax

Inside basis differences

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(w) Current and deferred income tax (Continued)

(ii) Deferred income tax (Continued)

Inside basis differences (Continued)

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

Outside basis differences

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

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

(iii) Offsetting

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

(x) Employee compensation

(i) Employee leave entitlements

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

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

(ii) Retirement benefits

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(x) Employee compensation (Continued)

(iii) Termination benefits

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

(iv) Bonus plans

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

(y) Provisions

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

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

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

(z) Contingent liabilities and contingent assets

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

A contingent liability is not recognised but is disclosed in the note to the financial statements. When a change in the probability of an outflow occurs so that outflow is probable, it will then be recognised as a provision.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain events not wholly within the control of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(z) Contingent liabilities and contingent assets (Continued)

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

Financial guarantee

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

(aa) Revenue and income recognition

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

(i) Construction contracts income

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

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

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

(ii) Sale of properties

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(aa) Revenue and income recognition (Continued)

(iii) Sale of goods – materials used in construction

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

(iv) Rental of equipment

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

(v) Income from loaning labour to other contractors

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

(vi) Interest income

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

(vii) Dividend income

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

(ab) Share-based payment

(i) Equity-settled share-based payment transactions

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(ab) Share-based payments (Continued)

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

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

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

(ii) Share-based payment transactions among group entities

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

(ac) Dividends distribution

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

(ad) Sales commission

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

3 FINANCIAL RISK MANAGEMENT

Financial risk factors

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

Financial risk factors (Continued)

(a) Market risk

(i) Currency risk

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

Financial risk factors (Continued)

(a) Market risk (Continued)

(i) Currency risk (Continued)

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

Financial risk factors (Continued)

(a) Market risk (Continued)

(i) Currency risk (Continued)

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

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

Note:

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

(ii) Price risk

The Group has insignificant exposure to equity price risk.

(iii) Interest rate risk

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

Financial risk factors (Continued)

(b) Credit risk

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

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

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

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

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

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

(c) Liquidity risk

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

Financial risk factors (Continued)

(c) Liquidity risk (Continued)

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

(d) Capital risk

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

Financial risk factors (Continued)

(d) Capital risk (Continued)

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

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

(e) Fair value measurements

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

Financial risk factors (Continued)

(e) Fair value measurements (Continued)

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

Financial risk factors (Continued)

(e) Fair value measurements (Continued)

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

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

Financial risk factors (Continued)

(f) Financial instruments by category

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

4 CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS AND JUDGMENTS

Estimates and judgments used in preparing the financial statements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4 CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS AND JUDGMENTS (CONTINUED)

(a) Construction contracts

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

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

(b) Deferred income tax assets

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4 CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS AND JUDGMENTS (CONTINUED)

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

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

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

(d) Net realisable value of development properties for sale

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

(e) Provision for impairment of trade and other receivables

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4 CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS AND JUDGMENTS (CONTINUED)

(f) Impairment of goodwill

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

(g) Income taxes

The Group is mainly subject to income taxes in Singapore, Hong Kong and Macau. Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

(h) Provision for litigations

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

5 SEGMENT INFORMATION

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5 SEGMENT INFORMATION (CONTINUED)

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

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

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

	Foundation and construction – Hong Kong and Macau HK\$'000	Construction – Singapore HK\$'000	Real estate development – Singapore HK\$'000	Total HK\$'000
Year ended 31 December 2016				
Sales				
Sales to external parties	1,615,002	2,399,700	4,591,014	8,605,716
Inter-segment sales	–	1,028,325	–	1,028,325
Total segment sales	1,615,002	3,428,025	4,591,014	9,634,041
Adjusted segment profit				
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				
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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5 SEGMENT INFORMATION (CONTINUED)

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5 SEGMENT INFORMATION (CONTINUED)

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

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

Note:

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5 SEGMENT INFORMATION (CONTINUED)

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

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

6 REVENUE AND GEOGRAPHICAL SEGMENT INFORMATION

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

7 OTHER INCOME

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

8 OTHER GAINS – NET

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

9 EXPENSES BY NATURE

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

10 EMPLOYEE BENEFIT EXPENSES

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

Five highest paid individuals

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

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

The emoluments of the individuals fell within the following bands:

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

Note:

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

11 FINANCE COSTS – NET

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

12 INCOME TAX EXPENSE

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

13 EARNINGS PER SHARE

Basic

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

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

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

Diluted

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

14 PROPERTY, PLANT AND EQUIPMENT

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

14 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

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

- (a) Depreciation expense of HK\$67,089,000 (2015: HK\$75,643,000) and HK\$18,681,000 (2015: HK\$12,464,000) has been charged in "cost of sales" and "general and administrative expenses" respectively.
- (b) The net book amount of property, plant and equipment where the Group was a lessee under finance leases as at 31 December 2016 is HK\$154,955,000 (2015: HK\$201,671,000) (Note 32).
- (c) As at 31 December 2016, the Group's leasehold land and buildings with an aggregate net book value of HK\$35,431,000 (2015: HK\$36,706,000) were pledged as securities for bank borrowings (Note 31(c)).
- (d) As at 31 December 2016, the Group's machinery with an aggregate net book value of HK\$21,504,000 (2015: HK\$28,711,000) was pledged as security for bank borrowings (Note 31(a)(i)).
- (e) For the year ended 31 December 2016, rental income amounting to HK\$152,000 (2015: HK\$1,433,000) relating to the lease of machinery is included in profit or loss (Note 6).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

15 INVESTMENT PROPERTIES UNDER DEVELOPMENT

HK\$'000

Cost

At 1 January 2015 and 31 December 2015	–
Additions	446,589
Exchange differences	(19,866)
	<hr/>
At 31 December 2016	426,723

Accumulated depreciation

At 1 January 2015, 31 December 2015 and 31 December 2016	–
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Net book value

At 1 January 2015 and 31 December 2015	–
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At 31 December 2016	426,723

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

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

16 GOODWILL

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

16 GOODWILL (CONTINUED)

Notes:

- (a) The amount represents goodwill arising from the acquisition of the “Foundation and construction – Hong Kong and Macau” segment deemed to be completed on 17 March 2014 as a result of the reverse acquisition completed on 15 October 2015.
- (b) The amount represents goodwill arising from the acquisition of New Chic which is primarily engaged in the provision of construction services as main contractor in Singapore. The acquisition is expected to create synergy from combining the capabilities of the Group’s other construction business in Singapore.

Impairment test for goodwill

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

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

Goodwill of Foundation and construction – Hong Kong and Macau

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

Goodwill of Construction – Singapore (New Chic)

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

Notes:

- (i) Average growth rate used in the budget is for the five-year period ending 31 December 2021.
- (ii) The discount rate used is pre-tax and reflects specific risks relating to the relevant business.
- (iii) Assuming that the growth rate decreases by 50 basis points and the discount rate increases by 50 basis points, there is still sufficient headroom and no impairment charge is required for goodwill as at 31 December 2016.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

17 INTANGIBLE ASSETS

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

18 TRADE AND OTHER RECEIVABLES

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

18 TRADE AND OTHER RECEIVABLES (CONTINUED)

Notes:

- (a) The credit periods granted to customers were 14 to 60 days. No interest was charged on the outstanding balance.
- (b) The aging analysis of the trade receivables based on invoice date is as follows:

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

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

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

- (c) Retention receivables in respect of the construction and foundation businesses are settled in accordance with the terms of the respective contracts. Retention receivables held by customers for construction and foundation work amounting to approximately HK\$39,791,000 (2015: HK\$43,319,000) are expected to be recovered in more than twelve months from 31 December 2016.
- (d) The other receivables due from associated companies, fellow subsidiaries and other related parties were unsecured, interest-free and repayable on demand. The other receivables did not contain any impaired assets.
- (e) Loans to associated companies and other related parties were lent to companies in which the Group invested to develop properties in Singapore. The loans were made in proportion to the percentages of the Group's shareholdings in these companies. The loans were unsecured, and interest-bearing at a fixed rate ranging from 0% to 7.0% (2015: 0% to 7.7%) per annum as at 31 December 2016.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

19 SUBSIDIARIES

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

19 SUBSIDIARIES (CONTINUED)

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

19 SUBSIDIARIES (CONTINUED)

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

19 SUBSIDIARIES (CONTINUED)

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

Notes:

- (a) The additional interests were obtained through acquisition of New Chic (Note 38).
- (b) These companies were liquidated during the year ended 31 December 2016.

Material non-controlling interests

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

19 SUBSIDIARIES (CONTINUED)

Summarised financial information on subsidiaries with material non-controlling interests

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

Summarised balance sheet

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

Summarised statement of comprehensive income

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

19 SUBSIDIARIES (CONTINUED)

Summarised cash flow

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

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

20 INVESTMENTS IN ASSOCIATED COMPANIES

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

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

The amounts recognised in profit or loss are as follows:

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

20 INVESTMENTS IN ASSOCIATED COMPANIES (CONTINUED)

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

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

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

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

Note:

- (a) Orion-Four Development Pte. Ltd. was liquidated during the year ended 31 December 2016.
- (b) After the completion of the acquisition of New Chic on 13 July 2016, BH-ZACD (Tuas Bay) Development Pte. Ltd. became a subsidiary of the Group (Note 38).
- (c) The additional 20% interest in Qingjian Realty (Choa Chu Kang) Pte. Ltd. was also obtained through the acquisition of New Chic (Note 38).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

20 INVESTMENTS IN ASSOCIATED COMPANIES (CONTINUED)

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

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

21 INVESTMENTS IN JOINT VENTURES

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

22 AVAILABLE-FOR-SALE FINANCIAL ASSETS

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

23 DERIVATIVE FINANCIAL INSTRUMENTS

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

Notes:

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

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

- (b) Derivative financial instruments are carried at fair values.
- (c) As at 31 December 2016, the derivative financial instruments were secured by fixed deposits of HK\$58,095,000 (2015: Nil).

24 DEFERRED INCOME TAX ASSETS/(LIABILITIES)

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

25 CASH AND BANK BALANCES

(a) Cash and cash equivalents

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

Notes:

- (a) The funds in the maintenance fund accounts can only be applied for the upkeep of the completed development properties.
- (b) The funds in the project accounts can only be applied in accordance with the Housing Developers (Project Account) Rules (1997 Ed.) in Singapore.
- (c) Cash at banks earned interest at floating rates based on daily bank deposit rates.

(b) Pledged bank deposits

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

26 AMOUNTS DUE FROM CUSTOMERS FOR CONTRACT WORK

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

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

27 DEVELOPMENT PROPERTIES FOR SALE

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

28 SHARE CAPITAL

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

28 SHARE CAPITAL (CONTINUED)

Note:

- (a) Following the passing of the ordinary resolution at the Company's extraordinary general meeting held on 14 October 2015, the authorised share capital of the Company was increased from HK\$20,000,000 divided into 2,000,000,000 ordinary shares of par value of HK\$0.01 each to HK\$70,000,000 divided into (i) 6,000,000,000 ordinary shares of HK\$0.01 each and (ii) 1,000,000,000 CPS of HK\$0.01 each. Save for the rights set out below, each CPS has the same rights as each of the ordinary shares:
- CPS are convertible into fully-paid ordinary shares at the option of the CPS holders at any time after the issue date according to a fixed conversion ratio of one CPS for one ordinary share, subject to the condition that the Company is able to meet the requirement of public float under the relevant listing rules of the Stock Exchange and no shareholders of the Company trigger any mandatory general offer obligation under Rule 26 of the Takeovers Code (unless a waiver from compliance with such requirement has otherwise been obtained).
 - The CPS are non-redeemable by the Company or their holders.
 - Each CPS shall confer on its holder the right to receive a non-cumulative preferred distribution from the date of the issue of the CPS at a rate of 0.01% per annum on the issue price of HK\$2.75 per CPS, payable annually in arrears. The Company may, in its sole discretion, elect to defer or not pay a preferred distribution. No interest accrues on any unpaid preferred distribution. However, the Company shall not pay any dividends or distributions to the holders of ordinary shares of the Company unless at the same time it pays to the holders of the CPS any deferred or unpaid preferred distribution which was scheduled to be paid during the same financial year as such dividends or distributions were scheduled.
 - Each CPS shall confer on its holder the right to receive, in addition to the above preferred distribution, any dividend *pari passu* with the holders of the ordinary shares.
 - The holders of the CPS shall have priority over the holders of ordinary shares on the assets and funds of the Company available for distribution in a distribution of assets on liquidation, winding-up or dissolution of the Company up to an amount equal to the aggregate nominal amounts of the CPS issued (i.e. HK\$9,519,000). Distributions beyond this amount are to be made on a *pari passu* basis among the holders of any class of shares including the CPS.
 - The CPS do not confer on their holders the right to vote at a general meeting of the Company, unless a resolution is to be proposed at a general meeting for the winding-up of the Company or a resolution is to be proposed which if passed would vary or abrogate the rights or privileges of the CPS or vary the restrictions to which the CPS are subject.

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

- (b) On 15 October 2015, the Company issued 951,872,727 CPS as consideration for the reverse acquisition. The issuance of CPS is accounted for a distribution to the controlling shareholders under the reverse acquisition accounting method. The aggregate fair value of CPS on the date of issuance was HK\$2,236,900,908, representing a fair value of HK\$2.35 per CPS. The issuance resulted in an increase in share capital of HK\$9,519,000, and the excess of the aggregate fair value of the CPS issued over the aggregate nominal amount of CPS issued amounting to HK\$2,227,381,908 was credited as share premium.
- (c) On 12 January 2016, 28 June 2016 and 13 July 2016, 270,000,000, 330,000,000 and 47,273,454 CPS were converted into ordinary shares by Guotsing Holding Company Limited, a CPS holder. On 15 November 2016, 60,919,852 CPS were transferred to certain selected participants of Management Share Scheme (defined in Note 30) and were converted into ordinary shares. The new ordinary shares rank *pari passu* with the then existing ordinary shares.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

28 SHARE CAPITAL (CONTINUED)

Note: (Continued)

- (d) Details of share placements and subscriptions during the year are as follows:
- (i) On 17 December 2015, the Company entered into placing agreements with placing agents whereby the Company agreed to place, through the placing agents, up to 215,000,000 new ordinary shares of the Company to no less than six places at a price of HK\$2.40 per share. An aggregate of 90,202,500 new ordinary shares of the Company was placed on 12 January 2016.
 - (ii) On 19 June 2016, the Company entered into subscription agreements whereby the Company agreed to allot and issue, 55,000,000 new ordinary shares of the Company to China Huarong International Holdings Limited and another 55,000,000 new ordinary shares to Great Wall Pan Asia International Investment Company Limited at a price of HK\$2.45 per share. The subscription was completed on 28 June 2016.
 - (iii) On 8 September 2016, the Company entered into subscription agreements whereby the Company agreed to allot and issue, 10,000,000 new ordinary shares of the Company to Tai Hong Asset Management Limited and 12,000,000 new ordinary shares to Chun Sing Engineering Holdings Limited at a price of HK\$2.53 per share. The subscription was completed on 20 September 2016.
 - (iv) On 23 December 2016, the Company entered into subscription agreements whereby the Company agreed to allot and issue, 87,000,000 new ordinary shares of the Company to Great Wall Pan Asia International Investment Company Limited and 12,000,000 new ordinary shares to Cinda International Holdings Limited at a price of HK\$2.55 per share. The subscription was completed on 30 December 2016.
- (e) On 13 July 2016, the Group completed the acquisition of **New Chic** by allotment and issue of 100,000,000 ordinary shares as part of the consideration. The share issued ranked pari passu with the existing ordinary shares in issue in all respects. The details of the acquisition are set out in Note 38.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

29 OTHER RESERVES

	Merger reserves HK\$'000	Capital reserve HK\$'000	Exchange reserve HK\$'000	Available-for- sale financial assets reserve HK\$'000	Share-based payment reserve HK\$'000	Total HK\$'000
Balance at 1 January 2015	(10,771)	780,268	(108)	–	5,319	774,708
Other comprehensive loss						
Currency translation differences	–	–	(20,344)	–	–	(20,344)
Transactions with owners in their capacity as owners						
Effects of the reverse acquisition	–	(2,236,901)	–	–	–	(2,236,901)
Employee share option schemes – share-based compensation benefits (Note 30)	–	–	–	–	195,332	195,332
Total transactions with owners in their capacity as owners	–	(2,236,901)	–	–	195,332	(2,041,569)
Balance as at 31 December 2015 and 1 January 2016	(10,771)	(1,456,633)	(20,452)	–	200,651	(1,287,205)
Other comprehensive (loss)/income						
Currency translation differences	–	–	(52,406)	–	–	(52,406)
Fair value gain on available-for-sale financial assets	–	–	–	56,667	–	56,667
Total comprehensive (loss)/income	–	–	(52,406)	56,667	–	4,261
Transactions with owners in their capacity as owners						
Acquisition of equity interest of a subsidiary from non-controlling shareholders (Note 38(d))	–	(8,191)	–	–	–	(8,191)
Employee share option schemes – share-based compensation benefits (Note 30)	–	48,051	–	–	7,555	55,606
Reclassification of share-based payment reserve to capital reserve	–	187,189	–	–	(187,189)	–
Total transactions with owners in their capacity as owners	–	227,049	–	–	(179,634)	47,415
Balance as at 31 December 2016	(10,771)	(1,229,584)	(72,858)	56,667	21,017	(1,235,529)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

30 SHARE-BASED PAYMENTS

(a) Share option scheme (“Share Option Scheme”)

Pursuant to a resolution passed by the shareholders at the general meeting of the Company on 11 September 2012, the Company adopted the Share Option Scheme, under which the board of directors, at its absolute discretion and on such terms as it may think fit, may grant any employee (full-time or part-time), director, consultant or advisor of the Group, or any substantial shareholder of the Group, or any distributor, contractor, supplier, agent, customer, business partner or service provider of the Group, options to subscribe for ordinary shares of the Company.

(i) Details of the share options outstanding at the end of the year are as follows:

Grant date	Exercisable period	Exercise price per option HK\$	Number of outstanding options as at 31 December	
			2016	2015
27 June 2014	27 June 2015 to 26 June 2020	2.70	3,900,000	3,900,000
	27 June 2016 to 26 June 2020	2.70	3,900,000	3,900,000
	27 June 2017 to 26 June 2020	2.70	3,900,000	3,900,000
	27 June 2018 to 26 June 2020	2.70	3,900,000	3,900,000
	27 June 2019 to 26 June 2020	2.70	3,900,000	3,900,000
28 April 2016	28 April 2017 to 27 April 2022	3.02	2,100,000	–
	28 April 2018 to 27 April 2022	3.02	2,100,000	–
	28 April 2019 to 27 April 2022	3.02	2,100,000	–
	28 April 2020 to 27 April 2022	3.02	2,100,000	–
	28 April 2021 to 27 April 2022	3.02	2,100,000	–
			30,000,000	19,500,000

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

(ii) Movements in the number of share options outstanding and their related weighted average exercise prices are as follows:

	2016		2015	
	Weighted average exercise price HK\$	Number of options '000	Weighted average exercise price HK\$	Number of options '000
Outstanding at the beginning of the year	2.70	19,500	2.70	19,500
Granted during the year	3.02	10,500	N/A	–
Outstanding at the end of the year	2.81	30,000	2.70	19,500
Exercisable at the end of the year	2.70	7,800	2.70	3,900

During the year ended 31 December 2016, share-based payment expenses in respect of the Share Option Scheme charged to profit or loss amounted to HK\$7,555,000 (2015: HK\$8,143,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

30 SHARE-BASED PAYMENTS (CONTINUED)

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

(iii) Fair value of share options and assumptions

The fair values of the share options were calculated using the Binomial Option Pricing Model prepared by an independent valuer. The inputs into the model were as follows:

Grant date	27 June 2014	28 April 2016
Exercise price	HK\$2.70	HK\$3.02
Volatility	60%	47%
Expected option life	6 years	6 years
Annual risk-free rate	1.52%	1.06%
Expected dividend yield	2.60%	5.0%

The volatility measured at the standard deviation of expected share price returns is based on statistical analysis of daily share prices of the Company and comparable companies over the past years immediately preceding the valuation date.

(b) Management Share Scheme

On 10 April 2015, CNQC (South Pacific) Holding Pte. Ltd. ("**CNQC (South Pacific)**") granted share options to certain selected participants including senior management and employees of the Group and other subsidiaries of Guotsing Holding Group Co. Ltd not within the Group to subscribe for up to 6,873,000 shares and 5,127,000 shares of CNQC (South Pacific) respectively at a subscription price of SGD 2.43 per share (the then existing management share scheme). 20% of these share options shall vest over 5 years on each 1 April commencing from 1 April 2016.

The fair value of the share options under the then existing management share scheme at grant date amounted to SGD129.8 million (HK\$735.0 million). The weighted average fair value of these share options determined using the Binomial Option Pricing Model was SGD 10.81 per share option.

The significant inputs into the model were volatility of 27.4%, dividend yield of 0%, an expected option life of five years, and an annual risk-free interest rate of 1.99%. The volatility measured at the standard deviation of continuously compounded share returns is based on statistical analysis of daily share prices of comparable entities in the industry.

In accordance with the share purchase agreement entered into by the Group on 23 May 2015 and upon completion of the reverse acquisition on 15 October 2015, the management share scheme ("**Management Share Scheme**") was adopted to replace and supersede the then existing management share scheme. Under the Management Share Scheme, share options were granted to the selected participants to purchase from a trust established by Guotsing Holding (South Pacific) Investment Pte Ltd, a related company, up to a total of 304,599,273 CPS at HK\$0.56 per share. As at 31 December 2016, 79,271,961 (2015: 174,459,234) and 225,327,312 (2015: 130,140,039) CPS were attributable to personnel rendering services to the Group and outside the Group respectively. 20% of these share options shall vest over 5 years on each 1 April commencing from 1 April 2016.

The fair value of the share options under the Management Share Scheme on 15 October 2015 amounted to HK\$570.0 million whereas that of the then existing management share scheme immediately prior to its replacement and supersession amounted to SGD109.2 million (HK\$614.3 million), each of which had a fair value of HK\$1.87 and SGD 9.10 per share option respectively determined using the Binomial Option Pricing Model. As the modification of the equity-settled award did not result in an increase in the fair value of the equity-settled award, the share-based payment expenses attributable to personnel rendering services to the Group were recognised with reference to the fair value of the then existing management share scheme on 10 April 2015 in accordance with the accounting policy set out in Note 2(ab)(ii).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

30 SHARE-BASED PAYMENTS (CONTINUED)

(b) Management Share Scheme (Continued)

During the year ended 31 December 2016, share-based payment expenses in respect of the above equity-settled award arrangement charged to profit or loss amounted to HK\$48,051,000 (2015: HK\$187,189,000).

Movements in the number of share options outstanding and the exercise price during the year ended 31 December 2016 are as follows:

	Management Share Scheme		The then existing management share scheme	
	Weighted average exercise price HK\$	Number of options	Weighted average exercise price SGD	Number of options
Outstanding at 1 January 2015	N/A	–	N/A	–
Granted during the year	N/A	–	2.43	12,000,000
Implementation of Management Share Scheme	0.56	304,599,273	2.43	(12,000,000)
Outstanding at 31 December 2015 and 1 January 2016	0.56	304,599,273	N/A	–
Converted during the year	0.56	(60,919,852)	N/A	–
Outstanding at 31 December 2016	0.56	243,679,421	N/A	–
Exercisable at 31 December 2016	N/A	–	N/A	–

31 BORROWINGS

	2016 HK\$'000	2015 HK\$'000
Current		
Bank borrowings — secured (Note (a))	3,167,905	3,317,457
Bank borrowings — mortgage (Note (c))	21,507	23,152
Loans from non-controlling shareholders of subsidiaries — unsecured (Note (d))	319,784	34,505
Finance lease liabilities (Note 32)	33,146	62,032
	3,542,342	3,437,146
Non-current		
Bank borrowings — secured (Note (a))	2,903,187	3,869,070
Bank borrowings — unsecured (Note (b))	–	128,162
Bank borrowings — mortgage (Note (c))	541	4,966
Loans from non-controlling shareholders of subsidiaries — unsecured (Note (d))	247,441	437,864
Finance lease liabilities (Note 32)	13,537	46,124
	3,164,706	4,486,186
Total borrowings	6,707,048	7,923,332

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 BORROWINGS (CONTINUED)

The exposure of the borrowings of the Group as at 31 December 2016 and 2015 to interest rate changes and the contractual re-pricing dates were as follows:

	2016 HK\$'000	2015 HK\$'000
Within 1 year	6,619,680	6,942,768
Between 1 and 2 years	40,724	853,715
Between 2 and 5 years	44,648	111,586
Later than 5 years	1,996	15,263
Total	6,707,048	7,923,332

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

	2016 HK\$'000	2015 HK\$'000
Within 1 year	3,346,409	3,413,503
Between 1 and 2 years	772,997	3,357,428
Between 2 and 5 years	2,564,306	1,137,138
Later than 5 years	23,336	15,263
Total	6,707,048	7,923,332

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

	Note	2016 HK\$'000	2015 HK\$'000
Secured by:			
Machinery and equipment (Note 14(d))	(i)	21,539	37,492
Interests in construction contracts	(ii)	139,620	60,247
Development properties for sale, investment properties under development and joint guarantee from directors of certain subsidiaries	(iii)	4,808,290	6,144,649
Fixed bank deposits (Note 25(b))	(iv)	150,897	259,514
Interests in construction contracts and corporate guarantee from an intermediate holding company	(v)	950,746	684,625
		6,071,092	7,186,527
Represented by:			
— Current portion		3,167,905	3,317,457
— Non-current portion		2,903,187	3,869,070

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 BORROWINGS (CONTINUED)

(a) (Continued)

Notes:

- (i) As at 31 December 2016, the amount comprises bank borrowings of HK\$21,539,000 (2015: HK\$37,210,000) bearing interest rates at 2.5% (2015: 2% to 3.5%) per annum above the Hong Kong Interbank Offered Rate (“**HIBOR**”). As at 31 December 2016, no bank borrowings secured by machinery and equipment bears interest at fixed rate (2015: bank borrowing of HK\$282,000 bore interest at a fixed rate of 2% to 2.5% per annum).
 - (ii) As at 31 December 2016, the bank borrowings bore interest at a fixed rate of 2.9% or 1.8% over 3-months Singapore Interbank Offered Rate (“**SIBOR**”) (2015: 2.6% over 3-months SIBOR).
 - (iii) As at 31 December 2016, the amounts comprise land and development loans of HK\$4,808,290,000 (2015: land and development loans of HK\$4,407,168,000 and term loans of HK\$1,737,481,000), and bear interest at rates from 1.8% over the relevant bank’s one month SGD Cost of Funds (“**COF**”) (2015: 1.8% to 2.0% over one month SGD COF) per annum. The loans were secured by mortgages over the Group’s development properties for sale (Note 27), investment properties under development (Note 15) and legal assignment of all rights, title and interests in the construction contracts, insurance policies, performance bonds (if any), tenancy agreements and sale and purchase agreements in respect of the development properties for sale and personal and joint guarantee of the directors of certain subsidiaries.
 - (iv) As at 31 December 2016, the bank borrowings were secured by a fixed deposit of RMB150,000,000 (approximately HK\$165,601,000) (2015: SGD50,000,000 (approximately HK\$273,850,000)), and bore interest at 1.3% over 1-month SIBOR (2015: 0.5% over SGD COF) calculated daily based on a 365-day year.
 - (v) As at 31 December 2016, the bank borrowings bore interest at a fixed rate of 2.7% per annum and rates from 320 basis points over the 6-months London Interbank offered rate (“**LIBOR**”) (2015: fixed rate of 4.6% per annum).
- (b) As at 31 December 2015, the bank borrowings bore interest at a fixed rate of 2.7%.
- (c) As at 31 December 2016, bank borrowings of HK\$22,048,000 (2015: HK\$28,118,000) were secured by a mortgage over part of the Group’s leasehold land and buildings (Note 14(c)). The effective interest rate of the loan was 6.4% (2015: 5.9%) per annum as at 31 December 2016. The loans will be repaid by fixed monthly payment over 10 years to 20 years.
- (d) The loans from non-controlling shareholders of the subsidiaries were unsecured and not expected to be repaid within 1 year, except for the current portions which were expected to be repaid within 1 year. The loans are subject to variable interest rates which contractually re-price within 12 months from the financial reporting date. The effective interest rate was between 5.0% and 7.0% as at 31 December 2016 (2015: between 7.2% and 8.0%).
- (e) The fair values of the bank borrowings and the loans from related parties approximated their respective carrying values as at 31 December 2016 and 2015, as these borrowings were charged at market interest rates.
- (f) These committed banking facilities are subject to annual review. As at 31 December 2016, the undrawn banking facilities amounted to HK\$688,742,000 (2015: HK\$700,321,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

32 FINANCE LEASE LIABILITIES

The Group leased certain plant and machinery and motor vehicles from third parties under finance leases. The lease agreements do not have renewal clauses but provide the Group with options to purchase the leased assets at nominal values at the end of the lease terms.

	2016 HK\$'000	2015 HK\$'000
Minimum lease payments due		
– Within 1 year	34,187	64,679
– Between 1 and 2 years	11,594	33,299
– Between 2 and 5 years	2,395	14,016
– Later than 5 years	324	528
	48,500	112,522
Less: future finance charges	(1,817)	(4,366)
Present value of finance lease liabilities	46,683	108,156

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

	2016 HK\$'000	2015 HK\$'000
Within 1 year	33,146	62,032
Between 1 and 2 years	11,086	32,123
Between 2 and 5 years	2,167	13,484
Later than 5 years	284	517
	46,683	108,156

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

33 TRADE AND OTHER PAYABLES

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

Note:

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

33 TRADE AND OTHER PAYABLES (CONTINUED)

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

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

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

34 DIVIDENDS

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

35 NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Reconciliation of profit before income tax to cash generated from operations

	2016 HK\$'000	2015 HK\$'000
Profit before income tax	826,916	981,664
Adjustments for:		
Depreciation	85,770	88,107
Amortisation of intangible assets	28,869	6,261
Gain on disposal of property, plant and equipment	(2,143)	(4,383)
Write off of property, plant and equipment	–	191
Share-based payment expenses	55,606	195,332
Interest income	(17,503)	(5,681)
Interest expense	50,340	84,845
Fair value gain on previously held interest in an associated company as a result of business combination	(7,211)	–
Fair value gain on derivative financial instruments	(46,235)	–
Share of profit of joint ventures	(371)	–
Share of losses of associated companies	4,752	833
Operating profit before working capital changes	978,790	1,347,169
Decrease in development properties for sale	1,152,660	2,470,668
Decrease/(increase) in trade and other receivables	1,007,792	(831,375)
Decrease in amounts due from customers for contract work	14,643	15,121
Decrease in trade and other payables	(936,260)	(1,877,085)
Cash generated from operations	2,217,625	1,124,498

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

	2016 HK\$'000	2015 HK\$'000
Net book amount (Note 14)	2,807	6,209
Gain on disposal of property, plant and equipment (Note 8)	2,143	4,383
Proceeds from disposal of property, plant and equipment	4,950	10,592

(b) Major non-cash transactions

During the year ended 31 December 2016, property, plant and equipment amounting to HK\$1,332,000 (2015: HK\$5,980,000) were acquired under finance lease arrangements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

36 CONTINGENT LIABILITIES

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

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

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

(b) Pending litigation

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

37 COMMITMENTS

(a) Operating lease commitments – Group as lessee

The Group leases land, offices, warehouse, construction equipment and a factory under non-cancellable operating lease agreements. The leases have varying terms, escalation clauses and renewal rights.

The future minimum lease payables under non-cancellable operating leases contracted for but not recognised as liabilities as at 31 December 2016 and 2015 were as follows:

	2016 HK\$'000	2015 HK\$'000
Not later than one year	21,344	21,411
Between one and five years	20,849	19,641
Later than five years	31,127	31,494
	73,320	72,546

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

37 COMMITMENTS (CONTINUED)

(b) Capital commitments

Capital expenditures contracted but not recognised in the consolidated financial statements as at 31 December 2016 and 2015, excluding those relating to investments in associated companies and joint ventures, were as follows:

	2016 HK\$'000	2015 HK\$'000
Contracted but not provided for:		
Development expenditure	49,871	19,911

In addition, the Group entered into a conditional sale and purchase agreement to acquire all properties at a consideration of SGD638,000,000 (equivalent to approximately HK\$3,509,000,000). As at 31 December 2016, SGD625,000,000 (equivalent to approximately HK\$3,438,000,000) remained unpaid and will be payable within 30 days after obtaining approval from the court of Singapore (Note 2).

38 ACQUISITION OF SUBSIDIARIES

On 26 May 2016, the Company entered into a sale and purchase agreement to acquire 100% equity interests in New Chic (the "**Acquisition**") by allotment and issue of 100,000,000 ordinary shares and cash payment of SGD51,000,000. One of the sellers is Rally Tech Investment Limited, which is held as to 41.25% by a controlling shareholder of the ultimate holding company and a former director of the Company. The Acquisition is expected to create synergy from combining the capabilities of the Group and New Chic in providing construction services in Singapore. The transaction was completed on 13 July 2016 and has been accounted for using the acquisition method of accounting.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

38 ACQUISITION OF SUBSIDIARIES (CONTINUED)

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

38 ACQUISITION OF SUBSIDIARIES (CONTINUED)

Notes:

- (a) The fair value of the 100,000,000 ordinary shares issued as part of the consideration paid for New Chic (HK\$300,672,000) was based on the published share price on 13 July 2016.
- (b) Prior to the completion of the Acquisition, each of the Group and New Chic held 30% equity interests in Tuas Bay, a company incorporated in Singapore which is engaged in property development. After the completion of the Acquisition, Tuas Bay became a subsidiary of the Group and therefore, its assets and liabilities are consolidated with the Group. The net identifiable assets of Tuas Bay are included in the table above. As a result, the Group recognised a gain of HK\$7,211,000 from measuring at fair value its 30% equity interest in Tuas Bay. The gain is included in "Other gains-net" in the Group's profit or loss for the year ended 31 December 2016.
- (c) The non-controlling interests were recognised at the non-controlling interests' proportionate share (40%) of the recognised amounts of Tuas Bay's identifiable net assets.
- (d) New Chic held equity investments classified as available-for-sale financial assets ("**AFS**") in four companies which were non wholly-owned subsidiaries of the Company before the Acquisition, with carrying amounts measured at fair value totalling approximately HK\$24,304,000 at acquisition date. The difference of HK\$8,191,000 between the consideration attributable to the acquisition of these equity interests and the carrying amounts of the Group's corresponding non-controlling interests in respect of these companies is recognised in equity. New Chic also holds equity investment classified as AFS in an investee company with carrying amount measured at fair value of HK\$18,356,000 which in turn is an associated company of the Group. The carrying amount of such AFS is reclassified to investments in associated companies as the investee company remains an associated company of the Group.
- (e) The fair values of trade and other receivables, loans to other related parties and amounts due from customers for contract work are HK\$242,495,000, HK\$195,385,000 and HK\$19,278,000 respectively. The gross contractual amount of these receivables due in aggregate was HK\$457,158,000, of which no balance was expected to be uncollectible.
- (f) The fair values of the development properties for sales, property, plant and equipment and intangible assets are determined with reference to the valuation reports prepared by Savills (Singapore) Pte. Ltd. and Jones Lang LaSalle Corporate Appraisal and Advisory Limited, independent professionally qualified valuers who hold recognised relevant professional qualifications. The intangible assets identified include unfinished construction contracts, construction licence, computer license and club membership. The carrying amounts and fair values of these assets as at 13 July 2016 are as follows:

	Carrying amounts of assets HK\$'000	Fair value adjustments HK\$'000	Fair value of assets as at 13 July 2016 HK\$'000
Development properties for sale	601,644	141,972	743,616
Property, plant and equipment	4,148	527	4,675
Intangible assets	524	81,851	82,375
	606,316	224,350	830,666

- (g) Deferred tax liabilities mainly include HK\$38,047,000 arising from the fair valuation surplus on development properties for sales and property, plant and equipment, and the fair value of intangible assets identified, calculated at the principal taxation rate in Singapore of 17%.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

38 ACQUISITION OF SUBSIDIARIES (CONTINUED)

Notes: (Continued)

- (h) Goodwill recognised is not expected to be deductible for income tax purpose.
- (i) Acquisition-related costs of HK\$4,604,000 have been charged to general and administrative expenses in the consolidated statement of profit or loss for the year ended 31 December 2016.
- (j) The revenue included in the consolidated statement of profit or loss since 13 July 2016 contributed by New Chic was HK\$220,348,000. New Chic also contributed profit of HK\$15,240,000 over the same period.
- (k) Had New Chic been consolidated from 1 January 2016, the consolidated statement of profit or loss would show pro-forma revenue of HK\$9,050,731,000 and profit of HK\$707,235,000.

39 RELATED PARTY TRANSACTIONS

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

As at 31 December 2016, Hui Long Enterprises Limited became the Company's ultimate holding company as a result of the conversion of CPS into ordinary shares by Guotsing Holding Company Limited, a subsidiary of Hui Long Enterprises Limited, detailed in Note 28(c).

- (a) During the years ended 31 December 2016 and 2015, the related parties that had transactions with the Group were as follows:

Name of related parties	Relationship with the Group
Guotsing Holding Group Company Limited	A related company controlled by a controlling shareholder of the ultimate holding company (2015: Ultimate holding company)
Guotsing Holding (South Pacific) Investment Pte. Ltd.	A related company controlled by a controlling shareholder of the ultimate holding company (2015: An intermediate holding company)
Hyday (South Pacific) Investment Pte. Ltd.	A related company controlled by a controlling shareholder of the ultimate holding company (2015: An intermediate holding company)
Qingjian Group Co. Ltd.	A related company controlled by a controlling shareholder of the ultimate holding company (2015: Fellow subsidiary)
Qingjian International (Myanmar) Group Development Co. Ltd.	A related company controlled by a controlling shareholder of the ultimate holding company (2015: Fellow subsidiary)
Qingjian Holding Group (Malaysia) Sdn. Bhd.	A related company controlled by a controlling shareholder of the ultimate holding company (2015: Fellow subsidiary)
Great Wall Technology Aluminium Industry Pte. Ltd.	A related company controlled by a controlling shareholder of the ultimate holding company
Qingdao Bohai Construction Group Co. Ltd.	A related company controlled by a controlling shareholder of the ultimate holding company

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

39 RELATED PARTY TRANSACTIONS (CONTINUED)

- (a) During the years ended 31 December 2016 and 2015, the related parties that had transactions with the Group were as follows: (Continued)

Name of related parties	Relationship with the Group
Qingdao Qingjian Holding Co.	A related company controlled by a controlling shareholder of the ultimate holding company
Elite Concrete Pte. Ltd.	A related company in which a director of a subsidiary has an interest
Sinstar Precast Pte. Ltd. (formerly known as Qingjian Precast Pte. Ltd.)	A related company in which a director of a subsidiary has an interest
Welltech Construction Pte. Ltd.	Subsidiary (2015: A related company controlled by a controlling shareholder of the ultimate holding company)
Bohai Investments (Seng Keng) Pte. Ltd.	Subsidiary (2015: A non-controlling shareholder of a subsidiary)
Bohai Investments (Punggol Central) Pte. Ltd.	Subsidiary (2015: A non-controlling shareholder of a subsidiary)
BH-ZACD (Tuas Bay) Development Pte. Ltd.	Subsidiary (2015: Associated company)
Qingjian Realty (Choa Chu Kang) Pte. Ltd.	Associated company
BH-ZACD (Woodlands) Development Pte. Ltd.	Associated company (2015: A non-controlling shareholder of a subsidiary)
Ji Chao	A non-controlling shareholder of a subsidiary
Li Jun	A non-controlling shareholder of a subsidiary
Ouyang Jing	A non-controlling shareholder of a subsidiary
HLY Investments (Anchorvale) Pte. Ltd.	A non-controlling shareholder of a subsidiary
HLY Investments (Sembawang) Pte. Ltd.	A non-controlling shareholder of subsidiaries
OSS Property Investments Pte. Ltd.	A non-controlling shareholder of a subsidiary
Shun Kang Development & Investment Pte. Ltd.	A non-controlling shareholder of a subsidiary
Suntec Property Ventures Pte. Ltd.	A non-controlling shareholder of a subsidiary
TKS International Investment Pte. Ltd.	A non-controlling shareholder of a subsidiary
Yongli He Development Pte. Ltd.	A non-controlling shareholder of a subsidiary
ZACD (Anchorvale) Pte. Ltd.	A non-controlling shareholder of a subsidiary
ZACD (Canberra) Pte. Ltd.	A non-controlling shareholder of a subsidiary
ZACD (Seng Keng) Pte. Ltd.	A non-controlling shareholder of a subsidiary
ZACD (Sennett) Pte. Ltd.	A non-controlling shareholder of a subsidiary
ZACD (Tuas Bay) Pte. Ltd.	A non-controlling shareholder of a subsidiary
ZACD (Woodlands3) Pte. Ltd.	A non-controlling shareholder of a subsidiary
ZACD (BBW6) Pte. Ltd.	A non-controlling shareholder of subsidiaries
ZACD Investment Pte. Ltd.	A non-controlling shareholder of a subsidiary
ZACD International Pte. Ltd.	A related company controlled by non-controlling shareholder of a subsidiary
Zuo Hai Bin	A non-controlling shareholder of a subsidiary
Peak Living Pte. Ltd.	A related company in which a subsidiary is non-controlling shareholder
Publique Realty (Pasir Ris) Pte. Ltd.	A related company in which a subsidiary is non-controlling shareholder
SLP International Property Consultants Pte. Ltd.	A related company in which a subsidiary is non-controlling shareholder

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

39 RELATED PARTY TRANSACTIONS (CONTINUED)

- (b) The following is a summary of significant related party transactions, in addition to those disclosed elsewhere in the financial statements, which were carried out in accordance with the terms agreed between the Group and the related parties and in the ordinary and usual course of business:

	2016 HK\$'000	2015 HK\$'000
Construction revenue from other related parties	68,063	424,470
Construction revenue from an associated company	100,369	–
Sale of goods to a fellow subsidiary	–	4,091
Purchase of materials from other related parties	249,409	473,253
Construction service costs provided by a fellow subsidiary	–	132,742
Construction service costs provided by other related parties	110,346	–
Dividend received from associated companies	6,920	–
Sales commission paid to a related party	14,116	15,284
Interest income from a related party	1,588	1,055
Interest income from associated companies	7,351	4,193
Interest charged by an intermediate holding company	–	32,505
Interest charged by non-controlling shareholders of subsidiaries	25,225	66,445
Management fee income from an associated company	3,423	–

Outstanding balances as at the year-end dates arising from sale/purchase of goods and services, were unsecured and receivable/payable within 12 months from year-end dates, and were disclosed in Note 18 and Note 33.

(c) Key management compensation

Key management includes directors of the Company and two key operating subsidiaries, CNQC (South Pacific) Holdings Pte. Ltd. and Welltech Construction Pte. Ltd. The compensation paid or payable to key management for employee services is shown below:

	2016 HK\$'000	2015 HK\$'000
Salaries and other short-term employee benefits	57,134	75,272
Contribution to retirement benefit scheme	185	211
Share-based payments	27,819	155,924
Total	85,138	231,407

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

40 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY

	2016 HK\$'000	2015 HK\$'000
ASSETS		
Non-current assets		
Investments in subsidiaries	3,071,019	2,434,780
Loans to subsidiaries	107,500	32,500
	3,178,519	2,467,280
Current assets		
Other receivables	149	422
Amounts due from subsidiaries	162,008	–
Cash and cash equivalents	245,145	21,297
	407,302	21,719
Total assets	3,585,821	2,488,999
EQUITY		
Capital and reserves		
Share capital — Ordinary shares	14,294	3,000
Share capital — Convertible preference shares	2,437	9,519
Share premium	3,375,258	2,284,702
Share-based payment reserve (Note (a))	21,017	200,651
Capital reserve (Note (a))	235,240	–
Accumulated losses (Note (a))	(115,726)	(85,163)
Total equity	3,532,520	2,412,709
LIABILITIES		
Current liabilities		
Other payables	344	23,390
Amounts due to subsidiaries	57	–
Loan from a subsidiary	52,900	52,900
	53,301	76,290
Total liabilities	53,301	76,290
Total equity and liabilities	3,585,821	2,488,999

The balance sheet of the Company was approved by the Board of Directors on 28 March 2017 and was signed on its behalf.

Cheng Wing On, Michael
Director

Wang Congyuan
Director

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

41 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY (CONTINUED)

Note:

(a) Reserve movement of the Company

	Share-based payment reserve HK\$'000	Capital reserve HK\$'000	Accumulated losses HK\$'000
As at 1 January 2015	5,319	–	(31,071)
Loss for the year	–	–	(54,092)
Share-based compensation benefits	195,332	–	–
As at 31 December 2015	200,651	–	(85,163)
As at 1 January 2016	200,651	–	(85,163)
Profit for the year	–	–	209,191
Dividend paid	–	–	(239,754)
Share-based compensation benefits	7,555	48,051	–
Reclassification of share-based payment reserve	(187,189)	187,189	–
As at 31 December 2016	21,017	235,240	(115,726)

42 BENEFITS AND INTEREST OF DIRECTORS

(a) Directors' emoluments

For the year ended 31 December 2016

	As director (Note (iv))									Total HK\$'000
	Directors' fees HK\$'000	Salaries HK\$'000	Discretionary bonuses HK\$'000	Housing allowance HK\$'000	Equity settled Share-based payments HK\$'000	Estimated money value of other benefits HK\$'000	Employers' contributions to retirement benefit schemes HK\$'000	Remunerations paid or receivable in respect of office as director HK\$'000	As management (Note (v)) HK\$'000	
Executive directors										
Dr. Du Bo (Note (i))	–	82	34	–	8,481	–	1	–	–	8,598
Mr. Cheng Wing On, Michael (Note (ii))	–	2,703	9,362	–	1,519	–	18	–	–	13,602
Mr. Ho Chi Ling	–	2,351	1,184	–	1,215	–	18	–	–	4,768
Mr. Zhang Yuqiang	–	1,500	1,625	194	597	–	18	–	–	3,934
Mr. Wang Congyuan (Note (i) & (ii))	298	1,923	1,932	204	3,369	–	15	–	–	7,741
Mr. Wang Linxuan (Note (i))	843	1,726	4,941	–	8,085	–	97	–	–	15,692
Independent non-executive directors										
Mr. Chuck Winston Calptor	240	–	–	–	–	–	–	–	–	240
Mr. Ching Kwok Hoo, Pedro	240	–	–	–	–	–	–	–	–	240
Mr. Tam Tak Kei, Raymond	240	–	–	–	–	–	–	–	–	240
Mr. Chan Kok Chung, Johnny (Note (i))	224	–	–	–	–	–	–	–	–	224
Non-executive directors										
Mr. Zhang Zhihua	–	240	10,740	–	3,574	–	9	–	–	14,563
Dr. Ding Hongbin (Note (iii))	270	1,589	337	–	747	–	9	–	–	2,952
Mr. Sun Huiye (Note (i))	291	1,113	279	–	232	–	–	–	–	1,915
	2,046	13,227	30,434	398	27,819	–	185	–	–	74,709

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

42 BENEFITS AND INTEREST OF DIRECTORS (CONTINUED)

(a) Directors' emoluments (Continued)

For the year ended 31 December 2015

	As director (Note (iv))									Total HK\$'000
	Directors' fees HK\$'000	Salaries HK\$'000	Discretionary bonuses HK\$'000	Housing allowance HK\$'000	Equity settled Share-based payments HK\$'000	Estimated money value of other benefits HK\$'000	Employers' contributions to retirement benefit schemes HK\$'000	Remunerations paid or receivable in respect of accepting office as director HK\$'000	As management (Note (v)) HK\$'000	
Executive directors										
Dr. Du Bo	1,347	2,072	17,247	-	45,723	-	62	-	-	66,451
Mr. Cheng Wing On, Michael	-	2,558	1,542	-	1,253	-	18	-	-	5,371
Mr. Ho Chi Ling	-	2,224	1,150	-	1,002	-	18	-	-	4,394
Mr. Zhang Yuqiang	-	1,450	625	204	1,002	-	5	-	-	3,286
Independent non-executive directors										
Mr. Chuck Winston Calptor	240	-	-	-	-	-	-	-	-	240
Mr. Ching Kwok Hoo, Pedro	240	-	-	-	-	-	-	-	-	240
Mr. Tam Tak Kei, Raymond	240	-	-	-	-	-	-	-	-	240
Non-executive directors										
Mr. Zhang Zhihua	838	1,070	8,429	-	16,494	-	-	-	-	26,831
Dr. Ding Hongbin	265	225	66	-	1,253	-	-	-	-	1,809
	3,170	9,599	29,059	204	66,727	-	103	-	-	108,862

Notes:

- (i) On 26 January 2016, the following directors were appointed or resigned:
 - Dr. Du Bo resigned as executive director;
 - Mr. Wang Congyuan and Mr. Wang Linxuan were appointed as executive directors;
 - Mr. Sun Huiye was appointed as non-executive director; and
 - Mr. Chan Kok Chung, Johnny was appointed as independent non-executive director.
- (ii) For the year ended 31 December 2015, Mr. Cheng Wing On, Michael was the Chief Executive Officer ("CEO") of the Group. On 26 January 2016, Mr. Wang Congyuan was appointed to be CEO and Mr. Cheng Wing On, Michael was re-designated to be the Chairman.
- (iii) Dr. Ding Hongbin resigned as the non-executive director on 30 December 2016.
- (iv) The amounts represented emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its subsidiary undertakings.
- (v) The amounts represented emoluments paid or receivable in respect of a person's other services in connection with the management of the affairs of the Company or its subsidiary undertakings and included salaries, discretionary bonuses, employer's contributions to retirement benefit schemes and housing allowance.
- (vi) No director waived or agreed to waive any emoluments during the years ended 31 December 2016 and 2015.
- (vii) During the year, no emoluments were paid by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

42 BENEFITS AND INTEREST OF DIRECTORS (CONTINUED)

(b) Directors' retirement benefits and termination benefits

None of the directors received or will receive any retirement benefits or termination benefits for the years ended 31 December 2015 and 2016.

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

During the years ended 31 December 2015 and 2016, the Company did not pay consideration to any third parties for making available directors' services.

(d) No loans, quasi-loans and other dealings made available in favour of directors, controlled bodies corporate by and connected entities with such directors subsisted at the end of the year or at any time during the year.

(e) Save as disclosed in Note 39, no significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

INDEPENDENT AUDITOR'S REPORT



羅兵咸永道

TO THE SHAREHOLDERS OF CNQC INTERNATIONAL HOLDINGS LIMITED

(incorporated in the Cayman Islands with limited liability)

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

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

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

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T: +852 2289 8888, F: +852 2810 9888*

INDEPENDENT AUDITOR'S REPORT



羅兵咸永道

OPINION

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

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, 22 March 2016

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2015

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2015

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

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

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2015

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2015

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

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

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

Cheng Wing On, Michael
Director

Wang Congyuan
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

As at 31 December 2014

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

As at 31 December 2015

Note	Share capital	Share capital	Share premium	Other reserves	(Accumulated	Total	Non-controlling interests	Total equity
	– ordinary shares	– convertible preference shares			losses)/ retained earnings			
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Note 25)	(Note 25)	(Note 25)	(Note 26)				
Balance at 1 January 2015	3,000	-	-	774,708	(29,427)	748,281	28,072	776,353
Issue of convertible preference shares	-	9,519	2,227,382	-	-	2,236,901	-	2,236,901
Comprehensive income								
Profit for the year	-	-	-	-	577,317	577,317	163,402	740,719
Other Comprehensive loss								
Currency translation differences	-	-	-	(20,344)	-	(20,344)	(4,557)	(24,901)
Total comprehensive income	-	-	-	(20,344)	577,317	556,973	158,845	715,818
Transactions with owners in their capacity as owners								
Effects of the Acquisition (Note 2)	-	-	-	(2,236,901)	-	(2,236,901)	-	(2,236,901)
Issue of shares of a subsidiary	-	-	-	-	-	-	169	169
Acquisition of equity interest of a subsidiary from a non-controlling shareholder	-	-	-	-	-	-	(281)	(281)
Dividend relating to 2015	-	-	-	-	-	-	(206,598)	(206,598)
Employee share option scheme — share based compensation benefits	27	-	-	195,332	-	195,332	-	195,332
Total transactions with owners in their capacity as owners	-	-	-	(2,041,569)	-	(2,041,569)	(206,710)	(2,248,279)
Balance at 31 December 2015	3,000	9,519	2,227,382	(1,287,205)	547,890	1,500,586	(19,793)	1,480,793

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2015

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 GENERAL INFORMATION

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

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

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

These consolidated financial statements are presented in Hong Kong dollars (“**HK\$**”), unless otherwise stated.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(a) Basis of preparation

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(a) Basis of preparation *(Continued)*

(i) Reverse acquisition

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(a) Basis of preparation *(Continued)*

(i) Reverse acquisition *(Continued)*

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

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

- (a) the assets and liabilities of the Target Group (being the legal subsidiary and the accounting acquirer) recognised and measured at their pre-combination carrying amounts;
- (b) the assets and liabilities of the Existing Group (being the legal parent and the accounting acquiree) recognised and measured at their fair value as at 17 March 2014, the date of the reverse acquisition in accordance with HKFRS 3 (Revised) "Business Combinations";
- (c) the retained earnings and other equity balances of the Target Group before the business combination; and
- (d) the equity structure of the legal subsidiary (the accounting acquirer) restated since the beginning of the earliest period presented.

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(a) Basis of preparation *(Continued)*

(i) Reverse acquisition *(Continued)*

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

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

(ii) Going concern assumptions

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(a) Basis of preparation *(Continued)*

(iii) Amendments to standards adopted by the Group

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

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

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

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

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

		Effective for annual periods beginning on or after
HKAS 1 (Amendment)	Disclosure Initiative	1 January 2016
HKAS 16 and HKAS 38 (Amendment)	Clarification of Acceptable Methods of Depreciation and Amortization	1 January 2016
HKAS 16 and HKAS 41 (Amendment)	Agriculture: Bearer Plants	1 January 2016
HKAS 27 (Amendment)	Equity Method in Separate Financial Statements	1 January 2016
HKFRS 9	Financial Instruments	1 January 2018
HKFRS 10 and HKAS 28 (Amendment)	Sale or Contribution of Assets Between Investor and its Associate or Joint Venture	To be determined
HKFRS 10, HKFRS 12 and HKAS 28 (Amendment)	Investment Entities: Applying the Consolidation Exception	1 January 2016
HKFRS 11 (Amendment)	Accounting for Acquisitions of Interests in Joint Operations	1 January 2016
HKFRS 14	Regulatory Deferral Accounts	1 January 2016
HKFRS 15	Revenue from Contracts with Customers	1 January 2018
Annual Improvements Project	Annual Improvements 2012–2014 Cycle	1 January 2016

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(a) Basis of preparation *(Continued)*

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(b) Consolidation and combination

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

(i) Business combinations

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

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

Acquisition-related costs are expensed as incurred.

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(b) Consolidation and combination *(Continued)*

(i) Business combinations *(Continued)*

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

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

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

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

(iii) Disposal of subsidiaries

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(c) Associated companies

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

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(d) Separate financial statements

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

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

(e) Segment reporting

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

(f) Foreign currency translation

(i) Functional and presentation currency

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

(ii) Transactions and balances

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

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented within "finance costs — net". All other foreign exchange gains and losses impacting profit or loss are presented within "other gains — net".

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(f) Foreign currency translation *(Continued)*

(iii) Group companies

The results and financial position of the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (i) assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- (ii) income and expenses for each statement of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- (iii) all resulting currency translation differences are recognised in other comprehensive income.

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

(g) Property, plant and equipment

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

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

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

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

(h) Goodwill

Goodwill arises on the acquisition of subsidiaries represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identified net assets acquired.

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

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

(i) Other intangible assets

Unfinished construction contracts

Unfinished construction contracts acquired in a business combination are recognised at fair value at the acquisition date. The unfinished construction contracts have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated based on the estimated realisation of the unfinished sales contracts.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(j) Impairment of non-financial assets

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

(k) Leases and hire purchase contracts

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

(i) The Group as lessee

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

(ii) The Group as lessors

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

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

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

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

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

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

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

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

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

The Group uses the "percentage of completion method" to determine the appropriate amount to recognise in a given period. The stage of completion is measured by reference to the contract costs incurred up to the end of the reporting period as a percentage of total estimated costs for each contract. Costs incurred in the year in connection with future activity on a contract are excluded from contract costs in determining the stage of completion.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

(i) (Continued)

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

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

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

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

(m) Development properties for sale

Development properties refer to properties developed for sale.

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(n) Financial assets

(a) Classification

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

(i) *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are presented as current assets, except for those expected to be realised later than 12 months after the reporting date which are presented as non-current assets. Loans and receivables are presented as "trade and other receivables" (Note 16) and "cash and bank balances" (Note 22) on the consolidated statement of financial position.

(ii) *Available-for-sale financial assets*

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are presented as non-current assets unless the investment matures or management intends to dispose of the assets within 12 months after the reporting date. Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured shall be measured at cost.

(b) Recognition and measurement

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

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(n) Financial assets *(Continued)*

(b) Recognition and measurement *(Continued)*

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

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

(c) Impairment

(i) *Assets carried at amortised cost*

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(n) Financial assets *(Continued)*

(c) Impairment *(Continued)*

(ii) Assets classified as available-for-sale

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

For equity investments, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists the cumulative loss — measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss — is removed from equity and recognised in profit or loss. Impairment losses recognised in profit or loss on equity instruments are not reversed through profit or loss.

(d) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

(o) Cash and cash equivalents

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

(p) Share capital

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(q) Trade and other payables

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

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

(r) Borrowings

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

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

(s) Borrowing costs

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(t) Current and deferred income tax

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

(i) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of each reporting period in the countries where the Group operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities. The Group accounts for investment tax credits (for example, productivity and innovative credit) similar to accounting for other tax credit.

(ii) Deferred income tax

Inside basis differences

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

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

Outside basis differences

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

(iii) Offsetting

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

(u) Employee compensation

(i) Employee leave entitlements

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

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

(ii) Retirement benefits

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

(iii) Termination benefits

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

(iv) Bonus plans

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(v) Provisions

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

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

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

(w) Contingent liabilities and contingent assets

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

A contingent liability is not recognised but is disclosed in the note to the financial statements. When a change in the probability of an outflow occurs so that outflow is probable, it will then be recognised as a provision.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain events not wholly within the control of the Group.

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

Financial guarantee

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(x) Revenue and income recognition

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

(i) Construction contracts income

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

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

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

(ii) Sale of properties

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

(iii) Sale of goods — materials used in construction

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

(iv) Rental of equipment

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

(v) Income from loaning labour to other contractors

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

(vi) Interest income

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

(vii) Dividend income

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

(y) Share-based payments

(i) Equity-settled share based payment transactions

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

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

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

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

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

(ii) Share-based payment transactions among group entities

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(z) Dividends distribution

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

(aa) Sales commission

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

3 FINANCIAL RISK MANAGEMENT

Financial risk factors

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

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

(a) Market risk

(i) Currency risk

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT (Continued)

Financial risk factors (Continued)

(a) Market risk (Continued)

(i) Currency risk (Continued)

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT *(Continued)*

Financial risk factors *(Continued)*

(a) Market risk *(Continued)*

(i) Currency risk *(Continued)*

	Hong Kong dollars HK\$'000	Singapore dollars HK\$'000	Renminbi HK\$'000	United States dollars HK\$'000	Indonesian Rupiah HK\$'000	Macau Pataca HK\$'000	Others HK\$'000	Total HK\$'000
<i>At 31 December 2014 (Restated)</i>								
Financial assets								
Cash and cash equivalents	98,280	763,203	42	30,604	-	14,774	45	906,948
Trade and other receivables excluding prepayments	284,453	1,547,080	-	210,002	-	32,895	-	2,074,430
	382,733	2,310,283	42	240,606	-	47,669	45	2,981,378
Financial liabilities								
Trade and other payables excluding non-financial liabilities	200,476	1,506,601	280,183	67,460	-	6,620	-	2,061,340
Borrowings	215,540	6,645,048	689,197	308,372	-	-	-	7,858,157
	416,016	8,151,649	969,380	375,832	-	6,620	-	9,919,497
Net financial (liabilities)/assets	(33,283)	(5,841,366)	(969,338)	(135,226)	-	41,049	45	(6,938,119)
Currency exposure of financial (liabilities)/assets net of those denominated in the functional currencies of the respective group entities								
	-	-	(969,338)	(135,226)	-	41,049	45	(1,063,470)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT *(Continued)*

Financial risk factors *(Continued)*

(a) Market risk *(Continued)*

(i) Currency risk *(Continued)*

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

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

(ii) Price risk

The Group has insignificant exposure to equity price risk.

(iii) Interest rate risk

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

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

As at 31 December 2015, the Group's borrowings at variable rates are denominated mainly in HK\$ and SGD. If the interest rates had increased/decreased by 50 basis points with all other variables including tax rate being held constant, profit before income tax would have been HK\$8,228,000 (2014: HK\$9,632,000) lower/higher by as a result of higher/lower interest expense on these borrowings.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT *(Continued)*

Financial risk factors *(Continued)*

(b) Credit risk

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

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

The Group's trade receivables other than those of the real estate development segment include two (2014: two) debtors that individually represented 12%–18% (2014: 14%–21%) of such total trade receivables as at 31 December 2015 and 2014 respectively.

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT *(Continued)*

Financial risk factors *(Continued)*

(c) Liquidity risk

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

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

	Within one year HK\$'000	Between one and two years HK\$'000	Between two and five years HK\$'000	Over five years HK\$'000	Total HK\$'000
At 31 December 2015					
Trade and other payables excluding non-financial liabilities	2,225,640	–	–	–	2,225,640
Borrowings	3,671,677	3,475,352	1,177,310	15,774	8,340,113
	5,897,317	3,475,352	1,177,310	15,774	10,565,753
At 31 December 2014 (Restated)					
Trade and other payables excluding non-financial liabilities	2,061,340	–	–	–	2,061,340
Borrowings	1,557,801	2,788,987	3,700,946	22,606	8,070,340
	3,619,141	2,788,987	3,700,946	22,606	10,131,680

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT *(Continued)*

Financial risk factors *(Continued)*

(d) Capital risk

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

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

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

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

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

(e) Fair value measurements

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT *(Continued)*

Financial risk factors *(Continued)*

(e) Fair value measurements *(Continued)*

Financial instruments by category

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

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

4 CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS AND JUDGMENTS

Estimates and judgments used in preparing the financial statements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(a) Construction contracts

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4 CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS AND JUDGMENTS

(Continued)

(a) Construction contracts *(Continued)*

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

(b) Deferred income tax assets

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

As at 31 December 2015, the Group recognised such deferred income tax assets amounting to HK\$93,195,000 (2014:HK\$124,345,000) substantially related to entities incorporated and operating in Singapore based on the anticipated future use of tax losses and other timing differences carried forward by those entities as at 31 December 2015. If the tax authority regards these group entities as not satisfying the continuing ownership test, the deferred income tax asset will have to be written off as income tax expense.

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4 CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS AND JUDGMENTS

(Continued)

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

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

(d) Net realisable value of development properties for sale

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

(e) Provision for impairment of trade and other receivables

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4 CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS AND JUDGMENTS

(Continued)

(f) Impairment of goodwill

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

(g) Income taxes

The Group is mainly subject to income taxes in Singapore, Hong Kong and Macau. Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

(h) Provision for litigations

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

5 SEGMENT INFORMATION

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5 SEGMENT INFORMATION *(Continued)*

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

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

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

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

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

Capital expenditure comprises additions to property, plant and equipment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5 SEGMENT INFORMATION *(Continued)*

	Foundation — Hong Kong and Macau HK\$'000	Construction — Singapore HK\$'000	Real estate development — Singapore HK\$'000	Total HK\$'000
Year ended 31 December 2015				
Sales				
Sales to external parties	1,671,737	3,003,074	6,378,645	11,053,456
Inter-segment sales	–	1,422,860	–	1,422,860
Total segment sales	1,671,737	4,425,934	6,378,645	12,476,316
Adjusted segment profit	216,803	44,894	973,492	1,235,189
Depreciation	63,985	22,428	1,694	88,107
Capital expenditure	35,423	6,213	3,043	44,679
Year ended 31 December 2014 (Restated)				
Sales				
Sales to external parties	957,919	2,424,558	3,919,816	7,302,293
Inter-segment sales	–	1,836,907	–	1,836,907
Total segment sales	957,919	4,261,465	3,919,816	9,139,200
Adjusted segment profit	59,487	130,051	494,497	684,035
Depreciation	45,968	16,632	994	63,594
Capital expenditure	68,648	107,136	1,651	177,435

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5 SEGMENT INFORMATION *(Continued)*

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

	Foundation — Hong Kong and Macau HK\$'000	Construction — Singapore HK\$'000	Real estate development — Singapore HK\$'000	Total HK\$'000
As at 31 December 2015				
Segment assets	1,321,724	2,355,050	12,313,575	15,990,349
Segment liabilities	523,159	1,762,891	11,980,454	14,266,504
As at 31 December 2014 (Restated)				
Segment assets	1,152,739	2,323,154	14,567,417	18,043,310
Segment liabilities	482,897	1,902,516	15,029,569	17,414,982

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5 SEGMENT INFORMATION *(Continued)*

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6 REVENUE

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

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

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

7 OTHER INCOME

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

8 OTHER GAINS — NET

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

9 EXPENSES BY NATURE

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

10 EMPLOYEE BENEFIT EXPENSES

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

Five highest paid individuals

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

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

The emoluments of these individuals fell within the following bands:

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

11 FINANCE COSTS — NET

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

12 INCOME TAX EXPENSE

Hong Kong profits tax, Macau profits tax and Singapore income tax have been provided for at the rate of 16.5%, 12% and 17% respectively for the years ended 31 December 2015 and 2014 on the estimated assessable profit in the respective jurisdictions, adjusted for those items which are not assessable or deductible for income tax purpose.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

12 INCOME TAX EXPENSE *(Continued)*

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

13 EARNINGS PER SHARE

Basic

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

As described in Note 2 above, 951,872,727 CPS were issued on 15 October 2015 in connection with the Acquisition. As further explained in Note 25(a) below, each CPS, in addition to a non-cumulative preferred distribution described therein, is entitled to any dividend pari passu with the holders of the ordinary shares. In addition, the holders of the CPS shall have priority over the holders of ordinary shares on the assets and funds of the Company available for distribution in a distribution of assets on liquidation, winding-up or dissolution of the Company up to an amount equal to the aggregate nominal amounts of the CPS issued (i.e. HK\$9,519,000). Distributions beyond this amount are to be made on a pari passu basis among the holders of any class of shares including the CPS.

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

13 EARNINGS PER SHARE *(Continued)*

Diluted

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

14 PROPERTY, PLANT AND EQUIPMENT

	Office equipment HK\$'000	Motor vehicles HK\$'000	Plant and machinery HK\$'000	Furniture and fixtures HK\$'000	Leasehold improvements HK\$'000	Leasehold buildings under construction HK\$'000	Leasehold land and buildings HK\$'000	Total HK\$'000
Year ended 31 December 2014								
(Restated)								
Cost								
At 1 January 2014	23,705	22,857	54,183	257	622	34,597	29,677	165,898
Additions	5,469	921	109,353	1,859	-	59,833	-	177,435
Disposals	(1,420)	-	(3,022)	-	-	-	-	(4,442)
Write off	(6)	-	-	-	-	-	-	(6)
Transfer upon completion	-	-	-	-	20,795	(91,153)	70,358	-
Arising from the Acquisition (Note 35)	636	1,757	343,926	-	-	-	-	346,319
Exchange differences	(1,198)	(996)	(4,085)	-	(897)	(196)	(4,238)	(11,610)
At 31 December 2014	27,186	24,539	500,355	2,116	20,520	3,081	95,797	673,594
Accumulated depreciation								
At 1 January 2014	13,315	14,232	26,774	257	622	-	742	55,942
Depreciation charge (Note 9)	5,752	3,571	53,733	31	-	-	507	63,594
Disposals	(1,318)	-	(1,962)	-	-	-	-	(3,280)
Write off	(6)	-	-	-	-	-	-	(6)
Exchange differences	(759)	(750)	(1,470)	-	(27)	-	(53)	(3,059)
At 31 December 2014	16,984	17,053	77,075	288	595	-	1,196	113,191
Net book value								
At 31 December 2014	10,202	7,486	423,280	1,828	19,925	3,081	94,601	560,403

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

14 PROPERTY, PLANT AND EQUIPMENT *(Continued)*

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

14 PROPERTY, PLANT AND EQUIPMENT *(Continued)*

- (a) Depreciation expense of HK\$75,643,000 (2014: HK\$53,730,000) and HK\$12,464,000 (2014: HK\$9,864,000) has been charged in 'cost of sales' and 'general and administrative expenses' respectively.
- (b) Certain machinery was under finance leases in the form of sale and leaseback arrangements. There was no disposal gain or loss recognised for the transactions as the fair value was not significantly different to the carrying value of the relevant machinery.
- (c) The net book amount of property, plant and equipment where the Group was a lessee under finance leases as at 31 December 2015 is HK\$201,671,000 (2014: HK\$246,536,000) (Note 29).
- (d) As at 31 December 2015, the Group's leasehold land and buildings with an aggregate net book value of HK\$36,706,000 (2014: HK\$38,133,000) were pledged as securities for bank borrowings (Note 28(c)).
- (e) As at 31 December 2015, the Group's machinery and equipment with an aggregate net book value of HK\$28,711,000 (2014: HK\$18,893,000) were pledged as securities for bank borrowings (Note 28(a)(i)).
- (f) For the year ended 31 December 2015, rental income amounting to HK\$1,433,000 (2014: HK\$1,664,000) relating to the lease of machinery is included in profit or loss (Note 6).

15 GOODWILL

	HK\$'000
At 1 January 2014 (Restated)	–
Arising from the Acquisition (Note 35)	282,933
	<hr/>
At 31 December 2015 and 2014 (Restated)	282,933

Note:

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

15 GOODWILL *(Continued)*

Impairment test for goodwill

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

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

	2015	2014 (Restated)
Average growth rate <i>(note a)</i>	5%	5%
Terminal growth rate	2%	2%
Discount rate <i>(note b)</i>	15%	15%

- (a) Average growth rate used in the budget is for the five-year period ending 31 December 2020.
- (b) The discount rate used is pre-tax and reflects specific risks relating to the relevant business.
- (c) Assuming that the growth rate decreases by 50 basis points and the discount rate increases by 50 basis points, there is still sufficient headroom and no impairment charge is required for the goodwill as at 31 December 2015.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

16 TRADE AND OTHER RECEIVABLES

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

16 TRADE AND OTHER RECEIVABLES *(Continued)*

Notes:

- (a) The credit periods granted to customers were 14 to 60 days. No interest was charged on the outstanding balance.
- (b) The aging analysis of the trade receivables based on invoice date is as follows:

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

As at 31 December 2015, trade receivables of HK\$42,058,000 (2014: HK\$79,148,000) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The aging analysis of trade receivables past due but not impaired by overdue date is as follows:

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

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

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

- (c) The other receivables due from holding companies, fellow subsidiaries, associated companies and other related parties were unsecured, interest-free and repayable on demand. The other receivables did not contain any impaired assets.
- (d) Loans to associated companies and other related parties were lent to companies in which the Group invested to develop real estates in Singapore. The loans were made in proportion to the percentages of the Group's shareholding in these companies. The loans were unsecured, and interest-bearing at a fixed rate ranging from 0% to 7.68% (2014: 0% to 7.216%) per annum as at 31 December 2015.
- (e) The carrying amounts of the Group's trade and other receivables (excluding prepayments) approximated their fair values. The Group did not hold any collateral as security for its trade and other receivables.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

17 OTHER INTANGIBLE ASSETS

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

18 SUBSIDIARIES

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

Name of companies	Principal activities	Country of operation/ incorporation	Particulars of share capital	Effective interest held as at 31 December 2015	Effective interest held as at 31 December 2014
Directly held by the Company:					
One Million International Limited	Investment holding	The British Virgin Islands	US\$3	100%	100%
Wang Bao Development Limited	Investment holding	The British Virgin Islands	US\$0.02	100%	–
Indirectly held by the Company:					
Sunley Engineering & Construction Company Limited	General contracting, building and civil engineering and rental of machinery in Hong Kong	Hong Kong	HK\$39,193,000	100%	100%
Sunnic Engineering Limited	General contracting, building and civil engineering and rental of machinery in Hong Kong	Hong Kong	HK\$9,300,000	100%	100%
Full Gain Engineering Limited	General contracting, building and civil engineering and rental of machinery in Hong Kong	Hong Kong	HK\$100	100%	100%
Sunley Foundation Engineering (Macau) Company Limited	General contracting, building and civil engineering in Macau	Macau	MOP100,000	100%	100%
Sunnic Engineering (Macau) Limited	General contracting, building and civil engineering in Macau	Macau	MOP25,000	100%	100%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

18 SUBSIDIARIES (Continued)

Name of companies	Principal activities	Country of operation/ incorporation	Particulars of share capital	Effective interest held as at 31 December 2015	Effective interest held as at 31 December 2014
Indirectly held by the Company: (Continued)					
Sunley Engineering & Construction (Singapore) Pte. Ltd.	Investment holding	Singapore	SGD1	100%	–
CNQC (South Pacific) Holdings Pte. Ltd.	Investment holding	Singapore	SGD25,500,000	100%	100%
Qingjian International (South Pacific) Group Development Co., Pte. Ltd.	General construction	Singapore	SGD20,000,000	100%	100%
Qingdao Construction (Singapore) Pte. Ltd.	General construction	Singapore	SGD15,000,000	100%	100%
Qingjian Realty (South Pacific) Group Pte. Ltd.	Investment holding	Singapore	SGD2,000,000	100%	100%
Max Marine International Trading Pte. Ltd.	General wholesale trade	Singapore	SGD6,000,000	100%	100%
Qingjian Holding Pte. Ltd.	Investment holding	Singapore	SGD1	100%	100%
Qingjian Realty (Serangoon) Pte. Ltd.	Property development	Singapore	SGD1,000,000	81%	81%
Qingjian Realty (Punggol) Pte. Ltd.	Property development	Singapore	SGD1,000,000	60%	60%
Qingjian Realty (Sengkang) Pte. Ltd.	Property development	Singapore	SGD1,000,000	72%	72%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

18 SUBSIDIARIES *(Continued)*

Name of companies	Principal activities	Country of operation/ incorporation	Particulars of share capital	Effective interest held as at 31 December 2015	Effective interest held as at 31 December 2014
Indirectly held by the Company: (Continued)					
Qingjian Realty (Punggol Field) Pte. Ltd.	Investment holding	Singapore	SGD1	100%	100%
Qingjian Realty (Fernvale) Pte. Ltd.	Investment holding	Singapore	SGD1	100%	100%
Qingjian Realty (Pasir Ris) Pte. Ltd.	Investment holding	Singapore	SGD1	100%	100%
Qingjian Realty (Punggol Central) Pte. Ltd.	Property development	Singapore	SGD1,000,000	85%	85%
Qingjian Realty (Punggol Way) Pte. Ltd.	Property development	Singapore	SGD1,000,000	85%	85%
Qingjian Realty (Edgefield Plains) Pte. Ltd.	Property development	Singapore	SGD1,000,000	85%	85%
Qingjian Realty (Woodlands) Pte. Ltd.	Property development	Singapore	SGD1,000,000	65%	65%
Qingjian Realty (Anchorvale) Pte. Ltd.	Property development	Singapore	SGD1,000,000	63%	63%
Qingjian Realty (Tuas Bay) Pte. Ltd.	Investment holding	Singapore	SGD10	100%	100%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

18 SUBSIDIARIES (Continued)

Name of companies	Principal activities	Country of operation/ incorporation	Particulars of share capital	Effective interest held as at 31 December 2015	Effective interest held as at 31 December 2014
Indirectly held by the Company: (Continued)					
Creative Engineering International Pte. Ltd.	Construction service	Singapore	SGD100,000	51%	51%
Chong Lee Heng Builder Pte. Ltd.	Building and constructions, leasing of construction equipment	Singapore	SGD616,692	100%	100%
Qingjian Construction (Singapore) Pte. Ltd.	General construction	Singapore	SGD7,000,000	100%	100%
Qingjian Realty (Sembawang) Pte. Ltd.	Property development	Singapore	SGD1,000,000	72%	72%
Qingjian Realty (Singapore) Pte. Ltd.	Investment holding	Singapore	SGD1	100%	100%
Qingjian Realty (Residential) Pte. Ltd.	Investment holding	Singapore	SGD1	100%	100%
Hilife Interactive Pte. Ltd.	Information technology and computer service activities	Singapore	SGD100	70%	–

Material non-controlling interests

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

18 SUBSIDIARIES *(Continued)*

Summarised financial information on subsidiaries with material non-controlling interests

Set out below are the summarised financial information for each subsidiary that has non-controlling interests that are material to the Group. See Note 36 for transactions with non-controlling interests.

Summarised balance sheet

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

18 SUBSIDIARIES *(Continued)*

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

Summarised statement of comprehensive income

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

18 SUBSIDIARIES *(Continued)*

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

Summarised cash flow

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

19 INVESTMENTS IN ASSOCIATED COMPANIES

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

	2015 HK\$'000	2014 HK\$'000 (Restated)
Share of net assets	1,150	574

The amounts recognised in profit or loss are as follows:

	2015 HK\$'000	2014 HK\$'000 (Restated)
Share of (losses)/profits	(833)	37

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

19 INVESTMENTS IN ASSOCIATED COMPANIES *(Continued)*

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

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

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

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

20 AVAILABLE-FOR-SALE FINANCIAL ASSETS

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

21 DEFERRED INCOME TAX ASSETS/(LIABILITIES)

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

	Fair value adjustments of identifiable assets arising from business combination	Accelerated tax depreciation	Unrealised profit	Tax losses	Accrued operating expenses	Share-based payment	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Year ended 31 December 2014							
(Restated)							
As 1 January 2014	–	(2,430)	68,082	28,273	–	–	93,925
Arising from the Acquisition (Note 35)	(19,768)	(37,796)	–	7,698	–	–	(49,866)
Tax credited/(charged) to profit or loss	13,341	(1,215)	8,823	16,579	–	419	37,947
Exchange difference	–	100	(3,334)	(2,195)	–	–	(5,429)
As 31 December 2014 (Restated)	(6,427)	(41,341)	73,571	50,355	–	419	76,577
Year ended 31 December 2015							
At 1 January 2015	(6,427)	(41,341)	73,571	50,355	–	419	76,577
Tax credited/(charged) to profit or loss	1,701	(6,519)	(29,773)	(15,264)	21,664	(419)	(28,610)
Exchange difference	–	177	(3,969)	(2,833)	(556)	–	(7,181)
At 31 December 2015	(4,726)	(47,683)	39,829	32,258	21,108	–	40,786

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

22 CASH AND BANK BALANCES

(a) Cash and cash equivalents

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

- (i) The funds in the maintenance fund accounts can only be applied for the upkeep of the completed development properties.
- (ii) The funds in the project accounts can only be applied in accordance with Housing Developers (Project Account) Rules (1997 Ed) in Singapore.
- (iii) Cash at banks earned interest at floating rates based on daily bank deposit rates.

(b) Pledged bank deposits

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

23 AMOUNTS DUE FROM CUSTOMERS FOR CONTRACT WORK

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

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

24 DEVELOPMENT PROPERTIES FOR SALE

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

25 SHARE CAPITAL

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

25 SHARE CAPITAL *(Continued)*

Notes:

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

- CPS shall be convertible into fully-paid ordinary shares at the option of the CPS holders at any time after the issue date according to a fixed conversion ratio of one CPS for one ordinary share, subject to the condition that the Company is able to meet the requirement of public float under the relevant listing rules of the Stock Exchange and no shareholders of the Company would trigger any mandatory general offer obligation under Rule 26 of the Takeovers Code (unless a waiver from compliance with such requirement has otherwise been obtained).
- The CPS shall be non-redeemable by the Company or their holders.
- Each CPS shall confer on its holder the right to receive a non-cumulative preferred distribution from the date of the issue of the CPS at a rate of 0.01% per annum on the issue price of HK\$2.75 per CPS, payable annually in arrears. The Company may, in its sole discretion, elect to defer or not pay a preferred distribution. No interest accrues on any unpaid preferred distribution. However, the Company shall not pay any dividends or distributions to the holders of ordinary shares of the Company unless at the same time it pays to the holders of the CPS any deferred or unpaid preferred distribution which was scheduled to be paid during the same financial year as such dividends or distributions were scheduled.
- Each CPS shall confer on its holder the right to receive, in addition to the above preferred distribution, any dividend *pari passu* with the holders of the ordinary shares.
- The holders of the CPS shall have priority over the holders of ordinary shares on the assets and funds of the Company available for distribution in a distribution of assets on liquidation, winding-up or dissolution of the Company up to an amount equal to the aggregate nominal amounts of the CPS issued. Distributions beyond this amount are to be made on a *pari passu* basis among the holders of any class of shares including the CPS.
- The CPS shall not confer on their holders the right to vote at a general meeting of the Company, unless a resolution is to be proposed at a general meeting for the winding-up of the Company or a resolution is to be proposed which if passed would vary or abrogate the rights or privileges of the CPS or vary the restrictions to which the CPS are subject.

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

26 OTHER RESERVES

	Merger reserves HK\$'000	Capital reserve HK\$'000	Exchange reserve HK\$'000	Share-based payment reserve HK\$'000	Total HK\$'000
Balance at 1 January 2014 (Restated)	(10,771)	–	906	–	(9,865)
Other comprehensive loss					
Currency translation differences	–	–	(1,014)	–	(1,014)
Transactions with owners in their capacity as owners					
Effects of the Acquisition (Note 2)	–	780,268	–	–	780,268
Employee share option scheme — share based compensation benefits (Note 10)	–	–	–	5,319	5,319
Total transactions with owners in their capacity as owners	–	780,268	–	5,319	785,587
Balance as at 31 December 2014 (Restated)	(10,771)	780,268	(108)	5,319	774,708
Balance at 1 January 2015	(10,771)	780,268	(108)	5,319	774,708
Other comprehensive loss					
Currency translation differences	–	–	(20,344)	–	(20,344)
Transactions with owners in their capacity as owners					
Effects of the Acquisition (Note 2)	–	(2,236,901)	–	–	(2,236,901)
Employee share option schemes — share based compensation benefits (Note 10)	–	–	–	195,332	195,332
Total transactions with owners in their capacity as owners	–	(2,236,901)	–	195,332	(2,041,569)
Balance as at 31 December 2015	(10,771)	(1,456,633)	(20,452)	200,651	(1,287,205)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

26 OTHER RESERVES *(Continued)*

Merger reserves

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

Capital reserve

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

27 SHARE-BASED PAYMENTS

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

(a) Share option scheme ("Share Option Scheme")

Pursuant to a resolution passed by the shareholders at the general meeting of the Company on 11 September 2012, the Company adopted the Share Option Scheme, under which the board of directors, at its absolute discretion and on such terms as it may think fit, grant any employee (full-time or part-time), director, consultant or advisor of the Group, or any substantial shareholder of the Group, or any distributor, contractor, supplier, agent, customer, business partner or service provider of the Group, options to subscribe for the ordinary shares of the Company.

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

- (i) 20% of the share options shall be vested and exercisable from 27 June 2015;
- (ii) an additional 20% (i.e. up to 40% in total) shall be vested and exercisable from 27 June 2016;
- (iii) an additional 20% of the share options (i.e. up to 60% in total) shall be vested and exercisable from 27 June 2017;

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

27 SHARE-BASED PAYMENTS *(Continued)*

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

- (iv) an additional 20% of the share options (i.e. up to 80% in total) shall be vested and exercisable from 27 June 2018; and
- (v) the remaining 20% of the share options (i.e. up to 100% in total) shall be vested and exercisable from 27 June 2019.

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

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

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

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

	2015		2014	
	Weighted average exercise price HK\$	Number of options '000	Weighted average exercise price HK\$	Number of options '000
Outstanding at the beginning of the year	2.70	19,500	N/A	–
Granted during the year	N/A	–	2.70	19,500
Outstanding at the end of the year	2.70	19,500	2.70	19,500
Exercisable at the end of the year	2.70	3,900	N/A	–

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

27 SHARE-BASED PAYMENTS *(Continued)*

(b) Management Share Scheme

On 10 April 2015, CNQC (South Pacific) Holding Pte. Ltd. ("**CNQC (South Pacific)**") granted share options to certain selected participants including senior management and employees of the Target Group and other subsidiaries of Guotsing PRC not within the Target Group to subscribe for up to 6,873,000 shares and 5,127,000 shares of CNQC (South Pacific) respectively at a subscription price of SGD 2.43 per share (the then existing management share scheme). 20% of these share options shall vest over 5 years on each of the calendar date 1 April commencing from 1 April 2016.

The fair value of the share options under the then existing management share scheme at grant date amounted to SGD 129.8 million (HK\$735.0 million). The weighted average fair value of these share options determined using the Binomial Option Pricing Model was SGD 10.81 per share option.

The significant inputs into the model were volatility of 27.4%, dividend yield of 0%, an expected option life of five years, and an annual risk-free interest rate of 1.99%. The volatility measured at the standard deviation of continuously compounded share returns is based on statistical analysis of daily share prices of comparable entities in the industry.

In accordance with the Agreement and upon completion of the Acquisition on 15 October 2015, the Management Share Scheme was adopted to replace and supersede the then existing management share scheme. Under the Management Share Scheme, share options were granted to the selected participants to purchase from the Trust up to a total of 304,599,273 CPS at HK\$0.56 per share, of which the respective total of 174,459,234 and 130,140,039 CPS were attributable to personnel rendering services to the Group and outside the Group respectively. 20% of these share options shall vest over 5 years on each of the calendar date 1 April commencing from 1 April 2016.

The fair value of the share options under the Management Share Scheme on 15 October 2015 amounted to HK\$570.0 million whereas that of then existing management share scheme immediately prior to its replacement and supersession amounted to SGD 109.2 million (HK\$614.3 million), each of which has a weighted average fair value of the share options granted determined using the Binomial Option Pricing Model of SGD 9.10 and HK\$1.87 per share option respectively. As the modification of equity-settled award does not result in an increase in the fair value of equity-settled award, the share-based payment expenses were recognised with reference to the fair value of the then existing management share scheme on 10 April 2015 in accordance with the accounting policy set out in Note 2(y)(i).

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

27 SHARE-BASED PAYMENTS *(Continued)*

(b) Management Share Scheme *(Continued)*

Movements in the number of share options outstanding and the exercise price during the year ended 31 December 2015 are as follows:

	Management Share Scheme		The then existing management share scheme	
	Weighted average exercise price HK\$	Number of options	Weighted average exercise price SGD	Number of options
Outstanding at the beginning of the year	N/A	–	N/A	–
Granted during the year	N/A	–	2.43	12,000,000
Implementation of Management Share Scheme	0.56	304,599,273	2.43	(12,000,000)
Outstanding at the end of the year	0.56	304,599,273	N/A	–
Exercisable at the end of the year	N/A	–	N/A	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

28 BORROWINGS

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

28 BORROWINGS (Continued)

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

28 BORROWINGS *(Continued)*

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

Notes:

- (i) As at 31 December 2015, the amount comprises bank borrowings of HK\$282,000 (2014: HK\$504,000) and HK\$37,210,000 (2014: HK\$67,505,000), respectively bearing interest at a fixed rate of 2% to 2.5% per annum and rates from 2% to 3.5% per annum above the Hong Kong Interbank Offered Rate ("**HIBOR**").
- (ii) As at 31 December 2014, the bank borrowings were secured by a RMB Standby Letter of Credit ("**SBLC**") backed by corporate guarantee of the ultimate holding company, and were interest bearing at rates per annum ranging from 2.04% to 2.94%.
- (iii) As at 31 December 2015, the bank borrowings borne interest at 2.55% over 3-months Singapore Interbank Offered Rate ("**SIBOR**") (2014: 3.95% over 6-months London Interbank Offered Rate ("**LIBOR**").
- (iv) As at 31 December 2015, the amounts comprise land and development loans of HK\$4,407,168,000 (2014: HK\$4,077,687,000) and term loans of HK\$1,737,481,000 (2014: HK\$1,360,665,000), and borne interest at rates from 1.80% to 2.00% over the relevant bank's one month SGD Cost of Funds ("**COF**") (2014: 1.57% to 3.46% over one month SGD COF) per annum. The loans were secured by mortgages over the Group's development properties for sale (Note 24) and legal assignment of all rights, title and interests in the construction contracts, insurance policies, performance bonds (if any), tenancy agreements and sale and purchase agreements in respect of the development properties for sale and personal and joint guarantee of the directors of certain subsidiaries.
- (v) As at 31 December 2015, the bank borrowings were secured by a fixed deposit of SGD50,000,000 (approximately HK\$273,850,000), and borne interest at 0.5% over SGD COF calculated daily with monthly rate based on a 365-day year.
- (vi) As at 31 December 2015, the bank borrowings borne interest at fixed rate of 4.55% per annum (2014: same).
- (b) As at 31 December 2015, the bank borrowings borne interest at a fixed rate of 2.65%.
- (c) As at 31 December 2015, bank borrowings of HK\$28,118,000 (2014: HK\$22,466,000) were secured by a mortgage over part of the Group's leasehold land and buildings (Note 14(d)). The interest rate of the loan was 5.85% (2014: 5.25%) per annum as at 31 December 2015. The loans will be repaid by fixed monthly payment over 10 years to 20 years.
- (d) The loans from a holding company and non-controlling interest shareholders of subsidiaries were unsecured and not expected to be repaid within 1 year, except for the current portions which were expected to be repaid within 1 year. The loans were subject to variable interest rates which contractually re-priced within 12 months from the financial reporting date. The effective interest rate was between 7.23% and 7.96% as at 31 December 2015 (2014: between 4.55% and 7.96%).
- (e) The fair values of the bank borrowings and the loans from related parties approximated their respective carrying values as at 31 December 2015 and 2014, as these borrowings were charged at market interest rates.
- (f) These committed banking facilities were subject to annual review. As at 31 December 2015, the undrawn banking facilities amounted to HK\$700,321,000 (2014: HK\$663,300,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

29 FINANCE LEASE LIABILITIES

The Group leased certain plant and machinery and motor vehicles from third parties under finance leases. The lease agreements do not have renewal clauses but provide the Group with options to purchase the leased assets at nominal values at the end of the lease terms.

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

30 TRADE AND OTHER PAYABLES

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

30 TRADE AND OTHER PAYABLES *(Continued)*

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

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

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

31 DIVIDENDS

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

	2015 HK\$'000	2014 HK\$'000 (Restated)
Proposed final dividend of HK\$0.12 (2014: Nil) per ordinary share and per CPS	161,085	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

32 NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS

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

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

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

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

Major non-cash transactions

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

33 CONTINGENT LIABILITIES

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

	2015 HK\$'000	2014 HK\$'000 (Restated)
Guarantees on performance bonds in respect of construction contracts	205,640	64,489

Subsidiaries of the Group also issued corporate guarantees to banks for borrowings of the Group's associated companies and related companies in which subsidiaries of the Company are non-controlling shareholders. As at 31 December 2015, these bank borrowings amounted to HK\$329,093,000 (2014: HK\$335,276,000).

(b) Pending litigation

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

34 COMMITMENTS

(a) Operating lease commitments — Group as lessee

The Group leases land, offices, warehouse, construction equipment and a factory under non-cancellable operating lease agreements. The leases have varying terms, escalation clauses and renewal rights.

The future minimum lease payables under non-cancellable operating leases contracted for but not recognised as liabilities as at 31 December 2015 and 2014 were as follows:

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

34 COMMITMENTS *(Continued)*

(b) Capital commitments

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

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

35 ACQUISITION OF THE EXISTING GROUP

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

35 ACQUISITION OF THE EXISTING GROUP *(Continued)*

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

36 RELATED PARTY TRANSACTIONS

Related parties are those parties that have the ability to control, jointly control or exert significant influence over the other party in making financial or operational decisions. Parties are also considered to be related if they are subject to common control or joint control. The ultimate holding company of the Company is Guotsing Holding Group Company Limited.

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

36 RELATED PARTY TRANSACTIONS *(Continued)*

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

36 RELATED PARTY TRANSACTIONS *(Continued)*

- (b) The following is a summary of significant related party transactions, in addition to those disclosed elsewhere in the financial statements, which were carried out in accordance with the terms agreed between the Group and the related parties and in the ordinary and usual course of business:

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

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

(c) Key management compensation

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

37 EVENTS AFTER THE REPORTING DATE

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

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

38 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

Cheng Wing On, Michael
Director

Wang Congyuan
Director

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

Note:

(a) Reserve movement of the Company

	Share based payment reserve	Accumulated losses
	HK\$'000	HK\$'000
As at 1 January 2014	–	(16,916)
Profit for the year	–	135,845
Dividends	–	(150,000)
Share based compensation benefits	5,319	–
As at 31 December 2014	5,319	(31,071)
As at 1 January 2015	5,319	(31,071)
Loss for the year	–	(54,092)
Share based compensation benefits	195,332	–
As at 31 December 2015	200,651	(85,163)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

39 BENEFITS AND INTEREST OF DIRECTORS

(a) Directors' emoluments

For the year ended 31 December 2015

	As director (note (iii))									Total HK\$'000
	Directors' fees HK\$'000	Salaries HK\$'000	Discretionary bonuses HK\$'000	Housing allowance HK\$'000	Equity settled Share based payments HK\$'000	Estimated money value of other benefits HK\$'000	Employer's contribution to a retirement scheme contributions HK\$'000	Remunerations paid or receivable in respect of accepting office as director HK\$'000	As management (note (iv)) HK\$'000	
Executive directors										
Dr. Du Bo (note (i))	1,347	2,072	17,247	-	45,723	-	62	-	-	66,451
Mr. Cheng Wing On, Michael	-	2,558	1,542	-	1,253	-	18	-	-	5,371
Mr. Ho Chi Ling	-	2,224	1,150	-	1,002	-	18	-	-	4,394
Mr. Zhang Yuqiang (note (i))	-	1,450	625	204	1,002	-	5	-	-	3,286
Independent non-executive directors										
Mr. Chuck Winston Calptor	240	-	-	-	-	-	-	-	-	240
Mr. Ching Kwok Hoo, Pedro	240	-	-	-	-	-	-	-	-	240
Mr. Tam Tak Kei, Raymond	240	-	-	-	-	-	-	-	-	240
Non-executive directors										
Mr. Zhang Zhihua (note (i))	838	1,070	8,429	-	16,494	-	-	-	-	26,831
Dr. Ding Hongbin (note (i))	265	225	66	-	1,253	-	-	-	-	1,809
	3,170	9,599	29,059	204	66,727	-	103	-	-	108,862

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

39 BENEFITS AND INTEREST OF DIRECTORS (Continued)

(a) Directors' emoluments (Continued)

For the year ended 31 December 2014

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

Notes:

- (i) These directors were appointed on 11 April 2014. The emoluments of these directors for the year ended 31 December 2014 disclosed above refer to those of the entire financial year, as these consolidated financial statements represent the continuum of the Target Group's financial statements as explained in Note 2(a)(i).
- (ii) These directors resigned on 11 April 2014.
- (iii) The amounts represented emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its subsidiary undertakings.
- (iv) The amounts represented emoluments paid or receivable in respect of a person's other services in connection with the management of the affairs of the Company or its subsidiary undertakings and included salaries, discretionary bonuses, employer's contributions to retirement benefit schemes and housing allowance.
- (v) No director waived or agreed to waive any emoluments during the years ended 31 December 2015 and 2014.
- (vi) During the year, no emoluments were paid by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

39 BENEFITS AND INTEREST OF DIRECTORS *(Continued)*

(b) Directors' retirement benefits and termination benefits

None of the directors received or will receive any retirement benefits or termination benefits during the year (2014: Nil).

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

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

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

During the year ended 31 December 2015, no loans, quasi-loans and other dealings were made available in favour of directors, controlled bodies corporate by and connected entities with such directors subsisted at the end of the year or at any time during the year (2014: Nil).

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

During the year ended 31 December 2015, no significant transactions, arrangements and contracts in relation to the Company's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year (2014: Nil).

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