



青建國際控股有限公司

CNQC International Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 1240



**INTERIM REPORT
2015**

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CORPORATE INFORMATION

DIRECTORS

Executive Directors

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

Non-executive Directors

Mr. Zhang Zhihua
Dr. Ding Hongbin

Independent Non-executive Directors

Mr. Chuck Winston Calptor
Mr. Ching Kwok Hoo, Pedro
Mr. Tam Tak Kei, Raymond

COMPANY SECRETARY

Mr. Ng Yiu Fai (FCPA)

AUDIT COMMITTEE

Mr. Tam Tak Kei, Raymond (*Chairman*)
Mr. Chuck Winston Calptor
Mr. Ching Kwok Hoo, Pedro
Mr. Zhang Zhihua

REMUNERATION COMMITTEE

Mr. Chuck Winston Calptor (*Chairman*)
Mr. Ching Kwok Hoo, Pedro
Mr. Cheng Wing On, Michael
(*Chief Executive*)

NOMINATION COMMITTEE

Dr. Du Bo (*Chairman*)
Mr. Tam Tak Kei, Raymond
Mr. Ching Kwok Hoo, Pedro

REGISTERED OFFICE

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

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

LEGAL ADVISERS AS TO HONG KONG LAWS

Loong & Yeung Solicitors

AUDITOR

PricewaterhouseCoopers

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

PRINCIPAL BANKER

The Hongkong and Shanghai Banking Corporation Limited
DBS Bank (Hong Kong) Limited
Dah Sing Bank Limited
Industrial and Commercial Bank of China (Asia) Limited
Fubon Bank (Hong Kong) Limited

STOCK CODE

1240

WEBSITE

www.cnqc.com.hk

The board (the “Board”) of directors (the “Directors”) of CNQC International Holdings Limited (the “Company”) is pleased to present the unaudited consolidated results of the Company and its subsidiaries (collectively referred to as the “Group”) for the six months ended 30 June 2015 (the “Reporting Period”), together with the comparative figures for the six months ended 30 September 2014 as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2015

	Note	Six months ended 30 June 2015 HK\$'000 (Unaudited)	30 September 2014 HK\$'000 (Unaudited)
Revenue	6	835,217	612,496
Cost of sales		(713,692)	(510,669)
Gross profit		121,525	101,827
Other (losses)/income, net		(130)	419
General and administrative expenses		(44,384)	(25,408)
Operating profit	7	77,011	76,838
Finance income		183	298
Finance costs		(3,138)	(3,121)
Finance costs, net	8	(2,955)	(2,823)
Profit before income tax		74,056	74,015
Income tax expense	9	(15,438)	(10,887)
Profit and total comprehensive income for the period attributable to owners of the Company		58,618	63,128
Earnings per share attributable to owners of the Company during the period	10		
— basic (HK cents)		19.5	21.0
— diluted (HK cents)		19.5	21.0

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2015

	Note	30 June 2015 HK\$'000 (Unaudited)	31 December 2014 HK\$'000 (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment	11	331,985	341,675
Goodwill	11	13,022	13,022
Prepayments and deposits	12	1,841	2,215
		346,848	356,912
Current assets			
Trade and other receivables, prepayments and deposits	12	294,006	329,404
Amounts due from customers for contract work	13	42,862	44,406
Tax recoverable		–	33
Cash and cash equivalents		261,241	113,121
		598,109	486,964
Total assets		944,957	843,876
EQUITY			
Capital and reserves			
Share capital	16	3,000	3,000
Share premium		57,320	57,320
Other reserves		108,328	103,216
Retained earnings		262,488	203,870
Total equity		431,136	367,406

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2015

	Note	30 June 2015 HK\$'000 (Unaudited)	31 December 2014 HK\$'000 (Audited)
LIABILITIES			
Non-current liabilities			
Borrowings	14	72,557	86,675
Deferred taxation		39,914	38,377
		112,471	125,052
Current liabilities			
Trade and other payables	15	276,556	209,756
Borrowings	14	98,900	128,865
Tax payable		25,894	12,797
		401,350	351,418
Total liabilities		513,821	476,470
Total equity and liabilities		944,957	843,876
Net current assets		196,759	135,546
Total assets less current liabilities		543,607	492,458

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2015

	(Unaudited)							
	Share capital (Note 16) HK\$'000	Share premium HK\$'000	Other reserves				Retained earnings HK\$'000	Total HK\$'000
			Share-based payment reserve HK\$'000	Merger reserve HK\$'000	Capital reserve HK\$'000			
Balance at 1 April 2014	3,000	57,320	–	39,183	58,714	97,521	255,738	
Profit and total comprehensive income for the period	–	–	–	–	–	63,128	63,128	
Transaction with owners:								
Employee share option scheme — share based compensation benefits	–	–	2,763	–	–	–	2,763	
Balance at 30 September 2014	3,000	57,320	2,763	39,183	58,714	160,649	321,629	
Balance at 1 January 2015	3,000	57,320	5,319	39,183	58,714	203,870	367,406	
Profit and total comprehensive income for the period	–	–	–	–	–	58,618	58,618	
Transaction with owners:								
Employee share option scheme — share based compensation benefits	–	–	5,112	–	–	–	5,112	
Balance at 30 June 2015	3,000	57,320	10,431	39,183	58,714	262,488	431,136	

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2015

	Six months ended	
	30 June 2015 HK\$'000 (Unaudited)	30 September 2014 HK\$'000 (Unaudited)
Cash flows from operating activities		
Net cash generated from operations	216,785	50,776
Tax paid	(771)	(5,728)
Interest paid	(3,138)	(3,121)
Net cash generated from operating activities	212,876	41,927
Cash flows from investing activities		
Proceeds from disposal of property, plant and equipment	719	–
Purchases of property, plant and equipment	(21,575)	(58,965)
Interest received	183	298
Net cash used in investing activities	(20,673)	(58,667)
Cash flows from financing activities		
Inception of finance leases	9,601	52,447
Drawdown of bank borrowings	43,489	108,198
Repayment of finance leases	(33,039)	(26,455)
Repayment of bank borrowings	(64,134)	(85,347)
Dividend paid	–	(150,000)
Net cash used in financing activities	(44,083)	(101,157)
Net increase/(decrease) in cash and cash equivalents	148,120	(117,897)
Cash and cash equivalents at beginning of the period	113,121	188,885
Cash and cash equivalents at end of the period	261,241	70,988

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1. GENERAL INFORMATION

CNQC International Holdings Limited (the “Company”) is an investment holding company. The Company and its subsidiaries (together the “Group”) are principally engaged in the foundation business and machinery rental business in Hong Kong and Macau. The ultimate holding company is Guotsing Holding Group Company Limited which is incorporated in the People’s Republic of China (“the PRC”).

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

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

This condensed consolidated interim financial information is presented in thousands of Hong Kong Dollar (“HK\$’000”), unless otherwise stated. This condensed consolidated interim financial information was approved for issue on 28 August 2015.

2. BASIS OF PREPARATION

This unaudited condensed interim financial information for the six months ended 30 June 2015 has been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim financial reporting”. The unaudited condensed interim financial information should be read in conjunction with the consolidated financial statements for the nine months ended 31 December 2014, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”).

3. ACCOUNTING POLICIES

Except as described below, the accounting policies applied to prepare this unaudited condensed interim financial information for the six months ended 30 June 2015 are consistent with those of the consolidated financial statements for the nine months ended 31 December 2014.

The Group has adopted the following amendments to standards for accounting periods beginning on or after 1 January 2015:

HKAS 19 (2011) (Amendment)	Defined Benefit Plans: Employee Contributions
Annual Improvements Project	Annual Improvements 2010–2012 Cycle
Annual Improvements Project	Annual Improvements 2011–2013 Cycle

The Group has assessed the impact of the adoption of these amendments to standards and considered that there was no significant impact on the Group’s results and financial position nor any substantial changes in the Group’s accounting policies.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

3. ACCOUNTING POLICIES *(Continued)*

The following new standards and amendments to standards have been published but are not yet effective and which the Group has not early adopted:

		Effective for annual periods beginning on or after
HKAS 1 (Amendment)	Disclosure Initiative	1 January 2016
HKAS 16 and HKAS 38 (Amendment)	Clarification of Acceptable Methods of Depreciation and Amortization	1 January 2016
HKAS 16 and HKAS 41 (Amendment)	Agriculture: Bearer Plants	1 January 2016
HKAS 27 (Amendment)	Equity Method in Separate Financial Statements	1 January 2016
HKFRS 9	Financial Instruments	1 January 2018
HKFRS 10 and HKAS 28 (Amendment)	Sale or Contribution of Assets Between Investor and its Associate or Joint Venture	1 January 2016
HKFRS 10, HKFRS 12 and HKAS 28 (Amendment)	Investment Entities: Applying the Consolidation Exception	1 January 2016
HKFRS 11 (Amendment)	Accounting for Acquisitions of Interests in Joint Operations	1 January 2016
HKFRS 14	Regulatory Deferral Accounts	1 January 2016
HKFRS 15	Revenue from Contracts with Customers	1 January 2017
Annual Improvements Project	Annual Improvements 2012–2014 Cycle	1 January 2016

The Group will adopt these new standards and amendments to standards in the period of initial application. It is not expected to have a significant impact on the Group's results of operations and its financial position.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

4. FINANCIAL RISK MANAGEMENT

(a) Financial risk factors

The Group's activities expose it to a variety of financial risks: interest rate risk, credit risk and liquidity risk.

The condensed consolidated interim financial information does not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's financial statements for the nine months ended 31 December 2014.

There have been no changes in the risk management policies since the last financial period.

(b) Liquidity risk

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

(c) Fair value estimation

The carrying values less impairment provision of trade and other receivables, trade and other payables, amount due from customers for contract work and bank balances are a reasonable approximation of their fair value due to the short-term maturities of these assets and liabilities.

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

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of the unaudited condensed interim financial information requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

In preparing the unaudited condensed interim financial information, the critical accounting estimates and judgments applied are consistent with those that applied to the consolidated financial statements for the nine months ended 31 December 2014.

6. REVENUE AND SEGMENT INFORMATION

Revenue, which is also the Group's turnover, represents the amounts that can be recognised in accordance with the respective stage of completion of construction work and rental income on machinery in the ordinary course of business. Revenue recognised during the respective periods is as follows:

	Six months ended	
	30 June 2015 HK\$'000 (Unaudited)	30 September 2014 HK\$'000 (Unaudited)
Revenue		
Construction contracts income	835,217	610,832
Rental income on machinery	–	1,664
	835,217	612,496

The chief operating decision-maker has been identified as the Board of Directors of the Company. The Board of Directors regards the Group's business as a single operating segment and reviews financial statements accordingly. Therefore, no segment information is presented.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

7. OPERATING PROFIT

Operating profit is stated after charging the following:

	Six months ended	
	30 June 2015 HK\$'000 (Unaudited)	30 September 2014 HK\$'000 (Unaudited)
Cost of sales		
Construction material costs	270,733	237,713
Subcontracting charges	339,735	179,599
Staff costs, including directors' emoluments	84,294	77,026
Share-based payments (Note 17)	5,112	2,763
Depreciation of owned assets (Note 11)	11,662	15,980
Depreciation of assets under finance leases (Note 11)	18,754	11,772
Legal and professional fees	16,809	2,250
Operating lease rental on land and buildings	3,049	1,787
Insurance	1,455	1,497
Repair and maintenance	2,160	2,011

8. FINANCE COSTS, NET

	Six months ended	
	30 June 2015 HK\$'000 (Unaudited)	30 September 2014 HK\$'000 (Unaudited)
Interest expense on bank borrowings wholly repayable within 5 years	749	981
Interest expense on finance lease liabilities wholly repayable within 5 years	2,389	2,140
Interest income	(183)	(298)
	2,955	2,823

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

9. INCOME TAX EXPENSE

Hong Kong and Macau profits tax have been provided at the rate of 16.5% and 12% respectively for the six months ended 30 June 2015 and 30 September 2014 on the estimated assessable profit for the period.

	Six months ended	
	30 June 2015 HK\$'000 (Unaudited)	30 September 2014 HK\$'000 (Unaudited)
Current income tax		
— Hong Kong profits tax	13,256	1,719
— Macau profits tax	645	6,108
Deferred income tax	1,537	3,060
Income tax expense	15,438	10,887

10. EARNINGS PER SHARE

Basic

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the respective periods.

	Six months ended	
	30 June 2015 (Unaudited)	30 September 2014 (Unaudited)
Profit attributable to owners of the Company (HK\$'000)	58,618	63,128
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share (in thousand)	300,000	300,000
Basic earnings per share (HK cents)	19.5	21.0

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

10. EARNINGS PER SHARE *(Continued)* Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. Share issuable under the share option scheme is the only category of dilutive potential ordinary shares. A calculation is made to determine the number of shares that could have been acquired at fair value (determined as the average market share price of the Company's share in the relevant periods) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated above is compared with the number of shares that would have been issued assuming the exercise of the share options.

	Six months ended	
	30 June 2015 (Unaudited)	30 September 2014 (Unaudited)
Diluted earnings per share (HK cents)	19.5	21.0

Diluted earnings per share for the six months ended 30 June 2015 and 30 September 2014 equal basic earnings per share as the exercise of the outstanding share options would be anti-dilutive.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

11. PROPERTY, PLANT AND EQUIPMENT AND GOODWILL

	Property, plant and equipment HK\$'000	Goodwill HK\$'000	Total HK\$'000
Six months ended 30 June 2015 (Unaudited)			
Net book value			
Opening amount as at 1 January 2015	341,675	13,022	354,697
Additions	21,575	–	21,575
Disposals	(849)	–	(849)
Depreciation	(30,416)	–	(30,416)
Closing amount as 30 June 2015	331,985	13,022	345,007
Six months ended 30 September 2014 (Unaudited)			
Net book value			
Opening amount as at 1 April 2014	315,959	13,022	328,981
Additions	58,965	–	58,965
Depreciation	(27,752)	–	(27,752)
Closing amount as at 30 September 2014	347,172	13,022	360,194

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

12. TRADE AND OTHER RECEIVABLES

	30 June 2015 HK\$'000 (Unaudited)	31 December 2014 HK\$'000 (Audited)
Contract receivables	146,082	207,211
Retention receivables	142,150	103,869
Total trade receivables	288,232	311,080
Other receivables, deposits and prepayments (note d)	7,615	20,539
	295,847	331,619
Less: prepayments and deposits — non-current portion	(1,841)	(2,215)
Current portion	294,006	329,404

Notes:

- (a) Trade receivables are past due when a counterparty has failed to make a payment when contractually due. The credit period granted to customers is 14 to 60 days.
- (b) The aging analysis of the contract receivables based on invoice date is as follows:

	30 June 2015 HK\$'000 (Unaudited)	31 December 2014 HK\$'000 (Audited)
0–30 days	127,863	201,727
31–60 days	13,658	1,589
61–90 days	–	–
Over 90 days	4,561	3,895
	146,082	207,211

Contract receivables of HK\$141,521,000 and HK\$203,316,000 as at 30 June 2015 and 31 December 2014 respectively were not yet past due and HK\$4,561,000 and HK\$3,895,000 as at 30 June 2015 and 31 December 2014 respectively were past due but not impaired. These relate to contract receivables from a number of independent customers of whom there is no recent history of default and no provision has therefore been made.

Retention receivables were not yet past due as at 30 June 2015 and were settled in accordance with the terms of respective contracts.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

12. TRADE AND OTHER RECEIVABLES (Continued)

Notes: (continued)

- (c) The other classes of assets within trade and other receivables do not contain impaired assets. The Group does not hold any collateral as security.
- (d) The amount as at 30 June 2015 and 31 December 2014 mainly represents prepayments for insurance, construction site deposits and prepayments for purchase of materials.
- (e) The carrying amounts of trade and other receivables approximate their fair values and are denominated in the following currencies:

	30 June 2015 HK\$'000 (Unaudited)	31 December 2014 HK\$'000 (Audited)
Hong Kong Dollar	265,280	298,724
Macau Pataca	30,567	32,895
	295,847	331,619

13. AMOUNTS DUE FROM CUSTOMERS FOR CONTRACT WORK

	30 June 2015 HK\$'000 (Unaudited)	31 December 2014 HK\$'000 (Audited)
Costs plus attributable profits less foreseeable losses	789,181	1,259,679
Less: progress billings to date	(746,319)	(1,215,273)
Amounts due from customers for contract work	42,862	44,406

There were no advances received from customers for contract work as at 30 June 2015 and 31 December 2014. Progress billings to date include retention receivables of HK\$52,073,000 and HK\$94,926,000 as at 30 June 2015 and 31 December 2014.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

14. BORROWINGS

	30 June 2015 HK\$'000 (Unaudited)	31 December 2014 HK\$'000 (Audited)
Non-current		
Bank borrowings (note a)	12,150	8,586
Finance lease liabilities (note b)	60,407	78,089
	72,557	86,675
Current		
Bank borrowings (note a)	35,214	59,423
Finance lease liabilities (note b)	63,686	69,442
	98,900	128,865
Total borrowings	171,457	215,540

Note:

(a) Bank borrowings

As at 30 June 2015, the Group had bank borrowing which bore interest at Hong Kong best lending rate, the current prime rate per annum or 2%–3.5% above one-month or three-month Hong Kong Interbank Offered Rate ("HIBOR") per annum, respectively.

The bank borrowings were denominated in Hong Kong Dollar.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

14. BORROWINGS (Continued)

Note: (Continued)

(a) Bank borrowings (Continued)

The bank borrowings of HK\$35,214,000 (31 December 2014: HK\$59,423,000) were classified as current liabilities according to "Interpretation-5, Presentation of Financial statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause". According to the repayment schedule the bank borrowings, without considering the repayable on demand clause, were repayable as follows:

	30 June 2015 HK\$'000 (Unaudited)	31 December 2014 HK\$'000 (Audited)
Within 1 year	35,214	56,593
Between 1 and 2 years	7,198	5,209
Between 2 and 5 years	4,952	6,207
	47,364	68,009

The carrying amounts of the borrowings approximately their fair value.

(b) Finance lease liabilities

Finance lease liabilities are secured as the rights to the leased assets revert to the lessors in the event of default.

	30 June 2015 HK\$'000 (Unaudited)	31 December 2014 HK\$'000 (Audited)
Gross finance lease liabilities — minimum lease payments		
— Within 1 year	66,072	73,135
— Later than 1 year and no later than 5 years	61,855	80,354
	127,927	153,489
Future finance charges on finance leases	(3,834)	(5,958)
Present value of finance lease liabilities	124,093	147,531

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

14. BORROWINGS (Continued)

Note: (Continued)

(b) Finance lease liabilities (Continued)

The present value of finance lease liabilities is as follows:

	30 June 2015 HK\$'000 (Unaudited)	31 December 2014 HK\$'000 (Audited)
Within 1 year	63,686	69,442
Later than 1 year and no later than 5 years	60,407	78,089
	124,093	147,531

The finance leases liabilities are denominated in Hong Kong Dollar.

(c) As at 30 June 2015, the Group had committed bank facilities (including the finance lease facilities) of HK\$25,537,000 which bore interest at 2.5% below the current prime rate per annum, HK\$1,023,000 which bore interest at a fixed rate of 2% to 2.5% per annum, HK\$27,000,000 which bore interest rate at best lending rate and HK\$399,336,000 which bore interest at 2% to 3.5% per annum above HIBOR, respectively.

As at 31 December 2014, the Group had committed bank facilities (including the finance lease facilities) of HK\$25,537,000 which bore interest at 2.5% below the current prime rate per annum, HK\$1,023,000 which bore interest at a fixed rate of 2% to 2.5% per annum, HK\$27,000,000 which bore interest rate at best lending rate and HK\$378,965,000 which bore interest at 2% to 3.5% per annum above HIBOR, respectively.

These committed banking facilities were subject to annual review. As at 30 June 2015, the undrawn banking facilities amounted to HK\$135,757,000 (31 December 2014: HK\$116,069,000).

These banking facilities were secured by the Group's machinery with an aggregate net book value of HK\$210,042,000 and HK\$213,646,000 as at 30 June 2015 and 31 December 2014 respectively.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

15. TRADE AND OTHER PAYABLES

	30 June 2015 HK\$'000 (Unaudited)	31 December 2014 HK\$'000 (Audited)
Trade payables	192,342	122,427
Accruals for construction costs	67,080	65,419
Other accruals (note c)	17,134	21,910
	276,556	209,756

Notes:

- (a) The carrying amounts of trade and other payables approximate their fair values and are mainly denominated in Hong Kong Dollar.
- (b) Payment terms granted by suppliers are 14 to 60 days from the invoice date of the relevant purchases.

The aging analysis of trade payables based on the invoice date is as follows:

	30 June 2015 HK\$'000 (Unaudited)	31 December 2014 HK\$'000 (Audited)
0–30 days	152,530	108,079
31–60 days	15,837	12,286
61–90 days	22,257	1,099
Over 90 days	1,718	963
	192,342	122,427

- (c) Other accruals mainly related to the accrued staff benefits and accrued legal and professional expenses.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

16. SHARE CAPITAL

	Number of ordinary shares	Nominal amount HK\$'000
Authorised:		
Ordinary shares as at 30 June 2015 and 31 December 2014	2,000,000,000	20,000
Issued and fully paid:		
Ordinary shares as at 30 June 2015 and 31 December 2014	300,000,000	3,000

17. SHARE-BASED PAYMENTS

Share options to subscribe for 19,500,000 ordinary shares of the Company were granted by the Company to selected employees including directors in 2014. The exercise price of the granted options was HK\$2.70 per share which was equal to the market price of the shares as at the grant date. The share options granted are valid for a period of six years until 26 June 2020 and shall be vested in five tranches in accordance with the following vesting dates: (i) 20% of the share options shall be vested and exercisable from 27 June 2015; (ii) an additional 20% (i.e. up to 40% in total) shall be vested and exercisable from the 27 June 2016; (iii) an additional 20% of the share options (i.e. up to 60% in total) shall be vested and exercisable from 27 June 2017; (iv) an additional 20% of the share options (i.e. up to 80% in total) shall be vested and exercisable from 27 June 2018 and (v) the remaining 20% of the share options (i.e. up to 100% in total) shall be vested and exercisable from 27 June 2019. The Group has no legal or constructive obligation to repurchase or settle the options in cash.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

17. SHARE-BASED PAYMENTS *(Continued)*

Movements in the number of share options outstanding and their related weighted average exercise prices are as follows:

	30 June 2015		30 September 2014	
	Average exercise price in HK\$ per share option	Options (thousands)	Average exercise price in HK\$ per share option	Options (thousands)
At beginning of the period	2.7	19,500	–	–
Granted	–	–	2.7	19,500
At end of the period	2.7	19,500	2.7	19,500

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

The significant inputs into the model were volatility of 60%, dividend yield of 2.6%, an expected option life of six years, and an annual risk-free interest rate of 1.52%. The volatility measured at the standard deviation of continuously compounded share returns is based on statistical analysis of daily share prices over the last 1.8 years. See Note 7 for the total expense recognised in the condensed consolidated statements of comprehensive income for share options granted to directors and employees.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

18. COMMITMENTS

Capital commitment

There is no capital expenditure contracted for but not yet incurred as at 30 June 2015 (31 December 2014: HK\$12,433,000 for purchase of machineries).

Operating lease commitments — Group as lessee

As at each statement of financial position date, the total future minimum lease payments under non-cancellable operating leases were payable as follows:

	30 June 2015 HK\$'000 (Unaudited)	31 December 2014 HK\$'000 (Audited)
Not later than 1 year	7,603	6,401
1–5 years	6,628	8,910
	14,231	15,311

The Group is the lessee in respect of a number of properties under operating leases. The leases typically run for an initial period of two to three years, with an option to renew the lease when all terms are renegotiated. None of the leases includes contingent rentals.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

19. RELATED PARTY TRANSACTIONS

Related parties are those parties that have the ability to control, jointly control or exert significant influence over the other party in making financial or operational decisions. Parties are also considered to be related if they are subject to common control or joint control. Related parties may be individuals or other entities.

- (a) During the six months ended 30 June 2015 and 30 September 2014, the related parties that had transactions with the Group were as follows:

Name of related parties	Relationship with the Group
Super Ease Holdings Limited ("Super Ease")	A related company in which a director of the Company has an interest
Sunnic Holdings Limited ("Sunnic Holdings")	A related company in which a director of the Company has an interest

- (b) The following is a summary of significant related party transactions which were carried out in accordance with the terms agreed between the Group and the related parties and in the ordinary and usual course of business:

	Six months ended	
	30 June 2015 HK\$'000 (Unaudited)	30 September 2014 HK\$'000 (Unaudited)
Rent paid to		
— Super Ease	—	143
— Sunnic Holdings	—	143
	—	286

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

19. RELATED PARTY TRANSACTIONS (Continued)

(c) Key management compensation

	Six months ended	
	30 June 2015 HK\$'000 (Unaudited)	30 September 2014 HK\$'000 (Unaudited)
Directors' fee, salaries, wages and allowances	8,584	5,695
Share-based payments	5,112	1,955
Retirement benefit expenses	50	32
	13,746	7,682

20. CONTINGENT LIABILITIES

(a) Guarantees

As at each statement of financial position date, the Group had the following contingent liabilities:

	30 June 2015 HK\$'000 (Unaudited)	31 December 2014 HK\$'000 (Audited)
Guarantees on performance bonds in respect of contracts	193,600	64,489

(b) Pending litigation

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

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the Reporting Period, the Group's major sources of income was from construction business.

Construction business

The construction projects undertaken by the Group can be broadly divided into foundation works and ancillary services with particular specialisation in piling works. The Group undertakes foundation work related projects in both the public sector, including building and infrastructure related projects, and the private sector in Hong Kong and Macau.

Revenue from the construction contracts for the Reporting Period was approximately HK\$835.2 million (six months ended 30 September 2014: approximately HK\$610.8 million). The increase was mainly attributable to the substantial completion of a number of projects during the Reporting Period. During the Reporting Period, the Group had undertaken two sizable projects in Kwun Tong Inland Lot No. 761 and in Shatin Town Lot No. 578. The total contract sum of the two projects was approximately HK\$615.7 million. The revenue contribution of these two projects together with other ongoing significant projects, including Tsing Yi Town Lot No. 181, Tseung Kwan O Town Lot No. 95, Shek Kip Mei Estate Phase 6, Ma On Shan Town Lot No. 482 account for approximately HK\$672.2 million (representing approximately 80.6% of the total revenue from our construction business) during the Reporting Period.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue

The Group's total revenue for the Reporting Period was approximately HK\$835.2 million (six months ended 30 September 2014: approximately HK\$612.5 million), representing an increase of approximately 36.4% over the six months ended 30 September 2014. The increase was mainly due to the growth in revenue from construction business during the Reporting Period.

Gross Profit Margin

The Group's gross profit margin during the Reporting Period was approximately 14.6% (six months ended 30 September 2014: approximately 16.6%). The slight decline in margin is mainly due to the absence of relatively high margin projects in Macau during the Reporting Period as it had been substantially completed in the last interim period, coupled with the increase in construction material costs and subcontractor charges.

General and Administrative Expenses

The Group's general and administrative expenses for the Reporting Period were approximately HK\$44.4 million (six months ended 30 September 2014: approximately HK\$25.4 million), representing an increase of approximately 74.8% over the six months ended 30 September 2014. This was mainly attributable to the increase in professional fee incurred for the reverse takeover transaction as announced by the Company on 25 May 2015. In addition, the higher rental charge for the new office and the share based payment expense incurred for the staff share options were recognised during the Reporting Period are the other reasons for the increase.

Net Profit

During the Reporting Period, the Group recorded a net profit of approximately HK\$58.6 million (six months ended 30 September 2014: approximately 63.1 million), representing a decrease of approximately 7.1% over the six months ended 30 September 2014. This is mainly attributable to the increase in general and administrative expenses during the Reporting Period.

MANAGEMENT DISCUSSION AND ANALYSIS

PROSPECTS

The overall construction industry in Hong Kong remains positive as there are a lot of public projects in the pipeline pending approval. During the Reporting Period, the lengthy approval process undertaken by the Finance Committee of the Legislative Council of the HKSAR resulted in fewer public projects being awarded to contractors during the first half of the year 2015. Such delay caused a fierce competition among contractors towards the private construction sector in order to utilize their existing capacities. Through the optimization of project design and technical knowhow, the Group managed to secure a number of foundation projects from the private market during the Reporting Period.

The Group is fully geared up towards the large-scale government projects to be launched in the second half of the year 2015. In order to maintain a sustainable growth, the Group diversifies its business focus to superstructure construction business by reasonably allocating available resources and maintaining a robust development. In June 2015, the Group was awarded a superstructure construction project at No. 101–111 Wanchai Road with a sizable contract sum.

The proposed acquisition of the Singapore construction and property development business from the parent company Guotsing Group, which is composed of Guotsing Holding Group Company Limited and its subsidiaries as disclosed in the announcement dated 25 May 2015 and 8 June 2015 will enable the Group to commence an integrated construction business model, covering the full industry chain in order to increase cost efficiency and enhance the competitive advantages of the Group and strengthen the “CNQC” branding in the region.

DEBTS AND CHARGE ON ASSETS

The total interest bearing bank borrowings of the Group, including bank loans and finance leases, decreased from approximately HK\$215.5 million as at 31 December 2014 to approximately HK\$171.5 million as at 30 June 2015. All borrowings were denominated in Hong Kong Dollar. Interests on bank borrowings are mainly charged at floating rates. The Group currently does not have an interest rate hedging policy and the Group monitors interest risks continuously and considers hedging any excessive risk when necessary. These banking facilities are secured by the Group’s property, plant and equipment with an aggregate net book value of approximately HK\$210.0 million and approximately HK\$213.6 million as at 30 June 2015 and 31 December 2014 respectively.

MANAGEMENT DISCUSSION AND ANALYSIS

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

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

As at 30 June 2015, the Group had cash and bank balances of approximately HK\$261.2 million (31 December 2014: approximately HK\$113.1 million) of which approximately 93.1% was held in Hong Kong dollar and the remaining was mainly held in Macau Pataca. The significant increase was mainly due to the contribution of cash inflow from the operating activities. The gearing ratio of the Group as at 30 June 2015 (defined as total interest-bearing debts divided by shareholder's equity) was approximately 39.8% (31 December 2014: approximately 58.7%).

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

FOREIGN EXCHANGE

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

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

During the Reporting Period, there was significant acquisition agreement entered into by the Group on 23 May 2015 to acquire the Singapore construction and property development businesses from the parent company (Guotsing Group). For details, please refer to the announcement of the Company dated 23 May 2015 and 8 June 2015. The completion of the transaction is yet to take place pending the fulfillment of a number of condition precedents.

CAPITAL COMMITMENTS

The Group had no capital commitments as at 30 June 2015 (31 December 2014: HK\$12,433,000 for purchase of machineries).

MANAGEMENT DISCUSSION AND ANALYSIS

CONTINGENT LIABILITIES

Save as disclosed in note 20 to the unaudited condensed consolidated interim financial information, the Group had no other contingent liabilities as at 30 June 2015 and 31 December 2014.

EVENT AFTER THE REPORTING PERIOD

There are no significant events after the Reporting Period.

EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2015, the Group had 329 full-time employees (31 December 2014: 310 fulltime employees). Most of the Group's employees were based in Hong Kong. The remuneration policy and package of the Group's employees are periodically reviewed. Apart from mandatory provident fund and in-house training programmes, salaries increment and discretionary bonuses may be awarded to employees according to the assessment of individual performance. The total remuneration cost incurred by the Group for Reporting Period was approximately HK\$84.3 million compared to approximately HK\$77.0 million for the six months ended 30 September 2014.

INTERIM DIVIDEND

The Board did not recommend the declaration of any interim dividend for the Reporting Period (six months ended 30 September 2014: HK\$Nil).

PURCHASE, SALE AND REDEMPTION OF THE COMPANY'S LISTED SECURITIES

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



DISCLOSURE OF INTEREST

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY OF THE ASSOCIATED CORPORATIONS

As at 30 June 2015, 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 and any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) 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.

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

As at 30 June 2015, 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:

DISCLOSURE OF INTEREST

Long positions in the shares of the Company

Name of substantial shareholder	Capacity/ Nature of interest	Number of Shares held/ interested	Approximate Shareholding Percentage
Qingdao Qingjian Holding Co Staff Shareholding Union	Interest in controlled corporation (Note)	224,145,000	74.72%
Qingdao Qingjian Holdings Co	Interest in controlled corporation (Note)	224,145,000	74.72%
Guotsing Holding Group Co., Ltd.	Interest in controlled corporation (Note)	224,145,000	74.72%
Guotsing Holdings (South Pacific) Investment Pte. Ltd.	Interest in controlled corporation (Note)	224,145,000	74.72%
Hyday (South Pacific) Investment Pte Ltd	Interest in controlled corporation (Note)	224,145,000	74.72%
Guotsing Group (HK) Limited	Interest in controlled corporation (Note)	224,145,000	74.72%
CNQC Development Limited	Beneficial owner (Note)	224,145,000	74.72%

Note:

The 224,145,000 Shares were held by CNQC Development Limited (“CNQC”) as at 30 September 2014. CNQC is indirectly wholly-owned by Guotsing Holding Group Co., Ltd. through Guotsing Holdings (South Pacific) Investment Pte. Ltd. (wholly-owned by Guotsing Holding Group Co. Ltd.), Hyday (South Pacific) Investment Pte Ltd. (wholly-owned by Guotsing Holdings (South Pacific) Investment Pte. Ltd.) and GUOTSING Group (HK) Limited (wholly-owned by Hyday (South Pacific) Investment Pte Ltd.

青島青建控股有限公司工會持股會(Qingdao Qingjian Holding Co Staff Shareholding Union*) (“Qingjian Staff Union”) is interested in approximately 41.265% of the equity interest of Guotsing Holding Group Co., Ltd through its wholly-owned subsidiary, Qingdao Qingjian Holdings Co..

Save as disclosed above, as at 30 June 2015, to the best information, knowledge and belief of the Directors, no person (other than the Directors and chief executive of the Company), had registered an interest or short position in the Shares or underlying Shares of the Company that was required to be recorded pursuant to section 336 of the SFO.



SHARE OPTION SCHEME

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

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

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

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

SHARE OPTION SCHEME

On 27 June 2014, the Company offered to grant an aggregate of 19,500,000 share options (the "Share Options") to certain Directors, employees and consultants of the Group (collectively, the "Grantees"), subject to acceptance of the Grantees, under the Scheme. The Share Options will enable the Grantees to subscribe for an aggregate of 19,500,000 new Shares, representing 6.5% of the issued share capital of the Company as at the date of grant subject to certain vesting periods. For further details, please refer to the announcement of the Company dated 27 June 2014. Since then, the Group has not granted any new options under the Share Option Scheme up to the date of this report nor is there any option being exercised.

Grantees	Date of Grant	Exercise price per share	As at 1 January 2015	Granted during the period	Number of options			As at 30 June 2015	Vesting Period	Exercise period
					Exercised during the period	Lapsed during the period	Cancelled during the period			
Executive directors										
Cheng Wing On, Michael	27/6/2014	HK\$2.70	-	3,000,000	-	-	-	3,000,000	27/6/2015-27/6/2019	27/6/2015-27/6/2020
Ho Chi Ling	27/6/2014	HK\$2.70	-	2,400,000	-	-	-	2,400,000	27/6/2015-27/6/2019	27/6/2015-27/6/2020
Zhang Yuqiang	27/6/2014	HK\$2.70	-	2,400,000	-	-	-	2,400,000	27/6/2015-27/6/2019	27/6/2015-27/6/2020
Non-executive Directors										
Ding Hongbin	27/6/2014	HK\$2.70	-	3,000,000	-	-	-	3,000,000	27/6/2015-27/6/2019	27/6/2015-27/6/2020
Zhang Zhuhua	27/6/2014	HK\$2.70	-	3,000,000	-	-	-	3,000,000	27/6/2015-27/6/2019	27/6/2015-27/6/2020
Employees of the Group in aggregate	27/6/2014	HK\$2.70	-	1,500,000	-	-	-	1,500,000	27/6/2015-27/6/2019	27/6/2015-27/6/2020
Other participants of the Group in aggregate	27/6/2014	HK\$2.70	-	4,200,000	-	-	-	4,200,000	27/6/2015-27/6/2019	27/6/2015-27/6/2020
				19,500,000	-	-	-	19,500,000		

Save as disclosed above, as at 30 June 2015, no Directors had interest in the share options to subscribe for the shares.

Details of the valuation of the share options granted during the six months ended 30 June 2015 under the Scheme are set out in note 17 to the condensed consolidated interim financial information.

CORPORATE GOVERNANCE AND OTHER INFORMATION

CORPORATE GOVERNANCE

Corporate Governance Code

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

CODE OF CONDUCT REGARDING DIRECTORS' SECURITIES TRANSACTIONS

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

AUDIT COMMITTEE AND REVIEW OF FINANCIAL INFORMATION

The audit committee of the Company has reviewed with the Company's management the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including the review of the unaudited interim financial statements for the Reporting Period.

By Order of the Board

Dr. Du Bo
Chairman

Hong Kong
28 August 2015