



China Great Land Holdings Ltd.

華地控股

ANNUAL REPORT 2015

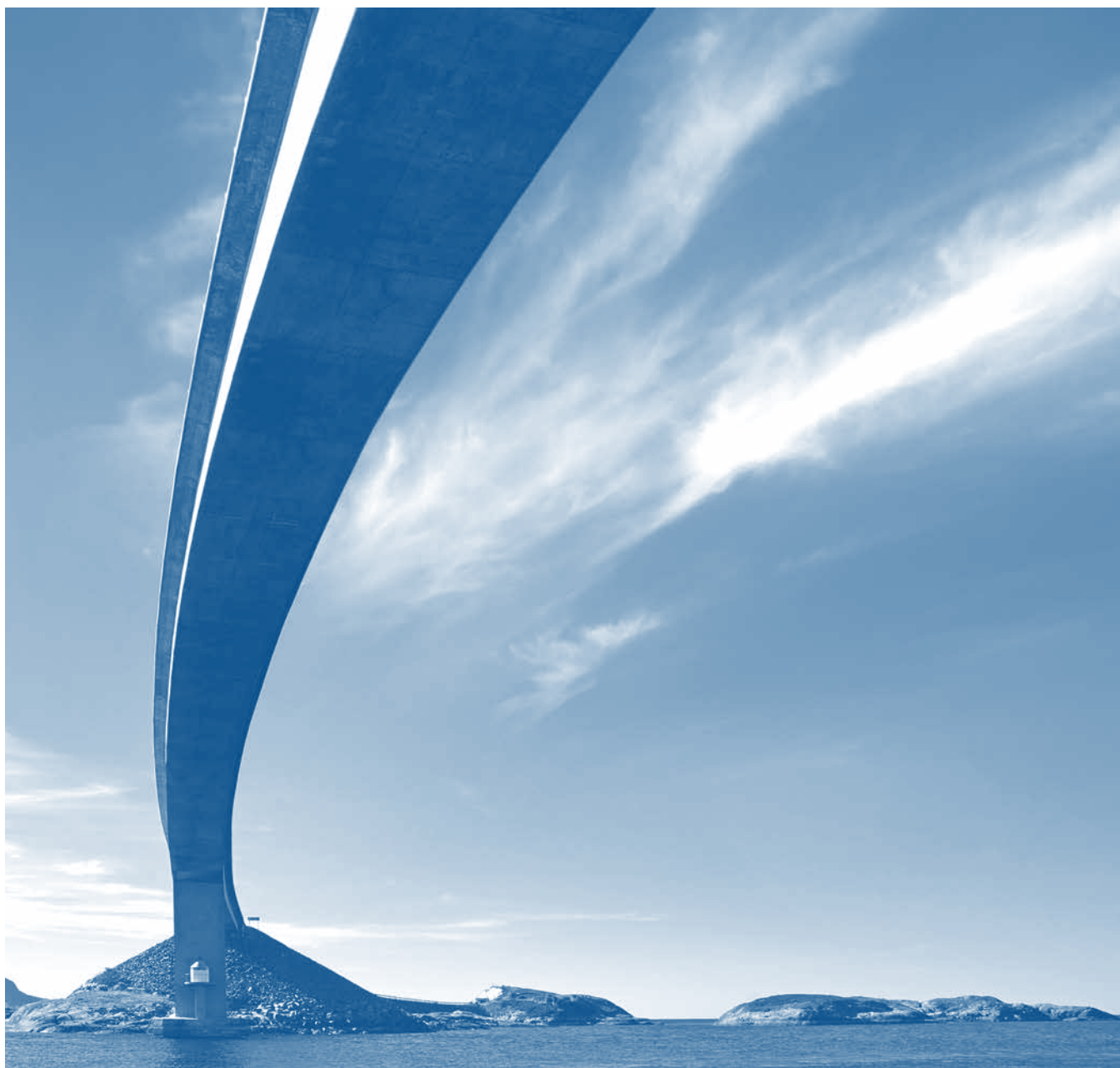


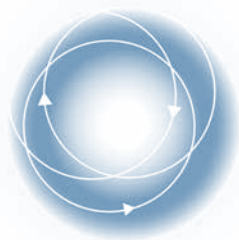
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CORPORATE PROFILE 公司简介

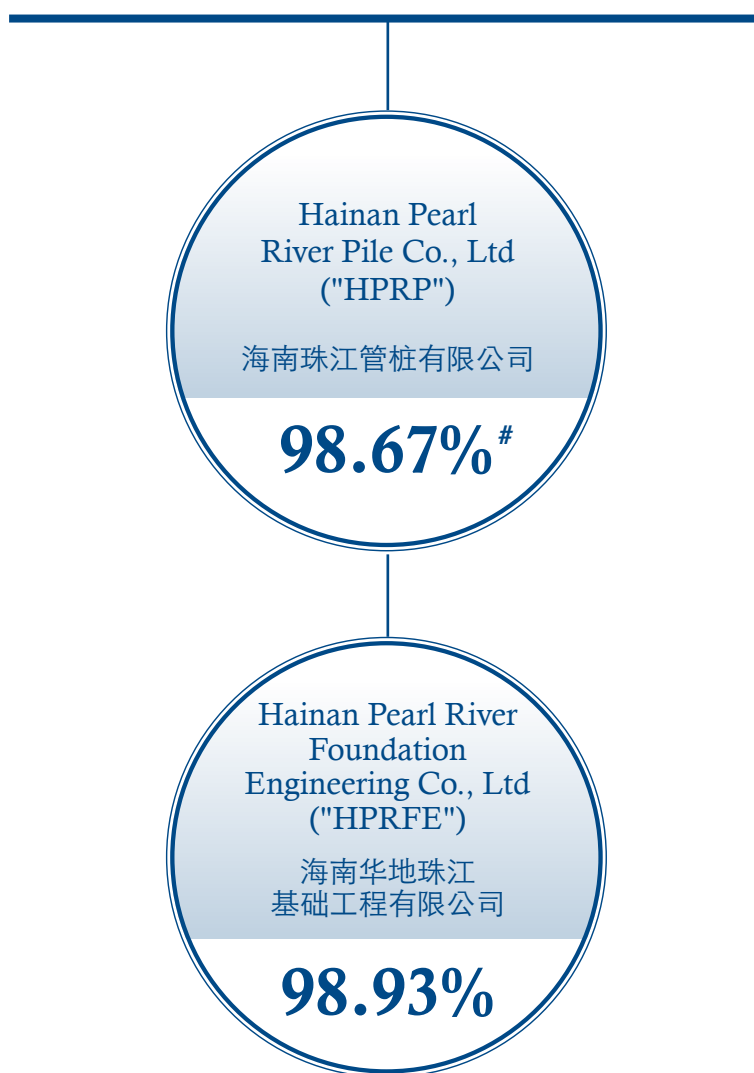
China Great Land Holdings Ltd. and its subsidiaries (the “Group”) are engaged mainly in the business of engineering related services for both residential and commercial buildings. Our customers are mainly property developers and government agencies.





China Great Land Holdings Ltd.

华地控股有限公司



[#] Transferred to the Disposal Group classified as held-for-sale.

* On 31 December 2015, the Group completed the disposal of SPRP and HHBM.

* The disposal of HPRP was approved by shareholders at the EGM held on 30 January 2015. Competition of the disposal has not taken place as the Company is in the process of obtaining approval for the disposal from the relevant authorities.

CORPORATE INFORMATION 企业资料

BOARD OF DIRECTORS

Ms Li Zhangjiang De Malca
(Executive Chairman and Managing Director)

Mr Toh Hai Joo
(Lead Independent Director)

Mr Tan Huay Pin
(Independent Director)

Mr Li Baogang
(Independent Director)

COMPANY SECRETARIES

Ms Xie Xingbei, Pearlyn
Mr Lee Wei Hsiung

REGISTERED OFFICE

1 Robinson Road
#17-00 AIA Tower
Singapore 048542
Tel: (65) 6535 1944
Fax: (65) 6535 8577

PRINCIPAL PLACE OF BUSINESS

22/F Longzhu Building
No. 2 Longkunbei Road
Haikou City, Hainan Province
People's Republic of China
Tel: (86) 898-665-01875
Fax: (86) 898-667-45619

AUDITORS

Foo Kon Tan LLP
47 Hill Street #05-01
Singapore Chinese Chamber of Commerce
& Industry Building
Singapore 179365

Audit Partner-in-charge:
Kong Chih Hsiang Raymond
Appointed w.e.f financial year ended
31 December 2013

SHARE REGISTRAR AND SHARE TRANSFER AGENT

M&C Services Private Limited
112 Robinson Road #05-01
Singapore 068902

SOLICITORS

Shook Lin & Bok
1 Robinson Road #18-00
AIA Tower Singapore 048542

PRINCIPAL BANKERS

United Overseas Bank
80 Raffles Place, UOB Plaza
Singapore 048624

Industrial and Commercial Bank of China
(Hainan Branch)
Blk A No.3 He Ping South Road, Haikou
City, Hainan Province
People's Republic of China

Bank of China (Haikou Branch)
No.10 Datong Road, Longhua Estate,
Haikou City, Hainan Province
People's Republic of China

CHAIRMAN'S STATEMENT 主席献词

Dear Shareholders,

On behalf of the Board of Directors (the "Board"), I hereby present the Annual Report of China Great Land Holdings Ltd, (the "Company") and its subsidiaries (collectively, the "Group") for the financial year ended 31 December 2015 ("FY2015").

The P.R.C Government's control on the property market in China has continued to impact the Group's engineering segment business. Together with the uncertainty in oil prices, which inevitably worsened the global economy, the Group continued to report an operating loss of RMB3.1 million in FY2015 (FY2014 Operating profit: RMB2.4 million) with a decrease in revenue by more than 86% to RMB1.4 million compared to revenue of RMB9.9 million recorded in FY2014.

Revenue from Discontinued Operations fell from RMB0.65million in FY2014 to nil in FY2015. Other Operating Income was RMB77.9 million in FY2015, compared to RMB8.78 million in FY2014. Total Expenses decreased from RMB40.5 million in FY2014 to RMB16.4 million as we completed the disposal of our subsidiaries, Sanya Pearl River Pile Co., Ltd ("SPRP") and Hainan Huadi Building Material Co., Ltd ("HHBM") on 31 December 2015. Net Loss attributable to the disposed subsidiaries (SPRP and HHBM) for FY2015 was RMB6.9 million compared to RMB31.6 million in FY2014. Total equity attributable to the Company improved from a deficit of RMB130.8 million in FY2014 to RMB71.8 million in FY2015.

Gain from disposal of the 2 subsidiaries was RMB68.3 million in FY2015. This resulted in the Group reporting a net profit of approximately RMB59.0 million in FY2015 as compared to a net loss of RMB30.3 million in FY2014.

On 27 July 2015, we announced that the Group signed a non-binding Memorandum of Understanding with Zhonghe Investment Co., Limited to acquire its stake in Yunnan Chengde Property Development Co., Limited, the developer of a property project for an integrated resort with hotel and resort facilities and service apartments. To-date, both parties are still in the process of negotiations. We will keep our shareholders updated as soon as there are any material developments.

Moving forward, we expect the business climate to be tough and challenging in FY2016. The Group will continue to strive to strengthen its engineering related services related to the piling industry and expedite the acquisition of the new business, which will hopefully enhance our shareholders' value.

Last but not least, I would like to express my heartfelt gratitude to you, our shareholders, for your continued and unstinting support.

Yours Sincerely,

Li Zhangjiang De Malca
Executive Chairman and Managing Director

CHAIRMAN'S STATEMENT 主席献词

各位股东，

我谨在此代表董事们给你们汇报2015年的财务报告和集团未来的重心发展。

中央政府对国内房地产的宏观调整对我集团产生负面影响。另外石油价的变数也无形加剧了大环境的挑战。我集团基于上述原因导致收入下滑至人民币140万（2014年：人民币990万），同时使持续经营业务从2014年的盈利人民币240万变成2015年亏损人民币将近310万。

3家脱售子公司的2015年合并没有收入（2014年：人民币65.1万）。其中两家子公司已完全脱售（即三亚管桩和新型建材），因此其他收入从2014年人民币877.9万增至2015年人民币7790万。全年费用也从2014年人民币4050万缩至2015年人民币1640万。全年亏损为人民币690万（2014年：亏损人民币3160万）。鉴于以上因素，集团的净债务也从2014年人民币13,081万缩至2015年人民币7180万。

集团2015年的净利润为将近人民币5900.0万。集团2014年净亏损为人民币3030.8万。主要是脱售了2家非持续经营的子公司。脱售的金额为人民币6830.8万，这是两家公司的净债务的金额。

我集团在2015年7月27日，公告了我们正在与第3方签了备忘录，关于收购后者在另一家公司的控制权。他们的业务除了房地产，也包括了旅游硬件设施如酒店等。截至现在，双方还在协商中，以便维护各自的利益。一旦有最新的进展，我们会第一时间发公告让股东知道。

我们相信2016年的大环境还是充满挑战和商机。我们已经把亏损的公司给处理了。我们会把精力和资源放在基础工程上以及加快融资新的资产，希望能进一步把集团的资产给增值。

最后，我感谢你们一路来的支持。

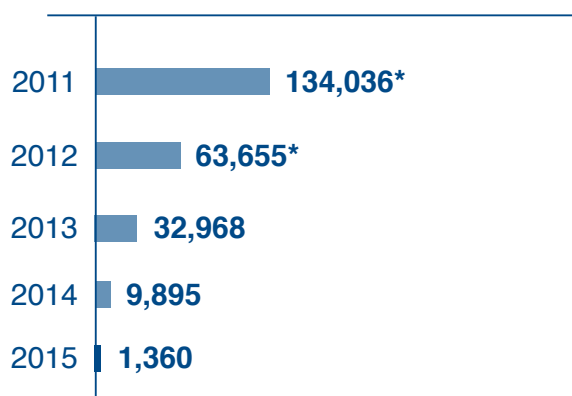
此致，

Li Zhangjiang De Malca
Executive Chairman and Managing Director

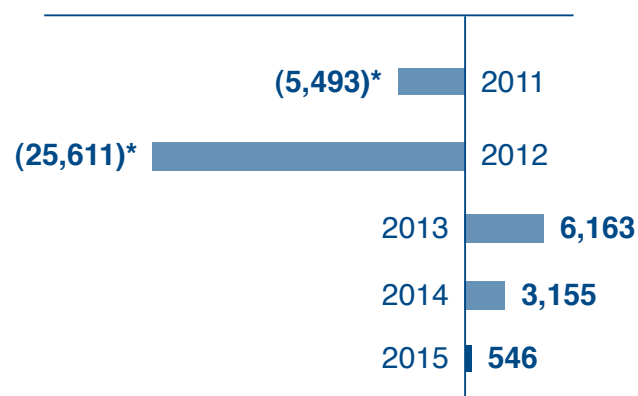
GROUP FINANCIAL HIGHLIGHTS 集团财务摘要

(RBM '000)

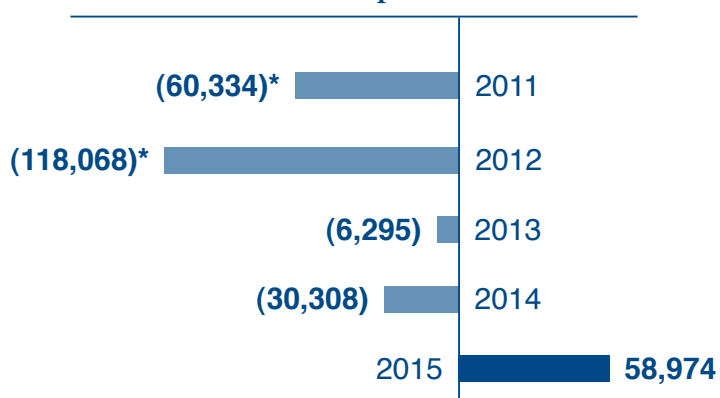
Revenue 营业收入



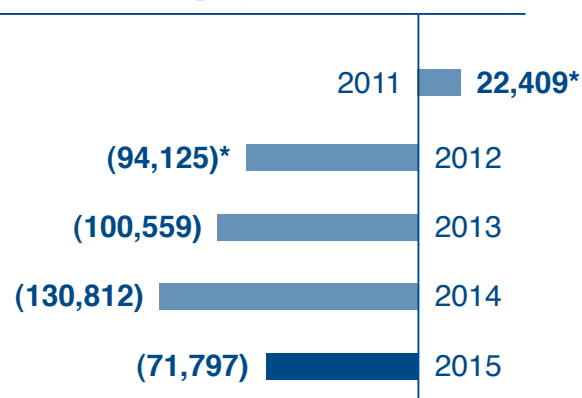
Gross Profit 毛利



Profit from Continued Ops 营业利润



Shareholders' Equity 股东权益



* Restated

BUSINESS REVIEW 营运回顾

FY2015 vs FY 2014

Continued Operation

Revenue decreased by 86.3% from RMB9.9 million in FY2014 to RMB1.4 million in FY2015. The decrease in revenue was mainly due to the slow down in the property market as well as stiff competition in the industry.

Gross margin reduced by 82.7% to RMB0.5 million compared to RMB3.2 million in FY2014. This is in tandem with the sharp decline in revenue in the corresponding period.

Other income of RMB2.7 million was posted in FY2015. This represented a decline of 65% or RMB5.0 million compared to RMB7.7 million in FY2014. This was attributed mainly with a lower reversal of Trade receivables impairment – RMB1.8 million (FY2014 : RMB6.7 million).

Selling and distribution expenses for FY2015 and FY2014 were RMB0.14 million and RMB0.21 million respectively. The reduction was a result of reduction of salary and insurance expenses, travelling cost and telephone expenses in tandem to reduction on the revenue.

General and Administrative expenses reduced by RMB3.6 million from RMB7.6 million in FY2014 to RMB5.5 million in FY2015 as a result of a decrease in professional fees and overhead costs.

The Group reported an operating loss before tax of RMB2.4 million in FY2015 as compared to a profit of RMB3.1 million posted in FY2014 as a result.

No tax expense was provided for FY2015 as the Group generated a loss during the year.

Discontinued Operation

No Revenue was generated during FY2015 compared to RMB0.7 million in FY2014 as the Group has ceased its piling related business.

Other operating income increased from RMB8.8 million in FY2014 to RMB77.9 million in FY2015 as a result of increased in rental income generated (FY2015 - RMB4.5 million; FY2014 –RMB2.6 million) and gain on disposed of subsidies accounting to RMB68.3 million.

Selling and distribution expenses for FY2015 was RMB0.01 million, representing a decrease of almost RMB0.02 million compared to RMB0.03 million in FY2014. This was in tandem with revenue reduction attributed with operations being scaled down.

General and Administrative expenses decreased by 52.2% from RMB9.8 million in FY2014 to RMB4.7 million in FY2015. This was in view of lower overhead expenses incurred with 2 of the 3 subsidiaries being crystallized and cost control exercises during FY2015.

Other operating expenses decreased by RMB18.4 million to RMB5.7 million in FY2015 compared to RMB24.3 million posted in FY2014. This was mainly attributed to one off expenses recognized in FY2014 such as loss on disposal of Property, plant and equipment amounting to RMB 10.7 million, impairment loss on the Property, plant and equipment amounting to RMB 4.95 million and loss on the disposal of inventories amounting to RMB 3.8 million which were all recognized in FY2014.

Finance Cost decreased by almost RMB0.3 million from RMB6.3 million in FY2014 to RMB6.0 million in FY2015 as a result of reduction in borrowing loan.

In view of the above, losses have reduced from a loss of RMB31.6 million in FY2014 to a profit before tax of RMB61.4 million in FY2015.

REVIEW OF FINANCIAL POSITION

Non-Current Assets

The Group's non-current assets consist of plant and equipment and financial lease receivables. Our non-current assets as at 31 December 2015 and 31 December 2014 amounted to approximately RMB0.9 million and RMB0.7 million respectively. The decrease of approximately RMB0.2 million was mainly due to amortisation of finance lease receivables.

Current Assets

Our current assets comprise of inventories, construction work-in-progress, trade receivables, deposits, prepayments and other receivables and cash and cash equivalents. As at 31 December 2015 and 31 December 2014, our current assets amounted to approximately RMB8.2 million and RMB11.3 million respectively.

Trade receivables reduced from RMB9.8 million in FY2014 to RMB5.6 million as a result of bad debt provision and partial collection from customers.

Other deposit, prepayments and other receivables increased from RMB0.6 million in FY2014 to RMB2.4 million in FY2015 mainly due to additional advances to suppliers during the year.

Total current assets decreased by RMB3.1 million to RMB8.2 million in FY2015, mainly due to additional provision of bad debts amounting to RMB2.0 million during the year.

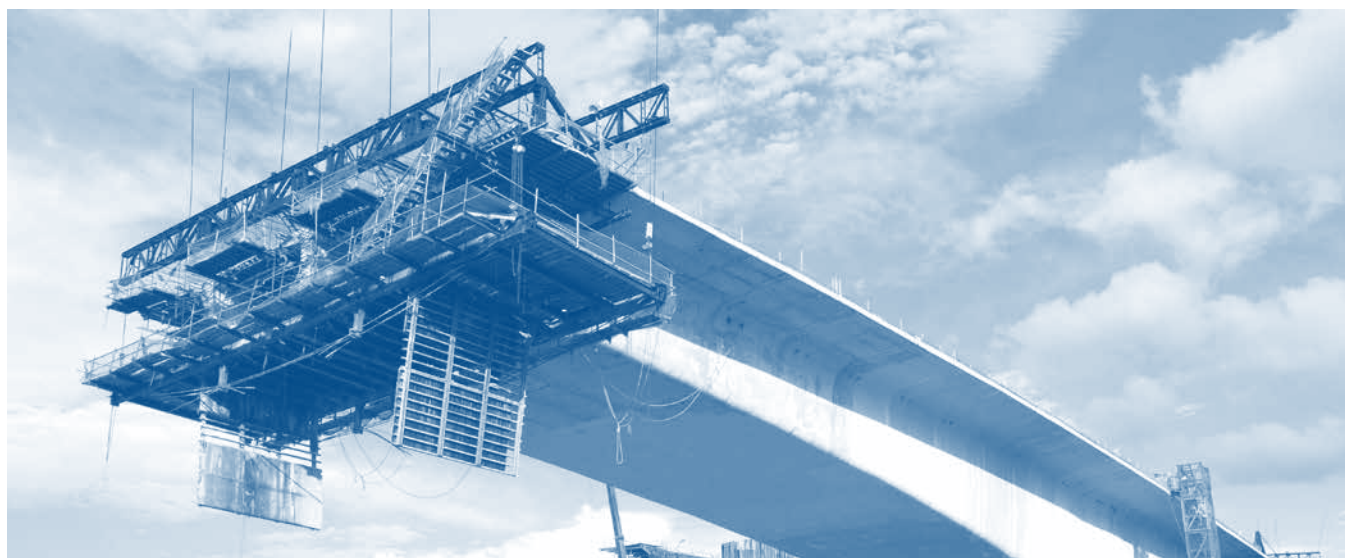
Assets held for disposal reduced from RMB68.2 million in FY2014 to RMB24.5 million in FY2015 as a result of completion of the disposal of HHBM and SPRP during FY2015.

Current Liabilities

Our current liabilities comprise mainly of trade payables, non-trade amounts owing to related parties and interest-bearing loans. Total current liabilities decreased by approximately RMB54.6 million from RMB84.1 million in FY2014 to RMB29.1 million in FY2015.



BUSINESS REVIEW 营运回顾



Trade and other payables decreased from RMB 28.0 million to RMB 24.3 million. These were attributed with partial trade payables being settled during the year.

In addition, the decrease was mainly due to the completion of disposal of HHBM and SPRP on 31 December 2015 to LionView Global Investments Limited (“LionView”).

On 23 August 2013, management announced that they had entered into a sale & purchase agreement with Hainan Pearl River where the Company agreed to dispose of its entire shareholding interest in SPRP (amounting to 80% of the capital of SPRP) to Hainan Pearl for a consideration of RMB 50 million. As at 31 December 2013, the Group, through HPRP, received RMB 30 million from Hainan Pearl River and the amount was placed in an escrow account with a third party - “Yuan Rong Tong” (圆融通) as assigned by Hainan Pearl River.

In FY2015, following the disposal of SPRP and HHBM to Lionview Global Investments (the “Purchaser”) on 31 December 2015, The Company has instructed its escrow agent “Yuan Rong Tong” (圆融通) to utilise the deposit of RMB 30 million, previously received from Hainan Pearl River, to settle the Group’s outstanding financial liabilities, including accrued interest, amounting to RMB 25.0 million (from continuing operations) owed by HPRFE and RMB 5 million (from discontinued operations) owed by HPRP, respectively.

Liabilities held for disposal reduced from RMB128.4 million in FY2014 to RMB77.3 million in FY2015 as a result of the disposal of HHBM and SPRP in FY2015.

Cash flow

Overall, the Group’s available cash balances decreased by RMB0.7million from RMB0.8million at end 31 December 2014 to approximately RMB0.06 million at 31 December 2015. This was mainly due to settlement of outstanding to our suppliers as well as reductions in proceeds arising from disposal of fixed assets during the year.

A summary of cash flows is as follows:

	For Year Ended	
	2015 RMB'000	2014 RMB'000
Net cash flows (used in) / generated from operating activities	(2,003)	(6,142)
Cash flows (used in) / generated from investing activities	(41)	3,769
Cash flows generated from / (used in) financing activities	1,288	2,232
Net (decrease) / increase in cash and cash equivalents	(756)	(141)

BOARD OF DIRECTORS

Li Zhangjiang De Malca, 64

Executive Chairman and Managing Director

Academic and professional qualifications:

Bachelor Degree in Chemical Engineering,
Beijing University of Physics and Industry
Studied Business and Enterprise Management at the
Beijing University of Physics and Industry

Date of first appointment as director: 2 January 2004

Date of last re-election as director: N/A

Length of service: 12 years

(as at 31 December 2015)

Present Directorships in other listed companies

Nil

Present Principal Commitments

Director - Beijing Yidong International Real Estate Ltd
Director - Full Prime International Limited

Directorships in other listed companies held over the preceding three years

Nil

Background and experience:

Ms Li Zhangjiang De Malca is the founder, Chairman and Managing Director of China Great Land Holdings Ltd. Ms Li worked briefly as an officer in a government agency in the PRC, which was involved in the supply of heavy machinery. In 1976, Ms Li joined the China Materials General (Group) Company which is a stateowned company in PRC. In 1989, Ms Li left China Materials General (Group) Company to join Peru Farry S.A, which is involved in trading business, as its president. She took on several management positions in multinational companies since then prior to setting up the Company.

Toh Hai Joo, 43

Lead Independent Director

Academic and professional qualifications:

Bachelor Degree in Accountancy,
Nanyang Technological University
Certified Public Accountant (CPA) - Institute of
Certified Public Accountants of Singapore (ICPAS)

Member - Singapore Institute of Directors

Date of first appointment as director: 7 May 2010

Date of last re-election as director: 30 April 2015

Length of service: 5 years and 7 months

(as at 31 December 2015)

Served on the following Board Committees:

- Audit Committee - Chairman
- Nominating Committee - Member
- Remuneration Committee - Member

Present Directorships in other listed companies

Nil

Present Principal Commitments

Director - TR Asia Investment Holdings Pte Ltd
Director - TR Formac Pte Ltd

Directorships in other listed companies held over the preceding three years

Nil

Background and experience:

Mr Toh Hai Joo is our Lead Independent Director. He has extensive experience in financial control, review of group financial operations and corporate governance and control. He has worked as a Financial Controller for several years in sizeable and reputable multi-national corporations. Prior to that, he has many years of accounting, audit and corporate tax experience under his belt.

BOARD OF DIRECTORS

Tan Huay Pin, 53
Independent Director

Academic and professional qualifications:

B Eng (Hons.), National University of Singapore
MBA, National University of Singapore
Executive Certificate in Directorship in 2009 - Singapore
Management University and Singapore Institute of
Directors

Date of first appointment as director: 12 March 2009

Date of last re-election as director: 30 May 2014

Length of service: 6 years and 9 months
(as at 31 December 2015)

Served on the following Board Committees:

- Nominating Committee - Chairman
- Remuneration Committee – Chairman
- Audit Committee - Member

Present Directorships in other listed companies

Nil

Present Principal Commitments

Director – Top Land Pte Ltd
Director – TQ Capital Pte Ltd

Directorships in other listed companies held over the preceding three years

Nil

Background and experience:

Mr Tan Huay Pin is our Independent Director. He has extensive experience in corporate management, business development and corporate finance. He is presently a Director of Top Land Pte Ltd and TQ Capital Pte Ltd. Prior to his current directorships, he was a Director of Hinterland Property Development Pte Ltd, a property arm of then SGX-listed Heshe Holdings Ltd, now listed as Equation Summit Ltd. He was Division Director of Ultro Technologies Ltd, a company listed in Singapore, now listed as Ley Choon Group Holdings Ltd, and Financial Analyst of an American MNC between 1989 and 1998.

Li Baogang, 54
Independent Director

Academic and professional qualifications:

Bachelor Degree in Business Administration,
Beijing Technology and Business University

Date of first appointment as director: 12 March 2009

Date of last re-election as director: 30 April 2015

Length of service: 6 years and 9 months
(as at 31 December 2015)

Served on the following Board Committees:

- Audit Committee - Member
- Nominating Committee - Member
- Remuneration Committee - Member

Present Directorships in other listed companies

Nil

Present Principal Commitments

Chairman - View Tang Investment Holdings Limited
Director - 苏州西交科技管理有限公司
Director - 河北滦平华都食品有限公司
Director - 衡水华都食品有限公司

Directorships in other listed companies held over the preceding three years

Nil

Background and experience:

Mr Li Baogang has been a Non-Executive Director of our company since 12 March 2009 and was redesignated from the position of Non-Executive Director to Independent Director of our company with effect from 23 February 2012. He commenced his career as a journalist and editor of the China Business Herald News in 1986. From 1990 to 2001, he held senior managerial positions in investment, securities and asset management companies, including China National Technical Import and Export Corporation (CNTIC), Chongqing International Trust Co., Ltd and Southwest Securities Co., Ltd. He was the Chairman of Bohua Asset Management Ltd. and Bohua Home Unisplendour Ltd. between 2001 to 2007. He is currently the Chairman of View Tang Investment Holdings Limited.

KEY EXECUTIVES

Mr Leow Yong Kin has been appointed as our Chief Financial Officer with effect from 1 July 2014 and is responsible for finance and accounting, audit, taxation, treasury and cash management matters of the Group. Prior to this appointment, he is a director with AccountsPro Consulting Services Pte Ltd. He was working as Head of Finance with Five Stars Tours Pte Ltd from 2009 to 2011. He has experience working with US and Japan MNCs. Mr Leow graduated from ACCA as well as University of Lincolnshire & Humberside with a 2nd Class Honours in BA Accounting. He is a member registered with both ACCA and ICPAS.

Mr Zhan Jinfei is the Financial Controller of HPRP. He is responsible for the financial, accounting and audit, and taxation matters of HPRP as well as other subsidiaries in the PRC. Prior to his appointment as Financial Controller of HPRP in September 2008, Mr Zhan held senior financial positions in various companies, including China Bluestar Lehigh Engineering Corp, Ng Fung Foods (Shenzhen) Co., Ltd and Hainan Holdings. Mr Zhan is a Certified Public Accountant in the PRC.

Mr Tang Xiaoping is the General Manager of HPRP. He is responsible mainly for the production of our PHC piles. Between 1990 and 2004, he held positions including Chief of Quality Inspection and General Manager at several companies with factory operations. He joined HPRP in 2004 and was promoted to the position of General Manager in 2007. He graduated with a degree in Engineering (Building Materials) from Shenyang Architectural & Civil Engineering Institute in 1990.

Mr Li Dongqiang is the Deputy General Manager of Hainan Pearl River Engineering Co., Ltd ("HPRFE"). He is responsible for the project management of HPRFE. He joined our Group as project manager in 2003 and was promoted to Deputy General Manager of HPRFE in March 2011. He is graduated with a degree in Civil Engineering with Hunan Xiangtan City University.

Mr Luan XiKu joined SPRP in June 2004 as office manager and was promoted to General Manager in December 2012. He is graduated with a degree in Business Management with China University of Television. Following the disposal of SPRP on 31 December 2015, Mr Luan has stepped down as the General Manager of SPRP.

CORPORATE GOVERNANCE REPORT

The Board of Directors of China Great Land Holdings Ltd. (the “Company”) is committed to high standards of corporate governance so as to ensure greater transparency and protection of shareholders’ interests. This report outlines the corporate governance practices of the Company in relation to the Code of Corporate Governance 2012 (“Code”).

A. BOARD MATTERS

THE BOARD’S CONDUCT OF AFFAIRS

Principle 1 Every company should be headed by an effective Board to lead and control the company. The Board is collectively responsible for the success of the Company. The Board works with the Management to achieve this and the Management remains accountable for the Board.

The Board has the responsibility for the overall management of the Group. It establishes the corporate strategies of the Group, sets direction and goals for the executive management. It supervises the executive management and monitors performance of these goals to enhance shareholders’ value. The Board is responsible for the overall corporate governance of the Group.

The Board has identified a number of areas for which the Board has direct responsibility for decision-making. Interested Persons Transactions and the Group’s internal control procedures are also reviewed by the Board. Major investments and funding decisions are approved by the Board.

The Board also meets to consider the following corporate matters:

- Approval of half yearly and year end result announcements;
- Approval of the Annual Reports and Accounts;
- Convening of Shareholders’ Meetings;
- Approval of corporate strategies; and
- Material acquisitions and disposal of assets.

To assist in the execution of its responsibilities, the Board has established an Audit Committee, a Nominating Committee and a Remuneration Committee. These committees function within clearly defined terms of references and operating procedures, which are reviewed on a regular basis. The effectiveness of each committee is also constantly reviewed by the Board.

The full Board meets on a regular basis and as when necessary to address any specific significant matters that may arise. To ensure meetings are held regularly with maximum Director participation, the Company’s Articles of Association allow for telephone and video-conferencing meetings.

The number of Board and Committee meetings held during the financial year 2015 (“FY 2015”) and the attendance of each Director where relevant are as follows:

	Board	Audit Committee	Nominating Committee	Remuneration Committee
No. of meetings held	2	3	1	1
No. of meetings attended by respective Directors				
Li Zhangjiang De Malca	2	n.a.	n.a.	n.a.
Cui Zhongwei ¹	0	n.a.	n.a.	n.a.
Li Baogang	0	0	0	0
Toh Hai Joo	2	3	1	1
Tan Huay Pin	2	3	1	1

n.a.: not a member

¹ Resigned on 31 July 2015

CORPORATE GOVERNANCE REPORT

The Company issues a formal letter to newly-appointed Directors, setting out their duties and obligations. In addition, the Company conducts orientation programs for new Directors so that they are familiar with their duties and its businesses and governance practices. Such programs include briefings by management and visits to principal subsidiaries. Furthermore, the Directors receive training, briefing or updates on applicable laws, regulations and practices, accounting standards, risk management as well as industry-specific knowledge, issues and risks from time to time.

BOARD COMPOSITION AND GUIDANCE

Principle 2 There should be a strong and independent element on the Board, which is able to exercise objective judgment on corporate affairs independently, in particular, from Management and 10% shareholders. No individual or small group of individuals should be allowed to dominate the Board's decision making.

The Board of Directors comprises 4 Directors, 3 of whom are Independent Directors. The criteria for independence are determined based on the definitions as provided in the Code.

The Directors of the Company as at the date of this report are:

- (i) Ms Li Zhangjiang De Malca (Executive Chairman and Managing Director)
- (ii) Mr Toh Hai Joo (Lead Independent Director)
- (iii) Mr Tan Huay Pin (Independent Director)
- (iv) Mr Li Baogang (Independent Director)

The Board considers that the current board size of 4 is appropriate taking into account the nature and scope of the Company's operations. The Board comprises Directors who as a group provide core competencies such as business and management experience, industry knowledge, financial and strategic planning experience and knowledge that are necessary to meet the Company's objectives. If the NC considers that there is inadequate representation in respect of the above attributes, the NC will determine the particular competencies required in identifying directors to nominate.

Among their functions, the Independent Directors assist in the development of strategies for the Group and review the performance of management in meeting goals and objectives. They meet as and when necessary without the presence of management.

The profiles of the Directors are set out on pages 10 and 11 of this Annual Report.

There is no alternate director on the Board.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Principle 3 There should be a clear division of responsibilities between the leadership of the Board and the executives responsibility for managing the company's business. No one individual should represent a considerable concentration of power.

Ms Li Zhangjiang De Malca is the Executive Chairman and Managing Director of the Company.

Although the roles of the chairman and chief executive officer are not separated, the Audit Committee ("AC"), Remuneration Committee ("RC") and Nominating Committee ("NC") are chaired by independent directors. Her performance and remuneration are reviewed periodically by the NC and RC. In addition, Mr Toh Hai Joo has been appointed as the Lead Independent Director of the Company and is available to shareholders should they have concerns which cannot be resolved through the normal channel of the Chairman or for which such contact is inappropriate. As such, the Board believes that they are adequate safeguards and checks in place to ensure that the process of decision-

CORPORATE GOVERNANCE REPORT

making by the Board is independent and based on collective decision-making without Ms Li Zhangjiang De Malca being able to exercise considerable concentration of power or influence.

The Executive Chairman manages the overall business of the Company and is responsible for setting the strategic direction and vision of the Group.

The Executive Chairman ensures that:

- a) the board meetings are held when necessary and sets the board meeting agenda;
- b) reviews the board papers, prior to presenting them to the Board; and
- c) Board members are provided with complete, adequate and timely information on a regular basis to enable them to be fully cognisant of the affairs of the Group.

BOARD MEMBERSHIP

Principle 4 There should be a formal and transparent process for the appointment of new Directors to the Board.

The Nominating Committee (“NC”) comprises 3 members, all of whom are Independent Directors:

- Mr Tan Huay Pin Chairman and Independent Director
- Mr Toh Hai Joo Lead Independent Director
- Mr Li Baogang Independent Director

The NC's principal functions are as follows:

- (a) recommend to the Board on all board appointments and re-appointments;
- (b) determine independence of the Directors annually, as and when circumstances required;
- (c) determine whether or not a Director is able to and has been adequately carrying out his duties as Director of the Company;
- (d) evaluate the performance and effectiveness of the Board as a whole;
- (e) evaluate the contribution of each Director; and
- (f) review of training and professional development programs for the Board.

The NC reviews the independence of each director annually. Each independent director is required to complete a Director's Independence Form annually to confirm his independence based on the guidelines as at out in the Code. The directors must also confirm whether they consider themselves independent despite not having any relationship identified in the Code. The NC and the Board consider Mr Li Baogang, Mr Tan Huay Pin and Mr Toh Hai Joo to be Independent Directors.

The Articles of Association of the Company require that one-third of the Board retire from office at each Annual General Meeting (“AGM”). Accordingly, the Directors submit themselves for re-nomination and re-election at regular intervals of at least once every 3 years. However, according to Article 85 of the Company's Articles of Association, the Managing Director shall not be subject to retirement by rotation.

CORPORATE GOVERNANCE REPORT

Mr Tan Huay Pin is retiring as a Director at the forthcoming annual general meeting of the Company pursuant to the Company's Articles of Association. The NC and the Board had nominated Mr Tan Huay Pin for re-election as a Director.

At present, the Board does not intend to set a maximum number of listed company board representations a Director may hold as it is of the view that the effectiveness of a Director should be evaluated by a qualitative assessment of his/her contributions to the Company's affairs taking into account his/her other commitments including his/her directorships in other listed companies.

The following is the summarized process for the search, nomination, selection and appointment of new Directors to the Board:

- (a) NC evaluates the balance of skills, knowledge and experience on the Board and, in light of such evaluation and in consultation with management, prepares a description of the role and the essential and desirable competencies for a particular appointment;
- (b) External help (for example, Singapore Institute of Directors, search consultants, open advertisement) to be used to source for potential candidates if need be. Directors and management may also make suggestions;
- (c) NC conducts formal interview of short-listed candidates to assess suitability and to ensure that the candidate(s) are aware of the expectations and the level of commitment required; and

NC makes recommendations to the Board for approval.

Appointment and re-election of directors are based on their working experience, qualification and track records

Details of the Directors' academic and professional qualifications and directorships or chairmanships both present and those held over the preceding three years in other listed companies and other principal commitments are set out on pages 10 to 11 of this Annual Report.

Information regarding the Directors' shareholdings in the Company and related corporations is set out on page 59 of this Annual Report.

Directors are provided with continuing education or briefings in areas such as changes in financial reporting standards, corporate governance, changes in laws and regulations, risks identification, as well as industry trends and updates, so as to update the Directors on relevant matters.

BOARD PERFORMANCE

Principle 5 There should be a formal annual assessment of the effectiveness of the Board as a whole and its board committees and the contribution by each Director to the effectiveness of the Board.

The NC assesses the effectiveness of the Board and its committees as well as the contributions by the Directors annually. Evaluation forms are sent to the Directors for completion. The NC analyses the results of the evaluation and ascertains key areas for improvement and the findings are reported to the Board. The performance of a Director is taken into account in the review of his re-appointment or re-election.

The NC is of the opinion that the Board has met its performance objectives and is able to exercise objective judgement on corporate affairs independently and no individual or small group of individual dominates the Board's decision-making process.

CORPORATE GOVERNANCE REPORT

ACCESS TO INFORMATION

Principle 6 In order to fulfill their responsibilities, Directors should be provided with complete, adequate and timely information prior to board meetings and on an on-going basis so as to enable them to make informed decision to discharge their duties and responsibilities.

The Board has separate and independent access to senior management and the company secretary at all times. Requests for information from the Board are dealt with promptly by management. The Board is informed of all material events and transactions as and when they occur. The management provides the Board with half yearly reports of the Company's performance. The management also consults with Board members regularly whenever necessary and appropriate. The Board is issued with board papers timely and prior to Board meetings.

The company secretary administers, attends and prepares minutes of Board meetings, and assists the Chairman in ensuring that Board procedures are followed and reviewed so that the Board functions effectively and the Company's Memorandum and Articles of Association and the relevant rules and regulations applicable to the Company are complied with. The appointment and removal of the company secretary are subject to the Board's approval.

The Board in fulfilling its responsibilities, can as a group or individually, when deemed fit, direct the Company to appoint professional adviser to render professional advice.

B. REMUNERATION MATTERS

PROCEDURES FOR DEVELOPING REMUNERATION POLICIES

Principle 7 There should be a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual Directors. No Director should be involved in deciding his own remuneration.

The Remuneration Committee ("RC") comprises 3 members, all of whom are Independent Directors:

- Mr Tan Huay Pin Chairman and Independent Director
- Mr Toh Hai Joo Lead Independent Director
- Mr Li Baogang Independent Director

The functions of the RC are to review and recommend the remuneration packages of the Executive Directors and key executives of the Company, and to review the appropriateness of compensation for Non-Executive Directors including but not limited to Directors' fees, allowances and share options.

The payment of fees to Non-Executive Directors is subject to approval at the annual general meeting of the Company. No Director is involved in deciding his own remuneration.

The RC has adopted specific terms of reference. The RC will seek independent professional advice, if necessary.

LEVEL AND MIX OF REMUNERATION

Principle 8 The level and structure of remuneration should be aligned with the long-term interest and risk policies of the company, and should be appropriate to attract, retain and motivate (a) the Directors to provide good stewardship of the company, and (b) key management personnel to successfully manage the company. However, companies should avoid paying more than is necessary for this purpose.

CORPORATE GOVERNANCE REPORT

The RC will recommend to the Board a framework of remuneration and the specific remuneration packages for each Director and the CEO (or executive of equivalent rank) if the CEO is not a Director. The RC's recommendations will be submitted for endorsement by the entire Board. The RC will cover all aspects of remuneration, including but not limited to Director's fees, salaries, allowances, bonuses, options and benefits in kind. The RC will also review the remuneration of senior management.

Non-Executive Directors are paid a basic fee and an additional fee for serving on any of the committees. The Chairman of each of these committees is compensated for his additional responsibilities. Such fees are approved by the shareholders of the Company at the annual general meeting of the Company.

DISCLOSURE ON REMUNERATION

Principle 9 Every company should provide clear disclosure of its remuneration policies, level and mix of remuneration, and the procedure for setting remuneration, in the company's Annual Report. It should provide disclosure in relation to its remuneration policies to enable investors to understand the link between remuneration paid to directors and key management personnel, and performance.

The annual remuneration of non-executive Directors payable for 2015 is as follows:

Non-Executive Director	Position Held	Director's Fee
Mr Toh Hai Joo	Board member, Lead Independent Director, AC Chairman, RC member and NC member	RMB155,000
Mr Tan Huay Pin	Board member, RC Chairman, AC member and NC member	RMB155,000
Mr Li Baogang	Board member, AC member, RC member and NC member	RMB30,000

In view of the competitive pressures in the talent market, the remuneration paid to the Executive Directors and the top five key management personnel are not fully disclosed. In 2015, the level of mix of the annual remuneration of the Executive Directors, and each of the top 5 members of Senior Management (who are not also Directors), in bands of S\$250,000, are set out below:

Name	Salary ¹ %	Monthly Variable Component ² %	Directors' Fees %	Other Benefits ³ %	Total %
<u>Executive Directors</u>					
<i>S\$250,000 to S\$500,000</i>					
Li Zhangjiang De Malca	–	–	100	–	100%
<i>Below S\$250,000</i>					
Cui Zhongwei ⁴	99	–	1	–	100%
<u>Top 5 Key Executives</u>					
<i>Below S\$250,000</i>					
Leow Yong Kin	100	–	–	–	100%
Zhan Jinfei	99	1	–	–	100%
Tang Xiaoping	99	1	–	–	100%
Luan Xiku	100	–	–	–	100%
Li Dongqiang	86	14	–	–	100%

CORPORATE GOVERNANCE REPORT

Notes:

1. Salary amount is inclusive of employer's social security insurance.
2. Monthly variable component is tied to monthly sales volume for the Group.
3. Management fees for overseeing the Company's Beijing Representative Office.
4. Resigned on 31 July 2015.

The total remuneration paid to the top 5 members of Senior Management (who are not Directors) for the financial year ended 31 December 2015 was approximately RMB1,212,000.

The Company's compensation framework comprises fixed remuneration and a monthly variable component linked to the monthly sales volume for the Group. These bonuses link remuneration to the Company's performance, aligning the interests of the employees and the Company.

The Company does not have any termination, retirement and post-employment benefits granted to directors or executives.

The Company does not have any employee who is an immediate family member of a Director whose remuneration in FY 2015 exceeded S\$50,000.

There is presently no option scheme on unissued shares of the Company.

C. ACCOUNTABILITY AND AUDIT

ACCOUNTABILITY

Principle 10 The Board should present a balanced and understandable assessment of the company's performance, position and prospects.

In presenting the annual financial statements and half yearly and yearly announcements to shareholders, it is the aim of the Board to provide the shareholders with a balanced and understandable assessment of the Group's performance, position and prospects.

The Management currently provides the Board with a continual flow of relevant information on a timely basis so that it may effectively discharge its duties. The Board members are also provided with up-to-date financial reports and other information on the Group's performance for effective monitoring and decision making.

RISK MANAGEMENT AND INTERNAL CONTROLS

Principle 11 The Board is responsible for the governance of risk. The Board should ensure that Management maintains a sound system of risk management and internal controls to safeguard shareholders' interests and the company's assets, and should determine the nature and extent of the significant risks which the Board is willing to take in achieving its strategic objectives.

It is the opinion of the Board that, the system of internal controls maintained by the Company's Management and that was in place throughout the financial year and up to the date of this report provides reasonable, but not absolute assurance against material financial misstatements or losses, and includes the safeguarding of assets, the maintenance of proper accounting records, the reality of financial information, compliance with appropriate legislation, regulations and best practices, and the identification and containment of financial, operational, compliance and information technology risks. The Board notes that all internal control systems contain inherent limitations and no system of internal controls could provide absolute assurance against the occurrence of material errors, poor judgement in decision-making, human error losses, fraud or other irregularities.

CORPORATE GOVERNANCE REPORT

Based on the internal controls established and maintained by the Group, work performed by external auditors, and reviews performed by Management, the AC and the Board, the Board, with the concurrence of the AC, is of the opinion that the internal controls (including financial, operational, compliance and information technology controls) and risk management systems in place are adequate and effective to address and meet the needs of the Group in its current business environment.

The Company regularly reviews and improves its business and operational activities to identify areas of significant business risks as well as take appropriate measures to control and mitigate these risks. The Company reviews all significant control policies and procedures and highlights all significant matters to the AC and the Board.

The Board receives assurance from the Managing Director and Chief Financial Officer that:

- (a) the financial records have been properly maintained;
- (b) the financial statements give a true and fair view of the Company's operations and finances; and
- (c) an effective risk management and internal control systems have been put in place.

AUDIT COMMITTEE

Principle 12 The Board should establish an Audit Committee ("AC") with written terms of reference which clearly set out its authority and duties.

As The Audit Committee ("AC") comprises three members, all of whom, including the Chairman, are independent. The AC comprises the following members who have expertise and experience in financial management and are qualified to discharge the AC's responsibilities:

- Mr Toh Hai Joo Chairman and Lead Independent Director
- Mr Tan Huay Pin Independent Director
- Mr Li Baogang Independent Director

The AC has written terms of reference that are approved by the Board.

The Company had disposed its piling business and aerated bricks business in 2015 and thus did not engage a third party to perform the internal audit function. The internal audit function for FY2015 was carried out by the management to save cost.

The functions of the AC are as follows:

- (a) reviewing the audit plans of the external auditors, their evaluation of the system of internal accounting controls and their audit report;
- (b) reviewing the half yearly and annual financial statements before submission to the Board;
- (c) reviewing the assistance given by the Company's officers to the external auditors;
- (d) reviewing the scope and results of internal audit procedures;
- (e) ensuring that a review of the adequacy and effectiveness of the Company's risk management and internal control systems, including financial, operational, compliance and information technology controls, is conducted annually by the internal and/or external auditors;

CORPORATE GOVERNANCE REPORT

- (f) reviewing with the internal and external auditors their findings on their evaluation of the Company's system of internal controls; and
- (g) reviewing and discussing with the external auditors any suspected fraud or irregularity, or suspected infringement of any relevant laws, rules or regulations, which has or is likely to have a material impact on the Group's operating results or financial position;
- (h) nominating the appointment or re-appointment of the external auditors; and
- (i) reviewing interested person transaction falling within the scope of the Listing Manual.

The AC has the power to conduct or authorize investigations into any matters within the AC's scope of responsibility. The AC is authorized to obtain independent professional advice it deems necessary in the discharge of its responsibilities. Such expenses are to be borne by the Company.

The AC is kept abreast by the Management and the external auditors of changes to accounting standards, Listing Rules of the SGX-ST and other regulations which could have an impact on the Group's business and financial statements.

The AC has full access to and co-operation of the Company's management and has full discretion to invite any director or executive officer to attend the meetings, and has been given reasonable resources to enable it to discharge its functions.

The AC meets with the external and internal auditors, without the presence of the management at least once a year. Ad-hoc meeting may be carried out from time to time, as circumstances require.

The aggregate amount of fees paid to the external auditors amounted to approximately S\$150,000 for audit services and Nil for non-audit services. The AC has undertaken a review of the non-audit fees awarded to the external auditors and confirms that the non-audit services would not affect the independence of the external auditors.

In appointing the audit firms for the Group, the Company had complied with Rules 712 and 715 of the Listing Manual of the Singapore Exchange Securities Trading Limited.

The Company has in place a whistle blowing policy to provide a channel to employees to report in good faith and in confidence, without fear of reprisals, concerns about possible improprieties in financial reporting or other matters to the AC. The objective for such an arrangement is to ensure independent investigation of such matters and for appropriate follow up action. No such report was received during the year.

INTERNAL AUDIT

Principle 13 The company should establish an effective internal audit function that is adequately resourced and independent of the activities it audits.

The Company had disposed its piling business and aerated bricks business in 2015 and thus did not engage a third party to perform the internal audit function. The internal audit function for FY2015 was carried out by the management to save cost.

The AC will review the adequacy of the internal audit function carried out by management on a regular basis. If it is not satisfied of the adequacy, it will engage a third party to perform the internal audit function to ensure that the internal audit function is adequately resourced and has appropriate standing within the Company.

CORPORATE GOVERNANCE REPORT

D. SHAREHOLDER RIGHTS AND RESPONSIBILITIES

SHAREHOLDER RIGHTS

Principle 14 Companies should treat all shareholders fairly and equitably, and should recognise, protect and facilitate the exercise of shareholders' rights, and continually review and update such governance arrangements.

The Company does not practice selective disclosure. In line with continuous obligations of the Company pursuant to the Singapore Exchange's Listing Rules, the Board's policy is that all shareholders should be equally informed of all major developments impacting the Group.

Information is disseminated to shareholders on a timely basis through:

- SGXNET announcements and news releases
- Annual Report prepared and issued to all shareholders

COMMUNICATION WITH SHAREHOLDER

Principle 15 Companies should actively engage their shareholder and put in place an investor relations policy to promote greater regular, effective and fair communication with shareholders.

The financial statements are released onto the SGX-ST website. All shareholders will receive the annual report of the Company and notice of AGM by post and through notice published in the newspapers within the mandatory period.

Shareholders may from time to time share with senior management their views and concerns and where necessary, such input would be communicated to the Board.

The Company does not have a policy on payment of dividend. The Board would consider a dividend policy at an appropriate time.

CONDUCT OF SHAREHOLDER MEETINGS

Principle 16 Companies should encourage greater shareholder participation at general meetings of shareholders, and allow shareholders the opportunity to communicate their views on various matters affecting the company.

At the Company's AGM, shareholders are given the opportunity to voice their views and ask Directors or management questions regarding the Company.

If shareholders are unable to attend the meeting, the Company's Articles of Association allow a shareholder of the Company to appoint up to two proxies to attend and vote in place of the shareholder.

The Company is not implementing absentia voting methods such as voting via mail, facsimile or email until security integrity and other pertinent issues are satisfactory resolved.

Separate resolutions are tabled at general meetings on each distinct issue.

The Chairman of the Audit Committee, Remuneration Committee and Nominating Committee will normally be present at annual general meeting and other general meetings of shareholders to assist the Board in addressing shareholders' questions. The external auditors are also present to assist the Board.

CORPORATE GOVERNANCE REPORT

E. DEALING IN SECURITIES

In compliance with Rule 1207(19) of the Listing Manual of the SGX-ST, the Company has in place a policy prohibiting share dealings by the Company, Directors and employees of the Company for a period of one month prior to the announcement of the Company's half yearly and yearly results as the case may be, and ending on the date of the announcement of the relevant results. Directors and employees are expected to observe the insider trading laws at all times even when dealing in the Company's securities within permitted trading period. They are also advised not to deal in the Company's securities on short-term consideration.

F. MATERIAL CONTRACTS

There was no material contracts entered into by the Company or any of its subsidiaries involving the interest of any Director, or controlling shareholder.

G. INTERESTED PERSON TRANSACTIONS

The Company has established procedures to ensure that all transactions with interested persons are reported in a timely manner to the AC and that transactions are conducted on an arm's length basis and are not prejudicial to the interests of the shareholders.



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