CHINA CITY CONSTRUCTION GROUP HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 00711)

ANNUAL RESULTS FOR THE YEAR ENDED 31 MARCH 2016

FINANCIAL HIGHLIGHTS

	2015/16	2014/15
	HK$'000	*HK$'000*
Total revenue	**8,541,826**	8,317,087
Profit attributable to shareholders of the Company	**301,950**	102,518
Earnings per share	**HK21.35 cents**	HK9.20 cents
Equity per share*	**HK$1.35**	HK$1.20

* *Equity per share refers to equity attributable to shareholders of the Company divided by the total number of issued ordinary share capital as at 31 March 2016 and 31 March 2015 respectively.*

RESULTS

The Board of Directors (the "Board" or the "Directors") of China City Construction Group Holdings Limited (formerly known as Chun Wo Development Holdings Limited) (the "Company") is pleased to announce the consolidated results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 March 2016, together with the relevant comparative figures for the previous financial year as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 March 2016

	Notes	**2016** ***HK$'000***	2015 *HK$'000*
REVENUE	*2*	**8,541,826**	8,317,087
Cost of sales		**(8,053,293)**	(7,845,764)
Gross profit		**488,533**	471,323
Other income and gains, net		**286,802**	29,735
Fair value gain on investment properties, net		**3,875**	9,344
Selling expenses		**(6,247)**	(6,168)
Administrative expenses		**(378,067)**	(359,395)
Other expenses, net		**(214)**	2,850
Finance costs	*3*	**(43,251)**	(39,728)
Share of profits and losses of associates		**(1,711)**	37,204
PROFIT BEFORE TAX	*5*	**349,720**	145,165
Income tax	*4*	**(43,246)**	(41,894)
PROFIT FOR THE YEAR		**306,474**	103,271
OTHER COMPREHENSIVE (LOSS)/INCOME			
Items to be reclassified to profit or loss in subsequent periods:			
Exchange differences:			
Translation of foreign operations		**(38,006)**	5,915
Reclassification adjustments for gains included in profit or loss upon deregistration of subsidiaries		**(4,530)**	(1,024)
Share of movements in exchange fluctuation reserves of associates		**114**	83
OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR, NET OF INCOME TAX OF NIL		**(42,422)**	4,974
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**264,052**	108,245

	Note	**2016**	2015
		HK$'000	*HK$'000*
PROFIT FOR THE YEAR ATTRIBUTABLE TO:			
Shareholders of the Company		**301,950**	102,518
Non-controlling interests		**4,524**	753
		306,474	103,271
TOTAL COMPREHENSIVE INCOME FOR THE YEAR ATTRIBUTABLE TO:			
Shareholders of the Company		**259,528**	107,492
Non-controlling interests		**4,524**	753
		264,052	108,245
EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY	*7*		
Basic		**HK21.35 cents**	HK9.20 cents
Diluted		**HK19.76 cents**	HK8.94 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 March 2016

	Notes	**2016** **HK$'000**	2015 *HK$'000*
NON-CURRENT ASSETS			
Property, plant and equipment	*8*	**282,527**	320,289
Investment properties		**29,554**	250,276
Investments in joint ventures		**313,993**	—
Investments in associates		**295,632**	267,055
Amount due from an investee company		**—**	158,200
Deferred tax assets		**2,134**	617
Total non-current assets		**923,840**	996,437
CURRENT ASSETS			
Costs and deposits paid for acquisition of a land use right for property development		**—**	224,805
Land held for property development		**538,558**	362,705
Properties under development		**305,155**	250,924
Properties held for sale		**13,855**	22,032
Amounts due from contract customers		**2,011,048**	1,730,396
Trade receivables	*9*	**1,692,962**	1,457,137
Prepayments, deposits and other receivables		**423,053**	523,802
Income tax recoverable		**9,113**	6,690
Equity investments at fair value through profit or loss		**147**	165
Restricted cash and pledged deposits		**268,950**	590,426
Cash and cash equivalents		**1,005,420**	702,661
		6,268,261	5,871,743
Assets of a disposal group classified as held for sale		**—**	27,530
Total current assets		**6,268,261**	5,899,273
CURRENT LIABILITIES			
Amounts due to contract customers		**685,830**	816,172
Trade payables	*10*	**1,372,138**	1,216,490
Deposits received from sales of properties		**1,707**	4,539
Other payables and accruals		**355,962**	540,394
Income tax payables		**59,822**	38,618
Bank borrowings		**1,713,358**	2,140,392
Unsecured bond payable to a related company		**—**	150,000
Hire purchase contract and finance lease payables		**26,336**	29,672
Total current liabilities		**4,215,153**	4,936,277
NET CURRENT ASSETS		**2,053,108**	962,996
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,976,948**	1,959,433

	2016	2015
	HK$'000	*HK$'000*
NON-CURRENT LIABILITIES		
Other payables	**81,198**	41,627
Bank borrowings	**791,090**	115,000
Convertible bonds	**119,800**	146,458
Hire purchase contract and finance lease payables	**33,803**	51,470
Deferred tax liabilities	**22,351**	19,771
Total non-current liabilities	**1,048,242**	374,326
Net assets	**1,928,706**	1,585,107
EQUITY		
Equity attributable to shareholders of the Company		
Issued capital	**141,462**	132,362
Reserves	**1,761,394**	1,451,328
	1,902,856	1,583,690
Non-controlling interests	**25,850**	1,417
Total equity	**1,928,706**	1,585,107

NOTES TO RESULTS

31 March 2016

1. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following revised standards for the first time for the current year's financial statements:

Amendments to HKAS 19 *Defined Benefit Plans: Employee Contributions*
Annual Improvements to HKFRSs 2010–2012 Cycle
Annual Improvements to HKFRSs 2011–2013 Cycle

The nature and the impact of each amendment is described below:

(a) Amendments to HKAS 19 apply to contributions from employees or third parties to defined benefit plans. The amendments simplify the accounting for contributions that are independent of the number of years of employee service, for example, employee contributions that are calculated according to a fixed percentage of salary. If the amount of the contributions is independent of the number of years of service, an entity is permitted to recognise such contributions as a reduction of service cost in the period in which the related service is rendered. The amendments have had no impact on the Group as the Group does not have defined benefit plans.

(b) The *Annual Improvements to HKFRSs 2010–2012 Cycle* issued in January 2014 sets out amendments to a number of HKFRSs. Details of the amendments that are effective for the current year are as follows:

- HKFRS 8 *Operating Segments*: Clarifies that an entity must disclose the judgements made by management in applying the aggregation criteria in HKFRS 8, including a brief description of operating segments that have been aggregated and the economic characteristics used to assess whether the segments are similar. The amendments also clarify that a reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker. The amendments have had no impact on the Group.

- HKAS 16 *Property, Plant and Equipment* and HKAS 38 *Intangible Assets*: Clarifies the treatment of gross carrying amount and accumulated depreciation or amortisation of revalued items of property, plant and equipment and intangible assets. The amendments have had no impact on the Group as the Group does not apply the revaluation model for the measurement of these assets.

- HKAS 24 *Related Party Disclosures*: Clarifies that a management entity (i.e., an entity that provides key management personnel services) is a related party subject to related party disclosure requirements. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services. The amendment has had no impact on the Group as the Group does not receive any management services from other entities.

(c) The *Annual Improvements to HKFRSs 2011–2013 Cycle* issued in January 2014 sets out amendments to a number of HKFRSs. Details of the amendments that are effective for the current year are as follows:

- HKFRS 3 *Business Combinations*: Clarifies that joint arrangements but not joint ventures are outside the scope of HKFRS 3 and the scope exception applies only to the accounting in the financial statements of the joint arrangement itself. The amendment is applied prospectively. The amendment has had no impact on the Group.

- HKFRS 13 *Fair Value Measurement*: Clarifies that the portfolio exception in HKFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of HKFRS 9 or HKAS 39 as applicable. The amendment is applied prospectively from the beginning of the annual period in which HKFRS 13 was initially applied. The amendment has had no impact on the Group as the Group does not apply the portfolio exception in HKFRS 13.

- HKAS 40 *Investment Property*: Clarifies that HKFRS 3, instead of the description of ancillary services in HKAS 40 which differentiates between investment property and owner-occupied property, is used to determine if the transaction is a purchase of an asset or a business combination. The amendment is applied prospectively for acquisitions of investment properties. The amendment has had no impact on the Group as there was no acquisition of investment properties during the year and so this amendment is not applicable.

2. OPERATING SEGMENT INFORMATION

For management purposes, the Group's operating businesses are structured and managed separately according to the nature of their operations and the products and services they provide. Each of the Group's operating segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of the other operating segments.

The chief operating decision maker of the Group has been identified as the executive directors of the Company and certain senior management (collectively referred to as the "CODM"). For the purpose of performance assessment and resource allocation by the CODM, the Group's business activities are categorised under the following three reportable operating segments:

- Construction work – provision of services in areas of civil engineering, electrical and mechanical engineering, foundation and building construction
- Property development and investment – sale and leasing of properties
- Professional services – provision of security, cleaning and other property management related services

Segment revenue and results

The following is an analysis of the Group's revenue and results by reportable operating segment:

For the year ended 31 March 2016

	Construction work *HK$'000*	Property development and investment *HK$'000*	Professional services *HK$'000*	Total *HK$'000*
Segment revenue:				
Sales to external customers	**8,062,940**	**49,538**	**429,348**	**8,541,826**
Segment results	**183,189**	**194,859**	**19,356**	**397,404**
Bank interest income				**24,342**
Corporate and other unallocated expenses				**(28,775)**
Finance costs				**(43,251)**
Income tax				**(43,246)**
Profit for the year				**306,474**
Other segment information:				
Share of profits and losses of associates	**—**	**(1,711)**	**—**	**(1,711)**
Depreciation	**(55,104)**	**(257)**	**(995)**	**(56,356)**
Fair value gain on investment properties, net	**—**	**3,875**	**—**	**3,875**
Loss on disposal of items of property, plant and equipment, net	**(8)**	**—**	**(112)**	**(120)**
Write-off of items of property, plant and equipment	**(19,424)**	**—**	**—**	**(19,424)**

For the year ended 31 March 2015

	Construction work *HK$'000*	Property development and investment *HK$'000*	Professional services *HK$'000*	Total *HK$'000*
Segment revenue:				
Sales to external customers	7,863,286	93,335	360,466	8,317,087
Segment results	125,309	49,413	19,155	193,877
Bank interest income				12,147
Corporate and other unallocated expenses				(21,131)
Finance costs				(39,728)
Income tax				(41,894)
Profit for the year				103,271
Other segment information:				
Share of profits and losses of associates	(1,271)	38,475	—	37,204
Depreciation	(53,022)	(195)	(1,005)	(54,222)
Fair value gain on investment properties, net	—	9,344	—	9,344
Gain/(loss) on disposal of items of property, plant and equipment, net	3,704	86	(343)	3,447
Reversal of impairment of other receivables	—	7,003	—	7,003

Segment results represent the gross profit/(loss) generated from each segment, net of selling expenses and administrative expenses directly attributable to each segment without allocation of corporate expenses, interest income and finance costs. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

Segment assets and liabilities

Total segment assets and liabilities are not disclosed as they are not regularly reviewed by the CODM.

Geographical information

(a) Revenue from external customers

	2016 ***HK$'000***	2015 *HK$'000*
Hong Kong	**7,758,473**	7,685,935
Macau	**735,819**	543,026
Mainland China	**11,657**	81,418
The UAE	**35,877**	6,708
	8,541,826	8,317,087

The revenue information disclosed above is based on the locations of the customers.

(b) ***Non-current assets***

	2016	2015
	HK$'000	*HK$'000*
Hong Kong	**518,648**	584,590
Macau	**363**	598
Mainland China	**5,392**	4,137
Other jurisdictions	**397,303**	248,295
	921,706	837,620

The non-current asset information disclosed above is based on the locations of the assets and excludes financial instruments and deferred tax assets.

Information about major customers

During the year, two customers located in Hong Kong and from the construction work segment contributed to more than 10% of the Group's revenue for the year and the revenue earned from these two customers for the year amounted to HK$4,410,015,000 (2015: HK$4,043,556,000) and HK$1,414,786,000 (2015: HK$1,175,242,000), respectively.

3. FINANCE COSTS

	2016	2015
	HK$'000	*HK$'000*
Interest on:		
Trust receipt loans and other bank loans	**72,654**	57,921
Unsecured bond payable to a related company	**4,018**	10,875
Hire purchase contract and finance lease payables	**2,016**	1,853
Amounts due to other partners of joint operations	**—**	95
	78,688	70,744
Imputed interest on:		
Convertible bonds	**8,212**	1,206
Interest-free loan from a non-controlling shareholder	**935**	—
	9,147	1,206
Total interest expenses	**87,835**	71,950
Amortisation of ancillary costs incurred in connection with the arrangement of a bank loan	**1,013**	—
Total finance costs	**88,848**	71,950
Less: Amount included in cost of construction work	**(40,967)**	(29,077)
Amount capitalised in properties under development	**(4,630)**	(3,145)
	43,251	39,728

4. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2015: 16.5%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

	2016	2015
	HK$'000	*HK$'000*
Current — Hong Kong		
Charge for the year	**22,363**	15,677
Under-provision in prior years	**5,157**	6,359
	27,520	22,036
Current — Mainland China		
Charge for the year	**3,344**	5,899
Under-provision in prior years	**1,801**	518
	5,145	6,417
Current — Elsewhere		
Charge for the year	**9,587**	2,693
Land appreciation tax		
Charge for the year	**—**	4,505
Deferred	**994**	6,243
Total tax expense for the year	**43,246**	41,894

5. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	2016	2015
	HK$'000	*HK$'000*
Cost of construction work	**7,610,987**	7,472,523
Cost of properties sold	**55,747**	51,451
Cost of services provided	**386,559**	321,790
Depreciation	**56,356**	54,222
Less: Amount included in cost of construction work	**(49,314)**	(47,621)
	7,042	6,601
Fair value loss on equity investments at fair value through profit or loss	**18**	55

6. DISTRIBUTION IN SPECIE AND DIVIDEND

	2016	2015
	HK$'000	*HK$'000*
Distribution in specie *(note)*	**—**	423,991

The Board did not recommend the payment of a final dividend for the year ended 31 March 2016 (2015: Nil).

Note: On 31 December 2014, as part of the conditions precedent to fulfil in connection with the sale of the Company's ordinary shares by a then major shareholder of the Company to a then third party, the Group distributed all of its equity interests in Excel Value International Limited ("Excel Value", a then wholly-owned subsidiary of the Company incorporated in the British Virgin Islands with limited liability) to the Company's shareholders by way of a distribution in specie. The distribution in specie was approved by the shareholders of the Company at a special general meeting held on 19 December 2014.

Excel Value and its subsidiary (collectively, the "Excel Value Group") are involved in property acquisition and redevelopment of an industrial building located at 55–57 Wing Hong Street and 84–86 King Lam Street, Cheung Sha Wan, Kowloon, Hong Kong. Upon completion of the distribution in specie, Excel Value ceased to be a subsidiary of the Group and the retained profits of the Group were reduced by HK$423,991,000, which is equivalent to the then consolidated net book value of the Excel Value Group.

Further details of the distribution in specie are set out in the Company's circular dated 26 November 2014 and announcement dated 31 December 2014.

7. EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY

The calculation of the basic earnings per share amount is based on the profit for the year attributable to shareholders of the Company and the weighted average number of ordinary shares in issue during the year.

The calculation of the diluted earnings per share amount is based on the profit for the year attributable to shareholders of the Company, adjusted to reflect the effect of the deemed conversion of all the Group's dilutive convertible bonds at the respective dates of issue. The weighted average number of ordinary shares used in the calculation is the total of (i) the number of ordinary shares in issue during the year, as used in the basic earnings per share calculation; and (ii) the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise of all dilutive share options of the Company, as appropriate, and the deemed conversion of all dilutive convertible bonds into ordinary shares, at the beginning of the year or the date of issue, whichever is the later.

The calculation of the basic and diluted earnings per share amounts is based on the following data:

	2016	2015
	HK$'000	*HK$'000*
Earnings		
Profit for the year attributable to shareholders of the Company, used in the basic earnings per share calculation	**301,950**	102,518
Imputed interest on convertible bonds	**8,212**	1,206
Profit for the year attributable to shareholders of the Company, used in the diluted earnings per share calculation	**310,162**	103,724

	2016	2015
Number of shares		
Weighted average number of ordinary shares in issue during the year, used in the basic earnings per share calculation	**1,414,254,283**	1,114,182,615
Effect of dilution — weighted average number of ordinary shares:		
Share options	**—**	809,488
Convertible bonds	**155,489,041**	45,042,466
Weighted average number of ordinary shares, used in the diluted earnings per share calculation	**1,569,743,324**	1,160,034,569

8. PROPERTY, PLANT AND EQUIPMENT

During the year, the Group spent approximately HK$50,856,000 (2015: HK$98,943,000) on property, plant and equipment. In addition, the Group disposed of property, plant and equipment with a total net carrying amount of approximately HK$12,808,000 (2015: HK$3,671,000) and wrote off certain of its property, plant and equipment with a total net carrying amount of HK$19,424,000 (2015: Nil) during the year.

9. TRADE RECEIVABLES

	2016	2015
	HK$'000	*HK$'000*
Trade receivables other than retention receivables	**1,168,034**	929,005
Impairment	**—**	(534)
	1,168,034	928,471
Retention receivables	**524,928**	528,666
	1,692,962	1,457,137

Except for the rental income from leasing of properties which are payable in accordance with the terms of the relevant agreements, the Group generally allows a credit period of not exceeding 60 days to its customers. Interim applications for progress payments on construction contracts are normally submitted on a monthly basis and are normally settled within one month.

The aged analysis of the trade receivables (other than retention receivables) as at the end of the reporting period, based on the invoice date and net of impairment, is as follows:

	2016	2015
	HK$'000	*HK$'000*
Within 1 month	**1,011,558**	830,547
1 to 2 months	**83,795**	92,919
2 to 3 months	**35,259**	1,589
Over 3 months	**37,422**	3,416
	1,168,034	928,471

10. TRADE PAYABLES

	2016	2015
	HK$'000	*HK$'000*
Trade payables other than retention payables	**829,189**	827,214
Retention payables	**542,949**	389,276
	1,372,138	1,216,490

The Group's trade payables (other than retention payables) are non-interest bearing and are normally settled on 30-day terms.

An aged analysis of the Group's trade payables (other than retention payables) as at the end of the reporting period, based on the invoice date, is as follows:

	2016	2015
	HK$'000	*HK$'000*
Within 1 month	**474,809**	398,888
1 to 2 months	**159,409**	327,290
2 to 3 months	**62,530**	68,392
Over 3 months	**132,441**	32,644
	829,189	827,214

11. CONTINGENT LIABILITIES

At the end of the reporting period, the Group had the following contingent liabilities, which have not been provided for in the financial statements:

(a) Corporate guarantees and performance bonds given

	2016	2015
	HK$'000	*HK$'000*
Indemnities issued to financial institutions for performance bonds in respect of construction contracts undertaken by:		
— subsidiaries	**676,313**	461,710
— joint operations	**388,291**	410,521
	1,064,604	872,231
Extent of guarantees issued to financial institutions to secure credit facilities granted to associates	**298,100**	306,100
Guarantees for property development projects given to banks which granted facilities to purchasers of the Group's properties held for sale	**165,252**	203,762
	1,527,956	1,382,093

During the year, in consideration of payments of certain sums to the Group, the Group has provided two parties with guarantees to indemnify them any losses and liabilities that they may incur in connection with certain construction work of the Group in which the two parties have involvement. The financial impact of the contingent liabilities that may arise from these agreements is not disclosed as, in the opinion of the directors of the Company, the estimate of which is not practicable to do so.

In the opinion of the directors of the Company, the fair values of the financial guarantee contracts of the Group are insignificant at initial recognition and the directors consider that the possibility of the default of the parties involved is remote. Accordingly, no value has been recognised in the consolidated statement of financial position in respect of these financial guarantee contracts.

At 31 March 2016, the banking facilities guaranteed by the Group to associates were utilised to the extent of HK$117,730,000 (2015: HK$122,200,000).

(b) Litigations

(i) During the year ended 31 March 2014, a subsidiary of the Group commenced legal proceedings to seek payment for an outstanding amount of approximately HK$335 million against the contract customer of a construction contract (the "Tsz Shan Monastery Project") undertaken by the Group in prior years, and a writ of summons was issued at the High Court of the Hong Kong Special Administrative Region against the contract customer for additional works performed and costs incurred by the subsidiary of the Group for superstructure works in relation to the main buildings and associated facilities at the Tsz Shan Monastery complex on 8 August 2013. Subsequently, the subsidiary of the Group received a defence and counterclaim from the contract customer on 22 November 2013, in which the contract customer accepted that it was liable to pay only a certain amount of the subsidiary of the Group's claims and, in addition, is alleging contra charges against the subsidiary of the Group in respect of rectification of alleged non-compliance works and sectional liquidated damages.

The Group has recognised contract revenue and cost in profit or loss up to 31 March 2016, by reference to the stage of completion of the contract activities at the end of the reporting period, which is measured by reference to the value of work carried out to date as certified by the architect. Variations in contract work and claims are included in revenue to the extent that the amount has been certified by the architect and its receipt is considered probable.

The court at trial has been carried out in March to May 2016 and the ultimate outcome of the case will depend on the trial judge's decision which is expected to be handed down in late 2016 or early 2017.

However, after having performed management's internal critical assessment of the aforesaid case and seeking advice from independent quantum assessor and legal advisor, the directors of the Company are of the opinion that the defence and counterclaim by the contract customer has no merit and would be successfully defended, therefore no material adverse financial impact to the Group is expected.

(ii) During the year ended 31 March 2014, a plaintiff commenced legal proceedings against a subsidiary of the Group alleging that the termination of a proposed transaction in relation to the sale of commercial development and 49% interest in the car park development at No. 8 Clear Water Bay Road (collectively the "Properties") was wrongful and claimed for the loss of capital appreciation of the Properties for the breach of a memorandum entered into between the plaintiff and a subsidiary of the Group in September 2013.

The plaintiff and the subsidiary of the Group have completed the pleadings stage and have exchanged their witness statements in March 2015 and produced their expert reports on 1 April 2016. Subsequently, at the 3rd Case Management Conference on 17 May 2016, the court gave directions to the parties to file supplemental expert reports in response and to take out interlocutory applications.

The ultimate outcome of the case would depend on the evidence adduced before the case management conference for the proceedings adjourned on 1 December 2016.

Besides, during the year ended 31 March 2014, another plaintiff commenced legal proceedings against the same subsidiary of the Group that the termination of a proposed transaction in relation to the sale of commercial development at No. 8 Clear Water Bay Road was wrongful and seeks damages from the subsidiary of the Group.

The parties have completed the pleadings stage and are now at the discovery stage. Given the early stage of the legal proceedings, it is difficult to assess the ultimate outcome of the case.

However, based on the existing legal documents after having performed management's internal critical assessment of the aforesaid cases and seeking advice from independent legal advisor, the directors of the Company are of the opinion that the Group has a reasonable ground of defence on the merits and would be successfully defended, therefore no material adverse financial impact to the Group is expected.

12. PLEDGE OF ASSETS

At the end of the reporting period, the following assets were pledged by the Group to secure banking facilities granted to the Group:

	2016	2015
	HK$'000	*HK$'000*
Property, plant and equipment	**33,765**	39,821
Properties under development	**305,155**	250,924
Bank deposits	**262,281**	583,391
	601,201	874,136

As at 31 March 2016 and 2015, the Group has pledged the equity interest in a non-wholly owned subsidiary to secure a banking facility granted to the Group.

13. EVENTS AFTER THE REPORTING PERIOD

Subsequent to the end of the reporting period, the following significant events occurred:

(1) On 4 November 2015, China City Construction Investments Holdings Limited ("CCC Investments", a direct wholly-owned subsidiary of the Company, as purchaser) (formerly known as Leading Top Investments Limited) entered into a sale and purchase agreement with China Chengjian Investment Limited ("China Chengjian", as vendor), pursuant to which CCC Investments conditionally agreed to acquire and China Chengjian conditionally agreed to sell the entire issued share capital of CCCC Development Limited at a cash consideration of HK$660,000,000 (the "Acquisition").

The Acquisition constitutes a major transaction of the Company under Chapter 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and is subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules. Further details of the Acquisition are set out in the Company's announcement and circular dated 4 November 2015 and 25 December 2015, respectively.

On 25 April 2016, the Acquisition has been completed as the conditions precedent to the completion had been fulfilled. CCCC Development Limited has become an indirect wholly-owned subsidiary of the Company since then.

(2) On 16 March 2016, Caine Developments Limited ("Caine Developments", an indirect wholly-owned subsidiary of the Company, as purchaser) entered into a sale and purchase agreement with a third party (the "Party", as vendor), pursuant to which Caine Developments agreed to acquire and the Party agreed to sell 60% of the entire issued share capital of Grand View Properties Limited ("Grand View", a 40% associate of the Group) and the shareholder's loan owing by Grand View to the Party at a total cash consideration of HK$160,800,000. Upon completion of the transaction, Grand View will become an indirect wholly-owned subsidiary of the Company. Up to the date of this announcement, the transaction has not been completed.

(3) On 3 May 2016, the Company entered into a placing and subscription agreement with China New Way Investment Limited ("China New Way", an immediate holding company of the Company), and a placing agent, pursuant to which (i) China New Way agreed to place, through the placing agent, an aggregate of up to 72,000,000 top-up placing shares of the Company at the top-up placing price of HK$1.25 per share (the "Top-up Placing"); and (ii) China New Way agreed to subscribe for up to 72,000,000 top-up subscription shares of the Company at the top-up subscription price of HK$1.25 per share (the "Top-up Subscription") which is equivalent to the top-up placing price.

The Top-up Placing and the Top-up Subscription have been completed on 6 May 2016 and 11 May 2016 respectively. An aggregate of 72,000,000 top-up placing shares of the Company have been placed to not less than six placees at the top-up placing price of HK$1.25 per share; and 72,000,000 top-up subscription shares of the Company have been allotted and issued to China New Way at the top-up subscription price of HK$1.25 per share. The net proceeds (after deducting the commission payable to the placing agent, professional fee and other related costs and expenses in relation to the Top-up Placing and the Top-up Subscription) from the Top-up Subscription are approximately HK$86,000,000. Details regarding the Top-up Placing and the Top-up Subscription and their completion are set out in the Company's announcements dated 3 May 2016 and 11 May 2016, respectively.

(4) On 6 May 2016, the Company announced that the Board is considering the feasibility of a potential spin-off (the "Potential Spin-off") and separate listing (the "Separate Listing") of its professional services business (provision of security, cleaning and other property management related services) on the Growth Enterprise Market of the Stock Exchange. Details regarding the Potential Spin-off and the Separate Listing are set out in the Company's announcement dated 6 May 2016.

(5) On 10 May 2016, the Group entered into a memorandum of understanding with an independent third party (the "Vendor") in relation to the potential acquisition of 70% equity interest in a target company (the "Target Company") from the Vendor (the "Potential Acquisition"). The Target Company is principally engaged in the provision of engineering and architecture consultancy services in Singapore. Details regarding the Potential Acquisition are set out in the Company's announcement dated 10 May 2016.

LIQUIDITY AND FINANCIAL RESOURCES

The Group mainly relies upon internally generated funds as well as bank and other borrowings to finance its operations and expansion, which is supplemented by equity funding when it is required.

At 31 March 2016, the total net debts of the Group amounted to approximately HK$1,410.0 million, representing total debts of approximately HK$2,684.4 million less total of cash and bank balances of approximately HK$1,274.4 million. The debt maturity profile, based on scheduled repayment dates set out in loan agreements of the Group at 31 March 2016, is analysed as follows:

	As at 31 March 2016 *HK$ million*	As at 31 March 2015 *HK$ million*
Borrowings and obligations under hire purchase contract and finance leases repayable:		
Within one year or on demand	**1,207.5**	1,932.1
After one year, but within two years		
— On demand shown under current liabilities	**197.9**	37.6
— Remaining balances	**178.8**	24.7
After two years, but within five years		
— On demand shown under current liabilities	**334.2**	200.4
— Remaining balances	**646.2**	141.7
	2,564.6	2,336.5
Unsecured bond payable to a related company		
— Repayable within one year	**—**	150.0
Convertible bonds		
— Repayable after two years but within five years	**119.8**	146.5
Total debts	**2,684.4**	2,633.0

At 31 March 2016, the gearing ratio of the Group, being the proportion of net interest bearing debts to equity attributable to shareholders of the Company was 0.74 (2015: 0.85).

To minimise exposure on foreign exchange fluctuations, the Group's borrowings and cash balances are primarily denominated in Hong Kong dollars or Renminbi which are the same as the functional currency of the relevant group entities. The Group has no significant exposure to foreign exchange rate fluctuations and shall use derivative contracts to hedge against its exposure to currency risk only when it is required. Furthermore, the Group's borrowings have not been hedged by any interest rate financial instruments.

PLEDGE OF ASSETS

Details of the pledge of assets of the Group are set out in Note 12 to the results.

CONTINGENT LIABILITIES

Details of the contingent liabilities of the Group are set out in Note 11 to the results.

EMPLOYEE AND REMUNERATION POLICIES

The Group had approximately 4,370 employees as at 31 March 2016. Total remuneration of employees for the year ended 31 March 2016 (the "Year") amounted to approximately HK$1,282.4 million. Employees are remunerated according to nature of the job and market trend, with built-in merit component incorporated in the annual increment to reward and motivate individual performance. Employee bonus is distributable based on the performance of the respective subsidiaries and the employees concerned. Moreover, the Group also provides in-house and external training programmes which are complementary to certain job functions.

FINAL DIVIDEND

The Board did not recommend the payment of a final dividend for the Year (2015: Nil).

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Thursday, 18 August 2016 to Monday, 22 August 2016 (both days inclusive) for the purpose of determining the entitlement to attend and vote at the forthcoming annual general meeting of the Company (the "AGM"). During which period no transfer of shares of the Company will be registered. In order to be eligible to attend and vote at the AGM, all completed transfer documents accompanied by the relevant share certificate(s) must be lodged with the Hong Kong Branch Share Registrar of the Company, Tricor Secretaries Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Wednesday, 17 August 2016.

BUSINESS REVIEW

The Group recorded a total revenue of approximately HK$8.54 billion for the Year, increased by 2.7% year on year. Net profit attributable to shareholders of the Company increased by 194.5% to approximately HK$302.0 million, enabling the Group to exceed its annual target of 10% growth in net profit. Increase in net profit is mainly attributable to the gain on sales of property interests through disposal of subsidiaries, adjustment of profit model and effective control of operating costs. The Group's net profit margin increased to approximately 3.5%. Earnings per share amounted to approximately HK21.35 cents, increased by 132.1%.

Construction

The Group's core construction segment performed steadily in the past year. Construction contracts continued progressing as scheduled, while a number of major projects were completed or nearly completed. During the Year, this segment recorded the revenue of approximately HK$8.06 billion, representing a year-on-year increase of 2.5%. Segmental profit was approximately HK$183.2 million, representing a year on year increase of 46.2%.

As at 31 March 2016, the total value of the Group's contracts on hand was approximately HK$31.68 billion, of which approximately HK$13.94 billion remained outstanding. Compared with the figures of last year, these amounts represent an increase of 17.9% and 4.4% respectively.

During the Year, the shortage of manpower in the industry continued pushing up labour and employee costs, imposing short-term challenges on the Group. In the long run, awarding of tenders for numerous large government infrastructure construction projects is continuously being delayed due to reasons such as delay in funding approvals by the Legislative Council. As a result, many of the industry players bid for the small number of civil engineering projects launched to the market at a "cut-throat" price. Despite this, the Group successfully secured 12 new projects in the period under review by focusing on the building construction market, thereby achieving encouraging results. The total value of the new contracts was approximately HK$5.9 billion, increased by 47.5% as compared with the total value of approximately HK$4.0 billion for the same period of last year. The new projects include a subsidised sale flats project in Sha Tin area 36C with a contract value of approximately HK$1.48 billion, and term contract for providing minor works for 2015 Hong Kong East and Hong Kong West clusters with a contract value of approximately HK$840 million. Both projects are expected to be completed in the third quarter of 2018. In addition, the Group also successfully secured the contracts for the design and construction of New Territories West Regional Office and Water Resources Education Center of Water Supplies Department, the superstructure for the proposed residential development at Hong Tsuen Road, Sai Kung, New Territories, etc.. Securing tenders for new projects during the Year had demonstrated the market recognition for the outstanding project execution capability and high construction quality of the Group once again.

During the Year, most construction projects in progress made ideal progress, including Liantang/Heung Yuen Wai Boundary Control Point, Site Formation and Infrastructure Works; Central-Wan Chai Bypass: Tunnel (North Point Section) and Island Eastern Corridor Link Construction Works; Wan Chai Development Phase II: Central-Wan Chai Bypass at Wan Chai East; and the Hong Kong-Zhuhai-Macao Bridge Hong Kong Boundary Crossing Facilities - Passenger Clearance Building, etc.. Such projects are expected to be completed between 2017 and 2019.

During the Year, a number of projects were completed and delivered under the construction segment of the Group, including the Construction Works of Tuen Mun Western Trunk Sewerage; Term Contract for Waterworks; Commercial Redevelopment at Cannon Street & Jaffe Road, Causeway Bay, Hong Kong; Urban Renewal Project at Castle Peak Road/Hing Wah Street, Sham Shui Po, etc..

Property Development and Investment

During the Year, the property development and investment segment recorded revenue of approximately HK$49.5 million, compared to approximately HK$93.3 million for the corresponding period of last year. Segmental profit was approximately HK$194.9 million, compared to approximately HK$49.4 million last year, representing a year on year increase of 294.3%.

The Group actively continued optimising the overall investment portfolio during the Year and successfully sold a portion of assets of the Group at favorable prices, driving an increase in the segmental profit. Such sales included the sale of interest in two pieces of lands in Macau, held through Profit City International Limited, a wholly-owned subsidiary of the Company. The transaction was completed in July 2015. Besides, the Group sold 10% interest in the Kau To Shan project in October 2015. As for overseas projects, the Group sold the "Reem Diamond", a low-rise residential development project in Abu Dhabi, the United Arab Emirates (the "UAE"), and the land located in Ras Al Khaimah, the UAE, and both transactions were completed in February 2016.

While consolidating the market presence in Hong Kong, the Group has continuously reviewed and adjusted property portfolio and transited to develop and invest in market projects in the form of joint ventures. Currently, the strategic cooperation between the Group and 中國城市建設控股集團有限公司(transliterated as China City Construction Holding Group Company) ("CCCC") has begun to bear fruit. Through acting in close partnership, both parties are jointly developing a residential project located at Whitehead, Ma On Shan and a comprehensive development project located in Miami, the U.S.A.. The gross floor area of the low density with seascape residential project located at Yiu Sha Road, Whitehead, Ma On Shan is approximately 387,500 sq. ft. and is expected to provide about 500 residential units. The master layout plan, architectural building plans and site formation permit of the project have been approved by the relevant departments; and the project is expected to be pre-sold as early as in the middle of 2017 and completed as soon as in the end of 2018. As for the Miami project, the gross floor area is approximately 3,200,000 sq. ft.. The Miami project is under design and planning. It will take about six years to complete the whole project, including its construction works.

The Group's residential development project located at Tseng Choi Street, Tuen Mun is making a smooth progress. The gross floor area of the project is approximately 148,000 sq. ft.. It is expected that the project will provide about 360 residential units, with a commercial floor area of approximately 38,000 sq. ft.. The foundation works of the project had been completed, and the project is estimated to commence pre-sale at the end of 2016 and to be completed at the beginning of 2018.

Professional Services

During the Year, City Services Group Limited, a subsidiary offering security and property management services, by leveraging its strong market presence, has continued attracting lots of quality customers and brought satisfactory income and contribution for the Group by generating a net profit of approximately HK$16.1 million, representing approximately 3.8% of the total turnover of such business segment. In view that high quality property management, especially security services, is of enormous demand and extensive development prospects, and to further consolidate and strengthen the Group's advantages in this aspect in response to the market demand, the Group is actively considering the feasibility of spin-off and separate listing of this business on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

During the Year, this business segment, through the provision of diversified and professional services, secured contracts including a security service contract for the premium housing estate Sorrento at Kowloon Station; technical services contract for managed properties within the airport railway region of MTR Corporation Limited; a property management contract for the premium property, The Cairnhill, Tsuen Wan; security and car park management services contract for Cable TV Tower, Tsuen Wan; security and car park management services contract for North Lantau Hospital and Yan Chai Hospital; and a security service contract for all BMW service centers, etc., and also became the designated security and ticketing contractor for the Fourth Hong Kong Food Carnival and the Hong Kong Brands and Products Expo for six consecutive years.

OUTLOOK AND PROSPECTS

Construction

Delay in fund allocation for public expenditures and slowdown in tendering of numerous public infrastructure projects due to the delay in funding approvals by the Legislative Council have cast shadow on the construction market. Although approvals of funding allocation by the Legislative Council for some of the infrastructure projects finally proceeded recently, the trend of filibuster in the Legislative Council have gradually become a common scene. We believe that the industry will continue being affected by the delay in funding approvals in the long run. At the same time, development of the residential property market shows sign of slowdown. The Group believes that construction tenders for many residential buildings will also be launched at a slower pace in the next few years accordingly, and therefore the construction business will be under pressure from the bidding price on the building construction projects. On the other hand, the decrease in demand for building construction will accordingly reduce construction costs incurred in respect of suppliers and subcontractors. We expect that this will offset the impact from reduced demand. We are confident that we can obtain infrastructure projects in Hong Kong, so as to ease and compensate for the situation of insufficient project in the market at present, for example, the Airport Third Runway Program which is expected to invite tenders this year or next year, including the construction of the third runway, new passenger concourses, reconstruction/expansion of the existing terminal 2 and construction of other related supporting infrastructures in the airport, etc.. Overall, the Group will hold a prudent and pragmatic attitude to expand its construction business.

The Group has submitted tenders for a number of public projects that were delayed and pending approvals of budgets by the Legislative Council, and has been always paying attention to the private sector opportunities at the same time. The Group believes that, following the fund allocation and commencement of the numerous aforesaid plans, the sign of slowdown in the construction industry in recent years will be improved. The market also expects tenders to be launched by the government for new projects in the future, while new urban planning will support the medium and long-term continuous development of the construction industry in the future. We will continue bidding for attractive projects with a prudent attitude so as to lay a solid foundation for the future development of the Group, and we stay optimistic about the medium and long-term construction market.

At present, the Construction Industry Council forecasts that the construction industry is still in short of approximately 10,000 to 15,000 skilled workers in the next few years. Faced with the aging of the workforce and the serious shortage of manpower, the Group will inevitably suffer from price pressure in certain projects. Hence, the government actively strengthens its effort in assisting the recruitment of local construction workers, promoting skills and professional development and attracting new workers to join the construction industry. Under the premise of protecting local workers' priorities in employment and their wage level, the government will also consider the importation of labours to meet development needs. In line with the above strategies, the Group aims to achieve stable and continuous development by ways of reinforcing the Group's internal talent base through the Elite Training Program and the talent retention policy, focusing on exploring measures for cost control and efficiency improvement, strengthening the Group's advantages in the various aspects of construction design, standards, technologies, operations and management, and actively developing diversified projects. The Group believes that labour costs will be eased after the successive completion of several large infrastructures (including the MTR line construction and the Central-Wan Chai Bypass) within this year and early next year.

In the meantime, by leveraging the development opportunities and resources of shareholders including China New Way Investment Limited and CCCC in China and countries along the "One Belt, One Road", the Group will further expand its business within the area based on the acquired 中城建第四工程局集團有限公司(transliterated as China City Construction Fourth Engineering Bureau Group Co., Ltd.) and 中城建第十三工程局有限公司(transliterated as China City Construction Thirteenth Engineering Bureau Co., Ltd.), including China's municipal infrastructure construction business, in particular business opportunities under the public-private partnership model (PPP), and by combining the strengths in both the mainland China and Hong Kong, actively exploit large development projects in countries along the "One Belt, One Road" under the policy.

Property Development and Investment

Property market in Hong Kong and the first-tier cities in the mainland China have experienced adjustment since the middle of last year and residential trading has turned quiet. The Government anticipates that the interest rates will gradually increase in the future and the local housing supply will rise in the medium term, and in addition, the economic outlook is filled with uncertainties, thereby imposing adjustment pressures on the property market. Hence, the Group will continue strategically focusing on actively seizing property development and investment opportunities with high growth potential by means of joint ventures with a view to mitigating risks as well as securing operating capital required for various projects.

The Group expects that the residential projects under development at Tseng Choi Street, Tuen Mun and Yiu Sha Road, Whitehead, Ma On Shan will commence pre-sale at the end of 2016 and in the middle of 2017 respectively, and the development project in Miami, the U.S.A., with the whole project (including its construction works) requiring about six years to be completed. These projects will bring revenue contribution to the Group over the next few years. With respect to property investment, the Group successfully acquired all interest of Grand View Garden Shopping Mall and the parking lots through tender in March 2016, and the transaction is expected to be completed in June 2016. The rental income of the property increased by 16% year on year. Apart from these, the Group will continue to seek suitable opportunities in the future to gradually dispose for cash a portion of past property development projects that have been held for a long time, such as the sales of properties in Shanwei, Guangdong Province and Shijiazhuang, Hebei Province.

Looking forward, the Group will uphold the principle of careful and steady development. While consolidating its local market presence in Hong Kong, the Group will continue actively paying close attention to the opportunities from projects with potential in the mainland China and overseas markets, especially in countries such as the U.S.A., the United Kingdom, Australia and Southeast Asia countries, to realise the Group's strategic objective of "Entering China, and Going Global". The Group will also optimise overall investment portfolio by actively expanding and adjusting its property development and investment segment.

Conclusion

In addition to continuing with the consolidation of its core construction business, the Group will collaborate with strategic cooperative partners to develop projects of property development and investment, in particular those local and overseas opportunities of high quality and potential, in order to enhance the overall profitability of the Group. Strategic cooperation between the Group and its major shareholders has begun to bear fruit, extending the Group's business into the mainland China and overseas and further implementing the Group's strategic objective of "Entering China, and Going Global" to lift its position to rank among the leading multinational commercial enterprises. By combining the strengths of each shareholder, the Fourth Engineering Bureau and the Thirteenth Engineering Bureau as well as integrating the Group's own professional knowledge, skills and experience in construction and property development and investment, the Group will undertake large infrastructure projects in the mainland China and overseas by leveraging its powerful strengths, especially business opportunities from the public-private partnership model (PPP) and "One Belt, One Road". This will also help the Group to further develop and seize the property management market in China at the same time. Meanwhile, the Group will continue improving its internal management, endeavoring to reducing costs and risks and improving overall operating efficiency. We believe these new directions of development will bring satisfactory returns to Shareholders and create a greater profit growth in the long run.

EVENTS AFTER THE REPORTING PERIOD

Details of the significant events after the reporting period of the Group are set out in Note 13 to the results.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the Year.

CORPORATE GOVERNANCE PRACTICES

The Company has complied with the code provisions of the Corporate Governance Code (the "Code") contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") throughout the Year except for the deviations from the code provisions A.4.1 and A.4.2 of the Code.

Code provision A.4.1 of the Code stipulates that non-executive directors should be appointed for a specific term and subject to re-election while one of our chairmen, who is also the non-executive director of the Company, was appointed with no specific term and not subject to re-election. Moreover, pursuant to code provision A.4.2 of the Code, every Director should be subject to retirement by rotation at least once every three years. The Board considers that the Chairmen and the Managing Director of the Company are not subject to retirement by rotation in order to maintain the stability and continuity. However, the Board may consider to amend the Bye-laws of the Company when appropriate in order to enhance the corporate governance.

Further information of the Company's corporate governance practices will be disclosed in the Corporate Governance Report contained in the Company's 2015/2016 Annual Report.

DIRECTORS' SECURITIES TRANSACTIONS

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

AUDIT COMMITTEE REVIEW

The audit committee of the Company (the "Audit Committee") comprises three members, namely Mr. Chan Stephen Yin Wai (Chairman of the Audit Committee), Mr. Kwan Ringo Cheukkai and Mr. Wu William Wai Leung, all being independent non-executive directors of the Company. The Audit Committee has reviewed with the management and given its consent to the accounting principles and practices adopted by the Group and discussed internal control and financial reporting matters including the review of the annual results of the Group for the Year.

SCOPE OF WORK OF THE COMPANY'S AUDITORS IN RESPECT OF THE PRELIMINARY ANNOUNCEMENT

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

By Order of the Board
CHINA CITY CONSTRUCTION
GROUP HOLDINGS LIMITED

Xu Jianhua	**Pang Yat Ting, Dominic**
Co-Chairman	*Co-Chairman*

Hong Kong, 15 June 2016

As at the date of this announcement, the executive directors of the Company are Mr. Xu Jianhua, Ir Dr. Pang Yat Bond, Derrick and Mr. Kwok Yuk Chiu, Clement, the non-executive directors of the Company are Mr. Pang Yat Ting, Dominic, Mr. Zhang Xiaoliang and Mr. Chow Wing Kin, Anthony SBS, JP, and the independent non-executive directors of the Company are Mr. Chan Stephen Yin Wai, Mr. Kwan Ringo Cheukkai and Mr. Wu William Wai Leung.